



CITY OF LAGUNA HILLS CITY COUNCIL/PLANNING AGENCY

REGULAR MEETING AGENDA Tuesday, November 26, 2019 – 7:00 PM (Closed Session at 6:00 PM when scheduled)

Don Sedgwick, Mayor

**Janine Heft, Mayor Pro Tempore
Erica Pezold, Council Member**

**Dore J. Gilbert, M.D., Council Member
Dave Wheeler, Council Member**

Location: City Council Chamber, 24035 El Toro Road, Laguna Hills, CA 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.

CLOSED SESSION - CONVENING AT 6:00 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.

ROLL CALL OF CITY COUNCIL MEMBERS

ANNOUNCEMENT OF CLOSED SESSION ITEM(S)

The City Council will convene into Closed Session, in the City Council Conference Room, City Hall, Laguna Hills Civic Center, to consider the following matter(s):

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: Don Sedgwick, Mayor

Unrepresented Employee: Donald J. White, City Manager

PUBLIC COMMENT ON CLOSED SESSION ITEM(S)

ADJOURN TO CITY COUNCIL CONFERENCE ROOM

CONVENE INTO CLOSED SESSION

The City Council will convene into Closed Session to consider the matter(s) listed above.

RECONVENE TO CITY COUNCIL CHAMBERS

RECESS



CITY OF LAGUNA HILLS CITY COUNCIL/PLANNING AGENCY

REGULAR MEETING AGENDA Tuesday, November 26, 2019 – 7:00 PM (Closed Session at 6:00 PM when scheduled)

Don Sedgwick, Mayor

**Janine Heft, Mayor Pro Tempore
Erica Pezold, Council Member**

**Dore J. Gilbert, M.D., Council Member
Dave Wheeler, Council Member**

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

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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 PEZOLD

ROLL CALL OF CITY COUNCIL MEMBERS

CLOSED SESSION REPORT

1. PRESENTATIONS AND PROCLAMATIONS**1.1 Laguna Hills High School Student Liaison**

Recommendation: That the City Council receive an oral report from Laguna Hills High School Student Liaison Blake Jaffe.

1.2 Laguna Hills High School Project Zero Waste

Recommendation: That the City Council receive a presentation from Laguna Hills High School students on their Project Zero Waste work efforts.

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, an 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 12, 2019, Regular Meeting

Recommendation: That the City Council approve the Minutes for the November 12, 2019, Regular Meeting.

3.3 Approval of Warrant Register for November 26, 2019

Recommendation: That the City Council ratify the accompanying Warrant Register for the period from November 1, 2019, to November 14, 2019, in the amount of \$1,116,163.13.

3.4 Amendment No. 2 to Lease with the Banc of California, a National Association, for 24033 El Toro Rd., Suite 130, Laguna Hills, California

Recommendation: That the City Council approve Amendment No. 2 to the Lease with the Banc of California, a National Association, for 24033 El Toro Road, Suite 130, Laguna Hills, California, and authorize the City Manager to execute the Amendment.

3.5 A Proposed Resolution Authorizing an Application For, and Receipt Of, SB 2 Planning Grants Program Funds

Recommendation: That the City Council Adopt a Resolution entitled: "A Resolution of the City Council of the City of Laguna Hills, California, authorizing application for, and receipt of, SB 2 Planning Grants Program Funds".

3.6 M2 Expenditure Report for the Fiscal Year Ended June 30, 2019

Recommendation: That the City Council: (1) Approve the M2 Expenditure Report for the Fiscal Year ended June 30, 2019, 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 the Fiscal Year ended June 30, 2019."

3.7 Annual Review of Investment & Portfolio 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. 2018-11-27-2."

3.8 First Quarter Financial & Treasurer's Report for Fiscal Year 2019/2020

Recommendation: That the City Council receive and file the First Quarter Financial and Treasurer's Report for Fiscal Year 2019/2020.

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**4.3.1 Approval of Minutes for November 12, 2019, Regular Meeting**

Recommendation: That the Planning Agency approve the Minutes for the November 12, 2019, Regular Meeting.

4.4. ADMINISTRATIVE REPORTS**4.5. PLANNING AGENCY PUBLIC HEARINGS****PLANNING AGENCY ADJOURNMENT****5. CITY COUNCIL PUBLIC HEARINGS**

5.1 Second Reading & Adoption of Proposed Ordinances Amending Title 10 (Buildings and Construction) and Chapter 5-16 (Fire Code) of the Laguna Hills Municipal Code and Adopting by Reference the 2019 Edition of the California Building Standards Code (California Code of Regulations, Title 24) Consisting of the California Building Code, Residential Code, Electrical Code, Mechanical Code, Plumbing Code, Energy Code, Historical Building Code, Fire Code, Existing Building Code, Green Building Standards Code, and Referenced Standards Code, Together with Certain Amendments, Additions, and Deletions Thereto

Recommendation: That the City Council:

(1) Conduct a Public Hearing; and

(2) Adopt an Ordinance entitled: "An Ordinance of the City of Laguna Hills, California, amending Title 10 (Buildings And Construction) of the Laguna Hills

Municipal Code and adopting by reference the 2019 Edition of the California Building Standards Code (California Code of Regulations, Title 24), consisting of the 2019 California Building Code, the 2019 California Residential Code, the 2019 California Electrical Code, the 2019 California Mechanical Code, the 2019 California Plumbing Code, the 2019 California Energy Code, the 2019 California Historical Building Code, the 2019 California Existing Building Code, the 2019 California Green Building Standards Code, and the 2019 California Referenced Standards Code, together with certain amendments, additions, and deletions thereto.”; and

(3) Adopt an Ordinance entitled: “An Ordinance of the City of Laguna Hills, California, amending Chapter 5-16 (Fire Code) of Title 5 (Health and Sanitation) of the Laguna Hills Municipal Code and adopting by reference the 2019 Edition of the California Fire Code including Appendices B, BB, C, and CC together with certain amendments, additions, and deletions thereto.”

6. ADMINISTRATIVE REPORTS

6.1. City Manager

6.1.1 Deposit/Reimbursement Agreement with MGP Fund X Laguna Hills, LLC

Recommendation: That the City Council approve the Deposit/Reimbursement Agreement with MGP Fund X Laguna Hills, LLC, and authorize the City Manager to execute the Agreement.

6.1.2 Consulting Services Agreement with Kelly Associates Management Group

Recommendation: That the City Council:

(1) Waive competitive informal and formal bidding requirements and procedures set forth in the City of Laguna Hills Municipal Code (LHMC) Section 3-08.080 and Section 3-08.090 with regard to approval of the proposed Strategic Planning, Economic Development, and Project Management Consulting Services Agreement with Kelly Associates Management Group as it is hereby found and determined, pursuant to LHMC Section 3-08.110 (L.6) that the services retained are for economic

development services; and,

(2) Approve a Consulting Services Agreement with Kelly Associates Management Group and authorize the City Manager to execute the Agreement.

6.1.3 Professional Services Agreement with Kosmont & Associates, Inc. for Real Estate, Financial Advisory, and Economic Development Services

Recommendation: That the City Council:

(1) Waive competitive informal and formal bidding requirements and procedures set forth in the City of Laguna Hills Municipal Code (LHCM) Section 3-08.080 and Section 3-08.090 with regard to approval of the proposed Real Estate, Financial Advisory, and Economic Development Services Agreement with Kosmont & Associates, Inc. as it is hereby found and determined, pursuant to LHMC Section 3-08.110(L.6) that the services retained are for economic development services; and,

(2) Approve the Professional Services Agreement with Kosmont & Associates, Inc. and authorize the City Manager to execute the Agreement.

6.1.4 Proposed Village at Laguna Hills Redevelopment Project Frequently Asked Questions (24155 Laguna Hills Mall, Laguna Hills, CA 92653)

Recommendation: That the City Council review and comment on the proposed Village at Laguna Hills Redevelopment Project Frequently Asked Questions and direct staff to post on the City's web site.

6.2. Finance Director

6.2.1 Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2019

Recommendation: That the City Council receive and file the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2019, together with the audit letters.

7. **MATTERS AGENDIZED AND PRESENTED BY CITY COUNCIL MEMBERS**
8. **CITY COUNCIL MEMBER COMMENTS**
9. **CLOSED SESSION**

ANNOUNCEMENT OF CLOSED SESSION ITEM(S)

The City Council will be reconvening into Closed Session, in the City Council Conference Room, City Hall, Laguna Hills Civic Center, to consider the following matter(s):

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: Don Sedgwick, Mayor
Unrepresented Employee: Don White, City Manager

PUBLIC COMMENT ON CLOSED SESSION ITEM(S)

ADJOURN TO CITY COUNCIL CONFERENCE ROOM

CONVENE INTO CLOSED SESSION

RECONVENE TO CITY COUNCIL CHAMBERS

CLOSED SESSION REPORT

10. **CONSIDERATION OF COMPENSATION FOR CITY MANAGER**

10.1 Consideration of Compensation for City Manager

Recommendation: That the City Council take such action as it so determines.

ADJOURNMENT

The next Regular Meeting of the City Council/Planning Agency will be December 10, 2019, in the City Council Chamber, located at 24035 El Toro Road, Laguna Hills, California.

CERTIFICATION

I, Melissa Au-Yeung, 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 November 22, 2019, at 5:00 pm.



City Clerk

November 22, 2019

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/Planning Agency

Staff Report

DATE: November 26, 2019
TO: Mayor and Council Members
FROM: David Reynolds
Deputy City Manager
ISSUE: Laguna Hills High School Project Zero Waste

RECOMMENDATION: That the City Council receive a presentation from Laguna Hills High School students on their Project Zero Waste work efforts.

SUMMARY:

Laguna Hills High School is a lead school for Project Zero Waste which is sponsored by Inside the Outdoors. Students from Laguna Hills High School will present to the City Council their waste diversion project at the high school campus. These students have developed a school garden and a composting and recycling program which was identified last year as a pilot program for the school district's organic waste recycling requirements.

On April 11, 2017, the City Council authorized the Mayor to sign a letter of support for Inside the Outdoors to include in its application for the Regional Recycling and Waste Diversion Grant Program sponsored by OC Waste and Recycling. Inside the Outdoors was awarded grant funds from the County to provide schools with environmental education programs and to assist with implementing recycling programs at schools. Inside the Outdoors assisted Laguna Hills High School students with their Project Zero Waste project which will be presented to the City Council on November 26, 2019.



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: November 26, 2019
TO: Mayor and Council Members
FROM: Jennifer Lee
Assistant City Clerk
ISSUE: Approval of Minutes for November 12, 2019, Regular Meeting

RECOMMENDATION: That the City Council approve the Minutes for the November 12, 2019, Regular Meeting.

ATTACHMENTS:

- 191112 CC Minutes

**CITY OF LAGUNA HILLS
CITY COUNCIL/PLANNING AGENCY**

**REGULAR MEETING
MINUTES
Tuesday, November 12, 2019**

CLOSED SESSION - CONVENING AT 6:00 PM

CALL TO ORDER

The meeting was called to order at 6:00 p.m. by Mayor Sedgwick.

ROLL CALL OF CITY COUNCIL MEMBERS

Attendee Name	Title	Status	Arrived
Don Sedgwick	Mayor	Present	
Janine Heft	Mayor Pro Tempore	Present	
Dore J. Gilbert, M.D.	Council Member	Present	
Erica Pezold	Council Member	Present	
Dave Wheeler	Council Member	Present	

ANNOUNCEMENT OF CLOSED SESSION ITEM(S)

The City Council will convene into Closed Session, in the City Council Conference Room, City Hall, Laguna Hills Civic Center, to consider the following matter(s):

A. PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Pursuant to Government Code Section 54957(b)(1)

Public Employee Title: City Manager - Annual Performance Evaluation

PUBLIC COMMENT ON CLOSED SESSION ITEM(S)

ADJOURN TO CITY COUNCIL CONFERENCE ROOM

CONVENE INTO CLOSED SESSION

The City Council will convene into Closed Session to consider the matter(s) listed above.

RECONVENE TO CITY COUNCIL CHAMBERS

RECESS

Attachment: 191112 CC Minutes (2001 : Approval of Minutes for November 12, 2019, Regular Meeting)

GENERAL BUSINESS - CONVENING AT 7:00 PM**CALL TO ORDER**

The meeting was called to order at 7:01 p.m. by Mayor Sedgwick.

PLEDGE OF ALLEGIANCE: MAYOR PRO TEMPORE HEFT**ROLL CALL OF CITY COUNCIL MEMBERS**

Attendee Name	Title	Status	Arrived
Don Sedgwick	Mayor	Present	
Janine Heft	Mayor Pro Tempore	Present	
Dore J. Gilbert, M.D.	Council Member	Present	
Erica Pezold	Council Member	Present	
Dave Wheeler	Council Member	Present	

CLOSED SESSION REPORT**A. PUBLIC EMPLOYEE PERFORMANCE EVALUATION**

Pursuant to Government Code Section 54957(b)(1)

Public Employee Title: City Manager - Annual Performance Evaluation

Mayor Sedgwick stated that the City Council convened into Closed Session this evening with no reportable action taken.

1. PRESENTATIONS AND PROCLAMATIONS**1.1 Laguna Hills High School Student Liaison**

Recommendation: The City Council received an oral report from Laguna Hills High School Student Liaison Kira Presley.

1.2 Laguna Hills Chamber of Commerce Presentation

Recommendation: The City Council received a plaque presentation from the Laguna Hills Chamber of Commerce.

2. PUBLIC COMMENTS

Jennifer Pointer, Laguna Hills Chamber of Commerce Interim Executive Director, announced the 1st Annual Laguna Hills Holiday Lights Extravaganza Contest.

Diane Bartlow, a resident of Laguna Hills, voiced her concerns regarding maintenance of Aliso Creek and expressed her desire to see the Holiday Hay Ride event return to Clarington Park.

3. CONSENT CALENDAR

Motion to approve the Consent Calendar.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Dore J. Gilbert, M.D., Council Member
SECONDER:	Janine Heft, Mayor Pro Tempore
AYES:	Don Sedgwick, Mayor; Janine Heft, Mayor Pro Tempore; Dore J. Gilbert, M.D., Council Member; Erica Pezold, Council Member; Dave Wheeler, Council Member

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 October 8, 2019, Regular Meeting

Recommendation: That the City Council approve the Minutes for the October 8, 2019, Regular Meeting.

3.3 Approval of Warrant Register for November 12, 2019

Recommendation: That the City Council ratify the accompanying Warrant Register for the period from September 27, 2019, to October 31, 2019, in the amount of \$1,432,889.08.

3.4 Civic Center First Quarter Financial Report for Fiscal Year 2019/2020

Recommendation: That the City Council receive and file the report.

3.5 Approval of Proposed Professional Services Agreements for On-Call Landscape Architecture Services with (1) Nuvis, Inc.; (2) Richard Fisher Associates, Inc.; and (3) Van Dyke Landscape Architects, Inc.

Recommendation: That the City Council approve the proposed Professional Services Agreements for On-call Landscape Architecture Services with (1) Nuvis, Inc.; (2) Richard Fisher Associates, Inc.; and (3) Van Dyke Landscape Architects, Inc., and authorize the Mayor to execute the Agreements.

3.6 Approval of Final Parcel Map No. 2018-182

Recommendation: That the City Council approve Final Parcel Map No. 2018-182, a subdivision of the property located at southwesterly corner of Alicia Parkway at Paseo de Alicia, the former Philips Mazda site, also known as 24888 Alicia Parkway, Laguna Hills, CA.

3.7 Appointment of Labor Negotiator

Recommendation: That the City Council, pursuant to Government Code Section 54957.6, select and appoint Mayor Sedgwick to serve as the Council's designated representative for purposes of: (A) Facilitating the Annual Performance Evaluation of the City Manager; and (B) Conducting Labor Negotiations with the City Manager, an unrepresented employee.

3.8 FY 2018-19 Development Impact Fees Annual Report

Recommendation: That the City Council approve the FY 2018-19 Development Impact Fees Annual Report pursuant to California Government Code Section 66006.

ITEMS REMOVED FROM THE CONSENT CALENDAR

There were no items removed from the Consent Calendar.

4. PLANNING AGENCY

Mayor Sedgwick recessed the City Council Meeting, and acting in capacity as Chair, called the Regular Meeting of the Planning Agency of the City of Laguna Hills, California, to order at 7:15 p.m.

4.1. ROLL CALL OF PLANNING AGENCY MEMBERS

Attendee Name	Title	Status	Arrived
Don Sedgwick	Chair	Present	
Janine Heft	Vice Chair	Present	
Dore J. Gilbert, M.D.	Agency Member	Present	
Erica Pezold	Agency Member	Present	
Dave Wheeler	Agency Member	Present	

4.2. PUBLIC COMMENTS

There were no Planning Agency Public Comments.

4.3. APPROVAL OF MINUTES**4.3.1 Approval of Minutes for October 8, 2019, Regular Meeting**

Recommendation: That the Planning Agency approve the Minutes for the October 8, 2019, Regular Meeting.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Janine Heft, Vice Chair
SECONDER:	Dave Wheeler, Agency Member
AYES:	Don Sedgwick, Chair; Janine Heft, Vice Chair; Dore J. Gilbert, M.D., Agency Member; Erica Pezold, Agency Member; Dave Wheeler, Agency Member

4.4. ADMINISTRATIVE REPORTS

There were no Planning Agency Administrative Reports.

4.5. PLANNING AGENCY PUBLIC HEARINGS

There were no Planning Agency Public Hearings.

PLANNING AGENCY ADJOURNMENT

Mayor Sedgewick reconvened the City Council Meeting at 7:16 p.m. 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 gave no Administrative Reports.

6.2. Community Development Director

6.2.1 Merlone-Geier Partners Presentation of the Proposed Village at Laguna Hills Redevelopment Project

Stephen Logan, Vice President of Development at Merlone-Geier, provided a PowerPoint presentation of the proposed Village at Laguna Hills Redevelopment Project and responded to Council requests for additional information.

Dave Geiser, Managing Director of Design & Construction at Merlone-Geier, provided a PowerPoint presentation of the proposed Village at Laguna Hills Redevelopment Project and responded to Council requests for additional information.

Karen Litfin, a resident of Laguna Hills, voiced her concerns regarding the project.

Rona Henry, a resident of Laguna Woods, voiced her concerns regarding the project.

Nick Wilson, a resident of Laguna Hills, voiced his concerns regarding the project.

David Harrington, a resident of Laguna Hills, voiced his concerns regarding the project.

Sherrie Zhan, a resident of Laguna Hills, voiced her concerns regarding the project.

Recommendation: That the City Council receive a presentation from Merlone-Geier Partners providing a general overview of a new redevelopment project proposal for the "Village at Laguna Hills" at the former Laguna Hills Mall.

6.2.2 First Reading of Proposed Ordinances Amending Title 10 (Buildings and Construction) and Chapter 5-16 (Fire Code) of the Laguna Hills Municipal Code and Adopting by Reference the 2019 Edition of the California Building Standards Code (California Code of Regulations, Title 24) Consisting of the California Building Code, Residential Code, Electrical Code, Mechanical Code, Plumbing Code, Energy Code, Historical Building Code, Fire Code, Existing Building Code, Green Building Standards Code, and Referenced Standards Code, Together with Certain Amendments, Additions, and Deletions Thereto

Community Development Director Chantarangsu reviewed the information provided in the staff report, provided a PowerPoint presentation and responded to Council requests for additional information.

Antonio Aleman, Assistant Fire Marshall for OCFA, responded to Council requests for additional information.

Recommendation: That the City Council:

(1) Introduce for first reading, read by title only, and waive further reading of an Ordinance entitled: "An Ordinance of the City of Laguna Hills, California, amending Title 10 (Buildings And Construction) of the Laguna Hills Municipal Code and adopting by reference the 2019 Edition of the California Building Standards Code (California Code of Regulations, Title 24), consisting of the 2019 California Building Code, the 2019 California Residential Code, the 2019 California Electrical Code, the 2019 California Mechanical Code, the 2019 California Plumbing Code, the 2019 California Energy Code, the 2019 California Historical Building Code, the 2019 California Existing Building Code, the 2019 California Green Building Standards Code, and the 2019 California Referenced Standards Code, together with certain amendments, additions, and deletions thereto."

(2) Introduce for first reading, read by title only, and waive further reading of an Ordinance entitled: "An Ordinance of the City of Laguna Hills, California, amending Chapter 5-16 (Fire Code) of Title 5 (Health and Sanitation) of the Laguna Hills Municipal Code and adopting by reference the 2019 Edition of the California Fire Code including

Appendices B, BB, C, and CC together with certain amendments, additions, and deletions thereto."

(3) Direct staff to place the Ordinances on the November 26, 2019, meeting agenda for a Public Hearing and second reading, and to prepare and publish the appropriate hearing notices.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Dore J. Gilbert, M.D., Council Member
SECONDER:	Janine Heft, Mayor Pro Tempore
AYES:	Don Sedgwick, Mayor; Janine Heft, Mayor Pro Tempore; Dore J. Gilbert, M.D., Council Member; Erica Pezold, Council Member; Dave Wheeler, Council Member

7. MATTERS AGENDIZED AND PRESENTED BY CITY COUNCIL MEMBERS

There were no matters agendized and presented by City Council Members.

8. CITY COUNCIL MEMBER COMMENTS

Council Member Pezold

Council Member Pezold reported on a recent OC Watersheds meeting she attended. Council Member Pezold expressed her appreciation to the members of the public that attended the meeting tonight.

Mayor Sedgwick

Mayor Sedgwick reported that he started attending meetings with other Orange County Mayors to find a regional solution to homelessness in South County.

ADJOURNMENT

There being no further business before the City Council at this session, Mayor Sedgwick declared the meeting adjourned at 9:04 p.m.

Melissa Au-Yeung, City Clerk

ATTEST:

Don Sedgwick, Mayor

Approved at meeting of November 26, 2019

Attachment: 191112 CC Minutes (2001 : Approval of Minutes for November 12, 2019, Regular Meeting)



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: November 26, 2019
TO: Mayor and Council Members
FROM: Janice Reyes
Finance Director
ISSUE: Approval of Warrant Register for November 26, 2019

RECOMMENDATION: That the City Council ratify the accompanying Warrant Register for the period from November 1, 2019, to November 14, 2019, in the amount of \$1,116,163.13.

SUMMARY:

The City issues accounts payable disbursements on a regular basis and presents it to City Council for ratification at its next regularly scheduled City Council Meeting. The attached Warrant Register containing checks and electronic funds transfers for the period from November 1, 2019, to November 14, 2019, is being presented for ratification by the City Council. Payments have been reviewed and approved by the appropriate departmental staff. The Director of Finance certifies to the accuracy of the attached register and to the availability of monies for payment thereof.

ATTACHMENTS:

- Warrant Register - November 26, 2019
- Warrant Register, Payables Detail Report - November 26, 2019



City of Laguna Hills, CA

Warrant Register - November 26, 2019

By Check Number

Date Range: 11/01/2019 - 11/14/2019

Check Number	Vendor Number	Vendor Name	Payment Date	Payment Amount
Payment Type: Regular				
8817000	S-1902	SAN DIEGO GAS & ELECTRIC	11/06/2019	34,041.65
8817001	W-2448	WEST GATE CONTRACTOR	11/06/2019	21,145.00
8817002	E-0553	ELKINS, CHRISTINA	11/07/2019	1,774.50
8817003	A-0360	ARC DOCUMENT SOLUTIONS, LLC	11/07/2019	40.18
8817004	B-0304	BEE MAN, THE	11/07/2019	175.00
8817005	C-1022	CDW GOVERNMENT, INC.	11/07/2019	2,596.83
8817006	C-1139	COMPLETE OFFICE OF CALIFORNIA	11/07/2019	912.67
8817007	C-1176	COMPUTER SERVICE CO.	11/07/2019	4,872.80
8817008	C-0023	COX COMMUNICATION	11/07/2019	598.17
8817009	D-0410	DMV RENEWAL	11/07/2019	254.00
8817010	E-0554	ECONOMICS, INC.	11/07/2019	5,288.34
8817011	Z-CS-0204	GARDUNO, HECTOR	11/07/2019	500.00
8817012	G-0791	GORMAN, RON	11/07/2019	168.00
8817013	G-0843	GRIEGO-SANDS, CINDY	11/07/2019	82.24
8817014	H-0959	HABASH, JOHN	11/07/2019	98.00
8817015	H-0804	HINDERLITER, DE LLAMAS & ASSOC., INC.	11/07/2019	3,387.36
8817016	J-1071	JCTEES.COM CORPORATION	11/07/2019	237.78
8817017	Z-CS-0200	LAMBERT, STEPHAN	11/07/2019	500.00
8817018	M-1546	MAILFINANCE, INC.	11/07/2019	498.39
8817019	M-1585	MCDONALD, KAYLE	11/07/2019	147.90
8817020	M-1513	MEEHAN, DANIEL	11/07/2019	408.34
8817021	Z-CS-0203	MERLO, RITA	11/07/2019	500.00
8817022	Z-CD-0207	MR. CARLOS POOLS AND CONSTRUCTION INC	11/07/2019	500.00
8817023	N-1474	NIEVES LANDSCAPE, INC.	11/07/2019	96,509.00
8817024	O-1546	OFFICE SOLUTIONS	11/07/2019	725.20
8817025	Z-CS-0202	PCH ORGANIZATION	11/07/2019	618.00
8817026	R-1975	RAHE ELECTRIC	11/07/2019	170.00
8817027	S-1902	SAN DIEGO GAS & ELECTRIC	11/07/2019	9,834.56
8817028	S-2296	SHUTE, MIHALY WEINBERGER LLP	11/07/2019	857.40
8817029	S-2302	SOUTH COUNTY PLUMBING, INC.	11/14/2019	(2,950.00)
8817029	S-2302	SOUTH COUNTY PLUMBING, INC.	11/07/2019	2,950.00
8817030	S-1904	SOUTHERN CALIFORNIA EDISON	11/07/2019	1,008.34
8817031	S-2209	STUDIO TWO BLACK DIAMOND	11/07/2019	1,114.56
8817032	S-2201	SUNSET PROPERTY SERVICES JONSET CORPORATION	11/07/2019	13,048.92
8817033	Z-CS-0201	SWANSON, AMY	11/07/2019	500.00
8817034	Z-MISC-0002	TITAN LEGAL SERVICES, INC.	11/07/2019	6.00
8817035	T-2681	TOTALFUNDS BY HASLER MAILROOM FINANCE, INC.	11/07/2019	1,038.79
8817036	T-2698	TPX COMMUNICATIONS	11/07/2019	528.67
8817037	U-2121	U.S. POSTAL SERVICE	11/07/2019	2,500.00
8817038	U-2165	UNDERGROUND SERVICE ALERT OF SOUTHERN CALIFORNIA	11/07/2019	205.20
8817039	V-2249	US BANK VOYAGER FLEET SYSTEM	11/07/2019	1,376.79
8817040	V-2224	VERIZON WIRELESS	11/07/2019	866.75
8817041	W-2448	WEST GATE CONTRACTOR	11/07/2019	22,278.00
8817042	W-2300	WHITE, DONALD	11/07/2019	129.08
8817043	Z-CD-0208	ADVANCED PERMIT SERVICES	11/14/2019	288.77
8817044	A-0304	AU-YEUNG, MELISSA	11/14/2019	683.35
8817045	Z-CD-0130	BIENEK, DAVID	11/14/2019	3,300.00
8817046	B-0437	BRINKS, INCORPORATED	11/14/2019	151.03
8817047	C-1177	CANON FINANCIAL SERVICES, INC.	11/14/2019	635.64
8817048	C-1144	CHARLES ABBOTT ASSOCIATES, INC	11/14/2019	94,397.48
8817049	C-1096	CODE PUBLISHING COMPANY, INC.	11/14/2019	756.25

Attachment: Warrant Register - November 26, 2019 (2015 : Approval of Warrant Register for November 26, 2019)

Warrant Register - November 26, 2019

Check Number	Vendor Number	Vendor Name
8817050	C-1176	COMPUTER SERVICE CO.
8817051	Z-CD-0211	CRAWFORD, RICHARD C
8817052	D-0561	DOCU-TRUST LAGUNA VAULT
8817053	Z-CD-0010	ESPLANADE BUILDERS, INC.
8817054	Z-CD-0210	FARZIN, KAMBIZ
8817055	H-0960	HR GREEN PACIFIC, INC.
8817056	I-0942	IRVINE RANCH WATER DISTRICT
8817057	J-1057	JAMEY CLARK, INC.
8817058	Z-CD-0147	JIM MURRAY ROOFING INC.
8817059	Z-CD-0212	LUKE ROOFING
8817060	M-1302	MOULTON NIGUEL WATER DISTRICT
8817061	Z-CS-0087	PACIFIC MARINE MAMMAL CENTER
8817062	P-1833	PEZOLD, ERICA
8817063	S-1902	SAN DIEGO GAS & ELECTRIC
8817064	S-2289	SANDS, CINDY
8817065	S-1904	SOUTHERN CALIFORNIA EDISON
8817066	S-2250	SPARKLETTS
8817067	Z-CD-0209	T&U ROOFING
8817068	T-2042	TRAUMA INTERVENTION PROGRAMS
8817069	T-2656	TYLER TECHNOLOGIES, INC.
8817070	W-2426	WHITE NELSON DIEHL EVANS LLP
8817071	S-2302	SOUTH COUNTY PLUMBING, INC.

Date Range: 11/01/2019 - 11/14/2019

Payment Date	Payment Amount
11/14/2019	19,371.07
11/14/2019	3,180.00
11/14/2019	75.00
11/14/2019	3,200.00
11/14/2019	270.00
11/14/2019	26,698.35
11/14/2019	180.76
11/14/2019	376.00
11/14/2019	3,780.00
11/14/2019	1,140.00
11/14/2019	15,959.59
11/14/2019	250.00
11/14/2019	170.85
11/14/2019	146.72
11/14/2019	1,106.75
11/14/2019	12,807.93
11/14/2019	128.90
11/14/2019	900.00
11/14/2019	910.32
11/14/2019	700.00
11/14/2019	6,700.00
11/14/2019	2,950.00
Total Regular:	433,257.17

Attachment: Warrant Register - November 26, 2019 (2015 : Approval of Warrant Register for November 26, 2019)

Warrant Register - November 26, 2019

Date Range: 11/01/2019 - 11/14/2019

Check Number	Vendor Number	Vendor Name	Payment Date	Payment Amount
Payment Type: Bank Draft				
DFT0001017	B-0276	BANK OF AMERICA VISA CARD	11/13/2019	2,774.61
DFT0001018	B-0276	BANK OF AMERICA VISA CARD	11/13/2019	1,420.00
DFT0001019	B-0276	BANK OF AMERICA VISA CARD	11/13/2019	6,216.31
DFT0001020	B-0276	BANK OF AMERICA VISA CARD	11/13/2019	1,248.34
DFT0001021	B-0276	BANK OF AMERICA VISA CARD	11/13/2019	390.00
DFT0001022	B-0276	BANK OF AMERICA VISA CARD	11/13/2019	273.53
DFT0001023	C-1007	OCSD LAW ENFORCEMENT CONTRACT, OC TREASURER-TAX	11/13/2019	670,583.17
Total Bank Draft:				682,905.96

Bank Code AP Bank Summary

	Payable	Payment		
Payment Type	Count	Count	Discount	Payment
Regular Checks	99	72	0.00	436,207.17
Manual Checks	0	0	0.00	0.00
Voided Checks	0	1	0.00	(2,950.00)
Bank Drafts	7	7	0.00	682,905.96
EFT's	0	0	0.00	0.00
	106	80	0.00	1,116,163.13

Attachment: Warrant Register - November 26, 2019 (2015 : Approval of Warrant Register for November 26, 2019)

All Bank Codes Check Summary

Payment Type	Payable Count	Payment Count	Discount	Payment
Regular Checks	99	72	0.00	436,207.17
Manual Checks	0	0	0.00	0
Voided Checks	0	1	0.00	(2,950.00)
Bank Drafts	7	7	0.00	682,905.96
EFT's	0	0	0.00	0.00
	106	80	0.00	1,116,163.13

Fund Summary

Fund	Name	Period	Amount
998	POOL	11/2019	1,116,163.13
			1,116,163.13



City of Laguna Hills, CA

Warrant Register - Payables Detail Report

By Fund

Payment Dates 11/01/2019 - 11/14/2019

Payment Date	Vendor Name	Payable Number	Description (Payable)	Account Number	Amount
Fund: 100 - GENERAL FUND					
11/06/2019	SAN DIEGO GAS & ELECTRIC	110619	Street Lights, Traffic Control, Com Ctr, Sep '19	100-310-631100	9,492.49
11/06/2019	SAN DIEGO GAS & ELECTRIC	110619	Street Lights, Traffic Control, Com Ctr, Sep '19	100-355-631000	9,278.75
11/06/2019	SAN DIEGO GAS & ELECTRIC	110619	Street Lights, Traffic Control, Com Ctr, Sep '19	100-355-631400	11,906.43
11/06/2019	SAN DIEGO GAS & ELECTRIC	110619	Street Lights, Traffic Control, Com Ctr, Sep '19	100-355-631900	3,363.98
11/06/2019	WEST GATE CONTRACTOR	5	Graffiti Removal, Public Services, Sep '19	100-355-720500	21,145.00
11/07/2019	HINDERLITER, DE LLAMAS & ASSOC., INC.	0031826-IN	Sales Tax 3rd Qtr , Audit Sales Qtr 1	100-155-700052	3,387.36
11/07/2019	RAHE ELECTRIC	04-19-clh	Parks Contract Repair, Oct '19	100-355-720701	170.00
11/07/2019	ELKINS, CHRISTINA	100419	Contract Instructor Services, Dance	100-310-721500	1,774.50
11/07/2019	COX COMMUNICATION	101719	T-1 Line, Oct '19	100-195-630000	402.31
11/07/2019	UNDERGROUND SERVICE ALERT OF SOUTHERN CALIFORNIA	1020190364	Street Maintenance, Oct '19	100-355-720400	163.45
11/07/2019	COX COMMUNICATION	102819	WiFi Community Center, Nov '19	100-195-630000	195.86
11/07/2019	TOTALFUNDS BY HASLER MAILROOM FINANCE, INC.	102919	Postage Replenishment & Supplies, Oct '19	100-155-625000	38.79
11/07/2019	TOTALFUNDS BY HASLER MAILROOM FINANCE, INC.	102919	Postage Replenishment & Supplies, Oct '19	100-195-625000	1,000.00
11/07/2019	WHITE, DONALD	103019	Travel Reimbursement, 2019 League of CA Cities	100-155-612000	129.08
11/07/2019	GRIEGO-SANDS, CINDY	103119	Mileage Reimbursement, Gen Gov, 9/23 - 10/31	100-155-613000	82.24
11/07/2019	ARC DOCUMENT SOLUTIONS, LLC	10405049	Printing Services, Engineering, Oct	100-155-623000	40.18
11/07/2019	BEE MAN, THE	105951	Bee Removal, Public Services, Oct '19	100-355-720701	175.00
11/07/2019	MCDONALD, KAYLE	110119	Mileage Reimbursement, 7/1 - 10/31	100-310-613000	147.90
11/07/2019	DMV RENEWAL	110419	Registration Renewal, Gen Gov, DW	100-155-646100	254.00
11/07/2019	U.S. POSTAL SERVICE	110419	Postage, City Views, Winter 2019	100-195-625000	2,500.00
11/07/2019	GORMAN, RON	110419	Contract Instructor Services, Guitar	100-310-721500	168.00
11/07/2019	HABASH, JOHN	110419	Contract Instructor Services, Dance	100-310-721500	98.00
11/07/2019	TITAN LEGAL SERVICES, INC.	110619	Refund of deposit, R #5495	100-000-456001	6.00
11/07/2019	MEEHAN, DANIEL	110619	Petty Cash Replenishment, Community Services	100-310-611500	45.00
11/07/2019	MEEHAN, DANIEL	110619	Petty Cash Replenishment, Community Services	100-310-622500	69.95
11/07/2019	MEEHAN, DANIEL	110619	Petty Cash Replenishment, Community Services	100-310-695501	191.50
11/07/2019	MEEHAN, DANIEL	110619	Petty Cash Replenishment, Community Services	100-310-695505	43.50
11/07/2019	MEEHAN, DANIEL	110619	Petty Cash Replenishment, Community Services	100-310-695506	20.00
11/07/2019	MEEHAN, DANIEL	110619	Petty Cash Replenishment, Community Services	100-310-695508	38.39
11/07/2019	SOUTHERN CALIFORNIA EDISON	110719	Street Lights, Traffic Control, Oct '19	100-355-631000	505.21
11/07/2019	SOUTHERN CALIFORNIA EDISON	110719	Street Lights, Traffic Control, Oct '19	100-355-631400	137.63
11/07/2019	SAN DIEGO GAS & ELECTRIC	110719	Street Lights, Traffic Control, Oct '19	100-355-631400	9,834.56
11/07/2019	SOUTHERN CALIFORNIA EDISON	110719	Street Lights, Traffic Control, Oct '19	100-355-631900	365.50
11/07/2019	SUNSET PROPERTY SERVICES JONSET CORPORATION	118985	Street Sweeping Services, Oct '19	100-355-720410	12,518.52
11/07/2019	SUNSET PROPERTY SERVICES JONSET CORPORATION	119019	Pressure Washing Service, Oct '19	100-355-720410	530.40
11/07/2019	TPX COMMUNICATIONS	122373247-0	Communications Expense, Nov '19	100-195-630000	528.67

Attachment: Warrant Register, Payables Detail Report - November 26, 2019 (2015 : Approval of Warrant Register for November 26, 2019)

Warrant Register - Payables Detail Report

Payment Dates: 11/01/2019 - 11/14/2019

Payment Date	Vendor Name	Payable Number	Description (Payable)	Account Number	Amount
11/07/2019	UNDERGROUND SERVICE ALERT OF SOUTHERN CALIFORNIA	18dsbfe5753	Street Maintenance, Oct '19	100-355-720400	41.75
11/07/2019	COMPLETE OFFICE OF CALIFORNIA	2380384-0	Operating Supplies, Comm Ctr, Nov	100-310-622005	39.96
11/07/2019	COMPLETE OFFICE OF CALIFORNIA	2381059-0	Computer Supplies, Nov '19	100-195-621000	541.94
11/07/2019	COMPLETE OFFICE OF CALIFORNIA	2381111-0	Computer Supplies, Nov '19	100-195-621000	330.77
11/07/2019	SHUTE, MIHALY WEINBERGER LLP	261783	Professional Services, Legal, Sep '19	100-155-700011	857.40
11/07/2019	COMPUTER SERVICE CO.	3917-19-010	Traffic Signal Maintenance, Oct '19	100-355-720420	4,872.80
11/07/2019	WEST GATE CONTRACTOR	6	Graffiti Removal, Public Services, Oct '19	100-355-720500	22,278.00
11/07/2019	JCTEES.COM CORPORATION	6233	Program Expense, Community Services, Oct '19	100-310-622501	237.78
11/07/2019	NIEVES LANDSCAPE, INC.	66212	Monthly and Misc Landscape, Oct '19	100-355-720700	245.00
11/07/2019	NIEVES LANDSCAPE, INC.	66213	Monthly and Misc Landscape, Oct '19	100-355-720700	7,190.00
11/07/2019	NIEVES LANDSCAPE, INC.	66248	Monthly and Misc Landscape, Nov	100-355-720700	89,074.00
11/07/2019	US BANK VOYAGER FLEET SYSTEM	869321901943	Vehicle Fuel, Oct '19	100-155-613100	242.12
11/07/2019	US BANK VOYAGER FLEET SYSTEM	869321901943	Vehicle Fuel, Oct '19	100-155-646100	9.00
11/07/2019	US BANK VOYAGER FLEET SYSTEM	869321919943	Vehicle Fuel, Oct '19	100-225-613100	125.72
11/07/2019	US BANK VOYAGER FLEET SYSTEM	869321927943	Vehicle Fuel, Oct '19	100-310-613100	173.43
11/07/2019	US BANK VOYAGER FLEET SYSTEM	869322032943	Vehicle Fuel, Oct '19	100-420-613100	210.99
11/07/2019	US BANK VOYAGER FLEET SYSTEM	869322040943	Vehicle Fuel, Oct '19	100-355-613100	594.54
11/07/2019	US BANK VOYAGER FLEET SYSTEM	869322040943	Vehicle Fuel, Oct '19	100-355-646100	20.99
11/07/2019	STUDIO TWO BLACK DIAMOND	95200	Printing Services, Oct '19	100-195-623000	498.15
11/07/2019	STUDIO TWO BLACK DIAMOND	95201	Printing Services, Oct '19	100-195-623000	578.70
11/07/2019	STUDIO TWO BLACK DIAMOND	95295	Printing Services, Oct '19	100-195-623000	37.71
11/07/2019	VERIZON WIRELESS	9840893529	Communication Expense, Nov '19	100-000-120000	809.12
11/07/2019	VERIZON WIRELESS	9840893529	Communication Expense, Nov '19	100-195-630000	57.63
11/07/2019	MR. CARLOS POOLS AND CONSTRUCTION INC	CD-0483-SP-5-19-18438	Refund, Pool Bond, R #4324	100-000-228001	500.00
11/07/2019	LAMBERT, STEPHAN	FRD-0212	Refund, Facility Deposit, R #1033222.002	100-000-222000	500.00
11/07/2019	SWANSON, AMY	FRD-0213	Refund, Facility Deposit, R #1033669.002	100-000-222000	500.00
11/07/2019	PCH ORGANIZATION	FRD-0214	Refund, Facility Deposit, R #1032090.002	100-000-222000	500.00
11/07/2019	MERLO, RITA	FRD-0215	Refund, Facility Deposit, R #1032182.002	100-000-222000	500.00
11/07/2019	GARDUNO, HECTOR	FRD-0216	Refund, Facility Deposit, R #1032595.002	100-000-222000	500.00
11/07/2019	PCH ORGANIZATION	FRF-0011	Refund, Facility Rental, R #1032090.002	100-000-451100	118.00
11/07/2019	OFFICE SOLUTIONS	I-01662779	Operating Supplies, Oct '19	100-195-622000	37.28
11/07/2019	OFFICE SOLUTIONS	I-01663502	Office Supplies, Oct '19	100-195-620000	118.93
11/07/2019	OFFICE SOLUTIONS	I-01663573	Office Supplies, Oct '19	100-195-620000	67.86
11/07/2019	OFFICE SOLUTIONS	I-01665109	Office Supplies, Oct '19	100-195-620000	364.25
11/07/2019	OFFICE SOLUTIONS	I-01665657	Office Supplies, Nov '19	100-195-620000	19.38
11/07/2019	OFFICE SOLUTIONS	I-01667232	Office Supplies, Nov '19	100-195-620000	80.22
11/07/2019	OFFICE SOLUTIONS	I-01667270	Operating Supplies, Oct '19	100-195-622000	37.28
11/07/2019	MAILFINANCE, INC.	N7992910	Lease - Mailing Equip, Oct '19	100-195-641000	498.39
11/07/2019	CDW GOVERNMENT, INC.	VPD5773	Computer Hardware, Gen Gov, Oct	100-195-720050	2,596.83
11/13/2019	BANK OF AMERICA VISA CARD	102019 COMDEV	Departmental Expenditure, Oct '19	100-225-611000	390.00
11/13/2019	BANK OF AMERICA VISA CARD	102019 COMSVCS	Departmental Expenditure, Oct '19	100-310-610000	1,720.00
11/13/2019	BANK OF AMERICA VISA CARD	102019 COMSVCS	Departmental Expenditure, Oct '19	100-310-613100	90.54
11/13/2019	BANK OF AMERICA VISA CARD	102019 COMSVCS	Departmental Expenditure, Oct '19	100-310-622500	340.24
11/13/2019	BANK OF AMERICA VISA CARD	102019 COMSVCS	Departmental Expenditure, Oct '19	100-310-622501	120.60
11/13/2019	BANK OF AMERICA VISA CARD	102019 COMSVCS	Departmental Expenditure, Oct '19	100-310-622502	524.87
11/13/2019	BANK OF AMERICA VISA CARD	102019 COMSVCS	Departmental Expenditure, Oct '19	100-310-646100	1,238.20
11/13/2019	BANK OF AMERICA VISA CARD	102019 COMSVCS	Departmental Expenditure, Oct '19	100-310-930500	2,181.86
11/13/2019	BANK OF AMERICA VISA CARD	102019 GENGOV1	Departmental Expenditure, Oct '19	100-155-611000	480.00
11/13/2019	BANK OF AMERICA VISA CARD	102019 GENGOV1	Departmental Expenditure, Oct '19	100-155-612000	1,187.70
11/13/2019	BANK OF AMERICA VISA CARD	102019 GENGOV1	Departmental Expenditure, Oct '19	100-155-620000	147.10
11/13/2019	BANK OF AMERICA VISA CARD	102019 GENGOV1	Departmental Expenditure, Oct '19	100-155-622000	217.80
11/13/2019	BANK OF AMERICA VISA CARD	102019 GENGOV1	Departmental Expenditure, Oct '19	100-155-695000	559.56

Attachment: Warrant Register, Payables Detail Report - November 26, 2019 (2015 : Approval of Warrant Register for November 26, 2019)

Warrant Register - Payables Detail Report

Payment Dates: 11/01/2019 - 11/14/2019

Payment Date	Vendor Name	Payable Number	Description (Payable)	Account Number	Amount
11/13/2019	BANK OF AMERICA VISA CARD	102019 GENGOV1	Departmental Expenditure, Oct '19	100-195-620000	24.45
11/13/2019	BANK OF AMERICA VISA CARD	102019 GENGOV1	Departmental Expenditure, Oct '19	100-195-622000	158.00
11/13/2019	BANK OF AMERICA VISA CARD	102019 GENGOV2	Departmental Expenditure, Oct '19	100-155-610000	400.00
11/13/2019	BANK OF AMERICA VISA CARD	102019 GENGOV2	Departmental Expenditure, Oct '19	100-155-611000	445.00
11/13/2019	BANK OF AMERICA VISA CARD	102019 GENGOV2	Departmental Expenditure, Oct '19	100-155-612000	575.00
11/13/2019	BANK OF AMERICA VISA CARD	102019 POLSVCS	Departmental Expenditure, Oct '19	100-420-611000	160.00
11/13/2019	BANK OF AMERICA VISA CARD	102019 POLSVCS	Departmental Expenditure, Oct '19	100-420-695000	113.53
11/13/2019	BANK OF AMERICA VISA CARD	102019 PUBSVCS	Departmental Expenditure, Oct '19	100-355-610000	335.00
11/13/2019	BANK OF AMERICA VISA CARD	102019 PUBSVCS	Departmental Expenditure, Oct '19	100-355-611000	90.00
11/13/2019	BANK OF AMERICA VISA CARD	102019 PUBSVCS	Departmental Expenditure, Oct '19	100-355-622000	13.99
11/13/2019	BANK OF AMERICA VISA CARD	102019 PUBSVCS	Departmental Expenditure, Oct '19	100-355-646100	363.25
11/13/2019	BANK OF AMERICA VISA CARD	102019 PUBSVCS	Departmental Expenditure, Oct '19	100-600-790600	446.10
11/13/2019	OCSO LAW ENFORCEMENT CONTRACT, OC TREASURER-TAX TYLER TECHNOLOGIES, INC.	SH 54706 025-276455	Law Enforcement Services, Nov '19 Professional Services, Pervasive Upgrade, Oct '19	100-420-720800 100-195-720050	670,583.17 700.00
11/14/2019	DOCU-TRUST LAGUNA VAULT	038028	Offsite Data Storage, Oct '19	100-155-700030	75.00
11/14/2019	BRINKS, INCORPORATED	10925173	Courier Fee, Armored Transport, Nov '19	100-155-625000	147.69
11/14/2019	PEZOLD, ERICA	111219	Travel Reimbursement, LOCC, Oct	100-155-612000	170.85
11/14/2019	SANDS, CINDY	111319	Petty Cash Replenishment, Sep - Nov '19	100-155-611000	10.00
11/14/2019	SANDS, CINDY	111319	Petty Cash Replenishment, Sep - Nov '19	100-155-612000	21.47
11/14/2019	AU-YEUNG, MELISSA	111319	Travel Reimbursement, LOCC Conference, Oct '19	100-155-612000	683.35
11/14/2019	SANDS, CINDY	111319	Petty Cash Replenishment, Sep - Nov '19	100-155-620000	115.84
11/14/2019	SANDS, CINDY	111319	Petty Cash Replenishment, Sep - Nov '19	100-155-622000	479.43
11/14/2019	SANDS, CINDY	111319	Petty Cash Replenishment, Sep - Nov '19	100-155-695000	132.41
11/14/2019	SANDS, CINDY	111319	Petty Cash Replenishment, Sep - Nov '19	100-195-620000	90.87
11/14/2019	SANDS, CINDY	111319	Petty Cash Replenishment, Sep - Nov '19	100-195-622000	9.99
11/14/2019	SANDS, CINDY	111319	Petty Cash Replenishment, Sep - Nov '19	100-195-630000	107.74
11/14/2019	SANDS, CINDY	111319	Petty Cash Replenishment, Sep - Nov '19	100-355-611000	139.00
11/14/2019	SAN DIEGO GAS & ELECTRIC	111319	Street Lights, Traffic Control, Com Ctr, Oct '19	100-355-631000	72.00
11/14/2019	SOUTHERN CALIFORNIA EDISON	111319	Street Lights, Traffic Control, Oct '19	100-355-631400	8,926.45
11/14/2019	SAN DIEGO GAS & ELECTRIC	111319	Street Lights, Traffic Control, Com Ctr, Oct '19	100-355-631400	74.72
11/14/2019	SOUTHERN CALIFORNIA EDISON	111319	Street Lights, Traffic Control, Oct '19	100-355-631900	3,881.48
11/14/2019	MOULTON NIGUEL WATER DISTRICT	111319	Water Usage, Public Services & Com Ctr, Oct '19	100-355-635000	15,959.59
11/14/2019	IRVINE RANCH WATER DISTRICT	111319	Water Usage, Public Services, Oct '19	100-355-635000	180.76
11/14/2019	HR GREEN PACIFIC, INC.	130755	Building Services, Community Development, Sep '19	100-225-700000	15,670.00
11/14/2019	HR GREEN PACIFIC, INC.	130756	Plan Check, Community Development, Sep '19	100-225-700000	11,028.35
11/14/2019	SOUTH COUNTY PLUMBING, INC.	16793	Parks Contract Repair, Oct '19	100-355-720701	950.00
11/14/2019	SOUTH COUNTY PLUMBING, INC.	16794	Parks Contract Repair, Oct '19	100-355-720701	2,000.00
11/14/2019	TRAUMA INTERVENTION PROGRAMS	1800	Community Program, TIP, Oct - Dec	100-420-720821	910.32
11/14/2019	WHITE NELSON DIEHL EVANS LLP	197913	Partial Audit Fees, 18/19	100-155-700051	6,700.00
11/14/2019	CANON FINANCIAL SERVICES, INC.	20663563	Lease - Copier, City Hall, Sep & Oct	100-195-641200	635.64
11/14/2019	COMPUTER SERVICE CO.	2900 - 2953	Traffic Signal Maintenance, Oct '19	100-355-720420	19,371.07
11/14/2019	BRINKS, INCORPORATED	2959256	Courier Fee, Armored Transport, Oct '19	100-155-625000	3.34
11/14/2019	SPARKLETTTS	4228482 110819	Operating Supplies, Oct '19	100-195-622000	128.90
11/14/2019	CHARLES ABBOTT ASSOCIATES, INC	60337	Road Maintenance, Oct '19	100-355-720400	94,397.48

Attachment: Warrant Register, Payables Detail Report - November 26, 2019 (2015 : Approval of Warrant Register for November 26, 2019)

Warrant Register - Payables Detail Report

Payment Dates: 11/01/2019 - 11/14/2019

Payment Date	Vendor Name	Payable Number	Description (Payable)	Account Number	Amount
11/14/2019	CODE PUBLISHING COMPANY, INC.	65133	Municipal Code Web Hosting, Nov	100-155-700030	756.25
11/14/2019	JAMEY CLARK, INC.	71566	Graffiti Removal, Public Services, Oct '19	100-355-720500	376.00
11/14/2019	JIM MURRAY ROOFING INC.	CD-0484-BLDR-0157-201	Refund, C&D Deposit, R #5279	100-000-227001	1,740.00
11/14/2019	JIM MURRAY ROOFING INC.	CD-0485-BLDR-0156-201	Refund, C&D Deposit, R #5279	100-000-227001	750.00
11/14/2019	JIM MURRAY ROOFING INC.	CD-0486-BLDR-0130-201	Refund, C&D Deposit, R #5096	100-000-227001	1,290.00
11/14/2019	BIENEK, DAVID	CD-0487-BLDR-0173-201	Refund, C&D Deposit, R #5357	100-000-227001	1,500.00
11/14/2019	BIENEK, DAVID	CD-0488-BLDR-0182-201	Refund, C&D Deposit, R #5414	100-000-227001	1,800.00
11/14/2019	ESPLANADE BUILDERS, INC.	CD-0489-BLDC-0011-201	Refund, C&D Deposit, R #4657	100-000-227001	3,200.00
11/14/2019	ADVANCED PERMIT SERVICES	CD-0490-BLDR-0053-201	Refund, C&D Deposit and Fees, R #4503	100-000-221012	4.00
11/14/2019	ADVANCED PERMIT SERVICES	CD-0490-BLDR-0053-201	Refund, C&D Deposit and Fees, R #4503	100-000-227001	100.00
11/14/2019	ADVANCED PERMIT SERVICES	CD-0490-BLDR-0053-201	Refund, C&D Deposit and Fees, R #4503	100-000-436001	42.72
11/14/2019	ADVANCED PERMIT SERVICES	CD-0490-BLDR-0053-201	Refund, C&D Deposit and Fees, R #4503	100-000-442000	142.05
11/14/2019	T&U ROOFING	CD-0491-BLDR-0149-201	Refund, C&D Deposit, R #5202	100-000-227001	900.00
11/14/2019	FARZIN, KAMBIZ	CD-0492-RES-5-19-18397	Refund, C&D Deposit, R #4046	100-000-227001	270.00
11/14/2019	CRAWFORD, RICHARD C	CD-0493-BLDR-0165-201	Refund, C&D Deposit, R #5325	100-000-227001	3,180.00
11/14/2019	LUKE ROOFING	CD-0494-BLDR-0115-201	Refund, C&D Deposit, R #4963	100-000-227001	1,140.00
11/14/2019	PACIFIC MARINE MAMMAL CENTER	FRD-0217	Refund, Facility Rental Deposit, R #1033168.002	100-000-222000	250.00
Fund 100 - GENERAL FUND Total:					1,110,874.79
Fund: 307 - C & D FORFEITED DEPOSITS					
11/07/2019	ECONOMICS, INC.	2017-2018.28	Professional Services, Recycling Program, Oct '19	307-355-700000	5,288.34
Fund 307 - C & D FORFEITED DEPOSITS Total:					5,288.34
Fund: 600 - CAPITAL IMPROVEMENT PROJECT					
11/13/2019	BANK OF AMERICA VISA CARD	102019 PUBSVCS	Departmental Expenditure, Oct '19	600-000-490100	(446.10)
11/13/2019	BANK OF AMERICA VISA CARD	102019 PUBSVCS	Departmental Expenditure, Oct '19	600-254-950410	446.10
Fund 600 - CAPITAL IMPROVEMENT PROJECT Total:					0.00
Grand Total:					1,116,163.13

Attachment: Warrant Register, Payables Detail Report - November 26, 2019 (2015 : Approval of Warrant Register for November 26, 2019)

Report Summary

Fund Summary

Fund	Expense Amount	Payment Amount
100 - GENERAL FUND	1,110,874.79	1,110,874.79
307 - C & D FORFEITED DEPOSITS	5,288.34	5,288.34
600 - CAPITAL IMPROVEMENT PROJECT	0.00	0.00
Grand Total:	1,116,163.13	1,116,163.13

Account Summary

Account Number	Account Name	Expense Amount	Payment Amount
100-000-120000	Accounts Receivable	809.12	809.12
100-000-221012	SB1186 ADA	4.00	4.00
100-000-222000	Refundable Deposits	2,750.00	2,750.00
100-000-227001	SecurityDeposit-WasteRecycling	15,870.00	15,870.00
100-000-228001	Swimming Pool Bonds	500.00	500.00
100-000-436001	Admin Fee- Waste Recycling	42.72	42.72
100-000-442000	Building Related Permits	142.05	142.05
100-000-451100	Recreation Fees-Reservation	118.00	118.00
100-000-456001	Sale of Publication & Maps	6.00	6.00
100-155-610000	Memberships and Dues Expense	400.00	400.00
100-155-611000	Training and Education	935.00	935.00
100-155-612000	Travel, Conferences & Meetings	2,767.45	2,767.45
100-155-613000	Mileage Reimbursement	82.24	82.24
100-155-613100	Vehicle-Fuel	242.12	242.12
100-155-620000	Office Supplies	262.94	262.94
100-155-622000	Operating Supplies	697.23	697.23
100-155-623000	Printing	40.18	40.18
100-155-625000	Postage & Delivery	189.82	189.82
100-155-646100	Maint & Repairs - Vehicles	263.00	263.00
100-155-695000	CommunityAsstnc/PublicRelation	691.97	691.97
100-155-700011	Legal Services-Litigation	857.40	857.40
100-155-700030	Professional Svcs- City Clerk	831.25	831.25
100-155-700051	Professional Services - Annual	6,700.00	6,700.00
100-155-700052	Compliance Audit Services - Sales	3,387.36	3,387.36
100-195-620000	Office Supplies	765.96	765.96
100-195-621000	Computer Supplies	872.71	872.71
100-195-622000	Operating Supplies	371.45	371.45
100-195-623000	Printing	1,114.56	1,114.56
100-195-625000	Postage & Delivery	3,500.00	3,500.00
100-195-630000	Telephone & Communication	1,292.21	1,292.21
100-195-641000	Rent/Lease - Equipment	498.39	498.39
100-195-641200	Rent/Lease - Copier	635.64	635.64
100-195-720050	Contract Serv-Software Support	3,296.83	3,296.83
100-225-611000	Training and Education	390.00	390.00
100-225-613100	Vehicle-Fuel	125.72	125.72
100-225-700000	Prof. Svcs - Building & Safety	26,698.35	26,698.35
100-310-610000	Memberships and Dues Expense	1,720.00	1,720.00
100-310-611500	Certification/License Fees	45.00	45.00
100-310-613000	Mileage Reimbursement	147.90	147.90
100-310-613100	Vehicle-Fuel	263.97	263.97
100-310-622005	Operating Supplies Comm Ctr	39.96	39.96
100-310-622500	Supplies-Program Services	410.19	410.19
100-310-622501	Supplies-Youth Leagues	358.38	358.38
100-310-622502	Supplies-Adult Leagues	524.87	524.87
100-310-631100	Utilities - Electric Comm Ctr	9,492.49	9,492.49
100-310-646100	Maint & Repairs - Vehicles	1,238.20	1,238.20
100-310-695501	Day Camps & Build A Fort	191.50	191.50
100-310-695505	Cultural Excursions	43.50	43.50
100-310-695506	Teen Camps & Programs	20.00	20.00
100-310-695508	July Fourth Celebration	38.39	38.39

Attachment: Warrant Register, Payables Detail Report - November 26, 2019 (2015 : Approval of Warrant Register for November 26, 2019)

Account Summary

Account Number	Account Name	Expense Amount	Payment Amount
100-310-721500	Contract Services-Program Svce	2,040.50	2,040.50
100-310-930500	Furniture-Program Services	2,181.86	2,181.86
100-355-610000	Memberships and Dues Expense	335.00	335.00
100-355-611000	Training and Education	229.00	229.00
100-355-613100	Vehicle-Fuel	594.54	594.54
100-355-622000	Operating Supplies	13.99	13.99
100-355-631000	Utilities - Electric	9,855.96	9,855.96
100-355-631400	Electric-Street Lights/Signals	30,879.79	30,879.79
100-355-631900	UtilitiesElectricOnBillFinancing	7,610.96	7,610.96
100-355-635000	Utilities - Water	16,140.35	16,140.35
100-355-646100	Maint & Repairs - Vehicles	384.24	384.24
100-355-720400	Street Maintenance	94,602.68	94,602.68
100-355-720410	Street Sweeping	13,048.92	13,048.92
100-355-720420	Traffic Signal Maintenance	24,243.87	24,243.87
100-355-720500	Graffiti Removal	43,799.00	43,799.00
100-355-720700	Landscape Maintenance Contract	96,509.00	96,509.00
100-355-720701	Parks Contract Repair	3,295.00	3,295.00
100-420-611000	Training and Education	160.00	160.00
100-420-613100	Vehicle-Fuel	210.99	210.99
100-420-695000	CommunityAsstnc/PublicRelation	113.53	113.53
100-420-720800	General Law Enforcement	670,583.17	670,583.17
100-420-720821	Trauma Intervention Program	910.32	910.32
100-600-790600	Transfers Out - Capital Imprv	446.10	446.10
307-355-700000	Professional Services	5,288.34	5,288.34
600-000-490100	Transfer In- General Fund	(446.10)	(446.10)
600-254-950410	NPDES Permit & Fees	446.10	446.10
Grand Total:		1,116,163.13	1,116,163.13

Project Account Summary

Project Account Key	Expense Amount	Payment Amount
None	1,116,163.13	1,116,163.13
Grand Total:	1,116,163.13	1,116,163.13



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: November 26, 2019

TO: Mayor and Council Members

FROM: Melissa Au-Yeung
Deputy City Manager

ISSUE: Amendment No. 2 to Lease with the Banc of California, a National Association, for 24033 El Toro Rd., Suite 130, Laguna Hills, California

RECOMMENDATION: That the City Council approve Amendment No. 2 to the Lease with the Banc of California, a National Association, for 24033 El Toro Road, Suite 130, Laguna Hills, California, and authorize the City Manager to execute the Amendment.

SUMMARY:

The City Council approved a lease with the Banc of California on April 28, 2015, the terms of which included 3 five-year options to extend the original lease. A subsequent Amendment No. 1 was approved on November 24, 2015, to clarify tenant signage as well as establish a firm Lease commencement date of November 1, 2015.

In July of 2019, the Banc of California provided City staff with notice that it wishes to avail itself of its first five-year option to extend. Staff has completed negotiations and the following is a summary of the key lease option terms and financial analysis:

Option Commencement Date:	November 1, 2020
Term:	Five (5) years
Rentable Square Feet:	2,394
Upfront Capital:	\$8,389
Rate:	Year 1 - \$2.20/ sq. ft. Year 2 - \$2.27/ sq. ft.

Amendment No. 2 to Lease with Banc of California
November 26, 2019
Page 2

Year 3 - \$2.33/ sq. ft.

Year 4 - \$2.40/ sq. ft.

Year 5 - \$2.48/ sq. ft.

Total Rent Payments: \$335,546

Net Present Value: \$189,630 (12% Discount Rate)

For reference, a copy of the original Lease, as well as Amendment No. 1, have been included as an attachment to this report. The City Attorney has prepared the attachment Amendment No. 2 to the Lease with Banc of California. Staff is recommending the City Council approve the Amendment No. 2 and authorize the City Manager to execute the Amendment.

FISCAL IMPACT:

As noted above, the total Lease payments for the five-year extended term will total \$335,546 with a net present value of \$189,630.

ATTACHMENTS:

- Proposed Amendment No. 2
- Banc of California Lease
- Amendment No. 1

AMENDMENT NO. 2
TO
STANDARD MULTI-TENANT OFFICE LEASE AGREEMENT
Banc of California, a National Association
(Laguna Hills Civic Center Office Building, Suite 130)

THIS SECOND AMENDMENT to the Standard Multi-Tenant Office Lease Agreement with Banc of California (“**Amendment**” or “**Amendment No. 2**”) is made and entered into to be effective this 26th day of November 2019 (the “**Effective Date**”), by and between THE CITY OF LAGUNA HILLS, a municipal corporation organized and existing under the laws of the State of California (hereinafter referred to as “**Lessor**”), and BANC OF CALIFORNIA, a National Association (hereinafter referred to as “**Lessee**”). Lessor and Lessee are sometimes hereinafter individually referred to as “**Party**” and are hereinafter collectively referred to as “**Parties**”.

RECITALS

A. Lessor and Lessee are parties to that certain Standard Multi-Tenant Office Lease Agreement dated as of April 28, 2015 (the “**Original Lease**”), as amended by that certain Amendment No. 1 to Standard Multi-Tenant Office Lease Agreement dated as of November 24, 2015 (“**Amendment No. 1**”). The Original Lease, as amended by Amendment No. 1, is referred to herein as the “**Existing Lease**.”

B. Pursuant to the Existing Lease, Lessee leases from Lessor those certain Premises at 24033 El Toro Road, Suite 130, in the Laguna Hills Civic Center Office Building, and which consists of approximately 2,394 square feet (the “**Premises**”), as more particularly described in the Existing Lease.

C. Paragraph 52 of the Original Lease provides Lessee with three (3) consecutive options to extend the Term of the Lease for five (5) years each (each, an “**Option to Extend**”) under the same terms and conditions, subject to certain requirements. Unless amended by mutual written agreement of the Parties, the Lease is currently scheduled to expire on October 31, 2020, by operation of its own terms. Pursuant to Paragraph 52 of the Original Lease, Lessee has requested to exercise its first Option to Extend the Term of the Lease for an additional five (5) year term under the same terms and conditions, except as provided otherwise herein, commencing on November 1, 2020 and expiring 60 months thereafter on October 31, 2025 (“**Renewal Term**”).

D. Unless otherwise specifically defined herein, capitalized terms used in this Amendment shall have the same meaning as ascribed to them in the Existing Lease. The Existing Lease, as modified by this Amendment, is referred to herein as the “**Lease**.”

E. Lessor and Lessee now desire to modify certain terms and conditions of the Existing Lease to (i) document Lessee’s proper exercise of the first Option to Extend the term of the Lease for one (1) additional five (5) year term, commencing on November 1, 2020 and expiring 60 months thereafter on October 31, 2025, and (ii) revise certain other provisions of the Existing Lease, all as set forth in this Amendment.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein, the Parties agree as follows:

1. Amendments to Existing Lease.

(a) The Term of the Lease is hereby extended for the Renewal Term. Effective as of the Effective Date, all references to the “Term” in the Existing Lease shall be deemed to include the Renewal Term, subject to Lessee’s right to further extend the Term for second and third Options to Extend on the terms and conditions set forth in Existing Lease.

(b) Base Rent payable by Lessee during the Renewal Term shall be as follows:

<u>Period:</u>		<u>Monthly Base Rent:</u>
11/1/2020	10/31/2021	\$5,266.80
11/1/2021	10/31/2022	\$5,424.80
11/1/2022	10/31/2023	\$5,587.55
11/1/2023	10/31/2024	\$5,755.17
11/1/2024	10/31/2025	\$5,927.83

(c) Notwithstanding anything to the contrary in the Existing Lease, Lessee shall have the right at any time during the Term to cease operating the business conducted upon the Premises (commonly known as “go dark”), provided (i) Lessee continues to pay to Lessor all Base Rent and all other charges in the amounts and at the times due and payable as provided in the Lease; and (ii) Lessee continues to materially perform all of the other terms and provisions of the Lease.

(d) Notwithstanding anything to the contrary in the Existing Lease (including, without limitation Section 7.4(b) of the Original Lease), Lessor acknowledges that it will not require removal of any Alterations existing within the Premises as of the Effective Date (except for Lessee’s non-fixed improvements and building signage) and, with respect to any Alterations after the Effective Date, shall advise Lessee of its removal requirements at the time Lessor consents to such Alterations.

2. Full Force and Effect. This Amendment No. 2 is supplemental to the Existing Lease and is by reference made part of said Existing Lease. All of the terms, conditions, and provisions of the Existing Lease, unless specifically modified herein, shall continue in full force and effect. In the event of any conflict or inconsistency between the provisions of this Amendment No. 2 and any provisions of the Existing Lease, the provisions of this Amendment No. 2 shall in all respects govern and control. This Amendment No. 2 is binding on Lessor and Lessee, and their respective heirs, executors, administrators, successors, and assigns.

3. Recitals. The above-referenced Recitals are hereby incorporated into this Amendment as though fully set forth herein and made part of the Lease and each Party acknowledges and agrees that such Party is bound, for purposes of the Lease, by the same.

4. Corporate Authority. Each of the undersigned represents and warrants that (a) the Party for which he/she is executing this Amendment is duly authorized and existing, (b) he/she is duly authorized to execute and deliver this Amendment on behalf of the Party for which he/she is signing, (c) by so executing this Amendment, the Party for which he/she is signing is formally bound to the provisions of this Amendment, and (d) the entering into this Amendment does not violate any provision of any other agreement to which the Party for which he/she is signing is bound.

[SIGNATURE PAGE FOLLOWS]

Attachment: Proposed Amendment No. 2 (2010 : Amendment No. 2 to Lease with Banc of California)

IN WITNESS WHEREOF, the parties have executed this Amendment No. 2 as of the date first written above.

“LESSOR”

CITY OF LAGUNA HILLS, a California
municipal corporation

By: _____
DONALD J. WHITE, City Manager

ATTEST:

By: _____
Melissa Au-Yeung, City Clerk

APPROVED AS TO FORM:

By: _____
Gregory E. Simonian, City Attorney

“LESSEE”

BANC OF CALIFORNIA, a National
Association

By: _____
Name: _____
Its: _____

By: _____
Name: _____
Its: _____

Attachment: Proposed Amendment No. 2 (2010 : Amendment No. 2 to Lease with Banc of California)



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 April 28, 2015,

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 BANC of California, a National Association

("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) 130,

First floor(s), consisting of approximately 2,394 rentable square feet and approximately 2,001

useable square feet ("Premises"). The Premises are located at: 24033 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 2 reserved vehicle ATM 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: Five years and N/A months ("Original Term") commencing Upon substantial completion of TI's or 180 days from date of Lease execution ("Commencement Date") and ending 60 months after commencement ("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: \$4,548.60 per month ("Base Rent"), payable on the First day of each month commencing Upon substantial completion of TI's or 180 days from date of Lease execution. (See also Paragraph 4 below)

☒ 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: 4.61% percent (4.61%) ("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: \$4,548.60 for the period Month one of term.

(b) Security Deposit: \$5,119.49 ("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: \$9,668.09.

1.8 Agreed Use: Banking services, marketing of any other financial services and investment products and general office. (See also Paragraph 6)

1.9 Base Year; Insuring Party. The Base Year is 2016. 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 represents Lessor exclusively ("Lessor's Broker");

☒ Gremel Williams Commercial Real Estate 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)

INITIALS

PAGE 1 OF 14

INITIALS

1.12 **Business Hours for the Building:** 7:00 a.m. to 6:00 p.m., Mondays through Fridays (except Building Holidays) and 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 6;
☒ 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, Exhibit "E" Approved Preliminary Plans

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.

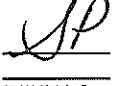
2.6 **Vehicle Parking.** So long as Lessee is not in default, and subject to the Rules and Regulations attached hereto, and as established by Lessor from time to time, Lessee shall be entitled to rent and use the number of parking spaces specified in Paragraph 1.2(b) at the rental rate applicable from 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,


 INITIALS


 INITIALS

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;

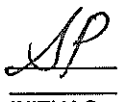
(vii) Labor, salaries, and applicable fringe benefits and costs, materials, supplies and tools, used in maintaining and/or cleaning the Project and accounting and management fees attributable to the operation of the Project;

(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.



INITIALS



INITIALS

(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.

4.4 (See Addendum Paragraph 1 - "Base Rent Schedule").

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.~~

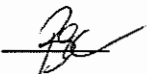
6.2 Hazardous Substances.

(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


INITIALS

PAGE 4 OF 14


INITIALS

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, HVAC, 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 \$5,000 in any 12 month period. 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 limiting 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


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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.

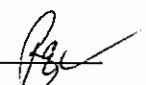
9.5 Damage Near End of Term. If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a 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


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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 4.13 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.


INITIALS


INITIALS

(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:

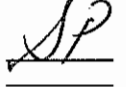
(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of 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


INITIALS


INITIALS

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 AIR Commercial 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.

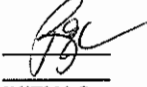
(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall within 10 days after written notice from Lessor deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender 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.

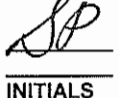
17. Definition of Lessor. The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this 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


INITIALS


INITIALS

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) **Lessor's Agent.** 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: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: 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) **Lessee's Agent.** 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. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: 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) **Agent Representing Both Lessor and Lessee.** 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 Lessor 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 advice 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.

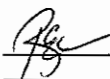
(c) Lessor and Lessee agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

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.~~ **No Right to Holdover / Lessee Holdover Option.** Except as provided otherwise in this Paragraph 26, Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease; and 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. Notwithstanding the foregoing, it is understood and agreed that at the end of the Original Term the Lessee shall have the right, subject to providing Lessor at least sixty (60) days written notice prior to the Lease Expiration Date, to holdover for up to two (2) months after the Lease Expiration Date (see, Paragraph 1.3 of this Lease) at the then-current monthly Base Rent that the Lessee is paying at the time of the Expiration Date (see, Paragraphs 1.3, 1.5, 1.7, and 4.4 of this Lease) (See, Addendum Paragraph 1 - "Base Rent Schedule"). Thereafter, Lessee shall then have the further option to holdover on a month-to-month basis at 150% of the then-current monthly Base Rent that the Lessee is paying at the time of the Expiration Date; however, it is expressly understood and agreed that Lessor and Lessee shall each have the right to either cancel or terminate this second month-to-month holdover option upon thirty (30) days written notice to the other party.

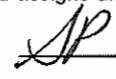
27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

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


INITIALS

PAGE 11 OF 14


INITIALS

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 Device 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. (See, Paragraphs 26 and 52 of this Lease.)

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).

INITIALS

INITIALS

(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 COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

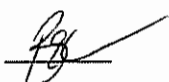
50. **Tenant Improvement.** Lessor shall provide to Lessee a tenant improvement allowance up to \$30.00 per usable square foot (\$60,030.00) to be used for a bank build out of the Premises.

51. **ATM Installation.** Lessee shall have the right, at Lessee's sole cost and expense, to design, construct, install, and maintain during the Term of this Lease an exterior ATM at a mutually agreeable location on the Building; however it is expressly understood and agreed that the Parties shall mutually agree in advance and in writing as to a) the design, size, scope, and specification of said ATM, and b) the specific location that the ATM will be installed and maintained by Lessee on the Building. Lessor's approval of the design, size, scope, and specifications, as well as the proposed ATM location, shall not be unreasonably withheld.

52. **Lessee Option to Extend.** Except as provided otherwise in this Lease, Lessee shall have three (3) five (5) year options to extend this Lease under the same terms and conditions subject, however, to the following conditions: (1) Lessee shall, prior to the Lease Expiration Date, provide eighteen (18) months written notice to Lessor of Lessee's intent to exercise the Lease extension option set forth in this Paragraph; and, (2) the monthly Base Rent for the renewal term authorized by this Paragraph shall be 95% of the then-current Fair Market Value for general office space at the time Lessee elects to exercise the extended term option.

53. **Tenant Signage.** Lessee shall have the right to install and maintain at its sole cost and expense exterior commercial signage advertising Lessee's business name on the Building, as well as an individual commercial tenant monument sign advertising the Lessee's business name near the Building site entrance during the Term of this Lease provided, however, that said exterior commercial tenant signage conforms with and is in compliance at all times during the Term of this Lease with all applicable sign regulations and requirements set forth in the Laguna Hills Municipal Code. Such exterior commercial tenant signage shall be approved by Lessor, which approval shall not be unreasonably withheld, and shall be included and made a part of the Laguna Hills Civic Center sign program, and shall be reviewed and approved by Lessor as part of the Laguna Hills Civic Center sign program.

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:


INITIALS

PAGE 13 OF 14


INITIALS

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

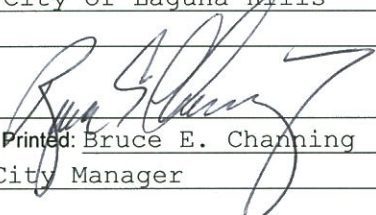
Executed at:

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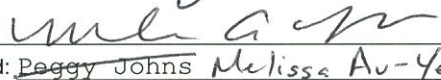
By LESSOR:

The City of Laguna Hills

By: 

Name Printed: Bruce E. Channing

Title: City Manager

By: 

Name Printed: Peggy Johns Melissa Au-Young

Title: City Clerk

Address: 24031 El Toro Road, Suite 100

Laguna Hills, CA 92654

Telephone:()

Facsimile:()

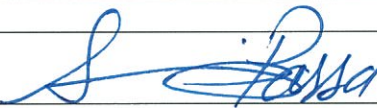
Email:

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Federal ID No.

By LESSEE:

BANC of California, a National Association

By: 

Name Printed: Ms. Sima Parsa

Title: SVP of Corp. Real Estate and Procurement

By: 

Name Printed: Matthew March

Title: EVP, Chief Information Officer

Address: 18500 Von Karman Ave #1100

Irvine, CA 92612

Telephone:()

Facsimile:()

Email: sima.parsa@bancofcal.com

Email:

Federal ID No. 04-3639825

LESSOR'S BROKER:

Essex Realty Management, Inc.

Attn: Sandi Montez

Address: 111 Corporate Drive, Suite 110

Ladera Ranch, CA 92694

Telephone:(949) 218-3801

Facsimile:()

Email:

Broker/Agent DRE License #: 00965485

LESSEE'S BROKER:

Gremel Williams Commercial Real Estate

Attn: Scott Williams

Address:

Telephone:(949) 492-3900

Facsimile:(949) 492-0876

Email: scott@gremel-williams.com

Broker/Agent DRE License #: 00913878

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.

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INITIALS

PAGE 14 OF 14


INITIALS

ADDENDUM TO LEASE

THIS ADDENDUM TO LEASE (this "Addendum") shall constitute part of that certain STANDARD MULTI-LESSEE OFFICE LEASE – GROSS ("Lease"), dated as of April 28, 2015, between The City of Laguna Hills ("Lessor"), and BANC of California, a National Association ("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 1.5 and 1.7 (a) of the Lease shall be adjusted as set forth below:

Months 1-12	\$4,548.60
Months 12-24	\$4,685.06
Months 25-36	\$4,825.61
Months 37-48	\$4,970.38
Months 49-60	\$5,119.49

2. Parking. Section 2.6 of the Lease is hereby supplemented to provide that Lessee shall be entitled to a total of two (2) parking spaces located in immediate proximity to the ATM installed at the Premises by Lessee, if any. The spaces shall be designated as being for "BANC ATM Parking Only" by Lessor, as reasonably approved by Lessee.
3. Common Areas. Lessor shall not make any changes to the Common Area pursuant to Section 2.10, which materially and adversely impact Lessee's access, ingress, egress or visibility of the Premises or any ATM installation of Lessee and Lessor shall conduct such change in a manner which results in the minimum reasonable impact on Lessee's use of the Premises and that of its employees and customers. .
4. Operating Expenses. Notwithstanding anything in the Lease to the contrary, Lessee shall not be responsible for any Operating Expenses in connection with the maintenance of the roof or any Building systems during the initial two (2) years of the Lease term. Furthermore, notwithstanding anything in the Lease to the contrary, Operating Expenses shall not include the following items:

- (a) costs incurred by Lessor for the repair of damage to the Building pursuant to the terms of the Lease or otherwise (other than commercially reasonable insurance deductibles);
- (b) the cost of any item reimbursable by insurance or condemnation proceeds or which would be reimbursable from insurance required to be maintained by Lessor under this Lease;
- (c) costs, including permit, license and inspection costs, incurred with respect to the installation of Lessees' or other occupants' improvements made for Lessees or other occupants in the Building or incurred in renovating or otherwise improving, decorating, painting or redecorating space for Lessees or other occupants of the Building;
- (d) marketing and promotional costs, including but not limited to leasing commissions, real estate brokerage commissions, and attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective Lessees or other occupants of the Building;
- (e) legal and accounting fees for preparation of Lessor's business documents, including the preparation of any and all income tax returns;
- (f) costs and the overhead and profit increment paid to Lessor, to affiliates or partners of Lessor, partners or affiliates of such partners, or affiliates of Lessor for goods and/or services in the Building to the extent the same exceeds the costs or the overhead and profit increment, as the case may be, of such goods and/or services rendered by unaffiliated third parties on a competitive basis;
- (g) Lessor's general corporate overhead and general and administrative expenses, including costs relating to accounting, payroll, legal and computer services;
- (h) advertising and promotional expenditures, including but not limited to Lessee newsletters and Building promotional gifts, events or parties for existing or future occupants, and the costs of signs (other than the Building directory) in or on the Building identifying the owner of the Building or other Lessees' signs;
- (i) costs incurred in connection with causing the Project and the Premises to comply with any Applicable Laws, governmental laws and regulations, including, but not limited to, the Americans With Disabilities Act and other laws and regulations regarding disabled access in violation as of the Lease Commencement Date, as such laws are locally enforced;
- (j) costs, penalties, fines, or awards and interest incurred as a result of the negligence of Lessor or its agents, employees or independent contractors in Lessor's operation of the Building, violations of law, negligence or inability or unwillingness to make payments and/or to file any income tax, other tax or informational returns when due;

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- (k) costs arising from the presence or removal of hazardous or toxic materials or substances located on or about the Building prior to Lease Commencement Date;
- (l) any increase in Real Property Taxes resulting from a change of ownership or any other reason in excess of 2% per annum;
- (m) the cost of correcting defects in the design, construction or equipping of the Building or in the Building equipment;
- (n) costs incurred by Lessor in connection with rooftop communications equipment of Lessor or other persons, Lessees or occupants on the Building, unless for building operation;
- (o) costs for services normally provided by a property manager where Operating Expenses already include a management fee;
- (p) any costs, fees, dues, contributions or similar expenses for industry associations or similar organizations;
- (q) the entertainment expenses and travel expenses of Lessor, its employees, agents, partners and affiliates or any costs for sculpture, paintings or other objects of art;
- (r) any costs recovered by Lessor to the extent such cost recovery allows Lessor to recover more than 100% of Operating Expenses for any calendar year from Lessees of the Building;
- (s) Lessee improvement costs;
- (t) Any other expenses which, in accordance with generally accepted accounting principles, consistently applied, would not normally be treated as operating costs by Lessors of comparable buildings (except costs of a capital nature that are expressly permitted by the terms of this Lease and which are amortized in accordance with subsection 40 below); and
- (u) Costs of a capital nature, including, without limitation, capital improvements, capital repairs, capital equipment and capital tools, all as determined in accordance with generally accepted accounting principles, consistently applied, provided that capital expenditures that are expressly permitted by the terms of this Lease may be amortized over their useful life based on an interest rate of 8% per annum and the annual amount included in Operating Expenses, provided in no event shall the amount of capital expenses based on such amortization exceed the sum of \$10,000 in any calendar year.

To the extent that an expense is not specifically included or excluded as a component of Operating Expenses, whether such expense shall be treated as an Operating Expense shall be determined in accordance with generally accepted accounting principles, consistently applied. Lessor shall use its commercially reasonable efforts to manage the Project in a first class, economical manner.

5. 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”). Notwithstanding anything to the contrary set forth herein, Lessee shall not be required to make structural or capital improvements to the Premises, including under any Applicable Laws, unless triggered by Lessee’s particular use or any change of use or Alteration by Lessee and Lessor shall be responsible for all costs relating to the compliance with Applicable Laws in effect on the date of this Lease. 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 Lessees, 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 Lessee 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 Lessee’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.

6. Lessee’s Compliance with Applicable Requirements. Section 6.3 is hereby supplemented to provide that notwithstanding anything to the contrary set forth herein, Lessee shall not be required to make structural or capital improvements to the Premises unless triggered by Lessee’s particular use or any change of use or Alteration by Lessee and Lessor shall be responsible for all costs relating to the compliance with Applicable Laws in effect on the date of this Lease.

7. 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 One Million Dollars (\$1,000,000);

(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."

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(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.

8. Permitted Assignee. The following is hereby inserted as Section 12.4 of the Lease:

"12.4. Permitted Assignee. Notwithstanding anything in the Lease to the contrary, without notice to or receipt of Lessor's consent and without any obligation to pay Lessor any fee or charge in connection therewith, Lessee has the right to assign the Lease, sublet the entire Premises, or transfer the leasehold interest as a result of: (i) the sale or exchange of Lessee's stock on a national exchange or a public offering of stock; (ii) a private offering or transfer of stock in connection with a merger, sale, consolidation or joint venture; (iii) a transfer to an affiliate or subsidiary of Lessee; (iv) a merger or consolidation; (v) the exchange of stock between Lessee's parent company, if any, or a subsidiary; (vi) the sale of Lessee's stock or assets; (vii) assignment to a franchise acquiring at least five (5) of Lessee's store locations in the trade area including the Premises; (viii) the sublease or assignment of all or a portion of the Premises to any subsidiary or affiliated company or service provider of Lessee, or (ix) a transfer in connection with the sale of the business. Lessee shall provide notice of the completion of such transaction within thirty (30) days thereafter. An assignee or a resulting entity described in

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Attachment: Banc of California Lease (2010 : Amendment No. 2 to Lease with Banc of California)

this paragraph shall be referred to in this Lease as a "Permitted Assignee". Any rights which are personal to the original Lessee under the lease shall inure to the benefit of any Permitted Assignee, notwithstanding any language to the contrary."

9. 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."

10. 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.

11. Recordation. Lessee shall not have any right to cause the Lease or any short form or memorandum thereof to be recorded.

12. Non-Disturbance Agreement. Concurrently with the execution and delivery of this Lease, Lessor shall deliver a Non-Disturbance Agreement as described in Section 30.3 of the Lease from the holder of any Security Device affecting the Building, which agreement shall also be for the benefit of any subLessees, assigns or successors of Lessee.

13. Extended Terms. Lessee shall provide Lessor six (6) months prior written notice of Lessee's intent to exercise its Option to Extend. Lessor shall respond within thirty (30) days with a proposed Base Rent for the option based on fair market rental rates. Lessee shall accept or respond to such amount within sixty (60) days thereafter. In the event Lessor and Lessee are unable to agree on a Base Rent within such sixty (60) day period, the Base Rent shall be determined as follows: Lessor and Lessee shall each appoint an independent real estate appraiser with at least five (5) years commercial appraisal experience in the inland empire or Orange County area, and having no financial interest, relationship, or affiliation with either party. Within thirty (30) days after their appointment, each appraiser shall provide a written appraisal of Base Rent for the Extended Term, based upon the above criteria. The Base Rent for such Extended Term shall be the average of two (2) appraisals. However, if the appraisals differ by more than ten percent (10%), then a third similarly qualified appraiser shall be appointed by the first two (2) appraisers within ten (10) days thereafter, which third appraiser shall also provide a written appraisal of Base Rent. Base Rent shall then be the average

of three (3) appraisals, except that any appraisal which differs by more than ten percent (10%) from both of the other appraisals shall be discarded and the Base Rent shall be the average of two (2) remaining appraisals. If no two (2) appraisals are within ten percent (10%) of each other, then the issue of Base Rent shall be submitted to a binding arbitration before the Judicial Arbitration Mediation Services in Orange County, California, whose decision as to Base Rent shall be binding on the parties. Each party shall bear equally, the cost of the foregoing procedures.

14. Electrical Meter. Prior to delivery of the Premises to Lessee, Lessor shall install a new 200 Amp 120/208V 3 phase panel to location approved by Lessee and shall be responsible for the cost of any modification to switchgear resulting from the installation of the new meter for the Premises.

15. Preliminary Plans. Lessor hereby approves the Preliminary Plans attached hereto as Exhibit "E", including the location of the ATM.

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~~ Melissa Au-Yang

By: _____

Its: City Clerk

APPROVED AS TO FORM

By: _____

City Attorney

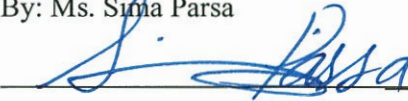
“Lessee”
Banc of California, a National Association

By: Mr. Matthew March



Its: EVP, Chief Information Officer

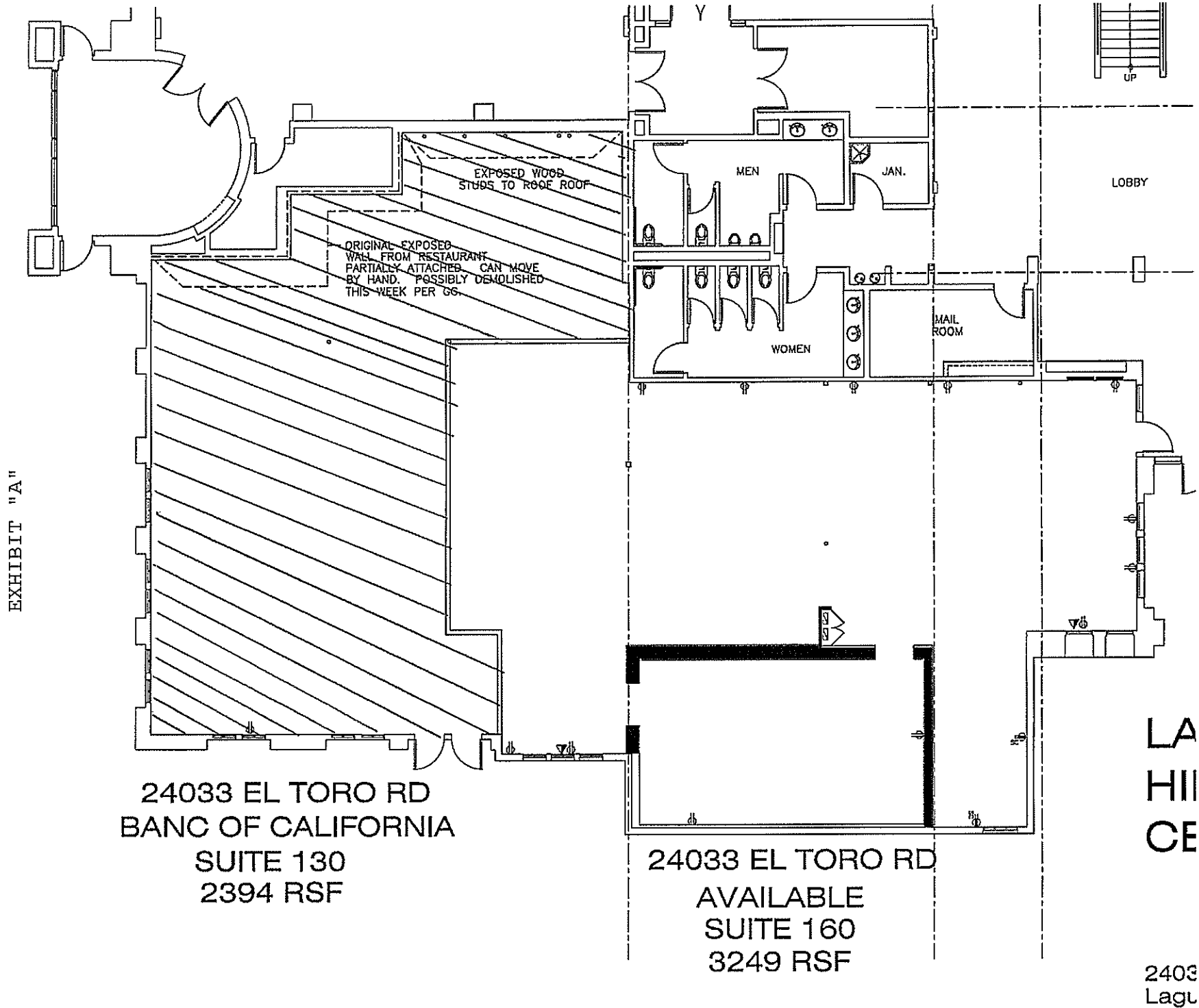
By: Ms. Sima Parsa



Its: SVP of Corporate Real Estate and Procurement

Attachment: Banc of California Lease (2010 : Amendment No. 2 to Lease with Banc of California)

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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 for 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 of 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 or has a pass or is properly identified. Lessee shall have access to the Building and the Premises on a 24/7 basis. 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 Lessees 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 Lessor'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 and at no cost or expense to Lessee, its customers, employees or invitees. 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: 5/26/15
 Lessor's Initials: ZGC

Date: 5-6-15
 Lessee's Initials: SP

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 (commencing with Section 1230.010) of Part 3 of the California Code of Civil Procedure), the Relocation Statutes and Regulations set forth in Chapter 16 (commencing 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: 5-6-15

Lessee's Initials: SP

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 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 or outside the Building in a location reasonably approved by Lessor 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) Lessor agrees that it shall contribute an amount equal to the product obtained by multiplying Thirty Dollars (\$30.00) by the number of usable square footage (2,001usf) in the Premises (such amount is sometimes hereinafter referred to as the "Lessee Improvement Allowance") equal to \$60,030 toward the cost of performing Lessee's Work ("Build-Out Cost"), which includes the cost of building materials, labor, permits and fees, architectural fees, design fees, fixtures (except trade fixtures, furniture and equipment (FF&E)) and project management costs. The Lessee Improvement Allowance shall be payable within thirty (30) days from the date Lessee's Work is completed in accordance with the terms of this Lease and Lessee has submitted to Lessor a written statement requesting such payment, provided that at the time of such request and scheduled payment:

- (I) Lessee shall not be in default of this Lease;

- (II) No liens shall have been filed and appropriate waivers, affidavits and releases of lien shall have been received by Lessor covering all work for which payment is requested;
- (III) The certificate of occupancy, if applicable, for the Premises shall have been issued; and
- (IV) Lessee's architect shall have certified in writing to Lessor that Lessee's Work has been completed in accordance with Lessee's Drawings and with applicable laws, ordinances, rules, regulations and codes.

5. CONTRACTORS BONDS.

At Lessors sole discretion, Lessor may require to obtain performance 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, except as shown on the preliminary plans (including the exterior work necessary for the installation of the ATM's, the relocation of the exterior door, modifications to landscaping and hardscape required in connection therewith and the installation of exterior lighting required for the ATM). Lessee will not be allowed to modify building exterior except as shown in the preliminary plans attached to the Lease as Exhibit "E" (including the exterior work necessary for the installation of the ATM's, the relocation of the exterior door, modifications to landscaping and hardscape required in connection therewith and the installation of exterior lighting required for the ATM). or mechanical and electrical service as provided to the building in common with other Lessees.

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 LESSOR. 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 Lessee 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: Banc of California Lease (2010 : Amendment No. 2 to Lease with Banc of California)

Attachment 1 to "Exhibit D"**ITEMS TO BE FURNISHED TO LESSOR FOR EACH WORK OF IMPROVEMENT**

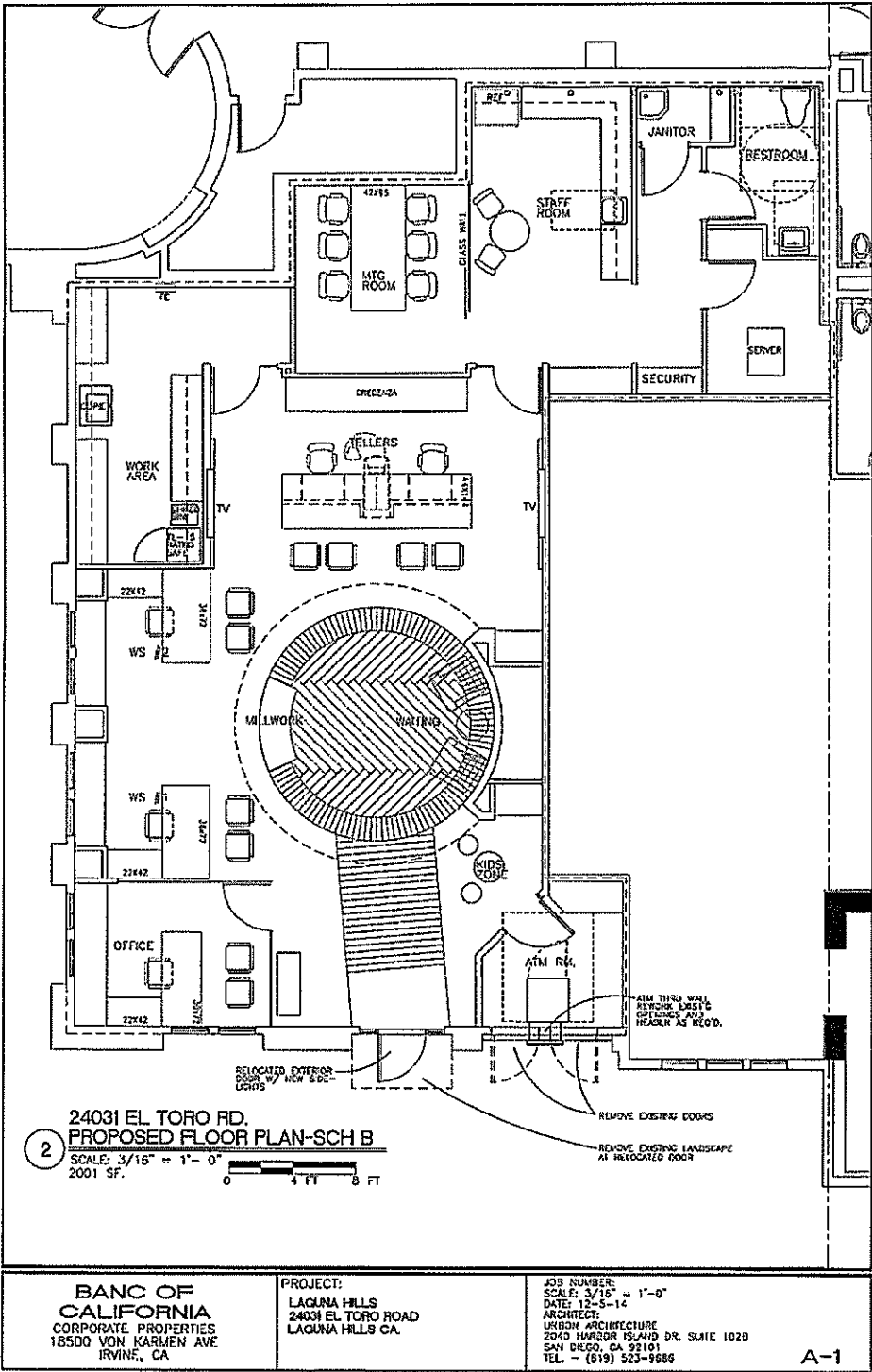
1. Plan of Alterations for Lessor Approval.
2. Contractor(s), Address, Telephone Number, Contact Person.
3. Copy of Contractor's State and City Business License.
4. Copy of Building Permit.
5. Copy of Final Inspection and Signed Building Permit Cards.
6. Copy of Certificate of Insurance Naming The City 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.

Attachment: Banc of California Lease (2010 : Amendment No. 2 to Lease with Banc of California)



EXHIBIT "E"

APPROVED PRELIMINARY PLANS



Attachment: Banc of California Lease (2010 : Amendment No. 2 to Lease with Banc of California)

AP

**AMENDMENT NO. 1
TO
STANDARD MULTI-TENANT OFFICE LEASE AGREEMENT
Banc of California, a National Association
(Laguna Hills Civic Center Office Building, Suite 100B)**

THIS FIRST AMENDMENT to the Standard Multi-Tenant Office Lease Agreement with Banc of California (the "Amendment") is made and entered into to be effective this 24th day of November 2015, by and between the CITY OF LAGUNA HILLS, a municipal corporation organized and existing under the laws of the State of California, (hereinafter referred to as "Lessor") and BANC OF CALIFORNIA., a National Association, (hereinafter referred to as "Lessee"). Lessor and Lessee are sometimes hereinafter individually referred to as "Party" and are hereinafter collectively referred to as "Parties".

RECITALS

A. Lessor and Lessee previously entered into that certain multi-tenant office lease agreement for the Premises commonly known as ~~24031~~ ²⁴⁰³³ El Toro Road, Suite ~~100B~~ ¹³⁰, consisting of approximately 2,394 square feet, which was made and entered into on April 28, 2015 (the "Lease"), and which may be duly amended, in writing, from time to time by the Parties. Section 46 of the Lease (Amendments) provides that the Lease may be amended in writing at any time by mutual consent of the Parties. Unless otherwise specified herein, capitalized terms used in this Amendment shall have the same meaning as ascribed to them in the Lease.

B. Lessor and Lessee now desire to modify certain terms and conditions of the Lease, as set forth in this Amendment.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein, the Parties agree as follows:

AGREEMENT

1. Amendment to Section 1.3, entitled "Term" of the Lease: Section 1.3 of the Lease is hereby amended and restated in its entirety to read as follows:

"1.3 **Term.** Five years and n/a months ("**Original Term**") commencing on November 1, 2015 ("**Commencement Date**") and ending 60 months after commencement ("**Expiration Date**"). (See also Paragraph 3.)"

2. Amendment to Section 53, entitled "Tenant Signage," of the Lease. Section 53 of the Lease is hereby amended and restated in its entirety to read as follows:

"53. **Tenant Signage.** Lessee shall have the right to install and maintain at its sole cost and expense exterior commercial signage advertising Lessee's business name during the Term of this Lease as described, depicted and set forth in Exhibit "A" attached to Lease

Amendment No. 1, which exhibit is incorporated into the Lease as though fully set forth herein and made part of the Lease.” Exhibit “A,” entitled Approved Exterior Commercial Sign Program, is attached to this Amendment and is incorporated herein by reference.

3. Full Force and Effect. This Amendment is supplemental to the Lease and is by reference made part of said Lease. All of the terms, conditions, and provisions, thereof, unless specifically modified herein, shall continue in full force and effect. In the event of any conflict or inconsistency between the provisions of this Amendment and any provisions of the Lease, the provisions of this Amendment shall in all respects govern and control.
4. Recitals. The above-referenced Recitals are hereby incorporated into this Amendment as though fully set forth herein and made part of the Lease and each Party acknowledges and agrees that such Party is bound, for purposes of the Lease, by the same.
5. Corporate Authority. Each of the undersigned represents and warrants that (i) the Party for which he/she is executing this Amendment is duly authorized and existing, (ii) he/she is duly authorized to execute and deliver this Amendment on behalf of the Party for which he/she is signing, (iii) by so executing this Amendment, the Party for which he/she is signing is formally bound to the provisions of this Amendment, and (iv) the entering into this Amendment does not violate any provision of any other agreement to which the Party for which he/she is signing is bound.

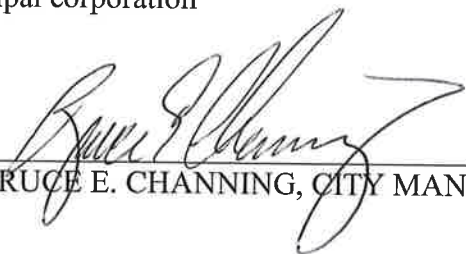
[SIGNATURES ON NEXT PAGE]

Attachment: Amendment No. 1 (2010 : Amendment No. 2 to Lease with Banc of California)

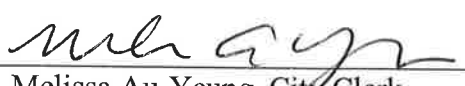
IN WITNESS WHEREOF, the Parties have executed and entered into this Amendment to the Lease as of the date first written above.

"LESSOR"

CITY OF LAGUNA HILLS, a California
municipal corporation

By: 
BRUCE E. CHANNING, CITY MANAGER

ATTEST:

By: 
Melissa Au-Yeung, City Clerk

APPROVED AS TO FORM:

By: 
Gregory E. Simonian, City Attorney

"LESSEE"

BANC OF CALIFORNIA, a Nation Association

By: 
Name: MS. SIMA PARSA
Its: Senior Vice President of Corporate
Real Estate and Procurement

Attachment: Amendment No. 1 (2010 : Amendment No. 2 to Lease with Banc of California)

EXHIBIT "A"

APPROVED EXTERIOR COMMERCIAL SIGN PROGRAM

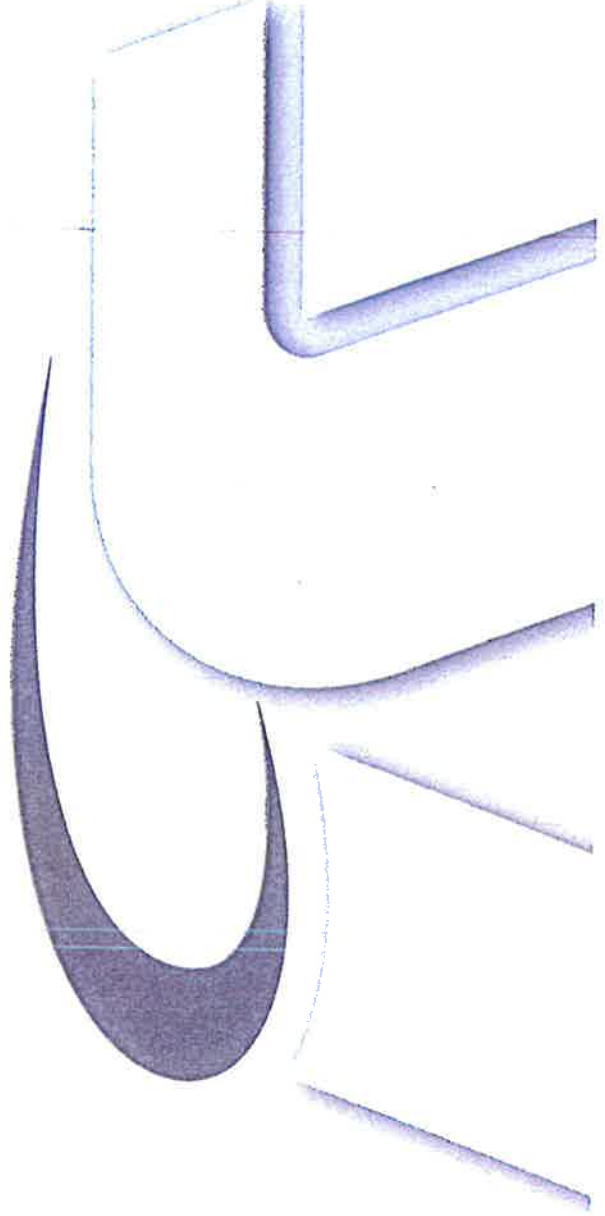
Presented to:



**BANC OF
CALIFORNIA**

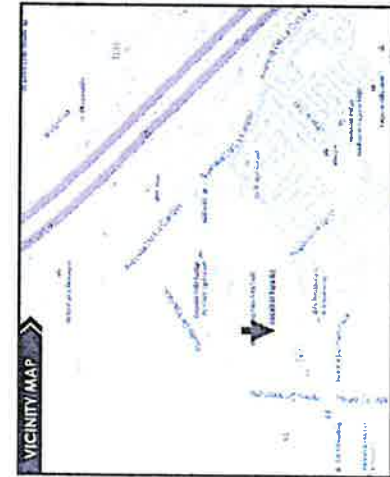
24033 El Toro Road
Suite 130
Laguna Hills, California 92654

150651-09P



INTEGRATED SIGN ASSOCIATES

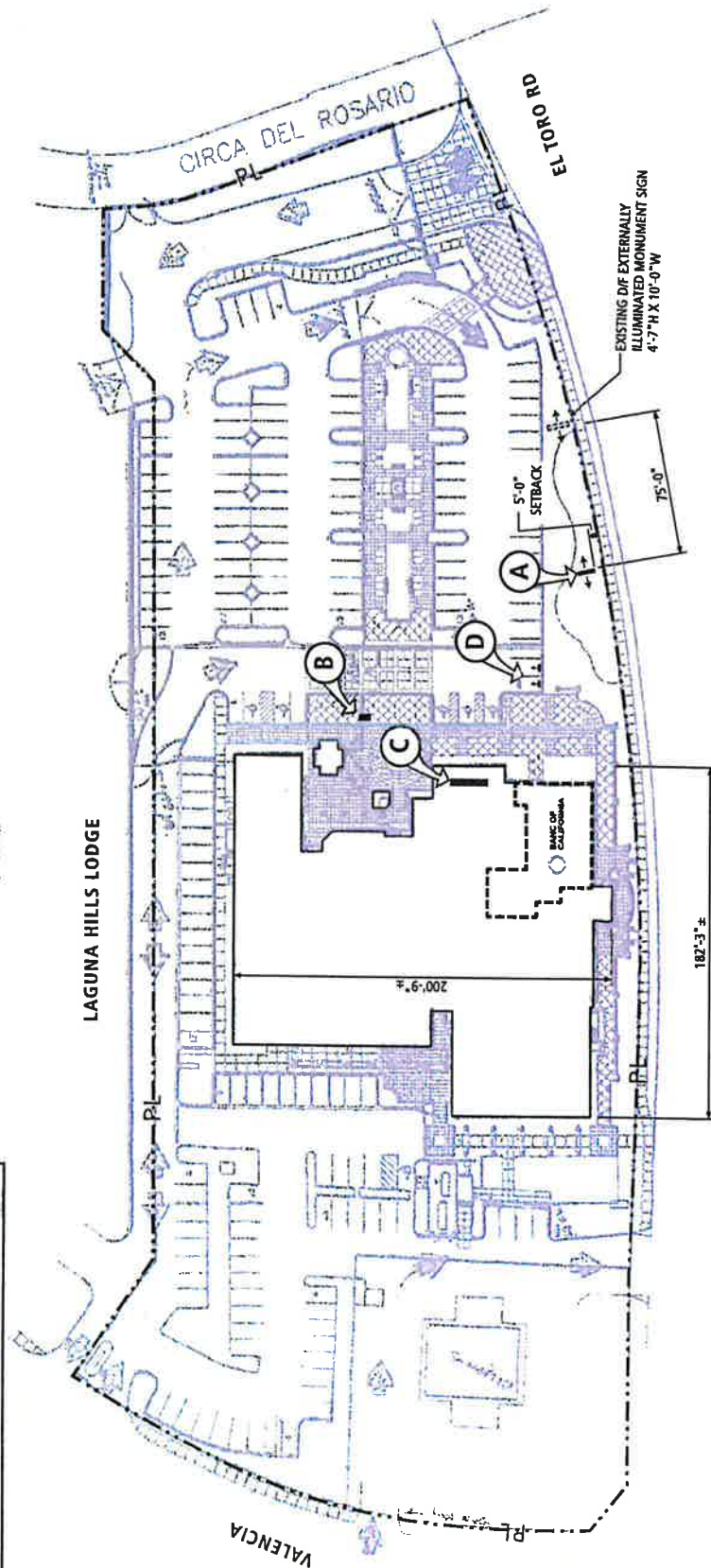
1160 Pioneer Way, Suite M
El Cajon, California 92020-1944
P | 619.579.2229 F | 619.579.7651
www.isasign.com | info@isasign.com



- LEGEND:**
- (A) EXTERNALLY ILLUMINATED MONUMENT SIGN 3'-4" X 6'-7"
 - (B) NON-ILLUMINATED FCO LETTERS 1 7/8" H LTR. @ 1'-5" OVERALL STRETCHOUT
 - (C) WALDOUIT CHANNEL LOGO LETTERS 2'-3" H LOGO, 10 7/16" H LTR. @ 17'-3 3/8"
 - (D) NON-ILLUMINATED SF * ATM PARKING ONLY POST & PANEL SIGNS (TYP. OF 2)

ADDRESS:
24033 EL TORO ROAD, STE. 130
LAGUNA HILLS, CA 92654

LEGAL DESCRIPTION:
APN# 616-031-13
PARCEL MAP BOOK 14
PAGE 24 PARCEL 2



SITE PLAN

SCALE: 1" = 60'-0"

INTEGRATED SIGN ASSOCIATES
1160 Pioneer Way, Suite M
El Cajon, California 92020-1944
P | 619.579.2229 F | 619.579.7851
www.issign.com | info@issign.com

Project No. 150651-09P
Project:



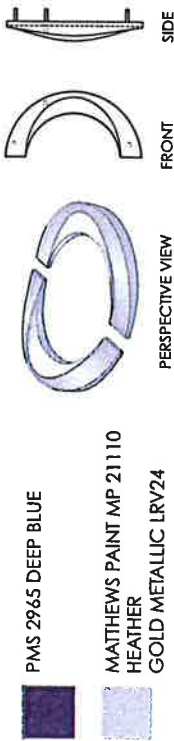
24033 El Toro Road
Suite 130
Laguna Hills, CA 92654
Customer Approval:

Date:

Revision:
1. 1A - rev layout 11/12/15

ORIGINAL CONCEPT
This design is the exclusive property of Integrated Sign Associates and cannot be reproduced in whole or part without their prior written consent.

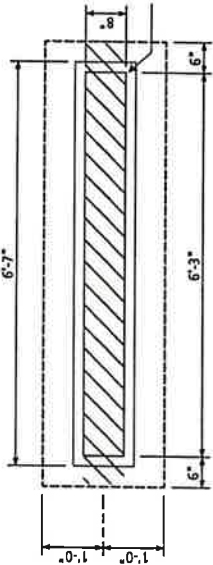
Salesman: Aaron Clippinger
Designer: AmieM.
Date: August 05, 2015
Scale: As noted
Sheet No. 1/6



PMS 2965 DEEP BLUE

MATTHEWS PAINT MP 21110
HEATHER
GOLD METALLIC LRV24

MONUMENT SIGN WALL
LIGHTS (TYP. OF 2)
LITHONIA D-SERIES LED
FLOOD



TOP SECTION VIEW



SCALE: 3/4" = 1'-0"

BACKGROUND PANEL:
.090" THK ALUMINUM BACKGROUND
PANEL PAINTED TO MATCH PMS 2965
DEEP BLUE.

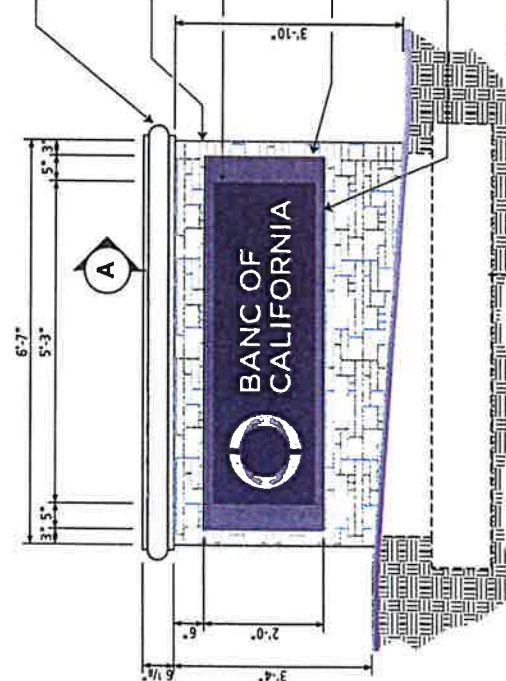
LOGO -
PRISMATIC SHAPE CARVED HDY LOGO.
ALL ELEMENTS SANDED AND FILED FOR
SMOOTH, BURR-FREE FINISH. FACES &
EDGES PAINTED TO MATCH MATTHEWS
HEATHER GOLD METALLIC.

INSTALL - 2" STUD MOUNT W/ 3/8"
STAND-OFF FROM BACKGROUND PANEL.

LETTERS -
3/8" THK FCO WHITE ACRYLIC LETTERS.
STUD MOUNT W/ 1/4" STAND-OFF FROM
BACKGROUND PANEL.

INTEGRAL COLORED PRECAST
CONCRETE CAP TO MATCH
EXISTING MONUMENT WALL
(COLOR TO BE QUICKCRETE
COLOR MIX 5765.
FINISH: LIGHT SANDBLAST)

"BEAR CANYON" BY SEPULVEDA
USING A DRYSTACK APPLICATION
(NO GROUT LINES).



EXTERNALLY ILLUMINATED MONUMENT SIGN

1/2" = 1'-0"

QUANTITY: 1 | SIGN AREA: 21.92 SF

SECTION DETAIL
SCALE: 1/2" = 1'-0"

INTEGRATED SIGN ASSOCIATES
1160 Placer Way, Suite 100
El Cajon, California 92020-1944
P | 619.579.7229 F | 619.579.7651
www.isasign.com | info@isasign.com

Project No. 150651-09P

Project:

BANC OF CALIFORNIA

24033 El Toro Road
Suite 130
Laguna Hills, CA 92654

Customer Approval:

Date:

Revisions:

1. 9.9.15 OL - revised to new monument
2. 10.22.15 OL - revised size of mon
3. 11.12.15 OL - revised spec. per city
4. 11.12.15 OL - revised spec. per city
5. 11.12.15 OL - revised spec. per city
6. 11.12.15 OL - revised spec. per city
7. 11.12.15 OL - revised spec. per city
8. 11.12.15 OL - revised spec. per city
9. 11.12.15 OL - revised spec. per city
10. 11.12.15 OL - revised spec. per city
11. 11.12.15 OL - revised spec. per city
12. 11.12.15 OL - revised spec. per city
13. 11.12.15 OL - revised spec. per city
14. 11.12.15 OL - revised spec. per city
15. 11.12.15 OL - revised spec. per city

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Schematic: Aaron Clippinger

Designer: AmielM.

Date: August 05, 2015

Scale: As noted

Sheet No.:

2/6

3.4.c

Project No: 150651-09P

Project:



24033 El Toro Road
 Suite 130
 Laguna Hills, CA 92654

Customer Approval:

Date:

Revision:

1	9.9.15 OL - revised to new monument
2	11.17.15 OL - revised specs. per city
3	
4	
5	
6	
7	
8	
9	
10	

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Salesman: Aaron Clippinger

Designer: AmieM.

Date: August 05, 2015

Scale: As noted

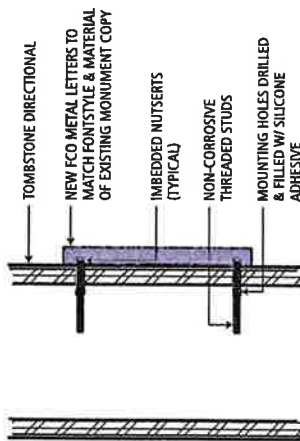
Sheet No.:

3 / 6

3.4.c

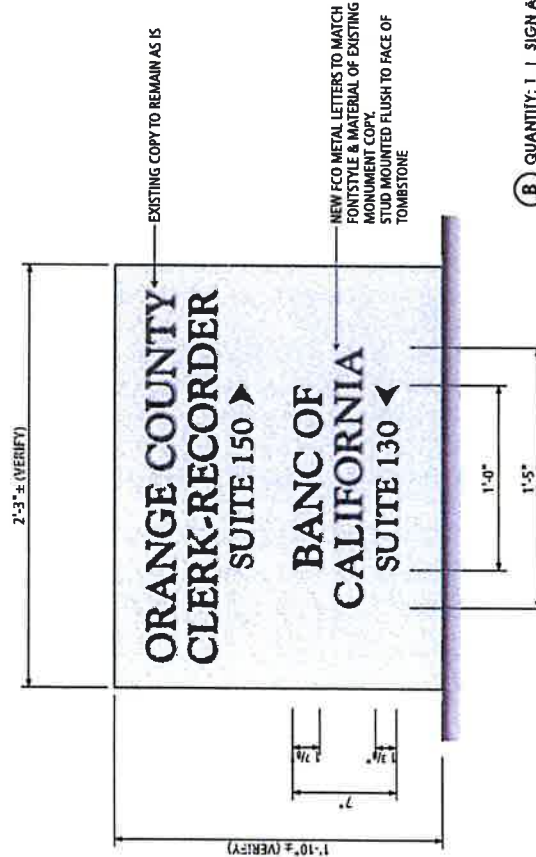


EXISTING TOMBSTONE SIGN



SECTION DETAIL

SCALE: 3" = 1'-0"



ACTIONS REQUIRED:

- ☐ NEED EXISTING COPY MATERIAL & COLOR.
- NO INFO ON REQUEST.
- ☐ NEED SIZES OF EXISTING COPY & ARROW.
- NO INFO ON REQUEST.

(B) QUANTITY: 1 | SIGN AREA: 0.83 SF

NON-ILLUMINATED FCO LETTERS

SCALE: 1 1/2" = 1'-0"

added detail - OL	11.11.15
revised section	11.17.15

ORIGINAL CONCEPT

This design is the exclusive property of Integrated Sign Associates and cannot be reproduced in whole or part without their prior written consent.

Salesman: Aaron Clippinger

Designer: Arnie M.

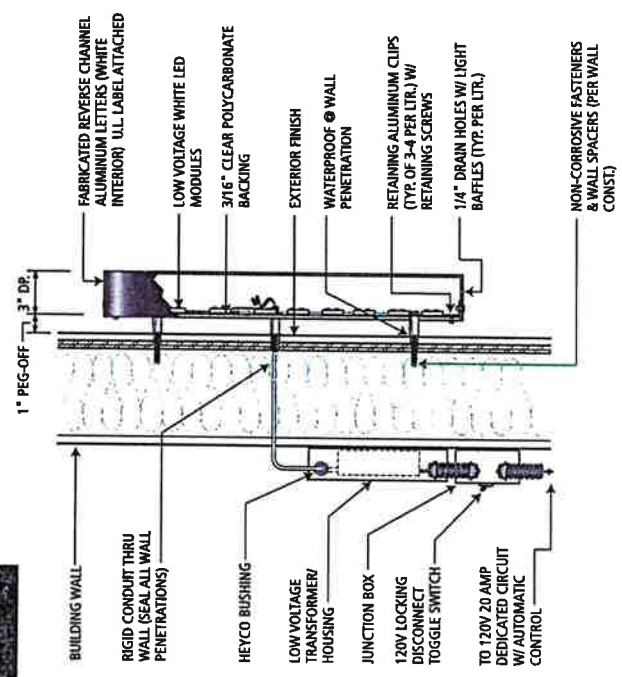
Date: August 05, 2015

Scale: As noted

Sheet No.:

5 / 6

NOTE: THIS SIGN IS INTENDED TO BE INSTALLED IN ACCORDANCE WITH THE REQUIREMENTS OF ARTICLE 600 OF THE NATIONAL ELECTRICAL CODE AND/OR OTHER APPLICABLE LOCAL CODES. THIS INCLUDES PROPER GROUNDING AND BONDING OF THE SIGN.



LETTER SECTION DETAIL
 SCALE: 1 1/2" = 1'-0"

Project No: **150651-09P**

Project:



24033 El Toro Road
 Suite 130
 Laguna Hills, CA 92654

Customer Approval:

Date:

Revisions:		
11.11.15	01 - added directional	11.11.15
11.12.15	1A - remove "5 min"	11.12.15

ORIGINAL CONCEPT

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Salesman: Aaron Clippinger

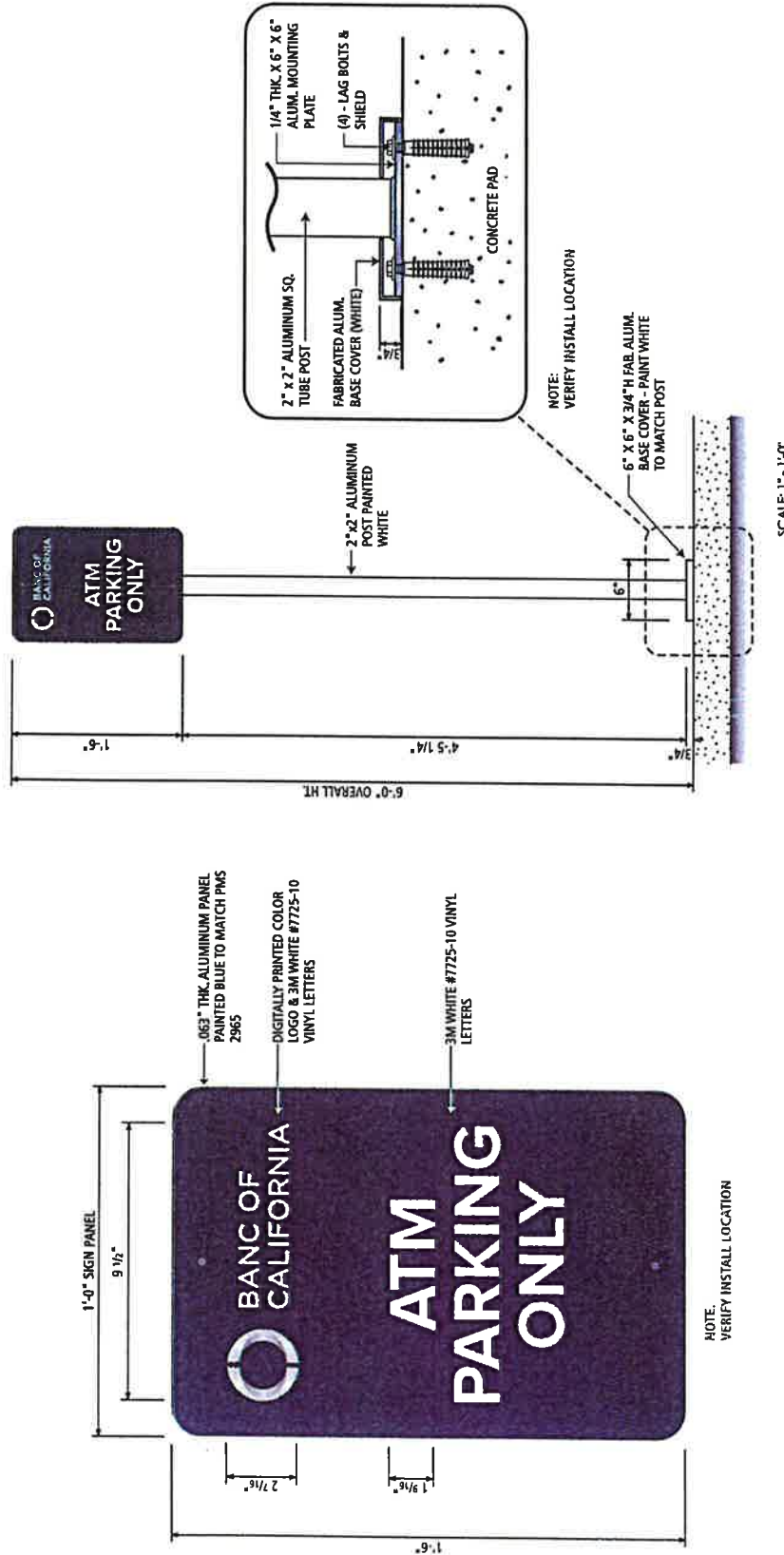
Designer: ArnieM.

Date: August 05, 2015

Scale: AS noted

Sheet No.:

6/6



NEW SIGN PANEL & POST

SCALE: 3" = 1'-0"

D QUANTITY: 2



BANC OF
CALIFORNIA

November 20, 2015

Donald J. White, Assistant City Manager
City of Laguna Hills
24035 El Toro Road
Laguna Hills, CA 92653

VIA PERSONAL DELIVERY

Re: Banc of California, National Association –Laguna Hills Branch Signage

Dear Mr. White:

Enclosed for your handling are the following:

- Item (1) Three (3) original signed copies of Amendment No. 1 dated November 24, 2015 by and between Banc of California, National Association ("BOC") and the City of Laguna Hills ("Amendment No. 1"), which amends a Standard Multi-Tenant Office Lease Agreement dated November 24, 2015. The originals have been signed by authorized officers of BOC.
- Item (2) A signage package (referred to as "Exhibit A") BOC expects will be approved by the Laguna Hills City Council at its November 24, 2015 meeting and after that approval, would be attached as Exhibit A to Amendment No. 1.

Please be advised that BOC is delivering the three (3) original signed copies of Amendment No. 1 to be held in escrow by you. If the signage package enclosed herein as Item (2) is approved by the Laguna Hills City Council and attached "as is" to Amendment No. 1, then BOC hereby authorizes the immediate release of BOC's three (3) original signature pages from escrow and agrees that Amendment No. 1 will be immediately effective.

However, if the signage package enclosed herein as Item (2) is not approved substantially "as is," by the Laguna Hills City Council, then BOC will consider Amendment No. 1 to be void and directs you to return all enclosed documents to the undersigned, including the three (3) original signature pages.

If you have any questions, please contact the undersigned at (949) 381-2867 or angelee.harris@bancofcal.com.

Very truly yours,

Angelee J. Harris
Division General Counsel
Banc of California, National Association

Enclosures

Attachment: Amendment No. 1 (2010 : Amendment No. 2 to Lease with Banc of California)



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: November 26, 2019

TO: Mayor and Council Members

FROM: David Chantarangsu
Community Development Director

ISSUE: A Proposed Resolution Authorizing an Application For, and Receipt Of, SB 2 Planning Grants Program Funds

RECOMMENDATION: That the City Council Adopt a Resolution entitled: “A Resolution of the City Council of the City of Laguna Hills, California, authorizing application for, and receipt of, SB 2 Planning Grants Program Funds”.

SUMMARY:

In response to the statewide housing shortage, State legislators have been persistently considering and passing new laws that seek to address the housing crisis. A consequence of many of these laws is State regulatory encroachment into local land use policies and preemption of local government zoning authority. As a result of recent State legislation, cities will be faced with increasing the amount of land zoned for housing, approving housing by right in certain locations, and relaxing regulations on accessory dwelling units. Although the State has increasingly intervened in local housing regulation, it is also offering assistance to cities in their efforts to achieve compliance with new State laws.

Considering that the City must undertake changes to the City’s Zoning Code to comply with certain new State housing laws, staff recommends that the City Council take advantage of a \$160,000 state grant available to the City through SB 2 (Building Homes and Jobs Act of 2017) to modify City regulations inconsistent with State law. Receiving SB 2 Grant Funds will reduce or eliminate the need for the City to use its resources to address changes in State housing law. This grant program will fund three projects:

Resolution Authorizing Submittal of SB 2 Grant Application

November 26, 2019

Page 2

1) Completion of a Sites Inventory Analysis as part of the upcoming General Plan Housing Element Update; 2) Creation of Objective Design and Development Standards for the City's Mixed-Use zoning district; and 3) Update of the City's Accessory Dwelling Unit Ordinance. The grant application is due November 30, 2019, and City Council adoption of the attached Resolution is required as a part of the grant application process (Attachment 1). Staff recommends that the City Council adopt the attached Resolution authorizing staff to submit the application for SB 2 Planning Grants Program (Attachment 2), which the State has made available to assist in gaining compliance with new and upcoming laws.

Proposed programs described would require City Council approval through the approval of Zoning Text Amendments which are completed through the adoption of an ordinance, or be included in the City's upcoming Housing Element update which is accomplished through a General Plan Amendment. In either event the City Council will be asked to review any changes the proposed undertakings may recommend.

BACKGROUND:

In 2017, Governor Brown signed a 15-bill housing package aimed at addressing California's housing shortage and high housing costs. The package included the Building Homes and Jobs Act (SB 2, 2017), which established a \$75 recording fee on real estate documents. The purpose of the fee is to provide funding and technical assistance to local governments in California and help them prepare, adopt, and implement plans and process improvements related to housing, which the State has directed cities to accomplish.

The funds are administered by the State Department of Housing and Community Development (HCD). HCD released a Notice of Funding Availability (NOFA) in March, 2019 for the SB 2 Planning Grants Program (PGP) that provides one-time funding and ongoing technical assistance. After reviewing the grant threshold requirements with HCD technical assistance, staff has determined that the threshold requirements are met. The maximum grant amount provided by SB 2 for a jurisdiction of Laguna Hills' size is \$160,000. Accordingly, staff has prepared an application responding to the NOFA requesting \$160,000 for three projects:

- Completion of a Sites Inventory Analysis as part of the upcoming General Plan Housing Element Update (P1).

The City's next Housing Element Update (6th Cycle) is scheduled to commence in

Resolution Authorizing Submittal of SB 2 Grant Application

November 26, 2019

Page 3

spring, 2020. Utilizing the Southern California Association of Governments' Estimate Tool, the City's projected Regional Housing Needs Assessment (RHNA) allocation will be nearly 2,000 housing units for the next Planning Period (2021 – 2029). Within the next Planning Period, the City anticipates that one major residential development project (the Village at Laguna Hills) will be reviewed, and if approved, constructed; however, the number of units and the affordability levels for this project will not satisfy the City's anticipated RHNA requirements. Therefore, staff proposes to use SB 2 funds to conduct a thorough Sites Inventory Analysis in preparation for the upcoming Housing Element Update to identify other sites that help the City meet its anticipated RHNA while preserving most of the City's well-established existing land use patterns.

The Analysis would include a city-wide site inventory/RHNA sites analysis, financial and programmatic resources, and public outreach. By analyzing the sites for various planning requirements, the City can demonstrate the potential for higher density residential development. Anticipated outcomes would address State requirements that pre-empt local zoning authority and allow higher density housing to be built "by right", as well as promote inclusionary zoning included in State legislation such as SB 35, SB 167 (2017 Housing Accountability Act) and SB 330 (Housing Crisis Act of 2019). The Site's Analysis would become part of the City's Housing Element Update for the 6th Cycle. The City has already budgeted \$150,000 for the Housing Element Update in the next two fiscal years; if approved, the SB 2 grant funds would help offset a portion of those costs.

- The creation of Objective Design and Development Standards for the Mixed-Use zoning district (P2).

SB 35 permits multi-family housing "by right", subject to objective zoning and design review standards. The City currently lacks objective design review standards which would prohibit staff activities such as architectural review, site plan review, and other design review activities which would likely be viewed as subjective under State law. The City has identified commercial areas in North Laguna Hills as a potential infill residential area that could support "by-right" residential development. The area is zoned as Mixed Use (MXU), which encompasses a completely built out area with existing office, retail, and industrial uses. Multifamily residential is currently permitted with approval of a Conditional Use Permit in the MXU; however, a variety of development standards in the Municipal Code (i.e., lot coverage, landscaping coverage, etc.) are contrary

Resolution Authorizing Submittal of SB 2 Grant Application

November 26, 2019

Page 4

to the objectives of State law, which require objective standards that accommodate residential development and streamlined processing times, among other requirements. Staff proposes to use SB 2 funds to establish objective design and development standards for residential development already permitted in North Laguna Hills, specifically in the MXU zoning district. The project would also include analysis of methods to anticipate multifamily residential development in other commercially-zoned properties in North Laguna Hills where residential uses are not permitted. One or more community workshops would be conducted to gather developers' and architects' input on design and development standards. Objective design standards would safeguard the City from poorly-designed projects that may otherwise be able to be developed as "by-right" residential development. While the State has greatly diminished the ability for local agencies to conduct ad-hoc project level review, the City has the ability to set standards within the Zoning Code through the creation of objective design standards that would still apply to all projects. Currently, very few design standards exist that would allow staff to influence project design quality.

- The update of the City's Accessory Dwelling Unit ordinance and associated resident outreach and education (P3).

The State's attempt to resolve the housing crisis has incrementally resulted in the deregulation of accessory dwelling units, or ADUs. In 2018, the City adopted an ordinance that amended the Laguna Hills Municipal Code to allow ADUs in accordance with State law. However, in 2019, additional legislation was passed which requires further amendments to the Municipal Code in order to comply with changes to State law. Staff proposes to use SB 2 funds to revise the Municipal Code to continue to comply with State law. As part of the Code update, staff will inform the public of the changes being imposed by the State, which will help the City gain compliance with State ADU laws.

Resolution Authorizing Submittal of SB 2 Grant Application

November 26, 2019

Page 5

FISCAL IMPACT:

There is no fiscal impact at this time relating to the authorization to submit the grant application for consideration by the Department of Housing and Community Development. Further, if the grant funds are awarded, there is no City match required. However, per HCD guidelines, grant funds may be subject to repayment if the plan or process improvement developed with grant funds is not ultimately adopted.

ATTACHMENTS:

- Attachment 1 – Proposed Resolution
- Attachment 2 – SB 2 Planning Grants Program Application

RESOLUTION NO. 2019-11-26-X

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
LAGUNA HILLS, CALIFORNIA, AUTHORIZING
APPLICATION FOR, AND RECEIPT OF, SB 2 PLANNING
GRANTS PROGRAM FUNDS

The City Council of the City of Laguna Hills, California, hereby finds, determines, declares, and resolves as follows:

WHEREAS, the State of California, Department of Housing and Community Development (Department) has issued a Notice of Funding Availability (NOFA) dated March 28, 2019, for its Planning Grants Program (PGP); and

WHEREAS, the City Council of Laguna Hills desires to submit a project application for the PGP program to accelerate the production of housing and will submit a 2019 PGP grant application as described in the Planning Grants Program NOFA and SB 2 Planning Grants Program Guidelines released by the Department for the PGP Program; and

WHEREAS, the Department is authorized to provide up to \$123 million under the SB 2 Planning Grants Program from the Building Homes and Jobs Trust Fund for assistance to Counties (as described in Health and Safety Code section 50470 et seq. (Chapter 364, Statutes of 2017 (SB2)) related to the PGP Program.

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

SECTION 1. The City Council is hereby authorized and directed to apply for and submit to the Department the 2019 Planning Grants Program application released March 28, 2019 in the amount of \$160,000.

SECTION 2. In connection with the PGP grant, if the application is approved by the Department, the City Manager is authorized to enter into, execute, and deliver a State of California Agreement (Standard Agreement) for the amount of \$160,000, and any and all other documents required or deemed necessary or appropriate to evidence and secure the PGP grant, the City's obligations related thereto, and all amendments thereto (collectively, the "PGP Grant Documents").

SECTION 3. The City shall be subject to the terms and conditions as specified in the Standard Agreement, the SB 2 Planning Grants Program Guidelines, and any applicable PGP guidelines published by the Department. Funds are to be used for allowable expenditures as specifically identified in the Standard Agreement. The application in full is incorporated as part of the Standard Agreement. Any and all activities funded, information provided, and timelines represented in the application will be enforceable through the executed Standard Agreement. The City Council hereby agrees to use the funds for eligible uses in the manner presented in the application as approved

by the Department and in accordance with the Planning Grants NOFA, the Planning Grants Program Guidelines, and 2019 Planning Grants Program Application.

SECTION 4. The City Manager is authorized to execute the City of Laguna Hills' Planning Grants Program application, the PGP Grant Documents, and any amendments thereto, on behalf of the City as required by the Department for receipt of the PGP Grant.

PASSED, APPROVED, AND ADOPTED this 26th day of November, 2019.

DON SEDGWICK, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

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

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 2019- 11-26-X adopted by the City Council of the City of Laguna Hills, California, at a Regular Meeting thereof held on the 26th day of November 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

MELISSA AU-YEUNG, CITY CLERK

SB 2 Planning Grants Program Application



**State of California
Governor Gavin Newsom**

**Alexis Podesta, Secretary
Business, Consumer Services and Housing Agency**

**Ben Metcalf, Director
Department of Housing and Community Development**

2020 West El Camino, Suite 500
Sacramento, CA 95833

Website: <http://www.hcd.ca.gov/grants-funding/active-funding/planning-grants.shtml>

Email: sb2planninggrant@hcd.ca.gov

March 28, 2019
Revised July 10, 2019

SB 2 Planning Grants Application

Planning Grants Program Application Packaging Instructions

The applicant is applying to the Department of Housing and Community Development (Department) for a grant authorized underneath the Planning Grants Program (PGP) provisions of SB 2 (Chapter 364, Statutes of 2017). The PGP program is intended for the preparation, adoption, and implementation of plans that streamline housing approvals and accelerate housing production. Please refer to the SB 2 Planning Grants Program Guidelines and Notice of Funding Availability (NOFA) for detailed information on eligible activities, applicants, and awards. If you have questions regarding this application or the PGP, email sb2planninggrant@hcd.ca.gov.

If approved for funding, this grant application will be a part of your Standard Agreement with the Department. In order to be considered for funding, all sections of this application, including attachments and exhibits if required, must be complete and accurate.

Pursuant to Section X of the NOFA, all applicants must submit a complete, signed, original application package and an electronic copy on CD or USB flash drive containing the following documentation, in the order listed below, to the Department by the specified due date in the Notice of Funding Availability (NOFA) in order to be considered for award:

- 1) A complete, signed, original application (the Department will only accept this **fillable pdf** as the application) with the following attachments:
 - a. **Attachment 1: State and Other Planning Priorities** (All applicants must submit this form to self-certify compliance)
 - b. **Attachment 2: Nexus to Accelerating Housing Production - NOTE:** if the applicant is proposing only Priority Policy Areas (PPA), as defined in section VIII, subsection (3) of the NOFA, do not fill out Attachment 2. However, if the applicant is proposing to fund PPAs AND other activities that are not considered PPAs, the application must demonstrate how these other activities have a nexus to accelerating housing production by filling out Attachment 2 of this application.
- 2) A fully executed resolution authorizing application for, and receipt of, PGP funds (see Attachment 3: Sample Resolution).
- 3) A fully executed Government Agency Taxpayer ID Form (available as a download from the SB 2 Planning Grants webpage at <http://www.hcd.ca.gov/grants-funding/active-funding/planning-grants.shtml>).
- 4) If the applicant is partnering with another local government or other entity pursuant to Article II, Section 200 of the SB 2 Planning Grant Program Guidelines (the "Guidelines"), include a copy of the legally binding agreement.
- 5) Other documentation (e.g., letters of support, scope of work, etc.) if needed.

NOTE: All local governments must submit a separate, signed application package, notwithstanding whether it will partner with another form of government or entity. Only one application per locality will be accepted by the Department. Joint applications are not allowed.

SB 2 Planning Grants Application

A. Applicant Information

Pursuant to Article II, Section 200 of the Guidelines, local governments may partner through legally binding agreements with other forms of governments or entities. However, all local governments must submit separate, signed application packages that identify their respective responsibilities and deliverables, even if partnering with other entities.

Is the applicant partnering with another eligible local government entity?			
☐	*Yes	*If Yes, the application package must include a fully executed copy of the legally binding agreement. Provide the partners' name(s) and type(s) below for reference only.	
☒	No		

Complete the following Applicant information			
Applicant's Name		City of Laguna Hills	
Applicant's Agency Type		Local Government (City)	
Applicant's Mailing Address		24035 El Toro Road	
City		Laguna Hills	
State	California	Zip Code	92653
County		Orange	
Website		www.lagunahillsca.gov	
Authorized Representative Name		Don White	
Authorized Representative Title		City Manager	
Phone	949-707-2600	Fax	949-707-2614
Email		dwhite@lagunahillsca.gov	
Contact Person Name		David Chantarangsu	
Contact Person Title		Community Development Director	
Phone	949-707-2600	Fax	949-707-2633
Email		dchantarangsu@lagunahillsca.gov	
Partner(s) Name (if applicable)		n/a	
Partner Agency Type		n/a	
Partner(s) Name (if applicable)		n/a	
Partner Agency Type		n/a	
Proposed Grant Amount	\$	160,000	

B. Applicant Certification

As the official designated by the governing body, I hereby certify that if approved by HCD for funding through the Planning Grants Program (PGP), the _____ City of Laguna Hills _____ assumes the responsibilities specified in the 2019 Notice of Funding Availability and PGP guidelines, and certifies that the information, statements, and other contents contained in this application are true and correct.

Signature: _____ Name: _____ Don White

Date: _____ Title: _____ City Manager

SB 2 Planning Grants Application

C. Threshold Requirements

Pursuant to Section 201(a) through (d) of the Guidelines, all applicants must meet the following threshold criteria in items 1-4 below to be eligible for an award.

1. Does the applicant have an adopted housing element found to be in substantial compliance by the Department on or before the date of the applicant's submission of their SB 2 Planning Grant application?

☒	Yes	Date of HCD Review Letter: <u>11/5/13</u>
☐	No	
☐	The Applicant requests HCD to consider housing element compliance threshold as met due to significant progress achieved in meeting housing element requirements.	

2. Has the applicant submitted to the Department the Annual Progress Report (APR) for the current or prior year on or before the date of submission of their SB 2 Planning Grant application?

☒	Yes	APR	Date Submitted
☒		2017 CY Report	4/16/18
☒		2018 CY Report	4/11/19
☐	No		

3. Is the applicant utilizing one of the Priority Policy Areas listed below (as defined in section VIII, subsection (3) of the NOFA)?

☒	*Yes	*If the applicant is proposing <u>only</u> Priority Policy Areas, <u>do not fill out Attachment 2</u> . However, if the applicant is proposing to fund PPAs AND other activities that are not considered PPAs, the application must demonstrate how these other activities have a nexus to accelerating housing production by filling out Attachment 2 of this application.					
		Rezone to permit by-right	Objective design and development standards	Specific Plans or form based codes coupled with CEQA streamlining	Accessory Dwelling Units or other low-cost building strategies	Expedited processing	Housing related infrastructure financing and fee reduction strategies
		☐	☒	☐	☒	☐	☐
☐	No	If an applicant is not proposing Priority Policy Areas, the application must include an explanation and document the plans or processes' nexus and impact on accelerating housing production based on a reasonable and verifiable methodology and must submit Attachment 2 in the Application pursuant to section VIII, subsection (3) of the NOFA.					
☒	The applicant is proposing PPAs and other activities not considered PPAs and is demonstrating how these activities have a nexus to accelerating housing production by submitting Attachment 2.						

4. Does the applicant demonstrate that the locality is consistent with State Planning or Other Priorities, as certified in Attachment 1?

Yes	☒	*No	☐
-----	-------------------------------------	-----	--------------------------

**If No, consistency may be demonstrated through activities (not necessarily proposed for SB 2 funding) that were completed within the last five years, as certified in Attachment 1.*

5. Is a completed and signed resolution included with the application package?
See Attachment 3, "Sample Resolution"

Yes	☒	No	☐
-----	-------------------------------------	----	--------------------------

SB 2 Planning Grants Application

D. Proposed Activities Checklist (Section VI, items (1) through (17) of the NOFA)

Check all activities the locality is undertaking for their PGP efforts below. Activities must match **Section E. Project Description**, and **Section F. Timeline and Budget**.

1	☒	updates to general plans, community plans, specific plans, local planning related to implementation of sustainable communities strategies, or local coastal plans
2	☒	updates to zoning ordinances
3	☐	environmental analyses that eliminate the need for project-specific review
4	☐	local process improvements that improve and expedite local planning
5	☐	a smaller geography with a significant impact on housing production including an overlay district, project level specific plan or development standards modifications proposed for significant areas of a locality, such as corridors, downtown or priority growth areas
6	☐	the creation or enhancement of a housing sustainability district pursuant to AB 73 (Chapter 371, Statutes of 2017)
7	☐	workforce housing opportunity zone pursuant to SB 540 (Chapter 369, Statutes of 2017)
8	☐	zoning for by-right supportive housing, pursuant to Government Code section 65651 (Chapter 753, Statutes of 2018)
9	☐	zoning incentives for housing for persons with special needs, including persons with developmental disabilities
10	☐	rezoning to meet requirements pursuant to Government Code Section 65583.2(c) and other rezoning efforts to facilitate supply and affordability
11	☐	rezoning for multifamily housing in high resource areas (according to Tax Credit Allocation Committee/Housing Community Development Opportunity Area Maps)
12	☐	pre-approved architectural and site plans
13	☐	regional housing trust fund plans
14	☐	funding plans for SB 2 Year 2 going forward
15	☐	infrastructure financing plans
16	☒	environmental hazard assessments; data collection on permit tracking; feasibility studies, site analysis, or other background studies that are ancillary and part of a proposed activity with a nexus to accelerating housing production
17	☐	Other activities demonstrating a nexus to accelerating housing production

SB 2 Planning Grants Application

E. Project Description

*Provide a description of the project and the scope of work to be performed below. Use Appendix A for additional information if necessary. **Note:** If partnering with another local government or entity, be sure to clarify the responsibilities and deliverables of your locality pursuant to such partnership.*

P1. Sites Inventory Analysis

The City's next Housing Element Update (6th Cycle) is scheduled to commence in Spring, 2020. Utilizing SCAG's Estimate Tool, the City's projected RHNA allocation will be nearly 2,000 housing units for the next Planning Period (2021 – 2029). Within the next Planning Period, the City anticipates that one major residential development project will be reviewed, and if approved, constructed; however, the number of units and the affordability levels for this project will not satisfy the City's anticipated RHNA requirements. Therefore, the City proposes to use SB 2 funds to conduct a thorough Sites Inventory Analysis in preparation for the upcoming Housing Element Update. The Analysis would include a city-wide site inventory/RHNA sites analysis, financial and programmatic resources, identification of "shovel-ready" sites, and public outreach. By clearing the sites of various planning requirements, the City can demonstrate the potential for higher density residential development and accelerate the development of housing. Anticipated outcomes could also include higher density zoning by right, inclusionary zoning, and reduction in entitlement processing times. The Site's Analysis would become part of the City's Housing Element update for the 6th Cycle.

P2. Objective Design and Development Standards (PPA)

The City has identified "North Laguna Hills", an approximately 1.1-square mile area in the northern region of the City, as a potential infill residential area. Approximately half of the area is zoned as Mixed Use (MXU), which encompasses a completely built out area with existing office, retail, and industrial uses. Multifamily residential is permitted with approval of a Conditional Use Permit in the MXU; however, a variety of development standards in the Municipal Code (i.e., lot coverage, landscaping coverage, etc.) are problematic to residential development design. As a complementary effort to the proposed Site's Analysis effort described above, the City proposes to use SB 2 funds to establish objective design and development standards for residential development in North Laguna Hills, specifically in the MXU zoning district. The project would also include analysis of methods to permit multifamily residential in an existing abutting commercial center that is currently zoned as Community Commercial (CC), which currently does not permit residential uses. One or more community workshops would be conducted to gather developers' and architects' input on design and development standards. Objective design standards would accelerate housing growth by simplifying the review process through standardized approval requirements and are estimated to reduce entitlement processing time by up to six months.

P3: Accessory Dwelling Units (PPA)

The State recently passed further legislation regarding Accessory Dwelling Units (ADUs). The City proposes to use SB 2 funds to notify and educate homeowners about ADUs. This process would include holding outreach meetings with numerous HOAs, informational booths at civic events, creating informational flyers, and enhancing the City's website with updated ADU information. The funds would also be utilized to revise the Municipal Code to comply with State law.

SB 2 Planning Grants Application

F. Project Timeline and Budget

Project Name	P1: Sites Inventory Analysis P2: Objective Design and Development Standards P3: Accessory Dwelling Units						
Objective	Responsible Party	Est. Cost	Begin	End	Deliverable	*PPA	Notes
P1: Project Description/RFP	Applicant	\$ 5,000	3/1/20	6/1/20	Project Description for Sites Analysis	No	
P1: Prepare Sites Inventory Analysis	Partner	\$ 50,000	6/1/20	12/1/20	Sites Inventory Analysis	No	
P1: Housing Element Update	Partner	\$ 0	3/1/20	11/1/21	Adoption of Housing Element	No	
P1: Staff Time	Applicant	\$10,000	3/1/20	11/1/21	Misc. Staff Time	No	
	Other					N/A	
P2: Project Description/RFP	Applicant	\$ 5,000	2/1/20	5/1/20	Project Description for Objective Design Standards	Yes	
P2: Kickoff/Workshops	Partner	\$ 20,000	6/1/20	9/1/20	Workshops	Yes	
P2: Prepare Draft Ordinance	Partner	\$ 40,000	7/1/20	1/1/21	Adoption of Ordinance	Yes	
P2: Staff Time	Applicant	\$ 5,000	2/1/20	1/1/21	Misc. Staff Time	Yes	
	Other					N/A	
P3: Revise ADU Ordinance	Applicant	\$ 15,000	3/1/20	7/1/20	Adoption of Revised Ordinance	Yes	
P3: Public Outreach/Education	Applicant	\$ 5,000	6/1/20	8/1/20	Workshops/Meetings	Yes	
P3: Updated Information	Applicant	\$ 5,000	6/1/20	8/1/20	Informational Flyers/Web Updates	Yes	
	Other					N/A	
Total Est. Cost \$		160000					

*Priority Policy Area (PPA)

SB 2 Planning Grants Application

G. Legislative Information

District	#	Legislator Name
Federal Congressional District	45	Katie Porter
State Assembly District	73	William P. Brough
State Senate District	36	Patricia C. Bates

Applicants can find their respective State Senate representatives at <https://www.senate.ca.gov/>, and their respective State Assembly representatives at <https://www.assembly.ca.gov/>.

SB 2 Planning Grants Application

Attachment 1: State and Other Planning Priorities Certification (Page 1 of 3)

Pursuant to Section 201(d) of the Guidelines, all applicants must demonstrate that the locality is consistent with State Planning or Other Planning Priorities by certifying that at least one activity was completed in 1) State Planning Priorities (i.e., Infill and Equity, Resource Protection, Efficient Development Patterns) or 2) Other Planning Priorities (i.e., Affordability, Conservation, or Climate Change). Consistency may be demonstrated through activities (not necessarily proposed for SB 2 funding) that were completed within the last five years.

Complete the following self-certification by selecting one or more of the policy areas in the following tables by inserting the date completed for each applicable action, briefly describing the action taken, and certifying.

State Planning Priorities

Date Completed	Brief Description of the Action Taken
Promote Infill and Equity	
	Rehabilitating, maintaining, and improving existing infrastructure that supports infill development and appropriate reuse and redevelopment of previously developed, underutilized land that is presently served by transit, streets, water, sewer, and other essential services, particularly in underserved areas.
	Seek or utilize funding or support strategies to facilitate opportunities for infill development.
	Other (describe how this meets subarea objective)
Promote Resource Protection	
	Protecting, preserving, and enhancing the state's most valuable natural resources, including working landscapes such as farm, range, and forest lands; natural lands such as wetlands, watersheds, wildlife habitats, and other wildlands; recreation lands such as parks, trails, greenbelts, and other open space; and landscapes with locally unique features and areas identified by the state as deserving special protection.
	Actively seek a variety of funding opportunities to promote resource protection in underserved communities.
	Other (describe how this meets subarea objective)
Encourage Efficient Development Patterns	
	Ensuring that any infrastructure associated with development, other than infill development, supports new development that does the following:
	(1) Uses land efficiently.

SB 2 Planning Grants Application

Attachment 1: State and Other Planning Priorities Certification (Page 2 of 3)

(2) Is built adjacent to existing developed areas to the extent consistent with environmental protection.	
(3) Is located in an area appropriately planned for growth.	
(4) Is served by adequate transportation and other essential utilities and services.	
(5) Minimizes ongoing costs to taxpayers.	
Other (describe how this meets subarea objective)	

Other Planning Priorities

Affordability and Housing Choices	
Incentives and other mechanisms beyond State Density Bonus Law to encourage housing with affordability terms.	
Efforts beyond state law to promote accessory dwelling units or other strategies to intensify single-family neighborhoods with more housing choices and affordability.	
Upzoning or other zoning modifications to promote a variety of housing choices and densities.	
3/12/19	Zoning Text Amendment to permit Residential Care Facilities for the Elderly subject to a CUP within the City's Neighborhood Mixed Use zoning district
Utilizing surplus lands to promote affordable housing choices.	
Efforts to address infrastructure deficiencies in disadvantaged communities pursuant to Government Code Section 65302.10.	
Other (describe how this meets subarea objective)	

SB 2 Planning Grants Application

Attachment 1: State and Other Planning Priorities Certification (Page 3 of 3)

Conservation of Existing Affordable Housing Stock

Policies, programs or ordinances to conserve stock such as an at-risk preservation ordinance, mobilehome park overlay zone, condominium conversion ordinance and acquisition and rehabilitation of market rate housing programs.

Policies, programs and ordinances to protect and support tenants such as rent stabilization, anti-displacement strategies, first right of refusal policies, resources to assist tenant organization and education and "just cause" eviction policies.

Other (describe how this meets subarea objective)

Climate Adaptation

Building standards, zoning and site planning requirements that address flood and fire safety, climate adaptation and hazard mitigation.

Long-term planning that addresses wildfire, land use for disadvantaged communities, and flood and local hazard mitigation.

Community engagement that provides information and consultation through a variety of methods such as meetings, workshops, and surveys and that focuses on vulnerable populations (e.g., seniors, people with disabilities, homeless, etc.).

Other (describe how this meets subarea objective)

State and Other Planning Priorities Certification

I certify under penalty of perjury that all of the information contained in this PGP State Planning and Other Planning Priorities certification form (pages 9, 10, and 11 of this application) is true and correct.

Certifying Officials Name: Don White

Certifying Official's Title: City Manager

Certifying Official's Signature: _____

Certification Date: _____

SB 2 Planning Grants Application

Attachment 2: Application Nexus to Accelerating Housing Production

Fill out Attachment 2 only if the applicant answered "No" to item 3 in Section C or is utilizing Policy Priority Areas AND other activities not designated as such. Applicants answering "Yes" to question 3 in Section C and utilizing ONLY Priority Policy Areas are automatically deemed to demonstrate a nexus to accelerating housing production, and do not need to complete this form.

Pursuant to section VIII, subsection (4) of the NOFA, applicants shall demonstrate how the application includes a nexus to accelerating housing production. Please complete the following chart by providing information about the current conditions and expected outcomes with respect to the planned activity and housing production. Please attach documentation as necessary and see the NOFA for additional details.

Quantify how the activity accelerates production below and use Appendix B to explain the activity and its nexus to accelerating housing production if necessary.

Type (Select at least one)	*Baseline	**Projected	***Difference	Notes
Timing (e.g., reduced number of processing days)				
Development cost (e.g., land, fees, financing, construction costs per unit)				
Approval certainty and reduction in discretionary review (e.g., prior versus proposed standard and level of discretion)	50%	75%	25%	See "Appendix B"
Entitlement streamlining (e.g., number of approvals)				
Feasibility of development	40%	70%	30%	See "Appendix B"
Infrastructure capacity (e.g., number of units)				
Impact on housing supply and affordability (e.g., number of units)				

*** Baseline – Current conditions in the jurisdiction**
(e.g. 6-month development application review, or existing number of units in a planning area)

****Projected – Expected conditions in the jurisdiction because of the planning grant actions**
(e.g. 2-month development application review)

*****Difference – Potential change resulting from the planning grant actions**
(e.g., 4-month acceleration in permitting, creating a more expedient development process)

SB 2 Planning Grants Application

Attachment 3: Sample Resolution

RESOLUTION NO. 2019-XX
A RESOLUTION OF THE [CITY COUNCIL/COUNTY BOARD OF SUPERVISORS] OF
_____[CITY, COUNTY NAME]____
AUTHORIZING APPLICATION FOR, AND RECEIPT OF,
SB 2 PLANNING GRANTS PROGRAM FUNDS

WHEREAS, the State of California, Department of Housing and Community Development (Department) has issued a Notice of Funding Availability (NOFA) dated March 28, 2019, for its Planning Grants Program (PGP); and

WHEREAS, the [City Council/County Board of Supervisors] of _____ (City/County) desires to submit a project application for the PGP program to accelerate the production of housing and will submit a 2019 PGP grant application as described in the Planning Grants Program NOFA and SB 2 Planning Grants Program Guidelines released by the Department for the PGP Program; and

WHEREAS, the Department is authorized to provide up to \$123 million under the SB 2 Planning Grants Program from the Building Homes and Jobs Trust Fund for assistance to Counties (as described in Health and Safety Code section 50470 et seq. (Chapter 364, Statutes of 2017 (SB 2)) related to the PGP Program.

NOW, THEREFORE, THE [CITY COUNCIL/COUNTY BOARD OF SUPERVISORS] OF _____
 RESOLVES AS FOLLOWS:

SECTION 1. The [City Council/County Board of Supervisors] is hereby authorized and directed to apply for and submit to the Department the 2019 Planning Grants Program application released March 28, 2019 in the amount of \$_____.

SECTION 2. In connection with the PGP grant, if the application is approved by the Department, the [insert designee title, e.g. City Manager, Executive Office, etc.] is authorized to enter into, execute, and deliver a State of California Agreement (Standard Agreement) for the amount of \$_____, and any and all other documents required or deemed necessary or appropriate to evidence and secure the PGP grant, the [City/County's] obligations related thereto, and all amendments thereto (collectively, the "PGP Grant Documents").

SECTION 3. The [City/County] shall be subject to the terms and conditions as specified in the Standard Agreement, the SB 2 Planning Grants Program Guidelines, and any applicable PGP guidelines published by the Department. Funds are to be used for allowable expenditures as specifically identified in the Standard Agreement. The application in full is incorporated as part of the Standard Agreement. Any and all activities funded, information provided, and timelines represented in the application will be enforceable through the executed Standard Agreement. The [City Council/County Board of Supervisors] hereby agrees to use the funds for eligible uses in the manner presented in the application as approved by the Department and in accordance with the Planning Grants NOFA, the Planning Grants Program Guidelines, and 2019 Planning Grants Program Application.

SECTION 4. The [insert the title of City Council/County Board of Supervisors Executive or designee] is authorized to execute the [City/County] of _____ Planning Grants Program application, the PGP Grant Documents, and any amendments thereto, on behalf of the [City/County] as required by the Department for receipt of the PGP Grant.

ADOPTED _____, 2019, by the [City/County] Board of Supervisors of the County of _____
 by the following vote:

AYES:
 NOES:
 ABSENT:
 ABSTAIN:

 County Executive
 ATTEST: APPROVED AS TO FORM:

 County Clerk County Attorney

SB 2 Planning Grants Application

Appendix A

Use this area for additional information if necessary.

SB 2 Planning Grants Application

Appendix B

Use this page to explain the nexus to accelerating housing production or for project description.

Approval certainty and reduction in discretionary review:

The Sites Inventory Analysis An updated Housing Element will likely increase approval certainty by incorporating housing-related policies that directly support the production of residential development.

Feasibility of development:

The feasibility of any development is dependent on several variables, including cost, timing, and development restrictions. Development feasibility also requires certainty and a streamlined entitlement process. To that end, an updated Housing Element would provide increased certainty in the development process.



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: November 26, 2019
TO: Mayor and Council Members
FROM: Janice Reyes
Finance Director
ISSUE: M2 Expenditure Report for the Fiscal Year Ended June 30, 2019

RECOMMENDATION: That the City Council: (1) Approve the M2 Expenditure Report for the Fiscal Year ended June 30, 2019, 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 the Fiscal Year ended June 30, 2019."

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, 2019, 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

M2 Expenditure Report FY 2018-19

November 26, 2019

Page 2

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 between \$500,000 and \$600,000 of annual revenues to the City for street maintenance purposes. Failure to submit the M2 Annual Expenditure Report could suspend or delay M2 funding.

ATTACHMENTS:

- Proposed Resolution - M2 Expenditure Report FY 2018-19
- Measure M2 Expenditure Report FY 2018-19

RESOLUTION NO. 2019-11-26-X

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, CONCERNING THE MEASURE M2 (M2) EXPENDITURE REPORT FOR THE CITY OF LAGUNA HILLS FOR FISCAL YEAR ENDING JUNE 30, 2019

The City Council of the City of Laguna Hills, California, hereby finds, determines, declares, and resolves as follows:

WHEREAS, local jurisdictions are required to meet eligibility requirements and submit eligibility verification packages to Orange County Transportation Authority (OCTA) in order to remain eligible to receive M2 funds; and

WHEREAS, local jurisdictions are required to adopt an annual Expenditure Report as part of one of the eligibility requirements; and

WHEREAS, local jurisdictions are required to account for Net Revenues, developer/traffic impact fees, and funds expended by local jurisdiction in the Expenditure Report that 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 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 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 template provided in the Measure M2 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 by 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, 2019.

PASSED, APPROVED, AND ADOPTED this 26th day of November 2019.

DON SEDGWICK, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

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

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO
HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution
No. 2019-11-26-X adopted by the City Council of the City of Laguna Hills, California, at a
Regular Meeting thereof held on the 26th day of November 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

M2 Expenditure Report
Fiscal Year Ended June 30, 2019
Beginning and Ending Balances

Description	Line No.	Amount	Interest
Balances at Beginning of Fiscal Year			
A-M Freeway Environmental Mitigation	1	\$ -	\$ -
O Regional Capacity Program (RCP)	2	\$ -	\$ -
P Regional Traffic Signal Synchronization Program (RTSSP)	3	\$ -	\$ -
Q Local Fair Share	4	\$ -	\$ -
R High Frequency Metrolink Service	5	\$ -	\$ -
S Transit Extensions to Metrolink	6	\$ -	\$ -
T Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems	7	\$ -	\$ -
U Senior Mobility Program or Senior Non-Emergency Medical Program	8	\$ 54,852.00	\$ -
V Community Based Transit/Circulators	9	\$ -	\$ -
W Safe Transit Stops	10	\$ -	\$ -
X Environmental Cleanup Program (Water Quality)	11	\$ -	\$ -
Other*	12	\$ 14,990.00	\$ -
Balances at Beginning of Fiscal Year	13	\$ 69,842.00	\$ -
Monies Made Available During Fiscal Year	14	\$ 748,707.53	\$ 8,626
Total Monies Available (Sum Lines 13 & 14)	15	\$ 818,549.53	\$ 8,626
Expenditures During Fiscal Year	16	\$ 740,716.62	\$ 8,626
Balances at End of Fiscal Year			
A-M Freeway Environmental Mitigation	17	\$ -	\$ -
O Regional Capacity Program (RCP)	18	\$ -	\$ -
P Regional Traffic Signal Synchronization Program (RTSSP)	19	\$ -	\$ -
Q Local Fair Share	20	\$ -	\$ -
R High Frequency Metrolink Service	21	\$ -	\$ -
S Transit Extensions to Metrolink	22	\$ -	\$ -
T Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems	23	\$ -	\$ -
U Senior Mobility Program or Senior Non-Emergency Medical Program	24	\$ 62,842.91	\$ 0
V Community Based Transit/Circulators	25	\$ -	\$ -
W Safe Transit Stops	26	\$ -	\$ -
X Environmental Cleanup Program (Water Quality)	27	\$ -	\$ -
Other*	28	\$ 14,990.00	\$ -

* Orange County TDA Backfill

Attachment: Measure M2 Expenditure Report FY 2018-19 (2000 : M2 Expenditure Report FY 2018-19)

City/County of

M2 Expenditure Report

Fiscal Year Ended June 30, 2019

Sources and Uses

Schedule 2

Description	Line No.	Amount	Interest
Revenues:			
A-M Freeway Environmental Mitigation	1	\$ -	\$ -
O Regional Capacity Program (RCP)	2	\$ -	\$ -
P Regional Traffic Signal Synchronization Program (RTSSP)	3	\$ -	\$ -
Q Local Fair Share	4	\$ 610,582	\$ 7,124
R High Frequency Metrolink Service	5	\$ -	\$ -
S Transit Extensions to Metrolink	6	\$ -	\$ -
T Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems	7	\$ -	\$ -
U Senior Mobility Program or Senior Non-Emergency Medical Program	8	\$ 38,126	\$ 1,502
V Community Based Transit/Circulators	9	\$ -	\$ -
W Safe Transit Stops	10	\$ -	\$ -
X Environmental Cleanup Program (Water Quality)**	11	\$ 100,000	\$ -
Other*	12	\$ -	\$ -
TOTAL REVENUES (Sum lines 1 to 12)	13	\$ 748,708	\$ 8,626
Expenditures:			
A-M Freeway Environmental Mitigation	14	\$ -	\$ -
O Regional Capacity Program (RCP)	15	\$ -	\$ -
P Regional Traffic Signal Synchronization Program (RTSSP)	16	\$ -	\$ -
Q Local Fair Share	17	\$ 610,582	\$ 7,124
R High Frequency Metrolink Service	18	\$ -	\$ -
S Transit Extensions to Metrolink	19	\$ -	\$ -
T Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems	20	\$ -	\$ -
U Senior Mobility Program or Senior Non-Emergency Medical Program	21	\$ 30,135	\$ 1,502
V Community Based Transit/Circulators	22	\$ -	\$ -
W Safe Transit Stops	23	\$ -	\$ -
X Environmental Cleanup Program (Water Quality)**	24	\$ 100,000	\$ -
Other*	25	\$ -	\$ -
TOTAL EXPENDITURES (Sum lines 14 to 25)	26	\$ 740,717	\$ 8,626
TOTAL BALANCE (Subtract line 26 from 13)	27	\$ 7,991	\$ 0

* Please provide a specific description

** Water Quality Program-Project X. Payment received 9/3/19 Accrued to FY 18/19

Attachment: Measure M2 Expenditure Report FY 2018-19 (2000 : M2 Expenditure Report FY 2018-19)

M2 Expenditure Report
Fiscal Year Ended June 30, 2019
Streets and Roads Detailed Use of Funds

Type of Expenditure	Line No.	MOE ²	+Developer / Impact Fees	O	O Interest	P	P Interest	Q	Q Interest	X	X Interest	Other M2 ³	Other M2 Interest	Other*	TOTAL
Indirect and/or Overhead	1	\$ 388,765	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,135	\$ 1,502	\$ -	\$ 420,402
Construction & Right-of-Way															
New Street Construction	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Street Reconstruction	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Signals, Safety Devices, & Street Lights	4	\$ 13,803	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,803
Pedestrian Ways & Bikepaths	5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Storm Drains	6	\$ 146,409	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ 246,409
Storm Damage	7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Construction¹	8	\$ 160,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ 260,212
Right of Way Acquisition	9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Construction & Right-of-Way	10	\$ 160,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ 260,212
Maintenance															
Patching	11	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Overlay & Sealing	12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Street Lights & Traffic Signals	13	\$ 655,309	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 655,309
Storm Damage	14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Street Purpose Maintenance	15	\$ 134,585	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 610,582	\$ 7,124	\$ -	\$ -	\$ -	\$ -	\$ 7,788	\$ 760,079
Total Maintenance¹	16	\$ 789,894	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 610,582	\$ 7,124	\$ -	\$ -	\$ -	\$ -	\$ 7,788	\$ 1,415,388
Other	17	\$ 7,428	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,428
GRAND TOTALS (Sum Lines 1, 10, 16, 17)	18	\$ 1,346,299	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 610,582	\$ 7,124	\$ 100,000	\$ -	\$ 30,135	\$ 1,502	\$ 7,788	\$ 2,103,430

¹ Includes direct charges for staff time² Local funds used to satisfy maintenance of effort (MOE) requirements³ Other M2 includes A-M, R,S,T,U,V, and W

+ Transportation related only

* Please provide a specific description

Legend

Project	Description
A-M	Freeway Environmental Mitigation
O	Regional Capacity Program (RCP)
P	Regional Traffic Signal Synchronization Program (RTSSP)
Q	Local Fair Share
R	High Frequency Metrolink Service
S	Transit Extensions to Metrolink
T	Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems
U	Senior Mobility Program or Senior Non-Emergency Medical Program
V	Community Based Transit/Circulators
W	Safe Transit Stops
X	Environmental Cleanup Program (Water Quality)

M2 Expenditure Report
Fiscal Year Ended June 30, 2019

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:

Janice Reyes

Director of Finance (Print Name)

November 26, 2019

Date



Signature

Attachment: Measure M2 Expenditure Report FY 2018-19 (2000 : M2 Expenditure Report FY 2018-19)



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: November 26, 2019

TO: Mayor and Council Members

FROM: Janice Reyes
Finance Director

ISSUE: Annual Review of Investment & Portfolio 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. 2018-11-27-2."

SUMMARY:

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 and portfolio policies and is not recommending any revisions to the existing policies, which are more restrictive than State law and consistent with the recommended best practices promulgated by the Government Finance Officers Association. The "2020 Investment and Portfolio Policies" for the City and the Public Improvement Corporation are contained in Exhibit A of the attached Resolution.

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. A Resolution to adopt the policies and delegate the investment authority to the City Treasurer for the year 2018 is attached and staff is recommending approval.

ATTACHMENTS:

- Proposed Resolution - Delegation of Investment Authority and Investment Policy Adoption
- Attachment A - Proposed 2020 Investment & Portfolio Policy

RESOLUTION NO. 2019-11-26-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. 2018-11-27-2

The City Council of the City of Laguna Hills, California, hereby finds, determines, declares, and resolves as follows:

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 investment management 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 2018-11-27-2.
- 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, 2020.

PASSED, APPROVED, AND ADOPTED this 26th day of November 2019.

DON SEDGWICK, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

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

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO
HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution
No. 2019-11-26-X adopted by the City Council of the City of Laguna Hills, California, at a
Regular Meeting thereof held on the 26th day of November, 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK



CITY OF LAGUNA HILLS

2020 INVESTMENT & PORTFOLIO POLICY



Investment and Portfolio Policies

Calendar Year 2020

TABLE OF CONTENTS

I. Policy	1
II. Scope	1
III. Objectives.....	1
IV. Standards of Care.....	3
V. Safekeeping and Custody	4
VI. Authorized and Suitable Investments.....	5
VII. Competitive Selection of Investment Instrument.....	7
VIII. Reporting.....	7
IX. Annual Investment Policy and Adoption.....	8
Appendix A - Glossary of Terms.....	9

CITY OF LAGUNA HILLS

INVESTMENT AND PORTFOLIO POLICIES

2020

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:

**CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2020**

- 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

**CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2020**

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.

**CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2020**

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 Finance Director/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

**CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2020**

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 Investments

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 than 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.

**CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2020**

- 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.
- k) Investment Trust of California, a Joint Powers Authority, doing business as CalTRUST

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	75%
CalTRUST	75%
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

**CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2020**

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 of 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.

**CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2020**

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.

**CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2020**

Appendix A – Glossary of Terms

ACCRUED INTEREST: Interest earned but not yet received.

ACTIVE DEPOSIT: Funds which are immediately required for disbursement.

AGENCIES: Federal agency securities and/or government-sponsored enterprises.

AMORTIZATION: An accounting practice of gradually decrease/increasing an asset's book value by spreading its depreciation/accretion over a period of time.

ASKED PRICE: The price at which securities are offered.

BANKERS' ACCEPTANCE: a draft or bill exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BASIS POINT: One one-hundredth of one percent (.01%)

BEAR MARKET: A period of generally pessimistic attitudes and declining market prices.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and average duration of the portfolio's investments.

BID PRICE: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid). See Offer Price and Asked Price.

BOND: A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

BOND EQUIVALENT YIELD: The basis on which yields on notes and bonds are quoted.

BOOK VALUE (COST VALUE): The purchase price at which a debt security is shown on the holder's balance sheet. Book value is the purchase price less amortization of premium or plus accretion of discount.

BROKER: An individual or firm that brings buyers and sellers together for commission.

BULL MARKET: A period of time of generally optimistic attitudes and increasing market prices.

CALLABLES: Securities that the issuer has the right to redeem prior to maturity.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable. CD's may be eligible for FDIC insurance.

COLLATERAL: Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report of the City. It is the set of financial statements for a state, municipality or other governmental entity that comply with the accounting

CITY OF LAGUNA HILLS INVESTMENT AND PORTFOLIO POLICIES 2020

requirements established by the Governmental Accounting Standards Board (GASB). It includes combined statements prepared in conformity with Generally Accepted Accounting Principles (GAAP). It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

CONSTANT MATURITY TREASURY (CMT): An average yield of a specific Treasury maturity sector for a specific time frame. This is a market index for reference of past direction of interest rates for a given Treasury maturity range.

COST VALUE (BOOK VALUE): The purchase price at which a debt security is shown on the holder's balance sheet.

COUPON: a) The annual rate of interest that a bond's issuer promises to pay the bondholder on a bond's face value; b) a certificate attached to a bond evidencing interest due on a payment date.

CREDIT ANALYSIS: A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

CURRENT YIELD: The interest paid on an investment expressed as a percentage of the current price of the security.

CUSTODY: A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement which also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DEMAND DEPOSIT ACCOUNT: Accounts whose balance is available to meet immediate cash needs. Cash withdrawals can be made at any time.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index(s) or security(s), and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities). Moreover, financial products that are dependent for their value on an underlying financial instrument, a commodity, or an index representing values of groups of such instruments or assets.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at a lower than face value. A security selling below original offering price shortly after sale is also considered to be at a discount.

CITY OF LAGUNA HILLS INVESTMENT AND PORTFOLIO POLICIES 2020

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DURATION: The weighted average maturity of a bond's cash flow stream, where the present value of the cash flows serve as the weights; The future point in time at which on average, an investor has received exactly half of the original investment, in present value terms; A bond's zero-coupon equivalent; The fulcrum of a bond's present value cash flow time line.

FANNIE MAE: Trade name for the Federal National Mortgage Association (FNMA). See FNMA.

FED WIRE: A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

FEDERAL CREDIT AGENCIES: Agencies of the Federal Government set up to supply credit to various classes of institutions and individuals, e.g., Savings and Loans, small business firms, students, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$250,000 per entity; Insurance provided to customers of a subscribing bank, which guarantees deposits to a set limit.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks, which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district bank.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): The FHLMC was created under the Federal Home Loan Mortgage Act, Title III of Emergency Home Finance Act of 1970, as a stockholder owned government-sponsored enterprise. **Freddie Mac**, as the corporation is called, is charged with providing stability and assistance to the secondary home mortgage market by buying first mortgages and participation interests and reselling these securities in the form of guaranteed mortgage securities. Although agency obligations are not explicitly guaranteed by the federal government, the rating agencies believe that in the unlikely event of financial difficulties, the federal government will support the agency to the extent necessary to provide for full and timely payment on their securities.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). **Fannie Mae**, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases included a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

CITY OF LAGUNA HILLS INVESTMENT AND PORTFOLIO POLICIES 2020

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

FINANCIAL ADVISOR: A firm of bank that acts in a financial advisory capacity with respect to a new issue of municipal securities pursuant to a written contract.

FISCAL AGENT/SPONSOR: a) A fiscal agent, fiscal sponsor, or financial agent is a proxy that manages fiscal matters on behalf of another party. b) A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract. A fiscal agent may assist in the redemption of bonds or coupons at maturity, disbursing dividends, and handling tax issues. For example, the United States Federal Reserve is the fiscal agent of the federal government of the United States.

FREDDIE MAC: The trade name for the Federal Home Loan Mortgage Corporation. See FHLMC.

GINNIE MAE: The trade name for the Government National Mortgage Association. See GNMA.

GOVERNMENT ACCOUNTING STANDARDS BOARD: The independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by the full faith and credit of the U.S. Government. **Ginnie Mae**, as these securities are called, are backed by the FHA, VA, or FmHA mortgages. The term “pass-throughs” is often used to describe Ginnie Maes.

INACTIVE DEPOSITS: Funds not immediately needed for disbursements.

INTEREST RATE: The annual yield earned on an investment, expressed as a percentage.

INVESTMENT AGREEMENTS: An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

LIQUIDITY: Refers to the ability of an asset to be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done on these quotes.

LOCAL AGENCY INVESTMENT FUND (LAIF): The Local Agency Investment Fund (LAIF), is a voluntary program created by statute; began in 1977 as an investment alternative for California's local governments and special districts and it continues today under the California State Treasurer's administration. The enabling legislation for the LAIF is Section 16429.1 et seq. of the California Government Code. This program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurer's Office investment staff at no additional cost to the taxpayer.

CITY OF LAGUNA HILLS INVESTMENT AND PORTFOLIO POLICIES 2020

This in-house management team is comprised of civil servants. The Local Investment Advisory Board (LIAB) provides oversight for LAIF. The LAIF is part of the Pooled Money Investment Account (PMIA).

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties repurchase/reverse repurchase agreement that establishes each party's in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET MUTUAL FUNDS: Open-ended mutual fund that invests in commercial paper, bankers' acceptances, repurchase agreements, government securities, certificates of deposit, and other highly liquid and safe securities, and pays money market rates of interest. The fund's net asset value remains a constant \$1/share, with the interest rate increasing or decreasing.

NATIONAL RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): A rating organization designated by the SEC as being nationally recognized.

NEW ISSUE: Term used when a security is originally "brought" to market.

OFFER PRICE: The price at which a broker/dealer/seller will offer securities to an investor. See Asked Price and Bid Price.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC, in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; Sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool. Under the Federal Reserve Act, the Fed uses purchases and sales of government and Federal Agency securities to add to or subtract from commercial bank reserves. Goals are to sustain economic growth, high employment, and reasonable price stability.

PAPER GAIN OR LOSS: Term used for unrealized gain or loss on securities being held in a portfolio based on comparison of current market quotes and their original cost. This situation exists, as long as the security is held while there is a difference between cost value (book value) and the market value.

PERFECTED DELIVERY: Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

POOLED MONEY INVESTMENT ACCOUNT (PMIA): The PMIA began in 1955 and oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The Investment Division of the State Treasurer's Office manages the PMIA under statutory authority granted by California Government Code sections 16430 and 16480.4. The Pooled Money Investment Board governs the PMIA. The State Treasurer chairs the Board, which also includes the State Controller and the State Director of Finance. Through PMIA, the State Treasurer invests taxpayers' money to manage the State's cash flow and strengthen the

CITY OF LAGUNA HILLS INVESTMENT AND PORTFOLIO POLICIES 2020

financial security of local governmental entities. The PMIA has three primary sources of funds: the State general fund; special funds held by State agencies; and moneys deposited by cities, counties and other entities into the Local Agency Investment Fund (LAIF).

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state - the so called legal list. In other states, the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital,

PURCHASE DATE: The date in which a security is purchased for settlement on that or a later date.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

REPURCHASE AGREEMENT (RP or REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to do be doing RP, it is lending money, that is, increasing bank reserves.

REVERSE REPURCHASE AGREEMENT (Reverse REPO): A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is like a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is borrowing.

RISK: Degree of uncertainty of return on an asset.

SAFEKEEPING: a) The service provided by banks and trust companies for clients when the bank or trust company stores the securities, takes in coupon payments, and redeems issues at maturity b) A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in a bank's vaults for protection. See custody.

SEC RULE 15(C)3-1: See Uniform Net Capital Rule. Also called Net Capital Rule and Net Capital Ratio.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

CITY OF LAGUNA HILLS INVESTMENT AND PORTFOLIO POLICIES 2020

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SETTLEMENT DATE: The date at which a trade is cleared by delivery of securities against funds.

SPREAD: a) The yield or price difference between the bid and offer on an issue. b) The yield or price difference between issues.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, etc.) and Corporations that have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivatives-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options, and shifts in the shape of the yield curve.

SWAP: The sale of one issue and the simultaneous purchase of another for some perceived advantage.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than ten (10) years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two (2) to ten (10) years.

TRUST COMPANY: A trust company is a legal entity that acts as a fiduciary or agent on behalf of a person or business, for the purpose of administration, management and the eventual transfer of assets to a beneficial party. The trust company acts as a custodian for trusts, estates, custodial arrangements, asset management, stock transfer, beneficial ownership registration and other related arrangements. See Trustee.

TRUSTEE: A financial institution with trust powers that act in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract. See Trust Company.

U.S. GOVERNMENT AGENCIES: Instruments issued by various U.S. Government Agencies most of which are secured only by the credit worthiness of the particular agency.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; Also called **SEC RULE 15(C)3-1, Net Capital Rule** and **Net Capital Ratio**. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. b) **YIELD AT MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

YIELD CURVE: Yield calculations of various maturities at a given time to observe spread difference.

CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2020

* * * * *

Attachment: Attachment A - Proposed 2020 Investment & Portfolio Policy (2007 : 2020 Investment Policy)



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: November 26, 2019
TO: Mayor and Council Members
FROM: Janice Reyes
Finance Director
ISSUE: First Quarter Financial & Treasurer's Report for Fiscal Year 2019/2020

RECOMMENDATION: That the City Council receive and file the First Quarter Financial and Treasurer's Report for Fiscal Year 2019/2020.

SUMMARY:

Attached to this report is the City of Laguna Hills Quarterly Financial Report for the First Quarter of Fiscal Year 2019/2020. The information presented in the Quarterly Financial Report provides the City Council, management, and the public with the results of the City's financial operations for the 2019/2020 Fiscal Year through September 30, 2019, on a modified accrual basis for all governmental funds. At this time, there are no material deviations or significant variances to report. The total fund balance at the end of the first quarter for all governmental funds totaled \$9,981,467.

The Quarterly Financial Report contains a condensed Treasurer's Investment Report as of September 30, 2019, on Page 6. The City's total portfolio of \$10,423,934 at the end of the first quarter for all fund types is invested in authorized securities. The City's investment policy approved by City Council Resolution is the prevailing guideline in managing investments.

With the recent close of the prior fiscal year ended June 30, 2019, a Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance was included, which reports a positive variance to the ending fund balance as a result of favorable variances in actual revenues and expenditures over the year-end estimate and amended budget. At the close of the prior fiscal year, the City's total governmental fund balance was

First Quarter Financial & Treasurer's Report FY 2019-20

November 26, 2019

Page 2

\$13,697,289, over the year-end estimate by \$898,952 and over the amended budget by \$1,404,882. These favorable variances resulted in higher than anticipated Unrestricted General Fund Balance Ratio of 44% and Unassigned General Fund Balance Ratio of 38%, exceeding the target ratios of 35% and 25% respectively. Also, the Operating Ratio was 1.18, exceeding the target 1.1 ratio.

An updated 8-Year Resource Allocation Plan can be found on the last page of the report, which accounts for the actual results of the prior Fiscal Year 2018/2019. The projected annual increase was updated for the law enforcement contract with the Orange County Sheriff Department, which are projected to be approximately 7% in Year 2, 4% in Years 3 and 4, and 3% annually in each of the remaining years of the Plan. Additionally, \$250,000 will be received in FY 2019/2020 from Exclusive Risk Management Authority of California (ERMAC) for coverage on a closed claim and was added to Year 1 of the Plan.

ATTACHMENTS:

- Fiscal Year 2019-2020 First Quarter Financial Report



CITY OF LAGUNA HILLS

Quarterly Financial Report

First Quarter FY 2019/20

The following unaudited financial information summarizes the City's overall financial activity for the current fiscal year through September 30, 2019. Financial analysis for this report is provided for the General Fund, Capital Improvement Program, Debt Service, and other City governmental funds, and is intended to provide the City Council and the public with a summary overview of the City's general fiscal condition through September 30, 2019. A Summary of Funding Sources and Uses for the three months ended September 30, 2019, is presented in the table below.

Summary of Funding Sources & Uses For the Nine Months Ended September 30, 2019

	Year-To-Date Actual	Budget	YTD % of Budget
<i>Funding Sources</i>	\$ 1,597,434	\$ 25,035,712	6%
<i>Funding Uses</i>	5,313,256	26,782,351	20%
<i>Net Change</i>	(\$ 3,715,822)	(\$ 1,746,639)	

The Comparative Statement of Operations for Governmental Funds, on page 3, shows the detail of the year-to-date actual financial activity in relation to the Amended Budget. Year-to-date financial activity for all governmental funds through September 30, 2019, reports expenditures exceeding revenues by approximately \$3.7 million, which is typical of the governmental funds for the same period in previous fiscal years. As of September 30, 2019, the City received roughly \$1.6 million in total funding sources and spent roughly \$5.3 million in total funding uses.

Interpreting the information presented herein requires consideration of the cash flow fluctuations of revenues and expenditures. With one quarter of the fiscal year complete, total funding sources for all governmental funds was 6% of budget and funding uses was at 20% of budget. Expenditures are reported when payments are made and revenues are reported when payment is received. There are a number of revenue and expenditures items that would show significant deviation if a straight-line comparison was applied. In a straight-line approach, one would expect line items to approximate 25% of budget by the end of the first quarter. However, the timing of many revenue and expenditure transactions do not occur at uniform times or at equal intervals over the course of the fiscal year. Consequently, although the first quarter represents 25% of the fiscal year, not all line items will be at 25% of the budget. Thus, the YTD as a percentage of budget shown in this report does not necessarily indicate material deviations or budget variances. With this perspective in mind, given anticipated payment schedules and past trends, there are no significant budget variances to report at this time.

8-Year Resource Allocation Plan

A comparative statement of the financial activity for the prior fiscal year ended June 30, 2019 is provided on page 7. At the close of the prior fiscal year, the City's total governmental fund balance was \$13,697,289, over the estimate by \$898,952 and over the amended budget by \$1,404,882, as a result of positive variances in actual revenues and expenditures.

Additionally, with the close of the prior fiscal year, an update to the 8-Year Resource Allocation Plan was prepared and can be found on page 8. This update accounts for changes to the projected annual increase in contracted law enforcement with the Orange County Sheriff Department, which are projected to be approximately 7% in Year 2, 4% in Years 3 and 4, and 3% annually in each of the remaining years of the Plan. Also \$250,000 will be received in FY 2019/20 from Exclusive Risk Management Authority of California (ERMAC) for coverage on a closed claim and was added to Year 1 of the Plan.

Funding Sources

The City's total funding sources comprise of general fund revenues, special fund revenues, and other financing sources. At the end of the first quarter, total funding sources were approximately \$1.6 million, or 20% of budget.

GENERAL FUND REVENUES

General Fund Revenues are utilized primarily to finance the City's general governmental activities. At quarter end, general fund revenues totaled \$1,195,515 or 5% of budget. Receipts of Property Tax came in at \$182,176, or 2% of budget. Intergovernmental Revenues, which includes sales tax revenue, were \$462,073, or 8%, of budget. The recording of these revenue sources comply with GASB 33 which addresses the timing of recognition of non-exchange transactions, e.g. taxes and fines. Revenues from non-exchange transactions, such as property and sales tax, received in the first two months of this fiscal year were accrued in the prior fiscal year. Franchise Tax from utility companies and Transient Occupancy Tax came in at \$53,171, or 2% of budget. These receipts lag at least a quarter and no accrual was made at quarter end. Revenues from Licenses & Permits, \$239,267, and Charges for Services, \$219,580, are dependent upon development activities and came in at 27% and 17% of budget, respectively. Fines and Forfeitures, which includes parking and vehicle fines, ended the quarter at 21% of budget, at \$39,248.

SPECIAL REVENUES AND GRANTS

Many of the Special Revenue funding sources are tied in with the City's Capital Improvement Plan. The receipts of funding sources for certain capital projects typically lag behind the spending on the projects, as the claims are applied for during construction or after project-completion. At the end of the first quarter, special revenues receipts totaled \$399,675, or 14% of budget.

OTHER FUNDING SOURCES

Interest income of \$62,244 ended the quarter at 41% of budget, reflecting rising interest rates over projection.

Funding Uses

The City's total funding uses consist of the City's Operating Expenditures, outlay for Capital Improvement projects, debt charges and expenditures for grant related programs. At the end of the third quarter, total funding uses were approximately \$5.3 million, which was 20% of budget.

OPERATING EXPENDITURES

At the end of the third quarter, operating expenditures totaled roughly \$5.1 million, which represents 25% of the total operating budget. While total operating expenditures came in at 25% of budget, the spending level for Non-Departmental came in much higher, at 70% of its budget, due to annual insurance premiums paid in full at the onset of the fiscal year, as well as annual IT related maintenance contracts.

CAPITAL IMPROVEMENT PLAN (CIP)

CIP expenditures totaled \$172,728, or 8% of budget, at the end of the third quarter. All budget capital improvement projects automatically re-appropriate each fiscal year until the project is completed.

The following table lists the YTD expenditures for capital projects by type as of September 30, 2019.

Capital Improvement Program	
For the 3 Months Ended, September 30, 2019	
Streets, Signals & Lighting	\$ 173
Flood Control & Water Quality	1,366
Total \$	1,539

OTHER FUNDING USES

As of the end of the first quarter, payments for debt service totaled \$141,441. Use of Reserves totaled \$14,259 for claims expense. Additionally, \$2,668 was spent on the senior mobility program, primarily funded by OCTA M2 SMP funds, and \$14,340 of forfeited C&D deposits was spent toward the City's recycling program.

CITY OF LAGUNA HILLS
COMPARATIVE STATEMENT OF OPERATION - GOVERNMENTAL FUNDS
FOR THE 3 MONTHS ENDED, SEPTEMBER 30, 2019

	FY 2019/20			FY 2018/19		
	Y-T-D ACTUAL	AMENDED BUDGET	YTD % of BUDGET	Y-T-D ACTUAL	AMENDED BUDGET	YTD % of BUDGET
FUNDING SOURCES						
General Fund Revenues						
Property Tax	\$ 182,176	\$ 11,341,052	2%	\$ 186,578	\$ 10,916,716	2%
Intergovernmental Revenues	462,073	6,085,638	8%	498,409	5,578,000	9%
Franchise & Transient Occupancy Tax	53,171	2,593,887	2%	48,429	2,803,425	2%
Licenses and Permits	239,267	881,000	27%	219,686	800,000	27%
Charges for Current Services	219,580	1,282,590	17%	204,359	1,094,000	19%
Fines & Forfeitures	39,248	190,000	21%	48,026	190,000	25%
Total General Fund Revenues	1,195,515	22,374,167	5%	1,205,487	21,382,141	6%
Special Revenue Funds						
Gas Tax - HUTA	58,958	842,507	7%	49,473	697,429	7%
Gas Tax -SB1 RMRA	49,570	526,640	9%	50,281	527,571	10%
Measure M2 Fair Share	113,706	613,462	19%	93,476	590,060	16%
Measure M2 - Competitive	-	200,000	0%	-	300,000	0%
AB 2766 Fund	-	40,000	0%	-	40,000	0%
CDBG	-	70,000	0%	-	-	0%
CASP	-	5,000	0%	-	-	0%
Beverage Recycling Fund	-	-	-	-	8,300	0%
CR&R Recycling Fees	-	2,000	0%	-	2,000	0%
C&D Forfeited Deposits	54,332	35,000	155%	2,000	30,000	7%
Senior Mobility Program	7,161	36,936	19%	5,837	35,126	17%
Law Enforcement Grants	55,948	140,000	40%	48,747	148,747	33%
Total Special Revenue Funding	339,675	2,511,545	14%	249,814	2,379,233	10%
Other Funding Sources						
Interest Income	62,244	150,000	41%	40,746	85,000	48%
Distribution from Enterprise Fund	-	-	-	-	100,000	0%
Total Other Funding Sources	62,244	150,000	-	40,746	185,000	-
TOTAL FUNDING SOURCES	\$ 1,597,434	\$ 25,035,712	6%	\$ 1,496,047	\$ 23,946,374	6%
FUNDING USES						
Operating Expenditures						
General Government	\$ 515,431	2,713,895	19%	\$ 427,275	\$ 2,400,264	18%
Non-Departmental	907,501	1,303,887	70%	668,383	1,085,875	62%
Community Development	194,851	1,270,803	15%	198,973	1,302,329	15%
Public Services	963,857	4,661,974	21%	1,093,498	4,400,954	25%
Community Services	471,852	2,156,280	22%	502,622	2,064,096	24%
Police Services	2,085,499	8,568,347	24%	2,081,910	8,411,971	25%
Total Operating Expenditures	5,138,990	20,675,186	25%	4,972,661	19,665,489	25%
Capital Improvement Program	1,539	4,020,336	0%	32,505	1,278,000	3%
Other Funding Uses						
Debt Charges	141,441	1,804,921	8%	170,441	1,790,881	10%
Use of Reserves	14,259	50,000	29%	114,911	50,000	230%
Special Revenue Fund Expenditures						
AB2766	-	70,000	0%	-	-	-
CASP	-	5,000	0%	-	-	-
Senior Mobility Program	2,688	64,272	4%	4,526	44,000	10%
Beverage Recycling	-	21,757	0%	-	8,300	0%
CR&R Recycling Fund	-	2,879	0%	-	2,000	0%
Forfeited C&D Deposits	14,340	68,000	21%	8,161	82,328	10%
Total Other Funding Uses	172,728	2,086,829	8%	298,039	1,977,509	15%
TOTAL FUNDING USES	\$ 5,313,256	\$ 26,782,351	20%	\$ 5,303,205	\$ 22,920,998	23%
NET CHANGE IN FUND BALANCE	\$ (3,715,822)	\$ (1,746,639)		\$ (3,807,158)	\$ 1,025,376	

Attachment: Fiscal Year 2019-2020 First Quarter Financial Report (1980 : First Quarter Financial & Treasurer's Report FY 2019-20)

CITY OF LAGUNA HILLS
ABRIDGED BALANCE SHEET - GOVERNMENTAL FUNDS (UNAUDITED)
SEPTEMBER 30, 2019

ASSETS

Cash and investments	\$ 10,215,495
Receivables:	
Accounts	88,797
Interest	54,993
Prepaid items	48,809
	<u> </u>
Total assets	\$ <u><u>10,408,094</u></u>

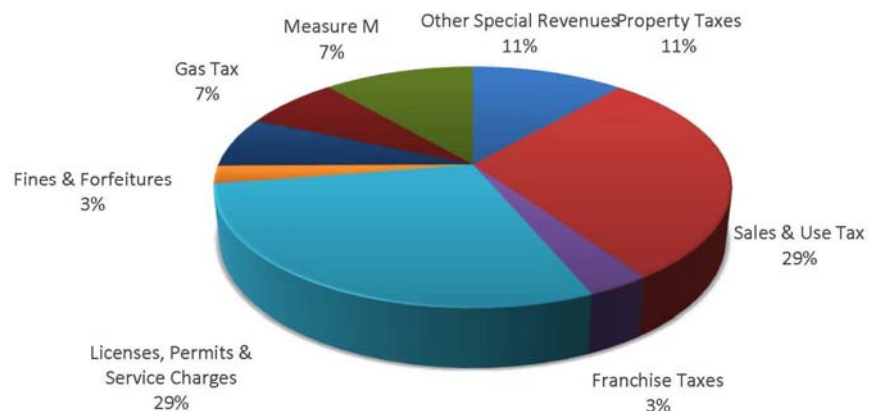
LIABILITIES AND FUND BALANCES

Liabilities:

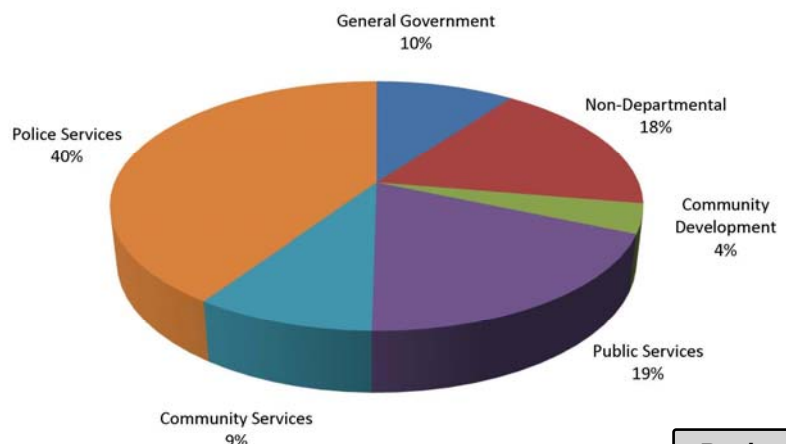
Accounts payable	\$ 59,338
Due to Other Governments	2,000
Payroll and benefits	14,658
Refundable deposits	305,824
Deferred revenue	42,650
Trust accounts	2,159
	<u> </u>
Total liabilities	426,628
Fund balances:	<u>9,981,467</u>
	<u> </u>
Total liabilities and fund balances	\$ <u><u>10,408,094</u></u>

REVENUES

**General Fund &
Special Revenue Funds
FY 2019/20,
As of 09/30/2019**



**OPERATING
EXPENDITURES
FY 2019/20,
As of 09/30/19**



Below is a snapshot of the City's fund balance as of September 30, 2019. At the end of the first quarter of the current fiscal year, the City's total fund balance for its governmental funds stood at 9,981,467. Additionally, an abridged balance sheet, which summarizes the City's assets and liabilities, is included on page 4 and reconciles the fund balance at quarter end. City-managed short-term idle funds, as well as debt service funds, are invested in approved securities.

CITY OF LAGUNA HILLS

GOVERNMENTAL FUNDS

STATEMENT OF WORKING FUNDS (UNAUDITED) AS OF SEPTEMBER 30, 2019

Fund Balance

General Fund	\$ 8,405,975
Gas Tax	732,101
RMRA SB1	588,945
AB 2766 Fund	224,205
CARITS	1,245,578
Water Conservation	338,294
Senior Mobility Program	77,833
CASp	8,998
Beverage Recycling	22,060
CR&R Recycling	2,934
C&D Forfeited Deposits	50,711
Public Art Fund	72,692
Grants & Contributions	86,427
Debt Service	1,840,535
Total Beginning Fund Balance, as of July 1, 2019	<u>13,697,289</u>

Net Change in Fund Balance, as of September 30, 2019	<u>(3,715,822)</u>
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Total Fund Balance, as of September 30, 2019	<u>\$ 9,981,467</u>
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Disposition of Working Funds

Total Cash and Demand Deposits	\$ 680,226
Total Investments	<u>9,535,269</u>
Total Cash and Investments	10,215,495
Receivables Net of Liabilities	<u>(234,029)</u>

Total Fund Balance, as of September 30, 2019	<u>\$ 9,981,467</u>
---	----------------------------

The Quarter End Financial Management Report for the First Quarter of Fiscal Year 2019-20 is hereby submitted. The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. To the best of our knowledge and belief, the above information is reported in a manner that presents fairly the financial position and results of operation of the Governmental Funds of the City of Laguna Hills as of September 30, 2019.

TREASURER'S INVESTMENT REPORT - ALL FUNDS (CONDENSED)
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2019

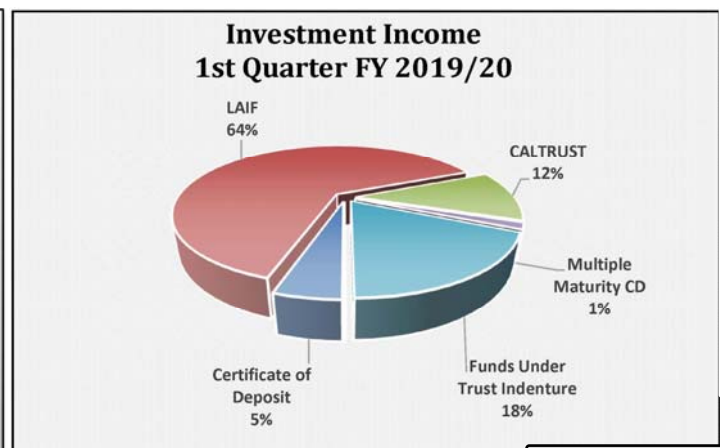
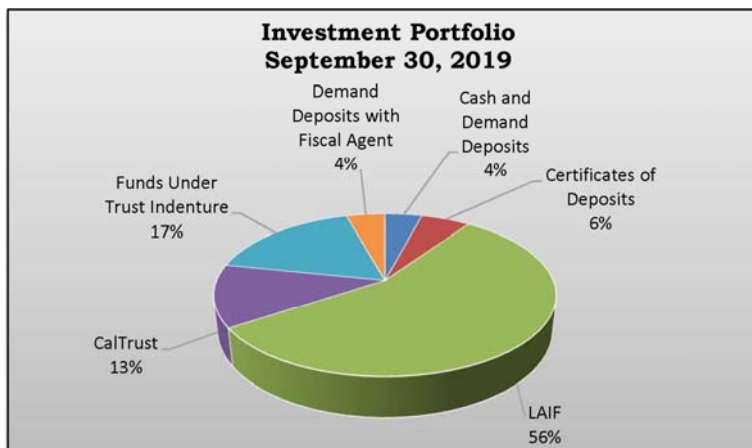
Cash and Investments by Type	Beginning Book Value	Deposits	Withdrawals	Ending Book Value	1st Quarter Interest Income
Cash on Hand	\$ 2,000	\$ -	\$ -	\$ 2,000	\$ -
Demand Deposits	946,653	6,386,843	6,900,482	433,014	-
Certificates of Deposits	500,000	-	-	500,000	3,059
Multiple Maturity Certificates of Deposits	70,502	-	-	70,502	869
State Treasurer's Investment Fund (LAIF)	7,999,114	42,052	2,200,000	5,841,166	39,688
Investment Trust of CA (CalTRUST)	1,299,929	7,248	-	1,307,178	7,248
Debt Service Funds Under Trust Indenture	1,828,881	128,982	141,441	1,816,422	11,380
Demand Deposits with Custodial Agent	324,019	608,224	478,592	453,651	26
TOTAL	\$ 12,971,098	\$ 7,173,350	\$ 9,720,514	\$ 10,423,934	\$ 62,270

The City's investment policy approved by Council resolution is the prevailing guideline in managing investments. Short-term excess cash is currently invested primarily in the State Treasurer's Local Agency Investment Fund (LAIF) and the Investment Trust of California (CalTRUST), a Public Joint Powers Authority (JPA). Restricted investments held under trust indenture by The Bank of New York Mellon Trust Company, N.A, is a Reserve Fund, deposited with LAIF, established to secure the timely payment of principal and interest represented by the 2010 Refinancing Project bond issues.

The following is the summary of the cash and investments for the 1st quarter ended, as of September 30, 2019, compared with the same period of the previous fiscal year:

	September 30, 2019	September 30, 2018
Cash on hand	\$ 2,000	\$ 3,000
Pooled Deposits:		
Demand Deposits	886,665	1,334,123
Certificates of Deposits	570,502	570,502
Total Pooled Deposits	1,457,168	1,904,626
Pooled Investments:		
Local Agency Investment Fund	5,841,166	2,928,280
Investment Trust of California	1,307,178	1,275,697
Restricted Cash and Investments:		
Local Agency Investment Fund	1,815,949	1,813,000
Demand Deposits	473	350
Total Cash and Investments	\$ 10,423,934	\$ 7,924,953

We believe the City's portfolio provides sufficient cash flow liquidity to meet the next six months of the City's projected operating expenditures.



COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, & CHANGE IN FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	FY 2018-19 Year-end Actual	FY 2018-19 Year-End Estimate	Variance Estimate vs. Actual Over/(Under)	FY 2018-19 Amended Budget	Variance Budget vs. Actual Over/(Under)
1 BEGINNING TOTAL FUND BALANCE	\$11,308,208	11,307,778			
2 General Fund Revenues	22,047,534	21,812,472	235,062	21,382,141	665,393
3 Special Revenues	1,851,996	1,401,713	450,283		
4 Other Funding Sources	<u>759,328</u>	<u>739,197</u>	20,131		
5 TOTAL REVENUES	\$24,658,859	23,953,382	705,477		
6 Operating Expenditures	19,278,565	19,431,369	(152,804)	19,665,489	(386,924)
7 Capital Expenditures	356,354	446,100	(89,746)		
8 Other Funding Uses	394,088	92,433	301,655		
9 CalPERS UAL Paydown/Section 115 Trust	0	0	0		
10 Use of Insurance Reserve Funds	447,849	700,000	(252,151)		
11 Debt Service	<u>1,792,922</u>	<u>1,792,921</u>	1		
12 TOTAL EXPENDITURES	\$22,269,778	22,462,823	(193,045)		
13 Change in Total Fund Balance	2,389,081	1,490,559	898,522		
14 ENDING TOTAL FUND BALANCE	\$13,697,289	12,798,337	898,952	\$12,292,407	1,404,882
Less the Following Fund Balances:					
15 Reservation for Debt Service	(\$1,840,535)	(1,836,415)	(4,120)		
16 Non-Major Governmental Funds	(\$3,450,778)	(3,356,569)	(94,209)		
17 Unrestricted General Fund Balance	\$8,405,976	7,605,353	800,623		
Less the Following Designations:					
18 Total Capital Replacement Funds	(945,659)	(945,659)	(0)		
19 Insurance Reserve Funds	(200,000)	(200,000)	0		
20 Unassigned General Fund Balance	<u>7,260,317</u>	<u>6,459,694</u>	<u>800,623</u>		
Ratio Analysis					
21 Operating Ratio (>1.1) (before debt service)	1.18	1.16	0.02		
22 Operating Surplus before Debt Service	3,528,297	3,120,300	407,997		
23 Operating Ratio (>1.1) (after debt service)	1.08	1.06	0.02		
24 Operating Surplus after Debt Service	1,735,375	1,327,379	407,996	700,831	1,034,544
25 Debt Service Ratio (<12%)	7.86%	8.00%	-0.14%		
26 Total Fund Balance Ratio	71%	66%	5.05%		
27 Unrestricted General Fund Balance Ratio (>35%)	44%	39%	4.60%		
28 Unassigned General Fund Balance Ratio (>25%)	38%	33%	4.66%		

Attachment: Fiscal Year 2019-2020 First Quarter Financial Report (1980 : First Quarter Financial & Treasurer's Report FY 2019-20)

8-Year Resource Allocation Plan

	0	1	2	3	4	5	6	7	8
	2018-19 ACTUAL	2019-20 (PROPOSED)	2020-21 (PROPOSED)	2021-22 (FORECAST)	2022-23 (FORECAST)	2023-24 (FORECAST)	2024-25 (FORECAST)	2025-26 (FORECAST)	2026-27 (FORECAST)
1 BEGINNING TOTAL FUND BALANCE	\$11,308,208	\$13,697,289	\$12,346,708	\$13,351,481	\$11,608,749	\$12,901,312	\$11,465,964	\$12,842,847	\$12,519,658
2 General Fund Revenues	22,047,534	22,514,168	22,840,713	23,331,369	23,917,889	24,564,348	25,150,320	25,689,700	26,141,901
3 Special Revenues	1,851,996	1,535,000	1,490,000	1,490,000	1,290,000	1,490,000	1,290,000	1,290,000	1,290,000
4 Other Funding Sources	759,328	1,003,462	768,798	783,889	798,699	823,059	848,934	860,000	875,000
5 TOTAL REVENUES	\$24,658,859	\$25,052,630	\$25,099,511	\$25,605,258	\$26,006,588	\$26,877,407	\$27,289,254	\$27,839,700	\$28,306,901
6 Operating Expenditures	19,278,565	20,661,330	21,532,856	22,120,109	22,769,645	23,427,174	24,021,435	24,412,888	25,069,509
7 Capital Expenditures	356,354	3,869,000	725,000	3,380,000	505,000	3,450,000	450,000	3,700,000	600,000
8 Other Funding Uses	394,088	0	0	0	0	0	0	0	0
9 CalPERS UAL Paydown/Section 115 Trust	0	0	0	0	1,000,000	1,000,000	1,000,000	0	0
10 Use of Insurance Reserve Funds	447,849	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
11 Debt Service	1,792,922	1,802,881	1,786,881	1,797,881	389,381	385,581	390,937	0	0
12 TOTAL EXPENDITURES	\$22,269,778	\$26,403,211	\$24,094,737	\$27,347,990	\$24,714,026	\$28,312,755	\$25,912,372	\$28,162,888	\$25,719,509
13 Change in Total Fund Balance	2,389,081	(1,350,581)	1,004,773	(1,742,732)	1,292,563	(1,435,348)	1,376,882	(323,188)	2,587,393
14 Ending Total Fund Balance	\$13,697,289	\$12,346,708	\$13,351,481	\$11,608,749	\$12,901,312	\$11,465,964	\$12,842,847	\$12,519,658	\$15,107,051
15 Less the Following Fund Balances:									
16 Reservation for Debt Service	(\$1,840,535)	(\$1,804,588)	(\$1,804,588)	(\$1,804,588)	(\$389,381)	(\$385,581)	(\$390,937)	\$0	\$0
17 Non-Major Governmental Funds	(\$3,450,778)	(\$1,901,778)	(\$3,151,778)	(\$1,901,778)	(\$3,151,778)	(\$1,901,778)	(\$3,151,778)	(\$1,901,778)	(\$3,151,778)
18 Unrestricted General Fund Balance	\$8,405,976	\$8,640,342	\$8,395,115	\$7,902,384	\$9,360,153	\$9,178,605	\$9,300,132	\$10,617,881	\$11,955,273
Less the Following Designations:									
19 Total Capital Replacement Funds	(945,659)	(595,659)	(710,659)	(655,659)	(850,659)	(775,659)	(1,050,659)	(980,299)	(1,255,299)
20 Insurance Reserve Funds	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
21 Unassigned General Fund Balance	7,260,317	7,844,683	7,484,456	7,046,724	8,309,494	8,202,946	8,049,473	9,437,581	10,499,974
Ratio Analysis									
22 Operating Ratio (>1.1) (before debt service)	1.18	1.14	1.10	1.09	1.09	1.08	1.08	1.09	1.08
23 Operating Surplus before Debt Service	3,528,297	2,836,300	2,076,654	1,995,149	1,946,944	1,960,233	1,977,819	2,136,812	1,947,393
24 Operating Ratio (>1.1) (after debt service)	1.08	1.05	1.01	1.01	1.07	1.07	1.07	1.09	1.08
25 Operating Surplus after Debt Service	1,735,375	1,033,419	289,773	197,268	1,557,563	1,574,652	1,586,882	2,136,812	1,947,393
26 Debt Service Ratio (<12%)	8%	8%	8%	7%	2%	2%	2%	0%	0%
27 Total Fund Balance Ratio	71%	60%	62%	52%	57%	49%	53%	51%	60%
28 Unrestricted General Fund Balance Ratio (>35%)	44%	42%	39%	36%	41%	39%	39%	43%	48%
29 Unassigned General Fund Balance Ratio (>25%)	38%	38%	35%	32%	36%	35%	34%	39%	42%
Reserve Policy Analysis									
Minimum Unrestricted Fund Policy Reserve (35%)	6,747,498	7,238,466	7,536,500	7,742,038	7,969,376	8,199,511	8,407,502	8,544,511	8,774,328
Unrestricted Amount Over/(Under)	1,658,478	1,401,876	858,615	160,345	1,390,778	979,094	892,630	2,073,370	3,180,945
Minimum Unassigned Fund Policy Reserve (25%)	4,819,641	5,170,333	5,383,214	5,530,027	5,692,411	5,856,793	6,005,359	6,103,222	6,267,377
Unassigned Amount Over/(Under)	2,440,675	2,674,350	2,101,242	1,516,697	2,617,083	2,346,153	2,044,114	3,334,359	4,232,597

Revised 11/19/2019

Attachment: Fiscal Year 2019-2020 First Quarter Financial Report (1980 : First Quarter Financial & Treasurer's Report FY 2019-20)



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: November 26, 2019
TO: Chair and Agency Members
FROM: Jennifer Lee
Assistant City Clerk
ISSUE: Approval of Minutes for November 12, 2019, Regular Meeting

RECOMMENDATION: That the Planning Agency approve the Minutes for the November 12, 2019, Regular Meeting.

ATTACHMENTS:

- 191112 PA Minutes

3.5 Approval of Proposed Professional Services Agreements for On-Call Landscape Architecture Services with (1) Nuvis, Inc.; (2) Richard Fisher Associates, Inc.; and (3) Van Dyke Landscape Architects, Inc.

Recommendation: That the City Council approve the proposed Professional Services Agreements for On-call Landscape Architecture Services with (1) Nuvis, Inc.; (2) Richard Fisher Associates, Inc.; and (3) Van Dyke Landscape Architects, Inc., and authorize the Mayor to execute the Agreements.

3.6 Approval of Final Parcel Map No. 2018-182

Recommendation: That the City Council approve Final Parcel Map No. 2018-182, a subdivision of the property located at southwesterly corner of Alicia Parkway at Paseo de Alicia, the former Philips Mazda site, also known as 24888 Alicia Parkway, Laguna Hills, CA.

3.7 Appointment of Labor Negotiator

Recommendation: That the City Council, pursuant to Government Code Section 54957.6, select and appoint Mayor Sedgwick to serve as the Council's designated representative for purposes of: (A) Facilitating the Annual Performance Evaluation of the City Manager; and (B) Conducting Labor Negotiations with the City Manager, an unrepresented employee.

3.8 FY 2018-19 Development Impact Fees Annual Report

Recommendation: That the City Council approve the FY 2018-19 Development Impact Fees Annual Report pursuant to California Government Code Section 66006.

ITEMS REMOVED FROM THE CONSENT CALENDAR

There were no items removed from the Consent Calendar.

4. PLANNING AGENCY

Mayor Sedgwick recessed the City Council Meeting, and acting in capacity as Chair, called the Regular Meeting of the Planning Agency of the City of Laguna Hills, California, to order at 7:15 p.m.

4.1. ROLL CALL OF PLANNING AGENCY MEMBERS

Attendee Name	Title	Status	Arrived
Don Sedgwick	Chair	Present	
Janine Heft	Vice Chair	Present	
Dore J. Gilbert, M.D.	Agency Member	Present	
Erica Pezold	Agency Member	Present	
Dave Wheeler	Agency Member	Present	

4.2. PUBLIC COMMENTS

There were no Planning Agency Public Comments.

4.3. APPROVAL OF MINUTES**4.3.1 Approval of Minutes for October 8, 2019, Regular Meeting**

Recommendation: That the Planning Agency approve the Minutes for the October 8, 2019, Regular Meeting.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Janine Heft, Vice Chair
SECONDER:	Dave Wheeler, Agency Member
AYES:	Don Sedgwick, Chair; Janine Heft, Vice Chair; Dore J. Gilbert, M.D., Agency Member; Erica Pezold, Agency Member; Dave Wheeler, Agency Member

4.4. ADMINISTRATIVE REPORTS

There were no Planning Agency Administrative Reports.

4.5. PLANNING AGENCY PUBLIC HEARINGS

There were no Planning Agency Public Hearings.

PLANNING AGENCY ADJOURNMENT

Mayor Sedgewick reconvened the City Council Meeting at 7:16 p.m. All Council Members were present.

5. CITY COUNCIL PUBLIC HEARINGS

There were no City Council Public Hearings.



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: November 26, 2019

TO: Mayor and Council Members

FROM: David Chantarangsu
Community Development Director

ISSUE: Second Reading & Adoption of Proposed Ordinances Amending Title 10 (Buildings and Construction) and Chapter 5-16 (Fire Code) of the Laguna Hills Municipal Code and Adopting by Reference the 2019 Edition of the California Building Standards Code (California Code of Regulations, Title 24) Consisting of the California Building Code, Residential Code, Electrical Code, Mechanical Code, Plumbing Code, Energy Code, Historical Building Code, Fire Code, Existing Building Code, Green Building Standards Code, and Referenced Standards Code, Together with Certain Amendments, Additions, and Deletions Thereto

RECOMMENDATION: That the City Council:

(1) Conduct a Public Hearing; and

(2) Adopt an Ordinance entitled: “An Ordinance of the City of Laguna Hills, California, amending Title 10 (Buildings And Construction) of the Laguna Hills Municipal Code and adopting by reference the 2019 Edition of the California Building Standards Code (California Code of Regulations, Title 24), consisting of the 2019 California Building Code, the 2019 California Residential Code, the 2019 California Electrical Code, the 2019 California Mechanical Code, the 2019 California Plumbing Code, the 2019 California Energy Code, the 2019 California Historical Building Code, the 2019 California Existing Building Code, the 2019 California Green Building Standards Code, and the 2019 California Referenced Standards Code, together with certain amendments, additions, and deletions thereto.”; and

(3) Adopt an Ordinance entitled: “An Ordinance of the City of Laguna Hills, California, amending Chapter 5-16 (Fire Code) of Title 5 (Health and Sanitation) of the Laguna

Second Reading & Adoption of 2019 Building & Fire Code Adoption Ordinance
November 26, 2019
Page 2

Hills Municipal Code and adopting by reference the 2019 Edition of the California Fire Code including Appendices B, BB, C, and CC together with certain amendments, additions, and deletions thereto."

SUMMARY:

The proposed Ordinances will amend Title 10 & Chapter 5-16 of the Laguna Hills Municipal Code & adopt by reference the 2019 Edition of the California Building Standards Code and the 2019 Edition of the California Fire Code, including Appendices B, BB, C, and CC.

A copy of the proposed Ordinances and the Staff Report for the introduction of the Ordinances, including attachments, are included as attachments to this report. The City Council introduced the Ordinances by a vote of 5-0. It is in order to adopt the Ordinances. At the City Council's direction, staff has included a copy of the "redlines" identifying changes between the adopted 2016 local amendments and the proposed 2019 local amendments. The redlines are included as an attachment to this report.

ATTACHMENTS:

- Proposed Ordinance - 2019 California Building Code Adoption
- Proposed Ordinance - 2019 California Fire Code Adoption
- November 12, 2019 Introduction to Ordinance Staff Report and Attachments
- Code Redlines

ORDINANCE NO. 2019-X

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING TITLE 10 (BUILDINGS AND CONSTRUCTION) OF THE LAGUNA HILLS MUNICIPAL CODE AND ADOPTING BY REFERENCE THE 2019 EDITION OF THE CALIFORNIA BUILDING STANDARDS CODE (CALIFORNIA CODE OF REGULATIONS, TITLE 24), CONSISTING OF THE 2019 CALIFORNIA BUILDING CODE, THE 2019 CALIFORNIA RESIDENTIAL CODE, THE 2019 CALIFORNIA ELECTRICAL CODE, THE 2019 CALIFORNIA MECHANICAL CODE, THE 2019 CALIFORNIA PLUMBING CODE, THE 2019 CALIFORNIA ENERGY CODE, THE 2019 CALIFORNIA HISTORICAL BUILDING CODE, THE 2019 CALIFORNIA EXISTING BUILDING CODE, THE 2019 CALIFORNIA GREEN BUILDING STANDARDS CODE, AND THE 2019 CALIFORNIA REFERENCED STANDARDS CODE, TOGETHER WITH CERTAIN AMENDMENTS, ADDITIONS, AND DELETIONS THERETO

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, HEREBY FINDS AND DETERMINES AS FOLLOWS:

WHEREAS, pursuant to California Government Code Section 50022.1 *et seq.*, the City of Laguna Hills ("City") may adopt by reference the California Building Standards Code, 2019 Edition, as provided in Title 24 of the California Code of Regulations; and

WHEREAS, the California Building Standards Commission recently adopted new amendments to the California Building Standards Code; and

WHEREAS, California Health & Safety Code Section 17958.5 *et seq.*, and 18941.5 authorize cities to modify the California Building Standards Code by adopting more restrictive standards and modifications if such standards and modifications are accompanied by express findings that they are reasonably necessary because of local climatic, geological or topographical conditions; and

WHEREAS, based upon the recommendations of the Building Official, the City Council finds the proposed amendments to the 2019 California Building Standards Code set forth in this Ordinance, which are more restrictive than the standards adopted by the California Building Standards Commission, would decrease the potential incidence of property damage, injury, and death due to fires and earthquakes, and are reasonable and necessary to mitigate local climatic, geological or topographical conditions; and

WHEREAS, on November xx, 2019, the City Council introduced this Ordinance for first reading at a regular meeting of the City Council, and set a public hearing and second reading of the Ordinance for November xx, 2019; and

WHEREAS, the City Council held a public hearing on November xx, 2019, at which time all interested persons had the opportunity to appear and be heard on the matter of adopting the 2019 California Building Standards Code as amended herein; and

WHEREAS, pursuant to California Government Code Section 6066, the City published notice of the aforementioned public hearing; and

WHEREAS, any and all other legal prerequisites relating to the adoption of this Ordinance have occurred.

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA,
DOES ORDAIN AS FOLLOWS:

SECTION 1. Findings. The City Council hereby finds that the amendments to the 2019 California Building Code and 2019 California Residential Code are reasonably necessary because of local climatic, geological or topographic conditions, and adopts the findings provided below to support the modifications to the 2019 California Building Code and 2019 California Residential Code.

I. Climatic Conditions

A. Orange County and the City of Laguna Hills are located in a semi-arid Mediterranean type climate. It annually experiences extended periods of high temperatures with little or no precipitation. Hot, dry (Santa Ana) winds, which may reach speeds of 70 M.P.H. or greater, are also common to the area. These climatic conditions cause extreme drying of vegetation and common building materials. Frequent periods of drought and low humidity add to the fire danger. This predisposes the area to large destructive fires (conflagration). In addition to directly damaging or destroying buildings, these fires are also prone to disrupt utility services throughout the County. Obstacles generated by a strong wind, such as fallen trees, street lights and utility poles greatly impact the response time to reach an incident scene.

B. The climate alternates between extended periods of drought and brief flooding conditions. Flood conditions may affect the Orange County Fire Authority's ability to respond to a fire or emergency condition. Floods also disrupt utility services to buildings and facilities within the County.

C. Water demand in this density populated area far exceeds the quantity supplied by natural precipitation; and although the population continues to grow, the already-taxed water supply does not. California is projected to increase in population by nearly 10 million over the next quarter of a century with 50 percent of that growth centered in Southern California. Due to storage capacities and consumption, and a limited amount of rainfall future water allocation is not fully dependable. This necessitates the need for additional and on-site fire protection features.

D. These dry climatic conditions and winds contribute to the rapid spread of even small fires originating in high-density housing or vegetation. These fires spread very quickly and create a need for increased levels of fire protection. The added protection of fire sprinkler systems and other fire protection features will supplement normal fire department response by providing immediate protection for the building occupants and by

containing and controlling the fire spread to the area of origin. Fire sprinkler systems will also reduce the use of water for firefighting by as much as 50 to 75 percent.

II. Topographical Conditions

A. Natural slopes of 15 percent or greater generally occur throughout the foothills of Orange County. The elevation change caused by the hills creates the geological foundation on which communities within Orange County are built and will continue to build. With much of the populated flatlands already built upon, future growth will occur on steeper slopes and with greater constraints in terrain.

B. Traffic and circulation congestion is an artificially created, obstructive topographical condition, which is common throughout Orange County.

C. These topographical conditions combine to create a situation that places fire department response time to fire occurrences at risk, and makes it necessary to provide automatic on-site fire-extinguishing systems and other protection measures to protect occupants and property.

III. Geological Conditions

The Orange County region is a densely populated area that has buildings constructed over and near a vast and complex network of faults that are believed to be capable of producing future earthquakes similar or greater in size than the 1994 Northridge and the 1971 Sylmar earthquakes. Earthquake faults run along the northeast and southwest boundaries of Orange County. The Newport-Inglewood Fault. Located within Orange County was the source of the destructive 1933 Long Beach earthquake (6.3 magnitude) which took 120 lives and damaged buildings in an area from Laguna Beach to Marina Del Rey to Whittier. In December 1989, another earthquake occurred in the jurisdiction of Irvine at an unknown fault line. Regional planning for reoccurrence of earthquakes is recommended by the state of California, Department of Conservation.

A. Previous earthquakes have been accompanied by disruption of traffic flow and fires. A severe seismic event has the potential to negatively impact any rescue or fire suppression activities because it is likely to create obstacles similar to those indicated under the high wind section above. The October 17, 1989, Santa Cruz earthquake resulted in one major fire in the Marina District (San Francisco). When combined with the 34 other fires locally and over 500 responses, the department was taxed to its fullest capabilities. The Marina fire was difficult to contain because mains supplying water to the district burst during the earthquake. This situation creates the need for both additional fire protection and automatic on-site fire protection for building occupants. State Department of Conservation noted in their 1988 report (Planning Scenario on a Major Earthquake on the Newport-Inglewood Fault Zone, page 59), "unfortunately, barely meeting the minimum earthquake standards of building codes places a building on the verge of being legally unsafe."

B. Road circulation features located throughout the County also make amendments reasonably necessary. Located through the County are major roadways, highways and flood control channels that create barriers and slow response times. Hills, slopes, street and storm drain design, accompanied by occasional heavy rainfall, causes roadway flooding and landslides and at times may make an emergency access

route impassable. There are areas in Orange County that naturally have extended emergency response times that exceed the 5-minute goal.

C. Soils throughout the County possess corrosive properties that reduce the expected usable life of water services when metallic pipes are in contact with soils.

Due to the topographical conditions of sprawling development separated by waterways and narrow and congested streets and the expected infrastructure damage inherent in seismic zones described above, it is prudent to rely on automatic fire sprinkler systems to mitigate extended fire department response time and keep fires manageable with reduced fire flow (water) resources available for a given structure. Additional fire protection is also justified to match the current resources of firefighting equipment and personnel within the Orange County Fire Authority

Additional amendments have been made to the 2019 California Building Standards Code. Such amendments are hereby found to be either administrative or procedural in nature or concern themselves with subjects not covered in such codes. The changes made include provisions making each of said codes compatible with other codes enforced by the City.

The findings above are applicable to amendments to the 2019 California Building Code as follows:

CODE SECTION	TITLE (Clarification)	FINDINGS
202	General definitions	Administrative
502.1	Address identification	II & 3
701A.3	Construction methods requirements for the addition and remodeling requirements of building in wildfire areas located within 100 feet of a fuel modification zone.	I & II
903.2 and 903.2.8	Where required, Group R	II & III
903.3.5.3	Hydraulically calculated systems	I & II
Chapter	Reference Standards	N/A
	2019 NFPA 13 (Sprinkler Systems)	Administrative, II & III
	2019 NFPA 13-D (Single Family Sprinkler Systems)	I & II
	2013 NFPA 14 (Standpipe Systems)	Administrative
	2019 NFPA 24 (Underground Water Supply Systems)	Administrative & III

The findings above are applicable to amendments to the 2019 California Residential Code as follows:

CODE SECTION	TITLE (Clarification)	FINDINGS
202	General definitions	Administrative
R301.9	Construction methods requirements for the addition and remodeling requirements of building in wildfire areas located within 100 feet of a fuel modification zone.	I & II
R309.6	Group R-3 fire sprinkler requirements in attached garages, carports with habitable spaces in accordance with CFC Section 903.2.8	I, II & III
R313.1	Group R-3 Townhome fire sprinkler requirements for additions and alterations in accordance with CFC Section 903.2.8	I, II & III
R313.2	Group R One- and two-family fire sprinkler requirements for additions and alterations in accordance with CFC Section 903.2.8	I, II & III
R313.3.6.2.	Hydraulically calculated systems	I & II
R337.1.3	Application	
R1001.13	Fire Pits, Fire Rings, & Outdoor Fireplaces	Administrative
R1001.13.1	Gas-fueled devices	I & II
Chapter 44	Reference Standards	N/A
8.15.1.2.7	Concealed spaces	I, II & III
11.1.1.1	When fire sprinkler systems are required	I, II & III
11.2.3.1.1.1	The available water supply for fire sprinkler system	I, II & III
7.1.2	2019 NFPA 13-D (Single Family Sprinkler Systems)	I & II

SECTION 2. Chapter 10-28 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

Chapter 10-28 BUILDING CODE

10-28.010 Adoption of the California Building Code.

The California Building Code, 2019 Edition, based on the 2018 Edition of the International Building Code as published by the International Code Council, together with the amendments provided in this chapter, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Building Code of the City of Laguna Hills, regulating the construction, alteration, movement, repair, equipment, use and occupancy, location, maintenance, removal and demolition of every building or structure or any appurtenances connected or attached to such buildings or structures in the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

10-28.030 Amendments to the California Building Code.

Chapter 2 – Definitions.

Section 202, Definitions, is hereby revised by adding “OCFA” and “Spark Arrester” to read as follows:

OCFA. Orange County Fire Authority, fire authority having jurisdiction.

SPARK ARRESTER. A listed device constructed of noncombustible material specifically for the purpose of meeting one of the following conditions:

1. Removing and retaining carbon and other flammable particles/debris from the exhaust flow of an internal combustion engine in accordance with California Vehicle Code Section 38366.
2. Fireplaces that burn solid fuel in accordance with California Building Code Chapter 28.

Chapter 5 – General Building Heights and Areas.

Section 502.1, Address identification, is hereby revised to read as follows:

502.1 Address identification. New and existing buildings shall be provided with approved address identification. The address identification shall be legible and placed in a position that is visible from the street or road fronting the property. Address identification characters shall contrast with their background. Address numbers shall be Arabic numbers or alphabetical letters. Numbers shall not be spelled out. Each character shall be not less than 4 inches in height with a stroke width of not less than 0.5 inch. For R-3 and other occupancies the numbers shall be a minimum of 6 inches high with a minimum stroke width of 1 inch. Where required by the fire code official, address identification shall be provided in additional approved locations to facilitate emergency response. Where access is by means of a private road and the building address cannot be viewed from the public way, a monument, pole or other sign or means shall be used to identify the structure. Address identification shall be maintained.

Chapter 7A – Materials and Construction Methods for Exterior Wildfire Exposure.

Section 701A.3, Application, is hereby revised to read as follows:

701A.3 Application. New buildings located in any Fire Hazard Severity Zone or any Wildland-Urban Interface Fire Area designated by the enforcing agency constructed after the application date, and additions to and remodel of buildings constructed before 2012 located in areas currently designated as such, shall

comply with the provisions of this chapter. The provisions shall also apply to additions, remodels, and accessory structures located within 100 feet of a fuel modification zone, vegetation management area, or similar area containing hazardous combustible vegetation, regardless of whether the property is currently located in a designated Fire Hazard Severity Zone or Wildland-Urban Interface Fire Area, when materials and/or construction methods for exterior wildfire exposure were previously required at the property by the Building or Fire Code Official.

Exceptions:

1. Buildings of an accessory character classified as a Group U occupancy and not exceeding 120 square feet in floor area, when located at least 30 feet from the applicable building.
2. Buildings of an accessory character classified as a Group U occupancy of any size located least 50 feet from an applicable building.
3. Buildings classified as a Group U Agricultural Building, as defined in Section 202 of this code (see also Appendix C – Group U Agricultural Buildings), when located at least 50 feet from an applicable building.

Chapter 9 – Fire Protection and Life Safety Systems.

Section 903.2, Where required, is hereby revised to read as follows:

903.2 Where required. Approved automatic sprinkler systems in buildings and structures shall be provided when one of the following conditions exists:

1. **New buildings:** Notwithstanding any applicable provisions of Sections 903.2.1 through 903.2.19, an automatic fire-extinguishing system shall also be installed in all occupancies when the total building area exceeds 5,000 square feet (465 m²) as defined in the CBC 202, regardless of fire areas or allowable area, or more than two stories in height.

Exception: Subject to approval by the Fire Code Official, open parking garages in accordance with Section 406.5 of the California Building Code.

2. **Existing Buildings:** Notwithstanding any applicable provisions of this code, an automatic sprinkler system shall be provided in an existing building when an addition occurs and when one of the following conditions exists:

- a. When an addition is 33% or more of the existing building area, and the resulting building area exceeds 5,000 square feet (465 m²) as defined in Section 202; or
- b. When an addition exceeds 2,000 square feet (186 m²) and the resulting building area exceeds 5,000 square feet (465 m²) as defined in Section 202; or

- c. An additional story is added above the second floor regardless of fire areas or allowable area.

Exception: Group R-3 occupancies shall comply with Section 903.2.8.

Section 903.2.8, Group R, is hereby revised to read as follows:

903.2.8 Group R. An automatic sprinkler system installed in accordance with Section 903.3 shall be provided throughout all buildings with a Group R fire area as follows:

1. **New Buildings:** An automatic sprinkler system shall be installed throughout all new buildings.
2. **Existing R-3 Buildings:** An automatic sprinkler system shall be installed throughout when one of the following conditions exists:
 - a. When the floor area of alterations or additions within any two-year period exceeds 50 percent of gross floor area of the existing structure and the building gross floor area exceeds 5,500 square feet; or:
 - b. When an existing Group R Occupancy is being substantially renovated, and where the scope of the renovation is such that the Building Code Official determines that the complexity of installing a sprinkler system would be similar as in a new building.

Exceptions:

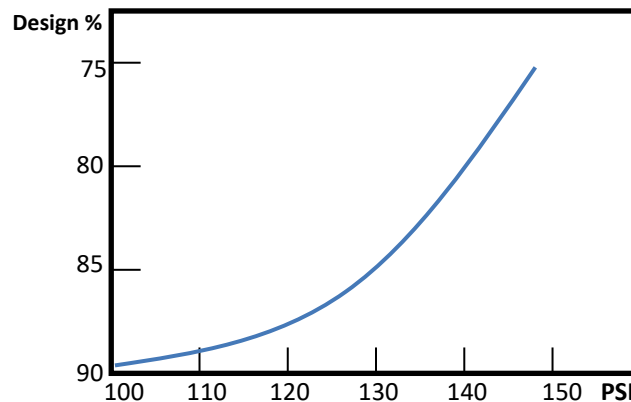
1. Existing Group R-3 occupancies converted to Group R-3.1 occupancies and not housing bedridden clients, not housing non-ambulatory clients above the first floor, and not housing clients above the second floor.
2. Existing Group R-3 occupancies converted to Group R-3.1 occupancies housing only one bedridden client and complying with Section 435.8.3.3 of the California Building Code.
3. Pursuant to Health and Safety Code, Section 13113, occupancies housing ambulatory children only, none of whom are mentally ill children or children with intellectual disabilities, and the buildings or portions thereof in which such children are housed are not more than two stories in height, and building or portions thereof housing such children have an automatic fire alarm system activated by approved smoke detectors.
4. Pursuant to Health and Safety Code, Section 13143.6, occupancies licensed for protective social care which house ambulatory clients only, none of whom is a child (under the age of 18 years), or who is elderly (65 years of age or over).

Section 903.3.5.3, Hydraulically calculated systems, is hereby added to read as follows:

903.3.5.3 Hydraulically calculated systems. The design of hydraulically calculated fire sprinkler systems shall not exceed 90% of the water supply capacity.

Exception: When static pressure exceeds 100 psi, and when required by the fire code official, the fire sprinkler system shall not exceed the water supply capacity specified by Table 903.3.5.3.

TABLE 903.3.5.3
Hydraulically Calculated Systems



Chapter 35 – Referenced Standards.

SECTION 3. Chapter 10-32 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

Chapter 10-32 **RESIDENTIAL CODE**

10-32.010 Adoption of the California Residential Code.

The California Residential Code, 2019 Edition, based on the 2018 International Residential Code as published by the International Code Council together with the amendments provided in this chapter, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Residential Code of the City of Laguna Hills regulating the construction, alteration, movement, repair, equipment, use and occupancy, location, maintenance, removal and demolition of every building or structure or any appurtenances connected or attached to such buildings or structures in the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

10-32.020 Amendments to the Residential Code.

Chapter 2 – Definitions.

Section 202, Definitions, is hereby revised by adding “OCFA” and “Spark Arrester” to read as follows:

OCFA. Orange County Fire Authority, fire authority having jurisdiction.

SPARK ARRESTER. A listed device constructed of noncombustible material specifically for the purpose of meeting one of the following conditions:

1. Removing and retaining carbon and other flammable particles/debris from the exhaust flow of an internal combustion engine in accordance with California Vehicle Code Section 38366.
2. Fireplaces that burn solid fuel in accordance with California Building Code Chapter 28.

Chapter 3 – Building Planning.

Section R301.9, Fuel Modification Requirements for New Construction, is hereby added to read as follows:

R301.9 Fuel Modification Requirements for New Construction. All new structures and facilities adjoining land containing hazardous combustible vegetation shall be approved and in accordance with the requirements of OCFA Guideline C-05 “Vegetation Management Guideline – Technical Design for new Construction Fuel Modification Plans and Maintenance Program.”

Section R309.6, Fire sprinkler attached garages, and carports with habitable space above, is hereby amended by revising the exception to read as follows:

Exception: An automatic residential fire sprinkler system shall not be required when additions or alterations are made to existing carports and/or garages that do not have an automatic fire sprinkler system installed unless a sprinkler system is required in accordance with California Fire Code Section 903.2.8.

Section R313.1 Townhouse automatic fire sprinkler systems, is hereby amended by revising the exception to read as follows:

Exception: An automatic residential fire sprinkler system shall not be required when additions or alterations are made to existing townhouses that do not have an automatic fire sprinkler system installed unless a sprinkler system is required in accordance with California Fire Code Section 903.2.8.

Section R313.2 One- and two-family dwellings automatic fire sprinkler is hereby amended by revising the exception to read as follows:

Exception: An automatic residential fire sprinkler system shall not be required for

additions or alterations to existing buildings that are not already provided with an automatic sprinkler system unless a sprinkler system is required in accordance with California Fire Code, OCFA Local Amendments Section 903.2.8.

Section R313.3.6.2.2, Calculation procedure, is hereby revised to read as follows:

Section R313.3.6.2.2 Calculation procedure. Determination of the required size for water distribution piping shall be in accordance with the following procedure and California Fire Code Section 903.3.5.

(The remainder of the section is unchanged)

Section R337.1.3, Application, is hereby revised to read as follows:

R337.1.3 Application. New buildings located in any Fire Hazard Severity Zone or any Wildland-Urban Interface Fire Area designated by the enforcing agency constructed after the application date, and additions to and remodel of buildings constructed before 2012 located in areas currently designated as such, shall comply with the provisions of this chapter. The provisions shall also apply to additions, remodels, and accessory structures located within 100 feet of a fuel modification zone, vegetation management area, or similar area containing hazardous combustible vegetation, regardless of whether the property is currently located in a designated Fire Hazard Severity Zone or Wildland-Urban Interface Area, when materials and/or construction methods for exterior wildfire exposure were previously required at the property by the Building or Fire Code Official.

Exceptions:

1. Buildings of an accessory character classified as a Group U occupancy and not exceeding 120 square feet in floor area, when located at least 30 feet from an applicable building.
2. Buildings of an accessory character classified as a Group U occupancy of any size located at least 50 feet from an applicable building.
3. Buildings classified as a Group U Agricultural Building, as defined in Section 202 of this code (see also Appendix C – Group U Agricultural Buildings), when located at least 50 feet from an applicable building.

Chapter 10 – Chimneys and Fireplaces.

Section R1001.13, Outdoor Fireplaces, Fire Pits, Fire Rings, or similar devices, is hereby added to read as follows:

R1001.13 Outdoor Fireplaces, Fire Pits, Fire Rings, or similar devices. Outdoor fireplaces, fire pits, fire rings, or similar exterior devices shall comply with this section.

Exception: Barbeques, grills, and other portable devices intended solely for cooking

Section R1001.13.1, Gas-fueled devices, is hereby added as follows:

R1001.13.1 Gas-fueled devices. Outdoor fireplaces, fire pits and similar devices fueled by natural gas or liquefied-petroleum gas are allowed when approved by the Building Department and the device is designed to only burn a gas flame and not wood or other solid fuel. At R-3 occupancies, combustible construction shall not be located within three feet of an atmospheric column that extends vertically from the perimeter of the device. Where a permanent Building Department approved hood and vent is installed, combustible construction may encroach upon this column between the bottom of the hood and the vent opening. Where chimneys or vents are installed, they shall have a spark arrester in accordance with Section R1003.9.2.

Chapter 44 – Referenced Standards.

Section 8.15.1.2.7 is hereby revised to read as follows:

8.15.1.2.7 Concealed spaces filled with noncombustible insulation shall not require sprinkler protection when approved by fire code official.

Section 11.1.1.1 is hereby added to read as follows:

11.1.1.1 When fire sprinkler systems are required in buildings of undetermined use other than warehouses, they shall be designed and installed to have a fire sprinkler density of not less than that required for an Ordinary Hazard Group 2 use, with no reduction(s) in density or design area. Warehouse fire sprinkler systems shall be designed to Figure 16.2.1.3.2 (d) curve “G”. Use is considered undetermined if a specific tenant/occupant is not identified at the time the sprinkler plan is submitted. Where a subsequent use or occupancy requires a system with greater capability, it shall be the responsibility of the occupant to upgrade the system to the required density for the new use or occupancy.

Section 11.2.3.1.1.1 is hereby added to read as follows:

11.2.3.1.1.1 The available water supply for fire sprinkler system design shall be determined by one of the following methods, as approved by the fire code official:

1. Subtract the project site elevation from the low water level for the appropriate pressure zone and multiply the result by 0.433;
2. Use a maximum of 40 psi, if available;
3. Utilize the OCFA water-flow test form/directions to document a flow test conducted by the local water agency or an approved third party licensed in the State of California.

NFPA 13D 2016 Edition, Standard for the Installation of Sprinkler Systems in One- and Two-Family Dwellings and Manufactured Homes is hereby amended as follows:

Section 7.1.2 is hereby revised to read as follows:

7.1.2 The sprinkler system piping shall not have separate control valves installed unless supervised by a central station, proprietary, or remote station alarm service.

SECTION 4. Chapter 10-36 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

**Chapter 10-36
ELECTRICAL CODE**

10-36.010 Adoption of the California Electrical Code.

The California Electrical Code, 2019 Edition, based on the 2017 National Electrical Code as published by the National Fire Protection Association, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Electrical Code of the City of Laguna Hills, regulating all installation, arrangement, alteration, repair, use and other operation of electrical wiring, connections, fixtures and other electrical appliances on premises within the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

SECTION 5. Chapter 10-40 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

**Chapter 10-40
MECHANICAL CODE**

10-40.010 Adoption of the California Mechanical Code.

The California Mechanical Code, 2019 Edition, based on the 2018 Uniform Mechanical Code as published by the International Association of Plumbing and Mechanical Officials, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Mechanical Code of the City of Laguna Hills, regulating and controlling the design, construction, installation, quality of materials, location, operation and maintenance of heating, ventilating, cooling, refrigeration systems, incinerators and other miscellaneous heat producing appliances. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

SECTION 6. Chapter 10-48 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

**Chapter 10-48
PLUMBING CODE**

10-48.010 Adoption of the California Plumbing Code.

The California Plumbing Code, 2019 Edition, based on the 2018 Uniform Plumbing Code as published by the International Association of Plumbing and Mechanical Officials, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Plumbing Code of the City of Laguna Hills, regulating erection, installation,

alteration, repair, relocation, replacement, maintenance or use of plumbing systems within the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

SECTION 7. Chapter 10-52 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

Chapter 10-52 ENERGY CODE

10-52.010 Adoption of the California Energy Code.

The California Energy Code, 2019 Edition, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Energy Code of the City of Laguna Hills regulating the construction, alteration, movement, repair, equipment, use and occupancy, location, maintenance, removal and demolition of every building or structure or any appurtenances connected or attached to such buildings or structures in the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

SECTION 8. Chapter 10-60 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

Chapter 10-60 HISTORICAL BUILDING CODE

10-68.010 Adoption of the California Historical Building Code.

The California Historical Building Code, 2019 Edition, as published by the International Code Council is hereby adopted and incorporated by reference, as if set forth at length herein, as the City of Laguna Hills Historical Building Code regulating the construction, alteration, movement, repair, equipment, use and occupancy, location, maintenance, removal and demolition of every building or structure or any appurtenances connected or attached to such buildings or structures in the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

SECTION 9. Chapter 10-64 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

Chapter 10-64 EXISTING BUILDING CODE

10-64.010 Adoption of the California Existing Building Code.

The California Existing Building Code, 2019 Edition, based on the 2018 International Existing Building Code as published by the International Code Council is hereby adopted and incorporated by reference, as if set forth at length herein, as the City of Laguna Hills Existing Building Code regulating the construction, alteration, movement, repair,

equipment, use and occupancy, location, maintenance, removal and demolition of every building or structure or any appurtenances connected or attached to such buildings or structures in the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

SECTION 10. Chapter 10-68 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

**Chapter 10-68
GREEN BUILDING STANDARDS CODE**

10-68.010 Adoption of the California Green Building Standards Code.

The California Green Building Standards Code, 2019 Edition, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Green Building Standards Code of the City of Laguna Hills regulating the construction, alteration, movement, repair, equipment, use and occupancy, location, maintenance, removal and demolition of every building or structure or any appurtenances connected or attached to such buildings or structures in the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

SECTION 11. Chapter 10-76 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

**Chapter 10-76
REFERENCED STANDARDS CODE**

10-76.010 Adoption of the California Referenced Standards Code.

The California Referenced Standards Code, 2019 Edition, is hereby adopted and incorporated by reference, as if set forth at length herein, as the referenced standards code of the City of Laguna Hills regulating the construction, alteration, movement, repair, equipment, use and occupancy, location, maintenance, removal and demolition of every building or structure or any appurtenances connected or attached to such buildings or structures in the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

SECTION 12. The City Council finds that this Ordinance is not subject to the California Environmental Quality Act (CEQA) pursuant to California Code of Regulations Title 14, Chapter 3, Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15371), because it has no potential for resulting in physical change to the environment, directly or indirectly.

SECTION 13. If any section, subsection, subdivision, sentence, clause, phrase, or portion of this Ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance and each section, subsection, subdivision, sentence,

clause, phrase, or portion thereof, irrespective of the fact that any one or more section, subsection, subdivision, sentence, clause, phrase, or portion thereof be declared invalid or unconstitutional.

SECTION 14. The City Clerk shall certify as to the adoption of this Ordinance and cause a summary thereof to be published within (15) days of the adoption and shall post a Certified copy of this Ordinance, including the vote for and against the same, in the Office of the City Clerk, in accordance with Government Code Section 36933.

PASSED, APPROVED, AND ADOPTED this xx day of November 2019.

DON SEDGWICK, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

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

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing Ordinance No. 2019-X was duly introduced and placed upon its first reading at a Regular Meeting of the City Council on the Xth day of November 2019, and that thereafter, said Ordinance was duly adopted and passed at a Regular Meeting of the City Council held on the Xth day of November 2019, by the following vote, to wit:

AYES:

NOES

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

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

AFFIDAVIT OF POSTING
AND PUBLICATION

MELISSA AU-YEUNG, being first duly sworn, deposes and says:

That she is the duly appointed and qualified City Clerk of the City of Laguna Hills;

That in compliance with State Laws of the State of California, ORDINANCE NO. 2019-X, being:

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING TITLE 10 (BUILDINGS AND CONSTRUCTION) OF THE LAGUNA HILLS MUNICIPAL CODE AND ADOPTING BY REFERENCE THE 2019 EDITION OF THE CALIFORNIA BUILDING STANDARDS CODE (CALIFORNIA CODE OF REGULATIONS, TITLE 24), CONSISTING OF THE 2019 CALIFORNIA BUILDING CODE, THE 2019 CALIFORNIA RESIDENTIAL CODE, THE 2019 CALIFORNIA ELECTRICAL CODE, THE 2019 CALIFORNIA MECHANICAL CODE, THE 2019 CALIFORNIA PLUMBING CODE, THE 2019 CALIFORNIA ENERGY CODE, THE 2019 CALIFORNIA HISTORICAL BUILDING CODE, THE 2019 CALIFORNIA EXISTING BUILDING CODE, THE 2019 CALIFORNIA GREEN BUILDING STANDARDS CODE, AND THE 2019 CALIFORNIA REFERENCED STANDARDS CODE, TOGETHER WITH CERTAIN AMENDMENTS, ADDITIONS, AND DELETIONS THERETO

on the Xrd day of November 2019, and on the Xth day of November 2019, was published in the Saddleback Valley News; and was, in compliance with City Resolution No. 2004-05-25-2, on the Xth day of November 2019, and the Xth day of November 2019 caused to be posted in three places in the City of Laguna Hills, to wit:

Laguna Hills City Hall
Laguna Hills Community Center
La Paz Center

MELISSA AU-YEUNG, CITY CLERK
Laguna Hills, California

ORDINANCE NO. 2019-X

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING CHAPTER 5-16 (FIRE CODE) OF TITLE 5 (HEALTH AND SANITATION) OF THE LAGUNA HILLS MUNICIPAL CODE AND ADOPTING BY REFERENCE THE 2019 EDITION OF THE CALIFORNIA FIRE CODE INCLUDING APPENDICES B, BB, C, AND CC, TOGETHER WITH CERTAIN AMENDMENTS, ADDITIONS, AND DELETIONS THERETO

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, HEREBY FINDS AND DETERMINES AS FOLLOWS:

WHEREAS, pursuant to California Government Code Section 50022.1 *et seq.* the City of Laguna Hills ("City") may adopt by reference the 2019 California Fire Code, based on the International Fire Code, 2018 Edition (including appendices), published by the International Code Council (ICC), as adopted by the State of California as Title 24, Part 9, of the California Code of Regulations; and

WHEREAS, California Health & Safety Code Section 17958.5 authorizes cities to adopt the codes contained in Title 24 of the California Code of Regulations with changes and modifications determined to be reasonably necessary because of local climatic, topographic or geologic conditions; and

WHEREAS, the City desires to adopt the 2019 California Fire Code including Appendices B, BB, C, and CC, based on the International Fire Code, 2018 Edition, published by International Code Council (ICC), as set forth in Title 24, Part 9 of the California Code of Regulations ("Fire Code") with necessary amendments to assure the Code is tailored to the particular fire protection needs of the City as required by local climatic, topographic and geologic conditions and assure that a maximum level of fire protection is provided to residents, businesses and other occupants; and

WHEREAS, on November xx, 2019, the City Council introduced this Ordinance for first reading at a regular meeting of the City Council, and set a public hearing and second reading of the Ordinance for November xx, 2019; and

WHEREAS, the City Council held a public hearing on November xx, 2019, at which time all interested persons had the opportunity to appear and be heard on the matter of adopting the 2019 California Building Standards Code as amended herein; and

WHEREAS, pursuant to California Government Code Section 6066, the City published notice of the aforementioned public hearing; and

WHEREAS, any and all other legal prerequisites relating to the adoption of this Ordinance have occurred.

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DOES ORDAIN AS FOLLOWS:

SECTION 1. Findings. The City Council hereby finds that the proposed amendments to the 2019 California Fire Code are reasonably necessary because of local climatic, geologic or topographic conditions, and adopts the findings provided below to support the modifications to the 2019 California Fire Code.

I. Climatic Conditions

A. Orange County is located in a semi-arid Mediterranean type climate. It annually experiences extended periods of high temperatures with little or no precipitation. Hot, dry (Santa Ana) winds, which may reach speeds of 70 M.P.H. or greater, are also common to the area. These climatic conditions cause extreme drying of vegetation and common building materials. Frequent periods of drought and low humidity add to the fire danger. This predisposes the area to large destructive fires (conflagration). In addition to directly damaging or destroying buildings, these fires are also prone to disrupt utility services throughout the County. Obstacles generated by a strong wind, such as fallen trees, street lights and utility poles will greatly impact the response time to reach an incident scene.

B. The climate alternates between extended periods of drought and brief flooding conditions. Flood conditions may affect the Orange County Fire Authority's ability to respond to a fire or emergency condition. Floods also disrupt utility services to buildings and facilities within the County.

C. Water demand in this densely populated area far exceeds the quantity supplied by natural precipitation; and although the population continues to grow, the already-taxed water supply does not. California is projected to increase in population by nearly 10 million over the next quarter of a century with 50 percent of that growth centered in Southern California. Due to storage capacities and consumption, and a limited amount of rainfall future water allocation is not fully dependable. This necessitates the need for additional and on-site fire protection features.

D. These dry climatic conditions and winds contribute to the rapid spread of even small fires originating in high-density housing or vegetation. These fires spread very quickly and create a need for increased levels of fire protection. The added protection of fire sprinkler systems and other fire protection features will supplement normal fire department response by providing immediate protection for the building occupants and by containing and controlling the fire spread to the area of origin. Fire sprinkler systems will also reduce the use of water for firefighting by as much as 50 to 75 percent.

II. Topographical Conditions

A. Natural; slopes of 15 percent or greater generally occur throughout the foothills of Orange County. The elevation change caused by the hills creates the geological foundation on which communities with Orange County is built and will continue to build. With much of the populated flatlands already built upon, future growth will occur on steeper slopes and with greater constraints in terrain.

B. Traffic and circulation congestion is an artificially created, obstructive topographical condition, which is common throughout Orange County.

C. These topographical conditions combine to create a situation that places fire department response time to fire occurrences at risk and makes it necessary to provide

automatic on-site fire-extinguishing systems and other protection measures to protect occupants and property.

III. Geological Conditions

The Orange County region is a densely populated area that has buildings constructed over and near a vast and complex network of faults that are believed to be capable of producing future earthquakes similar or greater in size than the 1994 Northridge and the 1971 Sylmar earthquakes. Earthquake faults run along the northeast and southwest boundaries of Orange County. The Newport-Inglewood Fault, located within Orange County was the source of the destructive 1933 Long Beach earthquake (6.3 magnitude) which took 120 lives and damaged buildings in an area from Laguna Beach to Marina Del Rey to Whittier. In December 1989, another earthquake occurred in the jurisdiction of Irvine at an unknown fault line. Regional planning for reoccurrence of earthquakes is recommended by the state of California, Department of Conservation.

A. Previous earthquakes have been accompanied by disruption of traffic flow and fires. A severe seismic event has the potential to negatively impact any rescue or fire suppression activities because it is likely to create obstacles similar to those indicated under the high wind section above. The October 17, 1989, Santa Cruz earthquake resulted in one major fire in the Marina District (San Francisco). When combined with the 34 other fires locally and over 500 responses, the department was taxed to its fullest capabilities. The Marina fire was difficult to contain because mains supplying water to the district burst during the earthquake. This situation creates the need for both additional fire protection and automatic on-site fire protection for building occupants. State Department of Conservation noted in their 1988 report (Planning Scenario on a Major Earthquake on the Newport-Inglewood Fault Zone, page 59), "unfortunately, barely meeting the minimum earthquake standards of building codes places a building on the verge of being legally unsafe."

B. Road circulation features located throughout the County also make amendments reasonably necessary. Located through the County are major roadways, highways and flood control channels that create barriers and slow response times. Hills, slopes, street and storm drain design, accompanied by occasional heavy rainfall, causes roadway flooding and landslides and at times may make an emergency access route impassable. There are areas in Orange County that naturally have extended emergency response times that exceed the 5 minute goal.

C. Soils throughout the County possess corrosive properties that reduce the expected usable life of water services when metallic pipes are in contact with soils.

D. Due to the topographical conditions of sprawling development separated by waterways and narrow and congested streets and the expected infrastructure damage inherent in seismic zones described above, it is prudent to rely on automatic fire sprinkler systems to mitigate extended fire department response time and keep fires manageable with reduced fire flow (water) resources available for a given structure. Additional fire protection is also justified to match the current resources of firefighting equipment and personnel within the Orange County Fire Authority.

2019 California Fire Code

Amendment Findings Legend

CODE SECTION	TITLE (Clarification)	FINDINGS
110.4	Violation penalties	Administrative
110.4.2	Infraction & Misdemeanor	Administrative
202	General definitions	Administrative
304.1.2	OCFA Vegetation Management	I
305.6	Hazardous conditions	I & II
305.7	Disposal of rubbish	I & II
307	Open burning, recreational fires, fire pits, fire rings, and outdoor fireplaces	Administrative
307.6	Fire Pits, Fire Rings, & Outdoor Fireplaces	Administrative
307.6.1	Gas-fueled devices	I & II
307.6.2	Devices using wood or fuels other than natural gas or LPG	I & II
308.1.6.3	Sky lanterns	I & III
321	Fuel modification requirements for new construction	I
322	Clearance of brush or vegetation growth from roadways	I
323	Unusual circumstances	Administrative
324	Use of equipment	I
324.1	Use of equipment and devices generating heat, sparks or open flames	I
324.2	Spark arresters	I
407.5	Hazardous material inventory statement	I & II
501.1	Scope	Administrative, I, II & III

510.1	Emergency responder radio coverage	Administrative
903.2	Where required (Sprinklers)	I, II & III
903.2.8	Group R (Sprinklers)	I, II & III
903.3.5.3	Hydraulically calculated systems	I & II
1201.1.1	Energy systems, battery charging devices	I & II
2801.2	Permit	Administrative
2808.2	Storage site	Administrative
2808.3	Size of piles	I
2808.4	Pile separation	I
2808.7	Pile fire protection	I
2808.9	Material-handling equipment	I
2808.11	Temperature control	I
2808.11.1	Pile temperature control	I
2808.11.2	New material temperature control	I
2808.12	Water availability for piles	I
2808.13	Tipping area	I
2808.14	Emergency contact	Administrative
4906.3	OCFA Vegetation Management Guideline	I
4908	Fuel modification requirements for new construction	I
5001.5.2	Hazardous materials inventory statement	Administrative
5003.1.1.1	Extremely hazardous substances	I & III
5608.2	Retail fireworks	Administrative
5608.3	Application for permit	Administrative
5701.1.1	On-Demand Mobile Fueling	I & II

5801.1	Scope	I & II
Chapter 80	Reference Standards	N/A
	2016 NFPA 13 (Sprinkler Systems)	Administrative, II & III
	2016 NFPA 13-D (Single Family Sprinkler Systems)	I & II
	2013 NFPA 14 (Standpipe Systems)	Administrative
	2016 NFPA 24 (Underground Water Supply Systems)	Administrative & III

SECTION 2 Chapter 5-16 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

Chapter 5-16 FIRE CODE

5-16.010 Adoption of the California Fire Code

The 2019 California Fire Code, including Appendices B, BB, C, and CC, based on the International Fire Code, 2018 Edition, published by the International Code Council, together with the amendments provided in this chapter, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Fire Code of the City of Laguna Hills for the purpose of prescribing regulations governing conditions hazardous to life and property from fire, explosions. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

5-16.020 Enforcement and inspections.

The Fire Code of the City of Laguna Hills shall be enforced by the Orange County Fire Authority, which shall be operated under the Director of Fire Services of the Orange County Fire Authority. The Director of Fire Services of the Fire Authority may detail such members of the Fire Authority as inspectors as shall be necessary from time to time.

5-16.030 Amendments to the California Fire Code.

Chapter 1 – Scope and Administration.

Section 109, Board of Appeals, is deleted without replacement.

Section 110.4, Violation penalties, is hereby revised to read as follows:

110.4 Violation penalties. Persons who shall violate a provision of this code or shall fail to comply with any of the requirements thereof or shall fail to comply with any

issued orders or notices or who shall erect, install, alter, repair or do work in violation of the approved construction documents or directive of the fire code official, or of a permit or certificate used under provisions of this code, shall be subject to penalties assessed as prescribed in the OCFA Prevention Field Services adopted fee schedule. Each day that a violation continues after due notice has been served shall be deemed a separate offense.

Section 110.4.2, Infraction and misdemeanor, is hereby added to read as follows:

110.4.2 Infraction and misdemeanor. Persons operating or maintaining any occupancy, premises or vehicle subject to this code that shall permit any fire or life safety hazard to exist on premises under their control shall be guilty of an infraction. Persons who fail to take immediate action to abate a fire or life safety hazard when ordered or notified to do so by the chief or a duly authorized representative are guilty of a misdemeanor.

Chapter 2 – Definitions.

Section 202, General Definitions, is hereby revised by adding “OCFA” and “Spark Arrester” to read as follows:

OCFA. Orange County Fire Authority, fire authority having jurisdiction.

SPARK ARRESTER. A listed device constructed of noncombustible material specifically for the purpose of meeting one of the following conditions:

1. Removing and retaining carbon and other flammable particles/debris from the exhaust flow of an internal combustion engine in accordance with California Vehicle Code Section 38366.
2. Fireplaces that burn solid fuel in accordance with California Building Code Chapter 28.

Chapter 3 General Requirements.

Section 304.1.2, Vegetation, is hereby revised to read as follows:

304.1.2 Vegetation. Weeds, grass, vines or other growth that is capable of being ignited and endangering property, shall be cut down and removed by the owner or occupant of the premises. Vegetation clearance requirement in urban-wildland interface areas shall be in accordance with Chapter 49. Type, amount, arrangement, and maintenance of vegetation in a fuel modification area, interior slope, or similarly hazardous area shall be in accordance with OCFA Guideline C-05 “Vegetation Management Guideline—Technical Design for New Construction, Fuel Modification Plans, and Maintenance Program.”

Section 305.6, Hazardous conditions, is hereby added to read as follows:

305.6 Hazardous conditions. Outdoor fires burning wood or other solid fuel are not

allowed when any of the following conditions applies:

1. When predicted sustained winds exceed 8 MPH and relative humidity is less than 25%, or a red flag condition has been declared
2. When an official sign was caused to be posted by the fire code official, or a public announcement is made

No outdoor fires using any fuel type are permitted when predicted sustained winds exceed 20 MPH or when such fires present a hazard as determined by the fire code official.

Section 305.7, Disposal of rubbish, is hereby added to read as follows:

305.7 Disposal of rubbish. Rubbish, trash or combustible waste material shall be burned only within an approved incinerator and in accordance with Section 307.2.1.

Section 307.6, Outdoor Fireplaces, Fire Pits, Fire Rings, or similar devices used at Group R Occupancies, is hereby added to read as follows:

307.6 Outdoor Fireplaces, Fire Pits, Fire Rings, or similar devices used at Group R Occupancies. Outdoor fireplaces, fire pits, fire rings, or similar exterior devices used at Group R occupancies shall comply with this section.

Exception: Barbeques, grills, and other portable devices intended solely for cooking.

Section 307.6.1, Gas-fueled devices, is hereby added to read as follows:

307.6.1 Gas-fueled devices. Outdoor fireplaces, fire pits and similar devices fueled by natural gas or liquefied-petroleum gas are allowed when approved by the Building Department and the device is designed to only burn a gas flame and not wood or other solid fuel. At R-3 occupancies, combustible construction and vegetation shall not be located within three feet of an atmospheric column that extends vertically from the perimeter of the device. At other R occupancies, the minimum distance shall be ten feet. Where a permanent Building Department approved hood and vent is installed, combustible construction may encroach upon this column between the bottom of the hood and the vent opening. Where chimneys or vents are installed, they shall have a spark arrester as defined in Section 202.

Section 307.6.2, Devices using wood or fuels other than natural gas or liquefied-petroleum gas, is hereby added to read as follows:

307.6.2 Devices using wood or fuels other than natural gas or liquefied-petroleum gas. Permanent outdoor fireplaces burning wood or other solid fuel shall be constructed in accordance with the California Building Code with clearance from combustible construction and building openings as required therein. Fires in a fireplace shall be contained within a firebox with an attached chimney. The opening in the face of the firebox shall have an installed and maintained method of arresting sparks.

The burning of wood or other solid fuel in a device is not allowed within 25 feet of combustible structures unless within an approved permanent fireplace, Conditions which could cause a fire to spread within 25 feet of a structure or to vegetation shall be eliminated prior to ignition. Fires in devices burning wood or solid fuel shall be in accordance with Sections 305, 307, and 308.

Exceptions:

1. Portable fireplaces and fire rings/pits equipped with a device to arrest sparks shall be located at least 3' from combustible construction at R-3 occupancies.
2. Portable fireplaces, and fire pits/rings equipped with a device to arrest sparks, shall be located at least 15 feet from combustible structures at other R occupancies.

Section 308.1.4, Open-flame cooking devices, is deleted without replacement.

Section 308.1.6.3, Sky lanterns, is hereby revised to read as follows:

308.1.6.3 Sky lanterns. A person shall not ignite, release, or cause to be released a sky lantern.

Section 311.5, Placards – including subsections 311.5.1 through 311.5.5, is deleted without replacement.

Section 318, Laundry Carts, is deleted without replacement.

Section 319 Mobile Food Preparation Vehicles is deleted without replacement.

Section 321, Fuel Modification Requirements for New Construction, is hereby added to read as follows:

321 Fuel Modification Requirements for New Construction. All new structures and facilities adjoining land containing hazardous combustible vegetation shall be approved and in accordance with the requirements of OCFA Guideline C-05 "Vegetation Management Guideline – Technical Design for New Construction Fuel Modification Plans and Maintenance Program."

Section 322, Clearance of brush or vegetation growth from roadways, is hereby added to read as follows:

322 Clearance of brush or vegetation growth from roadways. The fire code official is authorized to cause areas within 10 feet (3048 mm) on each side of portions of highways and private streets which are improved, designed or ordinarily used for vehicular traffic, to be cleared of flammable vegetation and other combustible growth. Measurement shall be from the flow-line or the end of the improved edge of the roadway surfaces.

Exception: Single specimens of trees, ornamental shrubbery or cultivated ground cover such as green grass, ivy, succulents or similar plants used as ground covers, provided that they do not form a means of readily transmitting fire.

Section 323, Unusual circumstances, is hereby added to read as follows:

323 Unusual circumstances. The fire code official may suspend enforcement of the vegetation management requirements and require reasonable alternative measures designed to advance the purpose of this code if determined that in any specific case that any of the following conditions exist:

1. Difficult terrain.
2. Danger of erosion.
3. Presence of plants included in any state and federal resources agencies, California Native Plant Society and county-approved list of wildlife, plants, rare, endangered and/or threatened species.
4. Stands or groves of trees or heritage trees.
5. Other unusual circumstances that make strict compliance with the clearance of vegetation provisions undesirable or impractical.

Section 324, Use of equipment, is hereby added to read as follows:

324 Use of equipment. Except as otherwise provided in this section, no person shall use, operate, or cause to be operated in, upon or adjoining any hazardous fire area any internal combustion engine which uses hydrocarbon fuels, unless the engine is equipped with a spark arrester as defined in Section 202 maintained in effective working order, or the engine is constructed, equipped and maintained for the prevention of fire.

Exceptions:

1. Engines used to provide motor power for trucks, truck tractors, buses, and passenger vehicles, except motorcycles, are not subject to this section if the exhaust system is equipped with a muffler as defined in the Vehicle Code of the State of California.
2. Turbocharged engines are not subject to this section if all exhausted gases pass through the rotating turbine wheel, there is no exhaust bypass to the atmosphere, and the turbocharger is in good mechanical condition.

Section 324.1, Use of equipment and devices generating heat, sparks or open flames, is hereby added to read as follows:

324.1 Equipment and devices generating heat, sparks or open flames. During any time of the year within Wildfire Risk Areas, within or immediately adjacent to any

forest- or brush-covered land or non-irrigated grass-covered land, no person shall use or operate any welding equipment, cutting torches, tar pots, grinding devices, or other tools or equipment that may produce a spark, fire, or flame that could result in a wildfire without doing the following:

1. First clearing away all flammable material, including snags, from the area around such operation for a distance of 30 feet or other approved method to reduce fire spread into the wildlands. If 30 foot clearing cannot be achieved, then an alternate method shall be approved by the AHJ prior to work starting.
2. Maintain one serviceable round point shovel with an overall length of not less than forty-six (46) inches and one backpack pump water-type fire extinguisher fully equipped and ready for use at the immediate area during the operation.
3. Stop work when winds are 8 MPH or greater during periods when relative humidity is less than 25%, or a red flag condition has been declared or public announcement is made, when an official sign was caused to be posted by the fire code official, or when such fires present a hazard as determined by the fire code official.
4. Keep a cell phone nearby and call 911 immediate in case of fire.

Section 324.2, Spark arresters, is hereby added to read as follows:

324.2 Spark arresters. Spark arresters shall comply with Section 202, and when affixed to the exhaust system of engines or vehicles subject to Section 324 shall not be placed or mounted in such a manner as to allow flames or heat from the exhaust system to ignite any flammable material.

Chapter 4 – Emergency Planning and Preparedness.

Only the following sections and subsections of Chapter 4, and an amendment to the same, are enacted:

401 – 401.9

402

403.2

403.5 – 403.5.4

403.10.2.1.1

403.13 – 403.13.3

404.5 – 404.6.6

407

Section 407.5, Hazardous Materials Inventory Statement, is revised to read as follows:

407.5 Hazardous Materials Inventory Statement. Where required by the fire code official, each application for a permit shall OCFA's Chemical Classification Packet in accordance with Section 5001.5.2.

Chapter 5 – Fire Service Features.

Section 501.1, Scope, is revised to read as follows:

501.1 Scope. Fire service features for buildings, structures and premises shall comply with this chapter and, where required by the fire code official, with OCFA Guideline B-09, "Fire Master Plan for Commercial & Residential Development." Fire service features for buildings, structures and premises located in State Responsibility Areas, and Local Responsibility Areas designated as Very High Hazard Fire Severity Zone shall also comply with OCFA Guideline B-09a, "Fire Safe Development in State Responsibility Areas, and Local Responsibility Areas designated as Very High Hazard Fire Severity Zone".

Section 510.1, Emergency responder radio coverage in new buildings, is revised to read as follows:

510.1 Emergency responder radio coverage in new buildings. All new buildings shall have approved radio coverage for emergency responders within the building based upon the existing coverage levels of the public safety communication systems utilized by the jurisdiction, measured at the exterior of the building. This section shall not require improvement of the existing public safety communication systems. The Emergency Responder Radio Coverage System shall comply with the Orange County Sheriff's Department, Communications and Technology Division guidelines and specifications and, where the functionality or performance requirements in the California Fire Code are more stringent, this code.

Exceptions:

1. In buildings or structures where it is determined by the fire code official that the radio coverage system is not needed, including but not limited to the following:
 - a. Existing buildings or structures, unless required by the Building Official and OCFA for buildings and structures undergoing extensive remodel and/or expansion.
 - b. Elevators.
 - c. Structures that meet all of the following:
 - i. Three stories or less, and
 - ii. Do not have subterranean storage or parking, and

- iii. Do not exceed 50,000 square feet on any single story.
- d. Structures that meet all of the following:
 - i. Residential structures four stories or less, and
 - ii. Constructed of wood, and
 - iii. Do not have subterranean storage or parking, and
 - iv. Are not built integral to an above ground multi-story parking structure.

Should a structure that is three stories or less and 50,000 square feet or smaller on any single story include subterranean storage or parking, then this ordinance shall apply only to the subterranean areas.

2. In facilities where emergency responder radio coverage is required and such systems, components or equipment required could have a negative impact on the normal operations of the facility, the fire code official shall have the authority to accept an automatically activated emergency radio coverage system.

Section 510.2, Emergency responder radio coverage in existing buildings, is deleted without replacement:

Section 510.3, Permit required, is deleted without replacement.

Chapter 9 – Fire Protection and Life Safety Systems

Section 903.2, Where required, is hereby revised to read as follows:

903.2 Where required. Approved automatic sprinkler systems in buildings and structures shall be provided when one of the following conditions exists:

1. **New buildings:** Notwithstanding any applicable provisions of Sections 903.2.1 through 903.2.19, an automatic fire-extinguishing system shall also be installed in all occupancies when the total building area exceeds 5,000 square feet as defined in Section 202, regardless of fire areas or allowable area, or is more than two stories in height.

Exception: Subject to approval by the fire code official, open parking garages in accordance with Section 406.5 of the California Building Code.

1. **Existing Buildings:** Notwithstanding any applicable provisions of this code, an automatic sprinkler system shall be provided in an existing building when an addition occurs and one of the following conditions exists:

- a. When an addition is 33% or more of the existing building area, and the resulting building area exceeds 5000 square feet.

- b. When an addition exceeds 2000 square feet and the resulting building area exceeds 5000 square feet.
- c. An additional story is added above the second floor regardless of fire areas or allowable area.

Exception: Additions to Group R-3 occupancies shall comply with Section 903.2.8 (2).

Section 903.2.8, Group R, is hereby revised to read as follows:

903.2.8 Group R. An automatic sprinkler system installed in accordance with Section 903.3 shall be provided throughout all buildings with a Group R fire area as follows:

1. **New Buildings:** An automatic sprinkler system shall be installed throughout all new buildings.
2. **Existing Buildings:** An automatic sprinkler system shall be installed throughout when one of the following conditions exists:
 - a. When an addition is 33% or more of the existing building area as defined in Section 202, and greater than 1000 square feet within a two year period; or,
 - b. An addition when the existing building is already provided with automatic sprinklers; or,
 - c. When an existing Group R Occupancy is being substantially renovated, and where the scope of the renovation is such that the Building Code Official determines that the complexity of installing a sprinkler system would be similar as in a new building.

Exceptions:

1. Existing Group R-3 occupancies converted to Group R-3.1 occupancies and not housing bedridden clients, not housing non-ambulatory clients above the first floor, and not housing clients above the second floor.
2. Existing Group R-3 occupancies converted to Group R-3.1 occupancies housing only one bedridden client and complying with Section 435.8.3.3 of the California Building Code.
3. Pursuant to Health and Safety Code, Section 13113, occupancies housing ambulatory children only, none of whom are mentally ill children or children with intellectual disabilities, and the buildings or portions thereof in which such children are housed are not more than two stories in height, and building or portions thereof housing such children have an automatic fire alarm system activated by approved smoke detectors.

4. Pursuant to Health and Safety Code, Section 13143.6, occupancies licensed for protective social care which house ambulatory clients only, none of whom is a child (under the age of 18 years), or who is elderly (65 years of age or over).

When not used in accordance with Section 504.2 or 506.3 of the California Building Code, an automatic sprinkler system installed in accordance with Section 903.3.1.2 shall be allowed in Group R-2.1 occupancies.

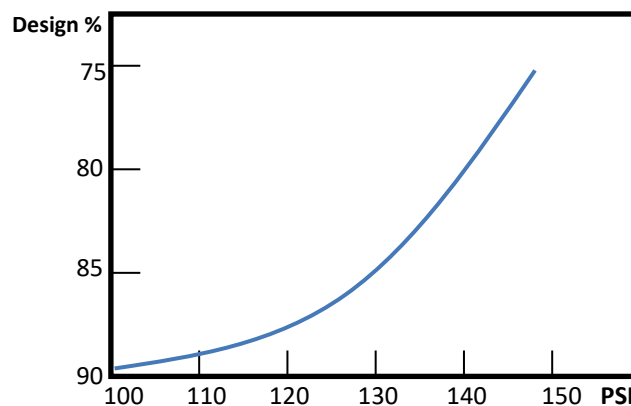
An automatic sprinkler system designed in accordance with Section 903.3.1.3 shall not be utilized in Group R-2.1 or R-4 occupancies.

Section 903.3.5.3, Hydraulically calculated systems, is hereby added to read as follows:

903.3.5.3 Hydraulically calculated systems. The design of hydraulically calculated fire sprinkler systems shall not exceed 90% of the water supply capacity.

Exception: When static pressure exceeds 100 psi, and when required by the fire code official, the fire sprinkler system shall not exceed the water supply capacity specified by Table 903.3.5.3.

TABLE 903.3.5.3
Hydraulically Calculated Systems



Chapter 11— Construction Requirements for Existing Buildings.

Only the following sections and subsections of Chapter 11 are enacted:

1103.7

1103.7.3

1103.7.3.1

1103.7.8 – 1103.7.8.2

1103.7.9 – 1103.7.9.10

1103.8 – 1103.8.5.3

1103.9.1

1107

1113

1114

1115

1116

Chapter 12 – Energy Systems is adopted in its entirety with the following amendment:

Section 1201.1.1, Other Systems, is hereby revised to read as follows:

1201.1.1 Other Systems Where required by the fire code official, other systems and operations including but not limited to battery systems assembly, battery reconditioning and storage, research and development of battery storage systems, electric vehicle manufacturing and testing, and battery charging systems for cars and carts inside of buildings or structures, shall comply with this chapter.

Exception: When approved by the fire code official, charging stations for electric vehicles located in open parking garages of Type I or II construction.

Chapter 25, Fruit and Crop Ripening, is deleted in its entirety.

Chapter 26, Fumigation and Insecticidal Fogging, is deleted in its entirety.

Chapter 28 – Lumber Yards and Agro-Industrial, Solid Biomass and Woodworking Facilities.

Section 2801.2, Permit, is hereby revised to read as follows:

2801.2 Permit. Permits shall be required as set forth in Section 105.6 and 105.6.29.

Section 2808.2, Storage site, is hereby revised to read as follows:

2808.2 Storage site. Storage sites shall be level and on solid ground, elevated soil lifts or other all-weather surface. Sites shall be thoroughly cleaned and approval obtained from the fire code official before transferring products to the site.

Section 2808.3, Size of piles, is hereby revised to read as follows:

2808.3 Size of piles. Piles shall not exceed 15 feet in height, 50 feet in width and 100 feet in length.

Exception: The fire code official is authorized to allow the pile size to be increased where a fire protection plan is provided for approval that includes, but is not limited to, the following:

1. Storage yard areas and materials-handling equipment selection, design and arrangement shall be based upon sound fire prevention and protection principles.
2. Factor that lead to spontaneous heating shall be identified in the plan, and control of the various factors shall be identified and implemented, including provisions for monitoring the internal condition of the pile.
3. The plan shall include means for early fire detection and reporting to the public fire department; and facilities needed by the fire department for fire extinguishment including a water supply and fire hydrants.
4. Fire apparatus access roads around the piles and access roads to the top of the piles shall be established, identified and maintained.
5. Regular yard inspections by trained personnel shall be included as part of an effective fire prevention maintenance program.

Additional fire protection called for in the plan shall be provided and shall be installed in accordance with this code. The increase of the pile size shall be based upon the capabilities of the installed fire protection system and features.

Section 2808.4, Pile separation, is hereby revised to read as follows:

2808.4. Pile separation. Piles shall be separated from adjacent piles by minimum distance of 20 feet. Additionally, piles shall have a minimum separation of 100 feet from combustible vegetation.

Section 2808.7, Pile fire protection, is hereby revised to read as follows:

2808.7 Pile fire protection. Automatic sprinkler protection shall be provided in conveyor tunnels and combustible enclosures that pass under a pile. Combustible conveyor systems and enclosed conveyor systems shall be equipped with an approved automatic sprinkler system. Oscillating sprinklers with a sufficient projectile reach are required to maintain a 40% to 60% moisture content and wet down burning/smoldering areas.

Section 2808.9, Material-handling equipment, is hereby revised to read as follows:

2808.9 Material-handling equipment. All material-handling equipment operated by an internal combustion engine shall be provided and maintained with an approved spark arrester. Approved material-handling equipment shall be available for moving wood chips, hogged material, wood fines and raw product during fire-fighting operations.

Section 2808.11, Temperature control, is hereby added to read as follows:

2808.11 Temperature control. The temperature shall be monitored and maintained as specified in Sections 2808.11.1 and 2808.11.2.

Section 2808.11.1, Pile temperature control, is hereby added to read as follows:

2808.11.1 Pile temperature control. Piles shall be rotated when internal temperature readings are in excess of 165 degrees Fahrenheit.

Section 2808.11.2, New material temperature control, is hereby added to read as follows:

2808.11.2 New material temperature control. New loads delivered to the facility shall be inspected and tested at the facility entry prior to taking delivery. Material with temperature exceeding 165 degrees Fahrenheit shall not be accepted on the site. New loads shall comply with the requirements of this chapter and be monitored to verify that the temperature remains stable.

Section 2808.12, Water availability, is hereby added to read as follows:

2808.12 Water availability. Facilities with over 2500 cubic feet shall provide a water supply. The minimum fire flow shall be no less than 500 GPM @ 20 psi for a minimum of 1 hour duration for pile heights up to 6 feet and 2 hour duration for pile heights over 6 feet. If there is no water purveyor, an alternate water supply with storage tank(s) shall be provided for fire suppression. The water supply tank(s) shall provide a minimum capacity of 2500 gallons per pile (maximum 30,000 gallons) for piles not exceeding 6 feet in height and 5000 gallons per pile (maximum 60,000) for piles exceeding 6 feet in height. Water tank(s) shall not be used for any other purpose unless the required fire flow is left in reserve within the tank at all times. An approved method shall be provided to maintain the required amount of water within the tank(s).

Section 2808.13, Tipping areas, is hereby added to read as follows:

2808.13 Tipping areas. Tipping areas shall comply with the following:

1. Tipping areas shall not exceed a maximum area of 50 feet by 50 feet.
2. Material within a tipping area shall not exceed 5 feet in height at any time.
3. Tipping areas shall be separated from all piles by a 20 foot wide fire access lane.
4. A fire hydrant or approved fire water supply outlet shall be located within 150 feet of all points along the perimeter of the tipping area.
5. All material within a tipping area shall be processed within 5 days of receipt.

Section 2808.14, Emergency contact, is hereby added to read as follows:

2808.14 Emergency contact. The contact information of a responsible person or persons shall be provided to the Fire Department and shall be posted at the entrance

to the facility for responding units. The responsible party should be available to respond to the business in emergency situation.

Chapter 49 – Requirements for Wildland-Urban Interface Fire Areas.

Section 4906.3, Requirements, is hereby revised to read as follows:

4906.3 Requirements. Hazardous vegetation and fuels around all applicable buildings and structure shall be maintained in accordance with the following laws and regulations:

1. Public Resources Code, Section 4291.
2. California Code of Regulations, Title 14, Division 1.5, Chapter 7, Subchapter 3, Section 1299 (see guidance for implementation “General Guideline to Create Defensible Space”).
3. California Government Code, Section 51182.
4. California Code of Regulations, Title 19, Division 1, Chapter 7, Subchapter 1, Section 3.07.
5. OCFA Guideline C-05 “Vegetation Management Guideline – Technical Design for New Construction Fuel Modification Plans and Maintenance Program.”

Section 4908, Fuel Modification Requirements for New Construction, is hereby added to read as follows:

4908 Fuel Modification Requirements for New Construction. All new buildings to be built or installed in a Wildfire Risk Area shall comply with the following:

1. Preliminary fuel modification plans shall be submitted to and approved by the fire code official prior to or concurrently with the approval of any tentative map.
2. Final fuel modification plans shall be submitted to and approved by the fire code official prior to the issuance of a grading permit.
3. The fuel modification plans shall meet the criteria set forth in the Fuel Modification Section of OCFA Guideline C-05 “Vegetation Management Guideline – Technical Design for New Construction Fuel Modification Plans and Maintenance Program.”
 - 3.1 The fuel modification plan shall include provisions for the maintenance of the fuel modification in perpetuity.
4. The fuel modification plan may be altered if conditions change. Any alterations to the fuel modification areas shall have prior approval from the fire code official.

5. All elements of the fuel modification plan shall be maintained in accordance with the approved plan and are subject to the enforcement process outlined in the Fire Code.

Chapter 50 Hazardous Materials – General Provisions.

Section 5001.5.2, Hazardous Materials Inventory Statement (HMIS), is hereby revised to read as follows:

5001.5.2 Hazardous Materials Inventory Statement (HMIS). Where required by the fire code official, an application for a permit shall include. Orange County Fire Authority's-Chemical Classification Packet, which shall be completed and approved prior to approval of plans, and/or the storage, use or handling of chemicals on the premises. The Chemical Classification Packet shall include the following information:

1. Product Name.
2. Component.
3. Chemical Abstract Service (CAS) number.
4. Location where stored or used.
5. Container size.
6. Hazard classification.
7. Amount in storage.
8. Amount in use-closed systems.
9. Amount in use-open systems.

Section 5003.1.1.1, Extremely Hazardous Substances, is hereby added to read as follows:

5003.1.1.1 Extremely Hazardous Substances. No person shall use or store any amount of extremely hazardous substances (EHS) in excess of the disclosable amounts (see Health and Safety Code Section 25500 et al) in a residential zoned or any residentially developed property.

Chapter 56 – Explosives and Fireworks.

Section 5608.2, Firing, is hereby added to read as follows:

5608.2 Firing. All fireworks displays, regardless of mortar, device, or shell size, shall be electrically fired.

Section 5608.3, Application for Permit, is hereby added to read as follows:

Section 5608.3 Application for Permit. A diagram of the grounds on which the display is to be held showing the point at which the fireworks are to be discharged, the fallout area based on 100 feet per inch of shell size, the location of all buildings, roads, and other means of transportation, the lines behind which the audience will be restrained, the location of all nearby trees, telegraph or telephone line, or other overhead obstructions shall be provided to OCFA.

Chapter 57 – Flammable and Combustible Liquids.

Section 5701.1.1, On-Demand Mobile fueling, is hereby added to read as follows:

Section 5701.1.1 On-Demand Mobile fueling. On-demand mobile fueling of Class I, II, and III liquids into the fuel tanks of vehicles is prohibited.

Chapter 58 – Flammable Gases and Flammable Cryogenic Fluids.

Section 5801.1, Scope, is hereby revised to read as follows:

Section 5801.1 Scope. The storage and use of flammable gases and flammable cryogenic fluids shall be in accordance with this chapter, NFPA 2 and NFPA 55. Compressed gases shall also comply with Chapter 53 and cryogenic fluids shall also comply with Chapter 55. Flammable cryogenic fluids shall comply with Section 5806. Hydrogen motor fuel-dispensing stations and repair garages and their associated above-ground hydrogen storage systems shall also be designed, constructed and maintained in accordance with Chapter 23. Mobile fueling of gaseous and liquid hydrogen, compressed natural gas (CNG), and liquefied natural gas (LNG) into the fuel tanks of vehicles is prohibited.

Exceptions:

1. Gases used as refrigerants in refrigeration systems (see Section 605).
2. Liquefied petroleum gases and natural gases regulated by Chapter 61.
3. Fuel-gas systems and appliances regulated under the California Mechanical Code and the California Plumbing Code other than gaseous hydrogen systems and appliances.
4. Pyrophoric gases in accordance with Chapter 64.

Section 5809, Mobile Gaseous Fueling of Hydrogen-Fueled Vehicles, is deleted without replacement.

Chapter 80 Referenced Standards.

NFPA 13, 2016 Edition, Standard for the Installation of Sprinkler Systems, is hereby amended as follows:

Section 6.7.3 is hereby revised to read as follows:

6.7.3 Fire department connections (FDC) shall be of an approved type. The location shall be approved and be no more than 150 feet from a public hydrant. The FDC may be located within 150 feet of a private fire hydrant when approved by the fire code official. The size of piping and the number of 2½" inlets shall be approved by the fire code official. If acceptable to the water authority, it may be installed on the backflow assembly. Fire department inlet connections shall be painted OSHA safety red or as approved. When the fire sprinkler density design requires more than 500 gpm (including inside hose stream demand), or a standpipe system is included, four 2½" inlets shall be provided.

Section 8.3.3.1 is hereby revised to read as follows:

8.3.3.1 When fire sprinkler systems are installed in shell buildings of undetermined use (Spec Buildings) other than warehouses (S occupancies), fire sprinklers of the quick-response type shall be used. Use is considered undetermined if a specific tenant/occupant is not identified at the time the fire sprinkler plan is submitted. Sprinklers in light hazard occupancies shall be one of the following:

1. Quick-response type as defined in 3.6.4.8.
2. Residential sprinklers in accordance with the requirements of 8.4.5.
3. Quick response CMSA sprinklers.
4. ESFR sprinklers.
5. Standard-response sprinklers used for modifications or additions to existing light hazard systems equipped with standard-response sprinklers.
6. Standard-response sprinklers used where individual standard-response sprinklers are replaced in existing light hazard systems.

Section 8.15.1.2.7 is hereby revised to read as follows:

8.15.1.2.7 Concealed spaces filled with noncombustible insulation shall not require sprinkler protection when approved by the fire code official.

Section 11.1.1.1 is hereby added to read as follows:

11.1.1.1 When fire sprinkler systems are required in buildings of undetermined use other than warehouses, they shall be designed and installed to have a fire sprinkler density of not less than that required for an Ordinary Hazard Group 2 use, with no reduction(s) in density or design area. Warehouse fire sprinkler systems shall be designed to Figure 16.2.1.3.2 (d) curve "G". Use is considered undetermined if a specific tenant/occupant is not identified at the time the sprinkler plan is submitted. Where a subsequent use or occupancy requires a system with greater capability, it shall be the responsibility of the occupant to upgrade the system to the required density for the new use or occupancy.

Section 11.2.3.1.1.1 is hereby added to read as follows:

11.2.3.1.1.1 The available water supply for fire sprinkler system design shall be determined by one of the following methods, as approved by the fire code official:

1. Subtract the project site elevation from the low water level for the appropriate pressure zone and multiply the result by 0.433;
2. Use a maximum of 40 psi, if available;
3. Utilize the OCFA water-flow test form/directions to document a flow test conducted by the local water agency or an approved third party licensed in the State of California.

NFPA 13D 2016 Edition, Standard for the Installation of Sprinkler Systems in One- and Two-Family Dwellings and Manufactured Homes is hereby amended as follows:

Section 7.1.2 is hereby revised to read as follows:

7.1.2 The sprinkler system piping shall not have separate control valves installed unless supervised by a central station, proprietary, or remote station alarm service.

NFPA 14, 2013 Edition, Installation of Standpipe and Hose Systems is hereby amended as follows:

Section 7.3.1.1 is hereby amended to read as follows:

7.3.1.1 Class I and III Standpipe hose connections shall be unobstructed and shall be located not less than 18 inches or more than 24 inches above the finished floor. Class II Standpipe hose connections shall be unobstructed and shall be located not less than 3 feet or more than 5 feet above the finished floor.

NFPA 24, 2016 Edition, Standard for the Installation of Private Fire Service Mains and Their Appurtenances is hereby amended as follows:

Section 6.2.8.1 is hereby added to read as follows:

6.2.8.1 All indicating valves controlling fire suppression water supplies shall be painted OSHA red.

Exceptions:

1. Brass or bronze valves on sprinkler risers mounted to the exterior of the building may be left unpainted.

2. Where OS&Y valves on the detector check assembly are the only control valves, at least one OS&Y valve shall be painted red.

Section 6.2.9 is hereby amended to read as follows:

6.2.9 All connections to private fire service mains for fire protection systems shall be arranged in accordance with one of the following so that they can be isolated:

1. A post indicator valve installed not less than 40 ft (12 m) from the building
 - (a) For buildings less than 40 ft (12 m) in height, a post indicator valve shall be permitted to be installed closer than 40 ft (12 m) but at least as far from the building as the height of the wall facing the post indicator valve.
2. A wall post indicator valve.
3. An indicating valve in a pit, installed in accordance with Section 6.4.
4. A backflow preventer with at least one indicating valve not less than 40 ft (12 m) from the building.
 - (a) For buildings less than 40 ft (12 m) in height, a backflow preventer with at least one indicating valve shall be permitted to be installed closer than 40 ft (12 m) but at least as far from the building as the height of the wall facing the backflow preventer.
5. Control valves installed in a fire-rated room accessible from the exterior.
6. Control valves in a fire-rated stair enclosure accessible from the exterior.

Section 10.1.5 is hereby added to read as follows:

10.1.5 All ferrous pipe and joints shall be polyethylene encased per AWWA C150, Method A, B, or C. All fittings shall be protected with a loose 8-mil polyethylene tube or sheet. The ends of the tube or sheet shall extend past the joint by a minimum of 12 inches and be sealed with 2 inch wide tape approved for underground use. Galvanizing does not meet the requirements of this section.

Exception: 304 or 316 Stainless Steel pipe and fittings.

Section 10.4.1.1 is hereby revised to read as follows:

10.4.1.1 All bolted joint accessories shall be cleaned and thoroughly coated with asphalt or other corrosion-retarding material after installation.

Exception: Bolted joint accessories made from 304 or 316 stainless steel.

Section 10.4.1.1.1 is hereby added to read as follows:

10.4.1.1.1 All bolts used in pipe-joint assembly shall be 316 stainless steel.

Section 10.4.3.2 is hereby revised to read as follows:

10.4.3. Where fire service mains enter the building adjacent to the foundation, the pipe may run under a building to a maximum of 24 inches, as measured from the interior face of the exterior wall to the center of the vertical pipe. The pipe under the building or building foundation shall be 304 or 316 stainless steel and shall not contain mechanical joints or it shall comply with 10.4.3.2.1 through 10.4.3.2.4.

SECTION 3. The City Council finds that this Ordinance is not subject to the California Environmental Quality Act (CEQA) pursuant to California Code of Regulations Title 14, Chapter 3, Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15371), because it has no potential for resulting in physical change to the environment, directly or indirectly.

SECTION 4. If any section, subsection, subdivision, sentence, clause, phrase, or portion of this Ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more section, subsection, subdivision, sentence, clause, phrase, or portion thereof be declared invalid or unconstitutional.

SECTION 5. The City Clerk shall certify as to the adoption of this Ordinance and cause a summary thereof to be published within (15) days of the adoption and shall post a Certified copy of this Ordinance, including the vote for and against the same, in the Office of the City Clerk, in accordance with Government Code Section 36933.

PASSED, APPROVED, AND ADOPTED this xx day of November 2019.

DON SEDGWICK, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

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

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing Ordinance No. 2019-X was duly introduced and placed upon its first reading at a Regular Meeting of the City Council on the Xth day of November 2019, and that thereafter, said Ordinance was duly adopted and passed at a Regular Meeting of the City Council held on the Xth day of November 2019, by the following vote, to wit:

AYES:

NOES

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

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

AFFIDAVIT OF POSTING
AND PUBLICATION

MELISSA AU-YEUNG, being first duly sworn, deposes and says:

That she is the duly appointed and qualified City Clerk of the City of Laguna Hills;

That in compliance with State Laws of the State of California, ORDINANCE NO. 2019-X, being:

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING CHAPTER 5-16 (FIRE CODE) OF TITLE 5 (HEALTH AND SANITATION) OF THE LAGUNA HILLS MUNICIPAL CODE AND ADOPTING BY REFERENCE THE 2019 EDITION OF THE CALIFORNIA FIRE CODE INCLUDING APPENDICES B, BB, C, AND CC, TOGETHER WITH CERTAIN AMENDMENTS, ADDITIONS, AND DELETIONS THERETO

on the Xrd day of November 2019, and on the Xth day of November 2019, was published in the Saddleback Valley News; and was, in compliance with City Resolution No. 2004-05-25-2, on the Xth day of November 2019, and the Xth day of November 2019 caused to be posted in three places in the City of Laguna Hills, to wit:

Laguna Hills City Hall
Laguna Hills Community Center
La Paz Center

MELISSA AU-YEUNG, CITY CLERK
Laguna Hills, California



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: November 12, 2019

TO: Mayor and Council Members

FROM: David Chantarangsu
Community Development Director

ISSUE: First Reading of Proposed Ordinances Amending Title 10 (Buildings and Construction) and Chapter 5-16 (Fire Code) of the Laguna Hills Municipal Code and Adopting by Reference the 2019 Edition of the California Building Standards Code (California Code of Regulations, Title 24) Consisting of the California Building Code, Residential Code, Electrical Code, Mechanical Code, Plumbing Code, Energy Code, Historical Building Code, Fire Code, Existing Building Code, Green Building Standards Code, and Referenced Standards Code, Together with Certain Amendments, Additions, and Deletions Thereto

RECOMMENDATION: That the City Council:

(1) Introduce for first reading, read by title only, and waive further reading of an Ordinance entitled: “An Ordinance of the City of Laguna Hills, California, amending Title 10 (Buildings And Construction) of the Laguna Hills Municipal Code and adopting by reference the 2019 Edition of the California Building Standards Code (California Code of Regulations, Title 24), consisting of the 2019 California Building Code, the 2019 California Residential Code, the 2019 California Electrical Code, the 2019 California Mechanical Code, the 2019 California Plumbing Code, the 2019 California Energy Code, the 2019 California Historical Building Code, the 2019 California Existing Building Code, the 2019 California Green Building Standards Code, and the 2019 California Referenced Standards Code, together with certain amendments, additions, and deletions thereto.”

(2) Introduce for first reading, read by title only, and waive further reading of an Ordinance entitled: “An Ordinance of the City of Laguna Hills, California, amending Chapter 5-16 (Fire Code) of Title 5 (Health and Sanitation) of the Laguna Hills

Municipal Code and adopting by reference the 2019 Edition of the California Fire Code including Appendices B, BB, C, and CC together with certain amendments, additions, and deletions thereto."

(3) Direct staff to place the Ordinances on the November 26, 2019, meeting agenda for a Public Hearing and second reading, and to prepare and publish the appropriate hearing notices.

SUMMARY:

Every three years the State of California Building Standards Commission updates the State's building and construction regulations to promote safe building construction, energy efficiency, and sustainability. These State regulations, published in Title 24 of the California Code of Regulations, are commonly referred to as the California Building Standards Code. Individual parts of the Title 24 California Building Standards Code include the following:

- California Administrative Code
- California Building Code
- California Residential Code
- California Electrical Code
- California Mechanical Code
- California Plumbing Code
- California Energy Code
- California Historical Building Code
- California Fire Code
- California Existing Building Code
- California Green Building Standards Code
- California Referenced Standards Code

The Building Standards Code establishes the minimum requirements for new construction. Local governments may adopt more restrictive construction standards

when they are reasonably necessary because of local climatic, geological, or topographical conditions.

BACKGROUND:

This item represents the triennial code adoption to update the City's Building and Fire Codes. The State of California Health and Safety Code (Section 17958) mandates that the California Building Standards Commission adopt and publish the California Building Standards Code (California Code of Regulations, Title 24) every three years. The 2019 Edition of the California Building Standards Code ("State Codes") automatically becomes effective statewide on January 1, 2020. State law permits local jurisdictions to make modifications, referred to as "local amendments", that may be more, but in no event less, stringent than the requirements adopted by the State. To incorporate local amendments, jurisdictions must adopt the corresponding code and local amendments and make findings that the local amendments are reasonably necessary due to local climatic, geological or topographical conditions. The City has adopted local amendments during each of the prior triennial code adoption cycles. Even though adopted in previous cycles, local amendments must be re-adopted with each triennial code update.

Title 10 and Chapter 5-16 of the Laguna Hills Municipal Code (LHMC) contain the City's Building and Fire Codes respectively. The proposed Ordinances would amend Title 10 and Chapter 5-16 of the LHMC by repealing references to prior editions of the Building and Fire Codes and replacing references with the newly established State Codes.

Proposed Local Amendments

Consistent with State Health and Safety Code Section 17958.5, City staff and Orange County Fire Authority's (OCFA) Fire Chief are recommending local amendments to the 2019 State Codes. The proposed local amendments consist of administrative provisions to provide clarification for the implementation of the State Codes as well as technical provisions to customize the codes for local use. The proposed Ordinances contain the required findings for the local amendments in response to local climatic, geological or topographical conditions, and carry forward local amendments from the prior code adoption cycles including other minor amendments and clarifications.

The 2019 edition of the California Building Standards Code contains twelve separate parts, which has been reorganized for this triennial code adoption cycle. Previously, the California Historical Building Code and California Existing Building Code were referenced under the California Building Code. However, for this triennial code update, these two

2019 Building Standards Code Adoption - First Reading

November 12, 2019

Page 4

components of the California Building Standards Code have been relocated as independent parts. Amendments to these two code parts are not proposed. Additionally, no action is recommended related to the California Administrative Code because this part does not contain substantive building regulations applicable to the City mandating adoption by reference or local amendments. Table 1 lists each part of the Building Standards Code, the name of the corresponding Code, the recommended action for this code adoption cycle, and its proposed location within the LHMC.

Table 1**California Building Standards Code**

Code	Recommended Action	LHMC Chapter
California Administrative Code	N/A	N/A
California Building Code	Adopt with local amendments	10-28
California Residential Code	Adopt with local amendments	10-32
California Electrical Code	Adopt with no amendments	10-36
California Mechanical Code	Adopt with no amendments	10-40
California Plumbing Code	Adopt with no amendments	10-48
California Energy Code	Adopt with no amendments	10-52
California Historical Building Code	Adopt with no amendments	10-60
California Fire Code	Adopt with local amendments	5-16
California Existing Building Code	Adopt with no amendments	10-64
California Green Building Standards Code	Adopt with no amendments	10-68
California Referenced Standards Code	Adopt with no amendments	10-76

The above-referenced State codes are available in the Community Development Department for review as well as on line at the California Building Standards Commission website (www.bsc.ca.gov).

Building Codes Ordinance

Proposed Ordinance No. 2019-4 has been prepared for City Council consideration to adopt the 2019 Building Standards Code with certain amendments, additions and

deletions. City staff and OCFA are proposing a total of 23 amendments to the California Building Standards Code (10 Building Code Amendments, and 13 Residential Code Amendments). Several of the proposed amendments are administrative or procedural in nature and mostly ensure consistency with the standards previously adopted during the 2016 code cycle. Five of the proposed amendments mirror proposed Fire Code amendments, discussed below, which are reiterated in the Building Codes to maintain consistency. Tables identifying each proposed amendment to the 2019 California Building Standards Code and the specific finding(s) supporting the amendments are included in the proposed Ordinance.

Fire Code Ordinance

Proposed Ordinance No. 2019-5 has been prepared for City Council consideration to adopt the 2019 California Fire Code with certain amendments, additions and deletions. City staff and OCFA are proposing a total of 49 amendments to the California Fire Code, as recommended by OCFA. Most of the 2019 code cycle amendments provide further clarification for existing amendments already incorporated as part of the California Fire Code. A summary of OCFA's proposed Fire Code amendments are listed in Attachment 3. The attachment summarizes the proposed Fire Code amendments and identifies which amendments are being carried forward from the previous code adoption cycle, noted as "existing", and also identifies new, revised or deleted amendments. Staff has not recommended that certain prohibitions concerning fire rings and fire pits be included in the 2019 amendments since the City Council did not adopt those amendments in the 2016 amendment cycle.

The OCFA-proposed amendments that were omitted include the following:

Gas-fueled devices. Outdoor fireplaces, fire pits and similar devices fueled by natural gas or liquefied-petroleum gas are allowed when approved by the Building Department and the device is designed to only burn a gas flame and not wood or other solid fuel. At R-3 occupancies, combustible construction shall not be located within three feet of an atmospheric column that extends vertically from the perimeter of the device. Where a permanent Building Department approved hood and vent is installed, combustible construction may encroach upon this column between the bottom of the hood and the vent opening. Where chimneys or vents are installed, they shall have a spark arrester in accordance with Section R1003.9.2.

Where prohibited. The burning of wood and other solid fuels shall not be conducted within a fuel modification zone. Wood and other solid fuel burning fires in devices other than permanent fireplaces are not allowed within Wildfire Risk Areas (WRA) and adopted Fire Hazard Severity Zones (FHSZ) or in locations where conditions could cause the spread of fire to the WRA or FHSZ, unless determined by the Fire Code Official that the location or design of the device should reasonably prevent the start of a wildfire.

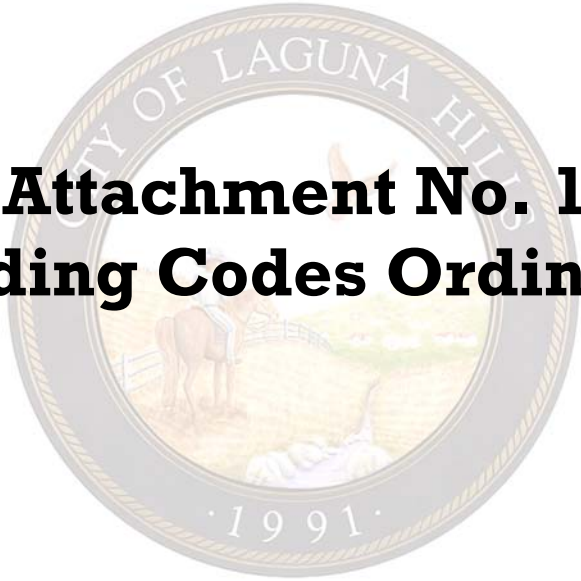
Tables identifying each proposed amendment to the 2019 California Fire Code and the specific finding(s) supporting the amendments are included in the proposed Ordinance.

CEQA FINDINGS:

The City Council finds that the proposed Ordinances are not subject to the California Environmental Quality Act (CEQA) pursuant to California Code of Regulations Title 14, Chapter 3, Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15371), because it has no potential for resulting in physical change to the environment, directly or indirectly.

ATTACHMENTS:

- Attachment No. 1 - Building Codes Ordinance
- Attachment No. 2 - Fire Code Ordinance
- Attachment No. 3 - OCFA Fire Code Amendment Summary

The seal of the City of Laguna Hills is a circular emblem. It features a central illustration of a horse and rider in a field, with a fence and trees in the background. The text "CITY OF LAGUNA HILLS" is written in a circular path around the top of the seal, and "1991" is at the bottom. The seal is rendered in a light, faded style.

Attachment No. 1

Building Codes Ordinance

ORDINANCE NO. 2019-

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING TITLE 10 (BUILDINGS AND CONSTRUCTION) OF THE LAGUNA HILLS MUNICIPAL CODE AND ADOPTING BY REFERENCE THE 2019 EDITION OF THE CALIFORNIA BUILDING STANDARDS CODE (CALIFORNIA CODE OF REGULATIONS, TITLE 24), CONSISTING OF THE 2019 CALIFORNIA BUILDING CODE, THE 2019 CALIFORNIA RESIDENTIAL CODE, THE 2019 CALIFORNIA ELECTRICAL CODE, THE 2019 CALIFORNIA MECHANICAL CODE, THE 2019 CALIFORNIA PLUMBING CODE, THE 2019 CALIFORNIA ENERGY CODE, THE 2019 CALIFORNIA HISTORICAL BUILDING CODE, THE 2019 CALIFORNIA EXISTING BUILDING CODE, THE 2019 CALIFORNIA GREEN BUILDING STANDARDS CODE, AND THE 2019 CALIFORNIA REFERENCED STANDARDS CODE, TOGETHER WITH CERTAIN AMENDMENTS, ADDITIONS, AND DELETIONS THERETO

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, HEREBY FINDS AND DETERMINES AS FOLLOWS:

WHEREAS, pursuant to California Government Code Section 50022.1 *et seq.*, the City of Laguna Hills ("City") may adopt by reference the California Building Standards Code, 2019 Edition, as provided in Title 24 of the California Code of Regulations; and

WHEREAS, the California Building Standards Commission recently adopted new amendments to the California Building Standards Code; and

WHEREAS, California Health & Safety Code Section 17958.5 *et seq.*, and 18941.5 authorize cities to modify the California Building Standards Code by adopting more restrictive standards and modifications if such standards and modifications are accompanied by express findings that they are reasonably necessary because of local climatic, geological or topographical conditions; and

WHEREAS, based upon the recommendations of the Building Official, the City Council finds the proposed amendments to the 2019 California Building Standards Code set forth in this Ordinance, which are more restrictive than the standards adopted by the California Building Standards Commission, would decrease the potential incidence of property damage, injury, and death due to fires and earthquakes, and are reasonable and necessary to mitigate local climatic, geological or topographical conditions; and

WHEREAS, on November xx, 2019, the City Council introduced this Ordinance for first reading at a regular meeting of the City Council, and set a public hearing and second reading of the Ordinance for November xx, 2019; and

WHEREAS, the City Council held a public hearing on November xx, 2019, at which time all interested persons had the opportunity to appear and be heard on the matter of adopting the 2019 California Building Standards Code as amended herein; and

WHEREAS, pursuant to California Government Code Section 6066, the City published notice of the aforementioned public hearing; and

WHEREAS, any and all other legal prerequisites relating to the adoption of this Ordinance have occurred.

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA,
DOES ORDAIN AS FOLLOWS:

SECTION 1. Findings. The City Council hereby finds that the amendments to the 2019 California Building Code and 2019 California Residential Code are reasonably necessary because of local climatic, geological or topographic conditions, and adopts the findings provided below to support the modifications to the 2019 California Building Code and 2019 California Residential Code.

I. Climatic Conditions

A. Orange County and the City of Laguna Hills are located in a semi-arid Mediterranean type climate. It annually experiences extended periods of high temperatures with little or no precipitation. Hot, dry (Santa Ana) winds, which may reach speeds of 70 M.P.H. or greater, are also common to the area. These climatic conditions cause extreme drying of vegetation and common building materials. Frequent periods of drought and low humidity add to the fire danger. This predisposes the area to large destructive fires (conflagration). In addition to directly damaging or destroying buildings, these fires are also prone to disrupt utility services throughout the County. Obstacles generated by a strong wind, such as fallen trees, street lights and utility poles greatly impact the response time to reach an incident scene.

B. The climate alternates between extended periods of drought and brief flooding conditions. Flood conditions may affect the Orange County Fire Authority's ability to respond to a fire or emergency condition. Floods also disrupt utility services to buildings and facilities within the County.

C. Water demand in this density populated area far exceeds the quantity supplied by natural precipitation; and although the population continues to grow, the already-taxed water supply does not. California is projected to increase in population by nearly 10 million over the next quarter of a century with 50 percent of that growth centered in Southern California. Due to storage capacities and consumption, and a limited amount of rainfall future water allocation is not fully dependable. This necessitates the need for additional and on-site fire protection features.

D. These dry climatic conditions and winds contribute to the rapid spread of even small fires originating in high-density housing or vegetation. These fires spread very quickly and create a need for increased levels of fire protection. The added protection of fire sprinkler systems and other fire protection features will supplement normal fire department response by providing immediate protection for the building occupants and by

containing and controlling the fire spread to the area of origin. Fire sprinkler systems will also reduce the use of water for firefighting by as much as 50 to 75 percent.

II. Topographical Conditions

A. Natural slopes of 15 percent or greater generally occur throughout the foothills of Orange County. The elevation change caused by the hills creates the geological foundation on which communities within Orange County are built and will continue to build. With much of the populated flatlands already built upon, future growth will occur on steeper slopes and with greater constraints in terrain.

B. Traffic and circulation congestion is an artificially created, obstructive topographical condition, which is common throughout Orange County.

C. These topographical conditions combine to create a situation that places fire department response time to fire occurrences at risk, and makes it necessary to provide automatic on-site fire-extinguishing systems and other protection measures to protect occupants and property.

III. Geological Conditions

The Orange County region is a densely populated area that has buildings constructed over and near a vast and complex network of faults that are believed to be capable of producing future earthquakes similar or greater in size than the 1994 Northridge and the 1971 Sylmar earthquakes. Earthquake faults run along the northeast and southwest boundaries of Orange County. The Newport-Inglewood Fault. Located within Orange County was the source of the destructive 1933 Long Beach earthquake (6.3 magnitude) which took 120 lives and damaged buildings in an area from Laguna Beach to Marina Del Rey to Whittier. In December 1989, another earthquake occurred in the jurisdiction of Irvine at an unknown fault line. Regional planning for reoccurrence of earthquakes is recommended by the state of California, Department of Conservation.

A. Previous earthquakes have been accompanied by disruption of traffic flow and fires. A severe seismic event has the potential to negatively impact any rescue or fire suppression activities because it is likely to create obstacles similar to those indicated under the high wind section above. The October 17, 1989, Santa Cruz earthquake resulted in one major fire in the Marina District (San Francisco). When combined with the 34 other fires locally and over 500 responses, the department was taxed to its fullest capabilities. The Marina fire was difficult to contain because mains supplying water to the district burst during the earthquake. This situation creates the need for both additional fire protection and automatic on-site fire protection for building occupants. State Department of Conservation noted in their 1988 report (Planning Scenario on a Major Earthquake on the Newport-Inglewood Fault Zone, page 59), "unfortunately, barely meeting the minimum earthquake standards of building codes places a building on the verge of being legally unsafe."

B. Road circulation features located throughout the County also make amendments reasonably necessary. Located through the County are major roadways, highways and flood control channels that create barriers and slow response times. Hills, slopes, street and storm drain design, accompanied by occasional heavy rainfall, causes roadway flooding and landslides and at times may make an emergency access

route impassable. There are areas in Orange County that naturally have extended emergency response times that exceed the 5-minute goal.

C. Soils throughout the County possess corrosive properties that reduce the expected usable life of water services when metallic pipes are in contact with soils.

Due to the topographical conditions of sprawling development separated by waterways and narrow and congested streets and the expected infrastructure damage inherent in seismic zones described above, it is prudent to rely on automatic fire sprinkler systems to mitigate extended fire department response time and keep fires manageable with reduced fire flow (water) resources available for a given structure. Additional fire protection is also justified to match the current resources of firefighting equipment and personnel within the Orange County Fire Authority

Additional amendments have been made to the 2019 California Building Standards Code. Such amendments are hereby found to be either administrative or procedural in nature or concern themselves with subjects not covered in such codes. The changes made include provisions making each of said codes compatible with other codes enforced by the City.

The findings above are applicable to amendments to the 2019 California Building Code as follows:

CODE SECTION	TITLE (Clarification)	FINDINGS
202	General definitions	Administrative
502.1	Address identification	II & 3
701A.3	Construction methods requirements for the addition and remodeling requirements of building in wildfire areas located within 100 feet of a fuel modification zone.	I & II
903.2 and 903.2.8	Where required, Group R	II & III
903.3.5.3	Hydraulically calculated systems	I & II
Chapter	Reference Standards	N/A
	2019 NFPA 13 (Sprinkler Systems)	Administrative, II & III
	2019 NFPA 13-D (Single Family Sprinkler Systems)	I & II
	2013 NFPA 14 (Standpipe Systems)	Administrative
	2019 NFPA 24 (Underground Water Supply Systems)	Administrative & III

The findings above are applicable to amendments to the 2019 California Residential Code as follows:

CODE SECTION	TITLE (Clarification)	FINDINGS
202	General definitions	Administrative
R301.9	Construction methods requirements for the addition and remodeling requirements of building in wildfire areas located within 100 feet of a fuel modification zone.	I & II
R309.6	Group R-3 fire sprinkler requirements in attached garages, carports with habitable spaces in accordance with CFC Section 903.2.8	I, II & III
R313.1	Group R-3 Townhome fire sprinkler requirements for additions and alterations in accordance with CFC Section 903.2.8	I, II & III
R313.2	Group R One- and two-family fire sprinkler requirements for additions and alterations in accordance with CFC Section 903.2.8	I, II & III
R313.3.6.2.	Hydraulically calculated systems	I & II
R337.1.3	Application	
R1001.13	Fire Pits, Fire Rings, & Outdoor Fireplaces	Administrative
R1001.13.1	Gas-fueled devices	I & II
Chapter 44	Reference Standards	N/A
8.15.1.2.7	Concealed spaces	I, II & III
11.1.1.1	When fire sprinkler systems are required	I, II & III
11.2.3.1.1.1	The available water supply for fire sprinkler system	I, II & III
7.1.2	2019 NFPA 13-D (Single Family Sprinkler Systems)	I & II

SECTION 2. Chapter 10-28 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

Chapter 10-28 BUILDING CODE

10-28.010 Adoption of the California Building Code.

The California Building Code, 2019 Edition, based on the 2018 Edition of the International Building Code as published by the International Code Council, together with the amendments provided in this chapter, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Building Code of the City of Laguna Hills, regulating the construction, alteration, movement, repair, equipment, use and occupancy, location, maintenance, removal and demolition of every building or structure or any appurtenances connected or attached to such buildings or structures in the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

10-28.030 Amendments to the California Building Code.

Chapter 2 – Definitions.

Section 202, Definitions, is hereby revised by adding “OCFA” and “Spark Arrester” to read as follows:

OCFA. Orange County Fire Authority, fire authority having jurisdiction.

SPARK ARRESTER. A listed device constructed of noncombustible material specifically for the purpose of meeting one of the following conditions:

1. Removing and retaining carbon and other flammable particles/debris from the exhaust flow of an internal combustion engine in accordance with California Vehicle Code Section 38366.
2. Fireplaces that burn solid fuel in accordance with California Building Code Chapter 28.

Chapter 5 – General Building Heights and Areas.

Section 502.1, Address identification, is hereby revised to read as follows:

502.1 Address identification. New and existing buildings shall be provided with approved address identification. The address identification shall be legible and placed in a position that is visible from the street or road fronting the property. Address identification characters shall contrast with their background. Address numbers shall be Arabic numbers or alphabetical letters. Numbers shall not be spelled out. Each character shall be not less than 4 inches in height with a stroke width of not less than 0.5 inch. For R-3 and other occupancies the numbers shall be a minimum of 6 inches high with a minimum stroke width of 1 inch. Where required by the fire code official, address identification shall be provided in additional approved locations to facilitate emergency response. Where access is by means of a private road and the building address cannot be viewed from the public way, a monument, pole or other sign or means shall be used to identify the structure. Address identification shall be maintained.

Chapter 7A – Materials and Construction Methods for Exterior Wildfire Exposure.

Section 701A.3, Application, is hereby revised to read as follows:

701A.3 Application. New buildings located in any Fire Hazard Severity Zone or any Wildland-Urban Interface Fire Area designated by the enforcing agency constructed after the application date, and additions to and remodel of buildings constructed before 2012 located in areas currently designated as such, shall

comply with the provisions of this chapter. The provisions shall also apply to additions, remodels, and accessory structures located within 100 feet of a fuel modification zone, vegetation management area, or similar area containing hazardous combustible vegetation, regardless of whether the property is currently located in a designated Fire Hazard Severity Zone or Wildland-Urban Interface Fire Area, when materials and/or construction methods for exterior wildfire exposure were previously required at the property by the Building or Fire Code Official.

Exceptions:

1. Buildings of an accessory character classified as a Group U occupancy and not exceeding 120 square feet in floor area, when located at least 30 feet from the applicable building.
2. Buildings of an accessory character classified as a Group U occupancy of any size located least 50 feet from an applicable building.
3. Buildings classified as a Group U Agricultural Building, as defined in Section 202 of this code (see also Appendix C – Group U Agricultural Buildings), when located at least 50 feet from an applicable building.

Chapter 9 – Fire Protection and Life Safety Systems.

Section 903.2, Where required, is hereby revised to read as follows:

903.2 Where required. Approved automatic sprinkler systems in buildings and structures shall be provided when one of the following conditions exists:

1. **New buildings:** Notwithstanding any applicable provisions of Sections 903.2.1 through 903.2.19, an automatic fire-extinguishing system shall also be installed in all occupancies when the total building area exceeds 5,000 square feet (465 m²) as defined in the CBC 202, regardless of fire areas or allowable area, or more than two stories in height.

Exception: Subject to approval by the Fire Code Official, open parking garages in accordance with Section 406.5 of the California Building Code.

2. **Existing Buildings:** Notwithstanding any applicable provisions of this code, an automatic sprinkler system shall be provided in an existing building when an addition occurs and when one of the following conditions exists:

- a. When an addition is 33% or more of the existing building area, and the resulting building area exceeds 5,000 square feet (465 m²) as defined in Section 202; or
- b. When an addition exceeds 2,000 square feet (186 m²) and the resulting building area exceeds 5,000 square feet (465 m²) as defined in Section 202; or

c. An additional story is added above the second floor regardless of fire areas or allowable area.

Exception: Group R-3 occupancies shall comply with Section 903.2.8.

Section 903.2.8, Group R, is hereby revised to read as follows:

903.2.8 Group R. An automatic sprinkler system installed in accordance with Section 903.3 shall be provided throughout all buildings with a Group R fire area as follows:

1. **New Buildings:** An automatic sprinkler system shall be installed throughout all new buildings.
2. **Existing R-3 Buildings:** An automatic sprinkler system shall be installed throughout when one of the following conditions exists:
 - a. When the floor area of alterations or additions within any two-year period exceeds 50 percent of gross floor area of the existing structure and the building gross floor area exceeds 5,500 square feet; or:
 - b. When an existing Group R Occupancy is being substantially renovated, and where the scope of the renovation is such that the Building Code Official determines that the complexity of installing a sprinkler system would be similar as in a new building.

Exceptions:

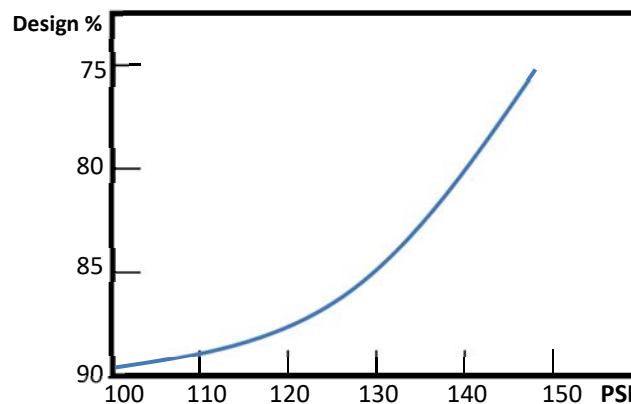
1. Existing Group R-3 occupancies converted to Group R-3.1 occupancies and not housing bedridden clients, not housing non-ambulatory clients above the first floor, and not housing clients above the second floor.
2. Existing Group R-3 occupancies converted to Group R-3.1 occupancies housing only one bedridden client and complying with Section 435.8.3.3 of the California Building Code.
3. Pursuant to Health and Safety Code, Section 13113, occupancies housing ambulatory children only, none of whom are mentally ill children or children with intellectual disabilities, and the buildings or portions thereof in which such children are housed are not more than two stories in height, and building or portions thereof housing such children have an automatic fire alarm system activated by approved smoke detectors.
4. Pursuant to Health and Safety Code, Section 13143.6, occupancies licensed for protective social care which house ambulatory clients only, none of whom is a child (under the age of 18 years), or who is elderly (65 years of age or over).

Section 903.3.5.3, Hydraulically calculated systems, is hereby added to read as follows:

903.3.5.3 Hydraulically calculated systems. The design of hydraulically calculated fire sprinkler systems shall not exceed 90% of the water supply capacity.

Exception: When static pressure exceeds 100 psi, and when required by the fire code official, the fire sprinkler system shall not exceed the water supply capacity specified by Table 903.3.5.3.

**TABLE 903.3.5.3
Hydraulically Calculated Systems**



Chapter 35 – Referenced Standards.

SECTION 3. Chapter 10-32 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

Chapter 10-32 RESIDENTIAL CODE

10-32.010 Adoption of the California Residential Code.

The California Residential Code, 2019 Edition, based on the 2018 International Residential Code as published by the International Code Council together with the amendments provided in this chapter, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Residential Code of the City of Laguna Hills regulating the construction, alteration, movement, repair, equipment, use and occupancy, location, maintenance, removal and demolition of every building or structure or any appurtenances connected or attached to such buildings or structures in the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

10-32.020 Amendments to the Residential Code.

Chapter 2 – Definitions.

Section 202, Definitions, is hereby revised by adding “OCFA” and “Spark Arrester” to read as follows:

OCFA. Orange County Fire Authority, fire authority having jurisdiction.

SPARK ARRESTER. A listed device constructed of noncombustible material specifically for the purpose of meeting one of the following conditions:

1. Removing and retaining carbon and other flammable particles/debris from the exhaust flow of an internal combustion engine in accordance with California Vehicle Code Section 38366.
2. Fireplaces that burn solid fuel in accordance with California Building Code Chapter 28.

Chapter 3 – Building Planning.

Section R301.9, Fuel Modification Requirements for New Construction, is hereby added to read as follows:

R301.9 Fuel Modification Requirements for New Construction. All new structures and facilities adjoining land containing hazardous combustible vegetation shall be approved and in accordance with the requirements of OCFA Guideline C-05 “Vegetation Management Guideline – Technical Design for new Construction Fuel Modification Plans and Maintenance Program.”

Section R309.6, Fire sprinkler attached garages, and carports with habitable space above, is hereby amended by revising the exception to read as follows:

Exception: An automatic residential fire sprinkler system shall not be required when additions or alterations are made to existing carports and/or garages that do not have an automatic fire sprinkler system installed unless a sprinkler system is required in accordance with California Fire Code Section 903.2.8.

Section R313.1 Townhouse automatic fire sprinkler systems, is hereby amended by revising the exception to read as follows:

Exception: An automatic residential fire sprinkler system shall not be required when additions or alterations are made to existing townhouses that do not have an automatic fire sprinkler system installed unless a sprinkler system is required in accordance with California Fire Code Section 903.2.8.

Section R313.2 One- and two-family dwellings automatic fire sprinkler is hereby amended by revising the exception to read as follows:

Exception: An automatic residential fire sprinkler system shall not be required for

additions or alterations to existing buildings that are not already provided with an automatic sprinkler system unless a sprinkler system is required in accordance with California Fire Code, OCFA Local Amendments Section 903.2.8.

Section R313.3.6.2.2, Calculation procedure, is hereby revised to read as follows:

Section R313.3.6.2.2 Calculation procedure. Determination of the required size for water distribution piping shall be in accordance with the following procedure and California Fire Code Section 903.3.5.

(The remainder of the section is unchanged)

Section R337.1.3, Application, is hereby revised to read as follows:

R337.1.3 Application. New buildings located in any Fire Hazard Severity Zone or any Wildland-Urban Interface Fire Area designated by the enforcing agency constructed after the application date, and additions to and remodel of buildings constructed before 2012 located in areas currently designated as such, shall comply with the provisions of this chapter. The provisions shall also apply to additions, remodels, and accessory structures located within 100 feet of a fuel modification zone, vegetation management area, or similar area containing hazardous combustible vegetation, regardless of whether the property is currently located in a designated Fire Hazard Severity Zone or Wildland-Urban Interface Area, when materials and/or construction methods for exterior wildfire exposure were previously required at the property by the Building or Fire Code Official.

Exceptions:

1. Buildings of an accessory character classified as a Group U occupancy and not exceeding 120 square feet in floor area, when located at least 30 feet from an applicable building.
2. Buildings of an accessory character classified as a Group U occupancy of any size located at least 50 feet from an applicable building.
3. Buildings classified as a Group U Agricultural Building, as defined in Section 202 of this code (see also Appendix C – Group U Agricultural Buildings), when located at least 50 feet from an applicable building.

Chapter 10 – Chimneys and Fireplaces.

Section R1001.13, Outdoor Fireplaces, Fire Pits, Fire Rings, or similar devices, is hereby added to read as follows:

R1001.13 Outdoor Fireplaces, Fire Pits, Fire Rings, or similar devices. Outdoor fireplaces, fire pits, fire rings, or similar exterior devices shall comply with this section.

Exception: Barbeques, grills, and other portable devices intended solely for cooking

Section R1001.13.1, Gas-fueled devices, is hereby added as follows:

R1001.13.1 Gas-fueled devices. Outdoor fireplaces, fire pits and similar devices fueled by natural gas or liquefied-petroleum gas are allowed when approved by the Building Department and the device is designed to only burn a gas flame and not wood or other solid fuel. At R-3 occupancies, combustible construction shall not be located within three feet of an atmospheric column that extends vertically from the perimeter of the device. Where a permanent Building Department approved hood and vent is installed, combustible construction may encroach upon this column between the bottom of the hood and the vent opening. Where chimneys or vents are installed, they shall have a spark arrester in accordance with Section R1003.9.2.

Chapter 44 – Referenced Standards.

Section 8.15.1.2.7 is hereby revised to read as follows:

8.15.1.2.7 Concealed spaces filled with noncombustible insulation shall not require sprinkler protection when approved by fire code official.

Section 11.1.1.1 is hereby added to read as follows:

11.1.1.1 When fire sprinkler systems are required in buildings of undetermined use other than warehouses, they shall be designed and installed to have a fire sprinkler density of not less than that required for an Ordinary Hazard Group 2 use, with no reduction(s) in density or design area. Warehouse fire sprinkler systems shall be designed to Figure 16.2.1.3.2 (d) curve “G”. Use is considered undetermined if a specific tenant/occupant is not identified at the time the sprinkler plan is submitted. Where a subsequent use or occupancy requires a system with greater capability, it shall be the responsibility of the occupant to upgrade the system to the required density for the new use or occupancy.

Section 11.2.3.1.1.1 is hereby added to read as follows:

11.2.3.1.1.1 The available water supply for fire sprinkler system design shall be determined by one of the following methods, as approved by the fire code official:

1. Subtract the project site elevation from the low water level for the appropriate pressure zone and multiply the result by 0.433;
2. Use a maximum of 40 psi, if available;
3. Utilize the OCFA water-flow test form/directions to document a flow test conducted by the local water agency or an approved third party licensed in the State of California.

NFPA 13D 2016 Edition, Standard for the Installation of Sprinkler Systems in One- and Two-Family Dwellings and Manufactured Homes is hereby amended as follows:

Section 7.1.2 is hereby revised to read as follows:

7.1.2 The sprinkler system piping shall not have separate control valves installed unless supervised by a central station, proprietary, or remote station alarm service.

SECTION 4. Chapter 10-36 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

Chapter 10-36 ELECTRICAL CODE

10-36.010 Adoption of the California Electrical Code.

The California Electrical Code, 2019 Edition, based on the 2017 National Electrical Code as published by the National Fire Protection Association, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Electrical Code of the City of Laguna Hills, regulating all installation, arrangement, alteration, repair, use and other operation of electrical wiring, connections, fixtures and other electrical appliances on premises within the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

SECTION 5. Chapter 10-40 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

Chapter 10-40 MECHANICAL CODE

10-40.010 Adoption of the California Mechanical Code.

The California Mechanical Code, 2019 Edition, based on the 2018 Uniform Mechanical Code as published by the International Association of Plumbing and Mechanical Officials, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Mechanical Code of the City of Laguna Hills, regulating and controlling the design, construction, installation, quality of materials, location, operation and maintenance of heating, ventilating, cooling, refrigeration systems, incinerators and other miscellaneous heat producing appliances. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

SECTION 6. Chapter 10-48 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

Chapter 10-48 PLUMBING CODE

10-48.010 Adoption of the California Plumbing Code.

The California Plumbing Code, 2019 Edition, based on the 2018 Uniform Plumbing Code as published by the International Association of Plumbing and Mechanical Officials, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Plumbing Code of the City of Laguna Hills, regulating erection, installation,

alteration, repair, relocation, replacement, maintenance or use of plumbing systems within the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

SECTION 7. Chapter 10-52 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

Chapter 10-52 ENERGY CODE

10-52.010 Adoption of the California Energy Code.

The California Energy Code, 2019 Edition, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Energy Code of the City of Laguna Hills regulating the construction, alteration, movement, repair, equipment, use and occupancy, location, maintenance, removal and demolition of every building or structure or any appurtenances connected or attached to such buildings or structures in the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

SECTION 8. Chapter 10-60 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

Chapter 10-60 HISTORICAL BUILDING CODE

10-68.010 Adoption of the California Historical Building Code.

The California Historical Building Code, 2019 Edition, as published by the International Code Council is hereby adopted and incorporated by reference, as if set forth at length herein, as the City of Laguna Hills Historical Building Code regulating the construction, alteration, movement, repair, equipment, use and occupancy, location, maintenance, removal and demolition of every building or structure or any appurtenances connected or attached to such buildings or structures in the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

SECTION 9. Chapter 10-64 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

Chapter 10-64 EXISTING BUILDING CODE

10-64.010 Adoption of the California Existing Building Code.

The California Existing Building Code, 2019 Edition, based on the 2018 International Existing Building Code as published by the International Code Council is hereby adopted and incorporated by reference, as if set forth at length herein, as the City of Laguna Hills Existing Building Code regulating the construction, alteration, movement, repair,

equipment, use and occupancy, location, maintenance, removal and demolition of every building or structure or any appurtenances connected or attached to such buildings or structures in the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

SECTION 10. Chapter 10-68 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

**Chapter 10-68
GREEN BUILDING STANDARDS CODE**

10-68.010 Adoption of the California Green Building Standards Code.

The California Green Building Standards Code, 2019 Edition, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Green Building Standards Code of the City of Laguna Hills regulating the construction, alteration, movement, repair, equipment, use and occupancy, location, maintenance, removal and demolition of every building or structure or any appurtenances connected or attached to such buildings or structures in the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

SECTION 11. Chapter 10-76 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

**Chapter 10-76
REFERENCED STANDARDS CODE**

10-76.010 Adoption of the California Referenced Standards Code.

The California Referenced Standards Code, 2019 Edition, is hereby adopted and incorporated by reference, as if set forth at length herein, as the referenced standards code of the City of Laguna Hills regulating the construction, alteration, movement, repair, equipment, use and occupancy, location, maintenance, removal and demolition of every building or structure or any appurtenances connected or attached to such buildings or structures in the City. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

SECTION 12. The City Council finds that this Ordinance is not subject to the California Environmental Quality Act (CEQA) pursuant to California Code of Regulations Title 14, Chapter 3, Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15371), because it has no potential for resulting in physical change to the environment, directly or indirectly.

SECTION 13. If any section, subsection, subdivision, sentence, clause, phrase, or portion of this Ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance and each section, subsection, subdivision, sentence,

clause, phrase, or portion thereof, irrespective of the fact that any one or more section, subsection, subdivision, sentence, clause, phrase, or portion thereof be declared invalid or unconstitutional.

SECTION 14. The City Clerk shall certify as to the adoption of this Ordinance and cause a summary thereof to be published within (15) days of the adoption and shall post a Certified copy of this Ordinance, including the vote for and against the same, in the Office of the City Clerk, in accordance with Government Code Section 36933.

PASSED, APPROVED, AND ADOPTED this xx day of November 2019.

DON SEDGWICK, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

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

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing Ordinance No. 2019-X was duly introduced and placed upon its first reading at a Regular Meeting of the City Council on the Xth day of November 2019, and that thereafter, said Ordinance was duly adopted and passed at a Regular Meeting of the City Council held on the Xth day of November 2019, by the following vote, to wit:

AYES:

NOES

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

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

AFFIDAVIT OF POSTING
AND PUBLICATION

MELISSA AU-YEUNG, being first duly sworn, deposes and says:

That she is the duly appointed and qualified City Clerk of the City of Laguna Hills;

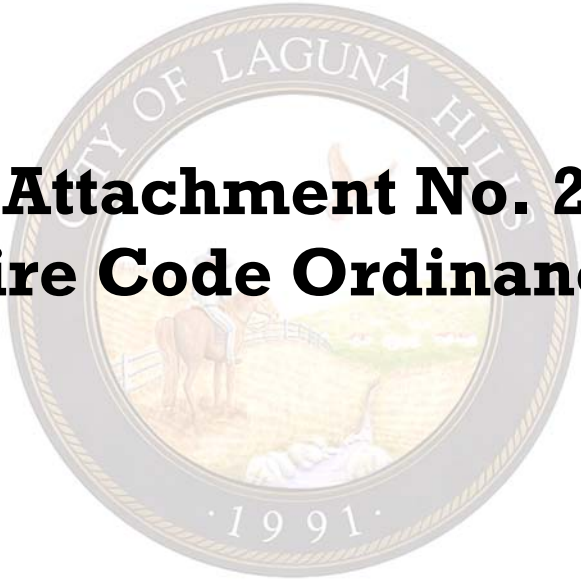
That in compliance with State Laws of the State of California, ORDINANCE NO. 2019-X, being:

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING TITLE 10 (BUILDINGS AND CONSTRUCTION) OF THE LAGUNA HILLS MUNICIPAL CODE AND ADOPTING BY REFERENCE THE 2019 EDITION OF THE CALIFORNIA BUILDING STANDARDS CODE (CALIFORNIA CODE OF REGULATIONS, TITLE 24), CONSISTING OF THE 2019 CALIFORNIA BUILDING CODE, THE 2019 CALIFORNIA RESIDENTIAL CODE, THE 2019 CALIFORNIA ELECTRICAL CODE, THE 2019 CALIFORNIA MECHANICAL CODE, THE 2019 CALIFORNIA PLUMBING CODE, THE 2019 CALIFORNIA ENERGY CODE, THE 2019 CALIFORNIA HISTORICAL BUILDING CODE, THE 2019 CALIFORNIA EXISTING BUILDING CODE, THE 2019 CALIFORNIA GREEN BUILDING STANDARDS CODE, AND THE 2019 CALIFORNIA REFERENCED STANDARDS CODE, TOGETHER WITH CERTAIN AMENDMENTS, ADDITIONS, AND DELETIONS THERETO

on the Xrd day of November 2019, and on the Xth day of November 2019, was published in the Saddleback Valley News; and was, in compliance with City Resolution No. 2004-05-25-2, on the Xth day of November 2019, and the Xth day of November 2019 caused to be posted in three places in the City of Laguna Hills, to wit:

Laguna Hills City Hall
Laguna Hills Community Center
La Paz Center

MELISSA AU-YEUNG, CITY CLERK
Laguna Hills, California

The seal of the City of Laguna Hills is a circular emblem. It features a central illustration of a horse and rider in a field, with a fence and trees in the background. The words "CITY OF LAGUNA HILLS" are inscribed around the top inner edge of the seal, and the year "1991" is at the bottom. The seal is rendered in a light, faded gray color.

Attachment No. 2

Fire Code Ordinance

ORDINANCE NO. 2019-X

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING CHAPTER 5-16 (FIRE CODE) OF TITLE 5 (HEALTH AND SANITATION) OF THE LAGUNA HILLS MUNICIPAL CODE AND ADOPTING BY REFERENCE THE 2019 EDITION OF THE CALIFORNIA FIRE CODE INCLUDING APPENDICES B, BB, C, AND CC, TOGETHER WITH CERTAIN AMENDMENTS, ADDITIONS, AND DELETIONS THERETO

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, HEREBY FINDS AND DETERMINES AS FOLLOWS:

WHEREAS, pursuant to California Government Code Section 50022.1 *et seq.* the City of Laguna Hills ("City") may adopt by reference the 2019 California Fire Code, based on the International Fire Code, 2018 Edition (including appendices), published by the International Code Council (ICC), as adopted by the State of California as Title 24, Part 9, of the California Code of Regulations; and

WHEREAS, California Health & Safety Code Section 17958.5 authorizes cities to adopt the codes contained in Title 24 of the California Code of Regulations with changes and modifications determined to be reasonably necessary because of local climatic, topographic or geologic conditions; and

WHEREAS, the City desires to adopt the 2019 California Fire Code including Appendices B, BB, C, and CC, based on the International Fire Code, 2018 Edition, published by International Code Council (ICC), as set forth in Title 24, Part 9 of the California Code of Regulations ("Fire Code") with necessary amendments to assure the Code is tailored to the particular fire protection needs of the City as required by local climatic, topographic and geologic conditions and assure that a maximum level of fire protection is provided to residents, businesses and other occupants; and

WHEREAS, on November xx, 2019, the City Council introduced this Ordinance for first reading at a regular meeting of the City Council, and set a public hearing and second reading of the Ordinance for November xx, 2019; and

WHEREAS, the City Council held a public hearing on November xx, 2019, at which time all interested persons had the opportunity to appear and be heard on the matter of adopting the 2019 California Building Standards Code as amended herein; and

WHEREAS, pursuant to California Government Code Section 6066, the City published notice of the aforementioned public hearing; and

WHEREAS, any and all other legal prerequisites relating to the adoption of this Ordinance have occurred.

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DOES ORDAIN AS FOLLOWS:

SECTION 1. Findings. The City Council hereby finds that the proposed amendments to the 2019 California Fire Code are reasonably necessary because of local climatic, geologic or topographic conditions, and adopts the findings provided below to support the modifications to the 2019 California Fire Code.

I. Climatic Conditions

A. Orange County is located in a semi-arid Mediterranean type climate. It annually experiences extended periods of high temperatures with little or no precipitation. Hot, dry (Santa Ana) winds, which may reach speeds of 70 M.P.H. or greater, are also common to the area. These climatic conditions cause extreme drying of vegetation and common building materials. Frequent periods of drought and low humidity add to the fire danger. This predisposes the area to large destructive fires (conflagration). In addition to directly damaging or destroying buildings, these fires are also prone to disrupt utility services throughout the County. Obstacles generated by a strong wind, such as fallen trees, street lights and utility poles will greatly impact the response time to reach an incident scene.

B. The climate alternates between extended periods of drought and brief flooding conditions. Flood conditions may affect the Orange County Fire Authority's ability to respond to a fire or emergency condition. Floods also disrupt utility services to buildings and facilities within the County.

C. Water demand in this densely populated area far exceeds the quantity supplied by natural precipitation; and although the population continues to grow, the already-taxed water supply does not. California is projected to increase in population by nearly 10 million over the next quarter of a century with 50 percent of that growth centered in Southern California. Due to storage capacities and consumption, and a limited amount of rainfall future water allocation is not fully dependable. This necessitates the need for additional and on-site fire protection features.

D. These dry climatic conditions and winds contribute to the rapid spread of even small fires originating in high-density housing or vegetation. These fires spread very quickly and create a need for increased levels of fire protection. The added protection of fire sprinkler systems and other fire protection features will supplement normal fire department response by providing immediate protection for the building occupants and by containing and controlling the fire spread to the area of origin. Fire sprinkler systems will also reduce the use of water for firefighting by as much as 50 to 75 percent.

II. Topographical Conditions

A. Natural; slopes of 15 percent or greater generally occur throughout the foothills of Orange County. The elevation change caused by the hills creates the geological foundation on which communities with Orange County is built and will continue to build. With much of the populated flatlands already built upon, future growth will occur on steeper slopes and with greater constraints in terrain.

B. Traffic and circulation congestion is an artificially created, obstructive topographical condition, which is common throughout Orange County.

C. These topographical conditions combine to create a situation that places fire department response time to fire occurrences at risk and makes it necessary to provide

automatic on-site fire-extinguishing systems and other protection measures to protect occupants and property.

III. Geological Conditions

The Orange County region is a densely populated area that has buildings constructed over and near a vast and complex network of faults that are believed to be capable of producing future earthquakes similar or greater in size than the 1994 Northridge and the 1971 Sylmar earthquakes. Earthquake faults run along the northeast and southwest boundaries of Orange County. The Newport-Inglewood Fault, located within Orange County was the source of the destructive 1933 Long Beach earthquake (6.3 magnitude) which took 120 lives and damaged buildings in an area from Laguna Beach to Marina Del Rey to Whittier. In December 1989, another earthquake occurred in the jurisdiction of Irvine at an unknown fault line. Regional planning for reoccurrence of earthquakes is recommended by the state of California, Department of Conservation.

A. Previous earthquakes have been accompanied by disruption of traffic flow and fires. A severe seismic event has the potential to negatively impact any rescue or fire suppression activities because it is likely to create obstacles similar to those indicated under the high wind section above. The October 17, 1989, Santa Cruz earthquake resulted in one major fire in the Marina District (San Francisco). When combined with the 34 other fires locally and over 500 responses, the department was taxed to its fullest capabilities. The Marina fire was difficult to contain because mains supplying water to the district burst during the earthquake. This situation creates the need for both additional fire protection and automatic on-site fire protection for building occupants. State Department of Conservation noted in their 1988 report (Planning Scenario on a Major Earthquake on the Newport-Inglewood Fault Zone, page 59), "unfortunately, barely meeting the minimum earthquake standards of building codes places a building on the verge of being legally unsafe."

B. Road circulation features located throughout the County also make amendments reasonably necessary. Located through the County are major roadways, highways and flood control channels that create barriers and slow response times. Hills, slopes, street and storm drain design, accompanied by occasional heavy rainfall, causes roadway flooding and landslides and at times may make an emergency access route impassable. There are areas in Orange County that naturally have extended emergency response times that exceed the 5 minute goal.

C. Soils throughout the County possess corrosive properties that reduce the expected usable life of water services when metallic pipes are in contact with soils.

D. Due to the topographical conditions of sprawling development separated by waterways and narrow and congested streets and the expected infrastructure damage inherent in seismic zones described above, it is prudent to rely on automatic fire sprinkler systems to mitigate extended fire department response time and keep fires manageable with reduced fire flow (water) resources available for a given structure. Additional fire protection is also justified to match the current resources of firefighting equipment and personnel within the Orange County Fire Authority.

2019 California Fire Code

Amendment Findings Legend

CODE SECTION	TITLE (Clarification)	FINDINGS
110.4	Violation penalties	Administrative
110.4.2	Infraction & Misdemeanor	Administrative
202	General definitions	Administrative
304.1.2	OCFA Vegetation Management	I
305.6	Hazardous conditions	I & II
305.7	Disposal of rubbish	I & II
307	Open burning, recreational fires, fire pits, fire rings, and outdoor fireplaces	Administrative
307.6	Fire Pits, Fire Rings, & Outdoor Fireplaces	Administrative
307.6.1	Gas-fueled devices	I & II
307.6.2	Devices using wood or fuels other than natural gas or LPG	I & II
308.1.6.3	Sky lanterns	I & III
321	Fuel modification requirements for new construction	I
322	Clearance of brush or vegetation growth from roadways	I
323	Unusual circumstances	Administrative
324	Use of equipment	I
324.1	Use of equipment and devices generating heat, sparks or open flames	I
324.2	Spark arresters	I
407.5	Hazardous material inventory statement	I & II
501.1	Scope	Administrative, I, II & III

510.1	Emergency responder radio coverage	Administrative
903.2	Where required (Sprinklers)	I, II & III
903.2.8	Group R (Sprinklers)	I, II & III
903.3.5.3	Hydraulically calculated systems	I & II
1201.1.1	Energy systems, battery charging devices	I & II
2801.2	Permit	Administrative
2808.2	Storage site	Administrative
2808.3	Size of piles	I
2808.4	Pile separation	I
2808.7	Pile fire protection	I
2808.9	Material-handling equipment	I
2808.11	Temperature control	I
2808.11.1	Pile temperature control	I
2808.11.2	New material temperature control	I
2808.12	Water availability for piles	I
2808.13	Tipping area	I
2808.14	Emergency contact	Administrative
4906.3	OCFA Vegetation Management Guideline	I
4908	Fuel modification requirements for new construction	I
5001.5.2	Hazardous materials inventory statement	Administrative
5003.1.1.1	Extremely hazardous substances	I & III
5608.2	Retail fireworks	Administrative
5608.3	Application for permit	Administrative
5701.1.1	On-Demand Mobile Fueling	I & II

5801.1	Scope	I & II
Chapter 80	Reference Standards	N/A
	2016 NFPA 13 (Sprinkler Systems)	Administrative, II & III
	2016 NFPA 13-D (Single Family Sprinkler Systems)	I & II
	2013 NFPA 14 (Standpipe Systems)	Administrative
	2016 NFPA 24 (Underground Water Supply Systems)	Administrative & III

SECTION 2 Chapter 5-16 of the Laguna Hills Municipal Code is hereby amended and restated in its entirety to read as follows:

Chapter 5-16 FIRE CODE

5-16.010 Adoption of the California Fire Code

The 2019 California Fire Code, including Appendices B, BB, C, and CC, based on the International Fire Code, 2018 Edition, published by the International Code Council, together with the amendments provided in this chapter, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Fire Code of the City of Laguna Hills for the purpose of prescribing regulations governing conditions hazardous to life and property from fire, explosions. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.

5-16.020 Enforcement and inspections.

The Fire Code of the City of Laguna Hills shall be enforced by the Orange County Fire Authority, which shall be operated under the Director of Fire Services of the Orange County Fire Authority. The Director of Fire Services of the Fire Authority may detail such members of the Fire Authority as inspectors as shall be necessary from time to time.

5-16.030 Amendments to the California Fire Code.

Chapter 1 – Scope and Administration.

Section 109, Board of Appeals, is deleted without replacement.

Section 110.4, Violation penalties, is hereby revised to read as follows:

110.4 Violation penalties. Persons who shall violate a provision of this code or shall fail to comply with any of the requirements thereof or shall fail to comply with any

issued orders or notices or who shall erect, install, alter, repair or do work in violation of the approved construction documents or directive of the fire code official, or of a permit or certificate used under provisions of this code, shall be subject to penalties assessed as prescribed in the OCFA Prevention Field Services adopted fee schedule. Each day that a violation continues after due notice has been served shall be deemed a separate offense.

Section 110.4.2, Infraction and misdemeanor, is hereby added to read as follows:

110.4.2 Infraction and misdemeanor. Persons operating or maintaining any occupancy, premises or vehicle subject to this code that shall permit any fire or life safety hazard to exist on premises under their control shall be guilty of an infraction. Persons who fail to take immediate action to abate a fire or life safety hazard when ordered or notified to do so by the chief or a duly authorized representative are guilty of a misdemeanor.

Chapter 2 – Definitions.

Section 202, General Definitions, is hereby revised by adding “OCFA” and “Spark Arrester” to read as follows:

OCFA. Orange County Fire Authority, fire authority having jurisdiction.

SPARK ARRESTER. A listed device constructed of noncombustible material specifically for the purpose of meeting one of the following conditions:

1. Removing and retaining carbon and other flammable particles/debris from the exhaust flow of an internal combustion engine in accordance with California Vehicle Code Section 38366.
2. Fireplaces that burn solid fuel in accordance with California Building Code Chapter 28.

Chapter 3 General Requirements.

Section 304.1.2, Vegetation, is hereby revised to read as follows:

304.1.2 Vegetation. Weeds, grass, vines or other growth that is capable of being ignited and endangering property, shall be cut down and removed by the owner or occupant of the premises. Vegetation clearance requirement in urban-wildland interface areas shall be in accordance with Chapter 49. Type, amount, arrangement, and maintenance of vegetation in a fuel modification area, interior slope, or similarly hazardous area shall be in accordance with OCFA Guideline C-05 “Vegetation Management Guideline—Technical Design for New Construction, Fuel Modification Plans, and Maintenance Program.”

Section 305.6, Hazardous conditions, is hereby added to read as follows:

305.6 Hazardous conditions. Outdoor fires burning wood or other solid fuel are not

allowed when any of the following conditions applies:

1. When predicted sustained winds exceed 8 MPH and relative humidity is less than 25%, or a red flag condition has been declared
2. When an official sign was caused to be posted by the fire code official, or a public announcement is made

No outdoor fires using any fuel type are permitted when predicted sustained winds exceed 20 MPH or when such fires present a hazard as determined by the fire code official.

Section 305.7, Disposal of rubbish, is hereby added to read as follows:

305.7 Disposal of rubbish. Rubbish, trash or combustible waste material shall be burned only within an approved incinerator and in accordance with Section 307.2.1.

Section 307.6, Outdoor Fireplaces, Fire Pits, Fire Rings, or similar devices used at Group R Occupancies, is hereby added to read as follows:

307.6 Outdoor Fireplaces, Fire Pits, Fire Rings, or similar devices used at Group R Occupancies. Outdoor fireplaces, fire pits, fire rings, or similar exterior devices used at Group R occupancies shall comply with this section.

Exception: Barbeques, grills, and other portable devices intended solely for cooking.

Section 307.6.1, Gas-fueled devices, is hereby added to read as follows:

307.6.1 Gas-fueled devices. Outdoor fireplaces, fire pits and similar devices fueled by natural gas or liquefied-petroleum gas are allowed when approved by the Building Department and the device is designed to only burn a gas flame and not wood or other solid fuel. At R-3 occupancies, combustible construction and vegetation shall not be located within three feet of an atmospheric column that extends vertically from the perimeter of the device. At other R occupancies, the minimum distance shall be ten feet. Where a permanent Building Department approved hood and vent is installed, combustible construction may encroach upon this column between the bottom of the hood and the vent opening. Where chimneys or vents are installed, they shall have a spark arrester as defined in Section 202.

Section 307.6.2, Devices using wood or fuels other than natural gas or liquefied-petroleum gas, is hereby added to read as follows:

307.6.2 Devices using wood or fuels other than natural gas or liquefied-petroleum gas. Permanent outdoor fireplaces burning wood or other solid fuel shall be constructed in accordance with the California Building Code with clearance from combustible construction and building openings as required therein. Fires in a fireplace shall be contained within a firebox with an attached chimney. The opening in the face of the firebox shall have an installed and maintained method of arresting sparks.

The burning of wood or other solid fuel in a device is not allowed within 25 feet of combustible structures unless within an approved permanent fireplace, Conditions which could cause a fire to spread within 25 feet of a structure or to vegetation shall be eliminated prior to ignition. Fires in devices burning wood or solid fuel shall be in accordance with Sections 305, 307, and 308.

Exceptions:

1. Portable fireplaces and fire rings/pits equipped with a device to arrest sparks shall be located at least 3' from combustible construction at R-3 occupancies.
2. Portable fireplaces, and fire pits/rings equipped with a device to arrest sparks, shall be located at least 15 feet from combustible structures at other R occupancies.

Section 308.1.4, Open-flame cooking devices, is deleted without replacement.

Section 308.1.6.3, Sky lanterns, is hereby revised to read as follows:

308.1.6.3 Sky lanterns. A person shall not ignite, release, or cause to be released a sky lantern.

Section 311.5, Placards – including subsections 311.5.1 through 311.5.5, is deleted without replacement.

Section 318, Laundry Carts, is deleted without replacement.

Section 319 Mobile Food Preparation Vehicles is deleted without replacement.

Section 321, Fuel Modification Requirements for New Construction, is hereby added to read as follows:

321 Fuel Modification Requirements for New Construction. All new structures and facilities adjoining land containing hazardous combustible vegetation shall be approved and in accordance with the requirements of OCFA Guideline C-05 “Vegetation Management Guideline – Technical Design for New Construction Fuel Modification Plans and Maintenance Program.”

Section 322, Clearance of brush or vegetation growth from roadways, is hereby added to read as follows:

322 Clearance of brush or vegetation growth from roadways. The fire code official is authorized to cause areas within 10 feet (3048 mm) on each side of portions of highways and private streets which are improved, designed or ordinarily used for vehicular traffic, to be cleared of flammable vegetation and other combustible growth. Measurement shall be from the flow-line or the end of the improved edge of the roadway surfaces.

Exception: Single specimens of trees, ornamental shrubbery or cultivated ground cover such as green grass, ivy, succulents or similar plants used as ground covers, provided that they do not form a means of readily transmitting fire.

Section 323, Unusual circumstances, is hereby added to read as follows:

323 Unusual circumstances. The fire code official may suspend enforcement of the vegetation management requirements and require reasonable alternative measures designed to advance the purpose of this code if determined that in any specific case that any of the following conditions exist:

1. Difficult terrain.
2. Danger of erosion.
3. Presence of plants included in any state and federal resources agencies, California Native Plant Society and county-approved list of wildlife, plants, rare, endangered and/or threatened species.
4. Stands or groves of trees or heritage trees.
5. Other unusual circumstances that make strict compliance with the clearance of vegetation provisions undesirable or impractical.

Section 324, Use of equipment, is hereby added to read as follows:

324 Use of equipment. Except as otherwise provided in this section, no person shall use, operate, or cause to be operated in, upon or adjoining any hazardous fire area any internal combustion engine which uses hydrocarbon fuels, unless the engine is equipped with a spark arrester as defined in Section 202 maintained in effective working order, or the engine is constructed, equipped and maintained for the prevention of fire.

Exceptions:

1. Engines used to provide motor power for trucks, truck tractors, buses, and passenger vehicles, except motorcycles, are not subject to this section if the exhaust system is equipped with a muffler as defined in the Vehicle Code of the State of California.
2. Turbocharged engines are not subject to this section if all exhausted gases pass through the rotating turbine wheel, there is no exhaust bypass to the atmosphere, and the turbocharger is in good mechanical condition.

Section 324.1, Use of equipment and devices generating heat, sparks or open flames, is hereby added to read as follows:

324.1 Equipment and devices generating heat, sparks or open flames. During any time of the year within Wildfire Risk Areas, within or immediately adjacent to any

forest- or brush-covered land or non-irrigated grass-covered land, no person shall use or operate any welding equipment, cutting torches, tar pots, grinding devices, or other tools or equipment that may produce a spark, fire, or flame that could result in a wildfire without doing the following:

1. First clearing away all flammable material, including snags, from the area around such operation for a distance of 30 feet or other approved method to reduce fire spread into the wildlands. If 30 foot clearing cannot be achieved, then an alternate method shall be approved by the AHJ prior to work starting.
2. Maintain one serviceable round point shovel with an overall length of not less than forty-six (46) inches and one backpack pump water-type fire extinguisher fully equipped and ready for use at the immediate area during the operation.
3. Stop work when winds are 8 MPH or greater during periods when relative humidity is less than 25%, or a red flag condition has been declared or public announcement is made, when an official sign was caused to be posted by the fire code official, or when such fires present a hazard as determined by the fire code official.
4. Keep a cell phone nearby and call 911 immediate in case of fire.

Section 324.2, Spark arresters, is hereby added to read as follows:

324.2 Spark arresters. Spark arresters shall comply with Section 202, and when affixed to the exhaust system of engines or vehicles subject to Section 324 shall not be placed or mounted in such a manner as to allow flames or heat from the exhaust system to ignite any flammable material.

Chapter 4 – Emergency Planning and Preparedness.

Only the following sections and subsections of Chapter 4, and an amendment to the same, are enacted:

401 – 401.9

402

403.2

403.5 – 403.5.4

403.10.2.1.1

403.13 – 403.13.3

404.5 – 404.6.6

407

Section 407.5, Hazardous Materials Inventory Statement, is revised to read as follows:

407.5 Hazardous Materials Inventory Statement. Where required by the fire code official, each application for a permit shall OCFA's Chemical Classification Packet in accordance with Section 5001.5.2.

Chapter 5 – Fire Service Features.

Section 501.1, Scope, is revised to read as follows:

501.1 Scope. Fire service features for buildings, structures and premises shall comply with this chapter and, where required by the fire code official, with OCFA Guideline B-09, "Fire Master Plan for Commercial & Residential Development." Fire service features for buildings, structures and premises located in State Responsibility Areas, and Local Responsibility Areas designated as Very High Hazard Fire Severity Zone shall also comply with OCFA Guideline B-09a, "Fire Safe Development in State Responsibility Areas, and Local Responsibility Areas designated as Very High Hazard Fire Severity Zone".

Section 510.1, Emergency responder radio coverage in new buildings, is revised to read as follows:

510.1 Emergency responder radio coverage in new buildings. All new buildings shall have approved radio coverage for emergency responders within the building based upon the existing coverage levels of the public safety communication systems utilized by the jurisdiction, measured at the exterior of the building. This section shall not require improvement of the existing public safety communication systems. The Emergency Responder Radio Coverage System shall comply with the Orange County Sheriff's Department, Communications and Technology Division guidelines and specifications and, where the functionality or performance requirements in the California Fire Code are more stringent, this code.

Exceptions:

1. In buildings or structures where it is determined by the fire code official that the radio coverage system is not needed, including but not limited to the following:
 - a. Existing buildings or structures, unless required by the Building Official and OCFA for buildings and structures undergoing extensive remodel and/or expansion.
 - b. Elevators.
 - c. Structures that meet all of the following:
 - i. Three stories or less, and
 - ii. Do not have subterranean storage or parking, and

- iii. Do not exceed 50,000 square feet on any single story.
- d. Structures that meet all of the following:
 - i. Residential structures four stories or less, and
 - ii. Constructed of wood, and
 - iii. Do not have subterranean storage or parking, and
 - iv. Are not built integral to an above ground multi-story parking structure.

Should a structure that is three stories or less and 50,000 square feet or smaller on any single story include subterranean storage or parking, then this ordinance shall apply only to the subterranean areas.

2. In facilities where emergency responder radio coverage is required and such systems, components or equipment required could have a negative impact on the normal operations of the facility, the fire code official shall have the authority to accept an automatically activated emergency radio coverage system.

Section 510.2, Emergency responder radio coverage in existing buildings, is deleted without replacement:

Section 510.3, Permit required, is deleted without replacement.

Chapter 9 – Fire Protection and Life Safety Systems

Section 903.2, Where required, is hereby revised to read as follows:

903.2 Where required. Approved automatic sprinkler systems in buildings and structures shall be provided when one of the following conditions exists:

1. **New buildings:** Notwithstanding any applicable provisions of Sections 903.2.1 through 903.2.19, an automatic fire-extinguishing system shall also be installed in all occupancies when the total building area exceeds 5,000 square feet as defined in Section 202, regardless of fire areas or allowable area, or is more than two stories in height.

Exception: Subject to approval by the fire code official, open parking garages in accordance with Section 406.5 of the California Building Code.

1. **Existing Buildings:** Notwithstanding any applicable provisions of this code, an automatic sprinkler system shall be provided in an existing building when an addition occurs and one of the following conditions exists:

- a. When an addition is 33% or more of the existing building area, and the resulting building area exceeds 5000 square feet.

- b. When an addition exceeds 2000 square feet and the resulting building area exceeds 5000 square feet.
- c. An additional story is added above the second floor regardless of fire areas or allowable area.

Exception: Additions to Group R-3 occupancies shall comply with Section 903.2.8 (2).

Section 903.2.8, Group R, is hereby revised to read as follows:

903.2.8 Group R. An automatic sprinkler system installed in accordance with Section 903.3 shall be provided throughout all buildings with a Group R fire area as follows:

1. **New Buildings:** An automatic sprinkler system shall be installed throughout all new buildings.
2. **Existing Buildings:** An automatic sprinkler system shall be installed throughout when one of the following conditions exists:
 - a. When an addition is 33% or more of the existing building area as defined in Section 202, and greater than 1000 square feet within a two year period; or,
 - b. An addition when the existing building is already provided with automatic sprinklers; or,
 - c. When an existing Group R Occupancy is being substantially renovated, and where the scope of the renovation is such that the Building Code Official determines that the complexity of installing a sprinkler system would be similar as in a new building.

Exceptions:

1. Existing Group R-3 occupancies converted to Group R-3.1 occupancies and not housing bedridden clients, not housing non-ambulatory clients above the first floor, and not housing clients above the second floor.
2. Existing Group R-3 occupancies converted to Group R-3.1 occupancies housing only one bedridden client and complying with Section 435.8.3.3 of the California Building Code.
3. Pursuant to Health and Safety Code, Section 13113, occupancies housing ambulatory children only, none of whom are mentally ill children or children with intellectual disabilities, and the buildings or portions thereof in which such children are housed are not more than two stories in height, and building or portions thereof housing such children have an automatic fire alarm system activated by approved smoke detectors.

4. Pursuant to Health and Safety Code, Section 13143.6, occupancies licensed for protective social care which house ambulatory clients only, none of whom is a child (under the age of 18 years), or who is elderly (65 years of age or over).

When not used in accordance with Section 504.2 or 506.3 of the California Building Code, an automatic sprinkler system installed in accordance with Section 903.3.1.2 shall be allowed in Group R-2.1 occupancies.

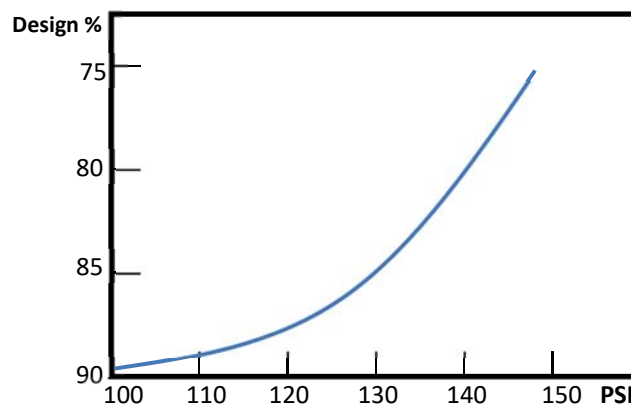
An automatic sprinkler system designed in accordance with Section 903.3.1.3 shall not be utilized in Group R-2.1 or R-4 occupancies.

Section 903.3.5.3, Hydraulically calculated systems, is hereby added to read as follows:

903.3.5.3 Hydraulically calculated systems. The design of hydraulically calculated fire sprinkler systems shall not exceed 90% of the water supply capacity.

Exception: When static pressure exceeds 100 psi, and when required by the fire code official, the fire sprinkler system shall not exceed the water supply capacity specified by Table 903.3.5.3.

TABLE 903.3.5.3
Hydraulically Calculated Systems



Chapter 11— Construction Requirements for Existing Buildings.

Only the following sections and subsections of Chapter 11 are enacted:

1103.7

1103.7.3

1103.7.3.1

1103.7.8 – 1103.7.8.2

1103.7.9 – 1103.7.9.10

1103.8 – 1103.8.5.3

1103.9.1

1107

1113

1114

1115

1116

Chapter 12 – Energy Systems is adopted in its entirety with the following amendment:

Section 1201.1.1, Other Systems, is hereby revised to read as follows:

1201.1.1 Other Systems Where required by the fire code official, other systems and operations including but not limited to battery systems assembly, battery reconditioning and storage, research and development of battery storage systems, electric vehicle manufacturing and testing, and battery charging systems for cars and carts inside of buildings or structures, shall comply with this chapter.

Exception: When approved by the fire code official, charging stations for electric vehicles located in open parking garages of Type I or II construction.

Chapter 25, Fruit and Crop Ripening, is deleted in its entirety.

Chapter 26, Fumigation and Insecticidal Fogging, is deleted in its entirety.

Chapter 28 – Lumber Yards and Agro-Industrial, Solid Biomass and Woodworking Facilities.

Section 2801.2, Permit, is hereby revised to read as follows:

2801.2 Permit. Permits shall be required as set forth in Section 105.6 and 105.6.29.

Section 2808.2, Storage site, is hereby revised to read as follows:

2808.2 Storage site. Storage sites shall be level and on solid ground, elevated soil lifts or other all-weather surface. Sites shall be thoroughly cleaned and approval obtained from the fire code official before transferring products to the site.

Section 2808.3, Size of piles, is hereby revised to read as follows:

2808.3 Size of piles. Piles shall not exceed 15 feet in height, 50 feet in width and 100 feet in length.

Exception: The fire code official is authorized to allow the pile size to be increased where a fire protection plan is provided for approval that includes, but is not limited to, the following:

1. Storage yard areas and materials-handling equipment selection, design and arrangement shall be based upon sound fire prevention and protection principles.
2. Factor that lead to spontaneous heating shall be identified in the plan, and control of the various factors shall be identified and implemented, including provisions for monitoring the internal condition of the pile.
3. The plan shall include means for early fire detection and reporting to the public fire department; and facilities needed by the fire department for fire extinguishment including a water supply and fire hydrants.
4. Fire apparatus access roads around the piles and access roads to the top of the piles shall be established, identified and maintained.
5. Regular yard inspections by trained personnel shall be included as part of an effective fire prevention maintenance program.

Additional fire protection called for in the plan shall be provided and shall be installed in accordance with this code. The increase of the pile size shall be based upon the capabilities of the installed fire protection system and features.

Section 2808.4, Pile separation, is hereby revised to read as follows:

2808.4. Pile separation. Piles shall be separated from adjacent piles by minimum distance of 20 feet. Additionally, piles shall have a minimum separation of 100 feet from combustible vegetation.

Section 2808.7, Pile fire protection, is hereby revised to read as follows:

2808.7 Pile fire protection. Automatic sprinkler protection shall be provided in conveyor tunnels and combustible enclosures that pass under a pile. Combustible conveyor systems and enclosed conveyor systems shall be equipped with an approved automatic sprinkler system. Oscillating sprinklers with a sufficient projectile reach are required to maintain a 40% to 60% moisture content and wet down burning/smoldering areas.

Section 2808.9, Material-handling equipment, is hereby revised to read as follows:

2808.9 Material-handling equipment. All material-handling equipment operated by an internal combustion engine shall be provided and maintained with an approved spark arrester. Approved material-handling equipment shall be available for moving wood chips, hogged material, wood fines and raw product during fire-fighting operations.

Section 2808.11, Temperature control, is hereby added to read as follows:

2808.11 Temperature control. The temperature shall be monitored and maintained as specified in Sections 2808.11.1 and 2808.11.2.

Section 2808.11.1, Pile temperature control, is hereby added to read as follows:

2808.11.1 Pile temperature control. Piles shall be rotated when internal temperature readings are in excess of 165 degrees Fahrenheit.

Section 2808.11.2, New material temperature control, is hereby added to read as follows:

2808.11.2 New material temperature control. New loads delivered to the facility shall be inspected and tested at the facility entry prior to taking delivery. Material with temperature exceeding 165 degrees Fahrenheit shall not be accepted on the site. New loads shall comply with the requirements of this chapter and be monitored to verify that the temperature remains stable.

Section 2808.12, Water availability, is hereby added to read as follows:

2808.12 Water availability. Facilities with over 2500 cubic feet shall provide a water supply. The minimum fire flow shall be no less than 500 GPM @ 20 psi for a minimum of 1 hour duration for pile heights up to 6 feet and 2 hour duration for pile heights over 6 feet. If there is no water purveyor, an alternate water supply with storage tank(s) shall be provided for fire suppression. The water supply tank(s) shall provide a minimum capacity of 2500 gallons per pile (maximum 30,000 gallons) for piles not exceeding 6 feet in height and 5000 gallons per pile (maximum 60,000) for piles exceeding 6 feet in height. Water tank(s) shall not be used for any other purpose unless the required fire flow is left in reserve within the tank at all times. An approved method shall be provided to maintain the required amount of water within the tank(s).

Section 2808.13, Tipping areas, is hereby added to read as follows:

2808.13 Tipping areas. Tipping areas shall comply with the following:

1. Tipping areas shall not exceed a maximum area of 50 feet by 50 feet.
2. Material within a tipping area shall not exceed 5 feet in height at any time.
3. Tipping areas shall be separated from all piles by a 20 foot wide fire access lane.
4. A fire hydrant or approved fire water supply outlet shall be located within 150 feet of all points along the perimeter of the tipping area.
5. All material within a tipping area shall be processed within 5 days of receipt.

Section 2808.14, Emergency contact, is hereby added to read as follows:

2808.14 Emergency contact. The contact information of a responsible person or persons shall be provided to the Fire Department and shall be posted at the entrance

to the facility for responding units. The responsible party should be available to respond to the business in emergency situation.

Chapter 49 – Requirements for Wildland-Urban Interface Fire Areas.

Section 4906.3, Requirements, is hereby revised to read as follows:

4906.3 Requirements. Hazardous vegetation and fuels around all applicable buildings and structure shall be maintained in accordance with the following laws and regulations:

1. Public Resources Code, Section 4291.
2. California Code of Regulations, Title 14, Division 1.5, Chapter 7, Subchapter 3, Section 1299 (see guidance for implementation “General Guideline to Create Defensible Space”).
3. California Government Code, Section 51182.
4. California Code of Regulations, Title 19, Division 1, Chapter 7, Subchapter 1, Section 3.07.
5. OCFA Guideline C-05 “Vegetation Management Guideline – Technical Design for New Construction Fuel Modification Plans and Maintenance Program.”

Section 4908, Fuel Modification Requirements for New Construction, is hereby added to read as follows:

4908 Fuel Modification Requirements for New Construction. All new buildings to be built or installed in a Wildfire Risk Area shall comply with the following:

1. Preliminary fuel modification plans shall be submitted to and approved by the fire code official prior to or concurrently with the approval of any tentative map.
2. Final fuel modification plans shall be submitted to and approved by the fire code official prior to the issuance of a grading permit.
3. The fuel modification plans shall meet the criteria set forth in the Fuel Modification Section of OCFA Guideline C-05 “Vegetation Management Guideline – Technical Design for New Construction Fuel Modification Plans and Maintenance Program.”
 - 3.1 The fuel modification plan shall include provisions for the maintenance of the fuel modification in perpetuity.
4. The fuel modification plan may be altered if conditions change. Any alterations to the fuel modification areas shall have prior approval from the fire code official.

5. All elements of the fuel modification plan shall be maintained in accordance with the approved plan and are subject to the enforcement process outlined in the Fire Code.

Chapter 50 Hazardous Materials – General Provisions.

Section 5001.5.2, Hazardous Materials Inventory Statement (HMIS), is hereby revised to read as follows:

5001.5.2 Hazardous Materials Inventory Statement (HMIS). Where required by the fire code official, an application for a permit shall include. Orange County Fire Authority's-Chemical Classification Packet, which shall be completed and approved prior to approval of plans, and/or the storage, use or handling of chemicals on the premises. The Chemical Classification Packet shall include the following information:

1. Product Name.
2. Component.
3. Chemical Abstract Service (CAS) number.
4. Location where stored or used.
5. Container size.
6. Hazard classification.
7. Amount in storage.
8. Amount in use-closed systems.
9. Amount in use-open systems.

Section 5003.1.1.1, Extremely Hazardous Substances, is hereby added to read as follows:

5003.1.1.1 Extremely Hazardous Substances. No person shall use or store any amount of extremely hazardous substances (EHS) in excess of the disclosable amounts (see Health and Safety Code Section 25500 et al) in a residential zoned or any residentially developed property.

Chapter 56 – Explosives and Fireworks.

Section 5608.2, Firing, is hereby added to read as follows:

5608.2 Firing. All fireworks displays, regardless of mortar, device, or shell size, shall be electrically fired.

Section 5608.3, Application for Permit, is hereby added to read as follows:

Section 5608.3 Application for Permit. A diagram of the grounds on which the display is to be held showing the point at which the fireworks are to be discharged, the fallout area based on 100 feet per inch of shell size, the location of all buildings, roads, and other means of transportation, the lines behind which the audience will be restrained, the location of all nearby trees, telegraph or telephone line, or other overhead obstructions shall be provided to OCFA.

Chapter 57 – Flammable and Combustible Liquids.

Section 5701.1.1, On-Demand Mobile fueling, is hereby added to read as follows:

Section 5701.1.1 On-Demand Mobile fueling. On-demand mobile fueling of Class I, II, and III liquids into the fuel tanks of vehicles is prohibited.

Chapter 58 – Flammable Gases and Flammable Cryogenic Fluids.

Section 5801.1, Scope, is hereby revised to read as follows:

Section 5801.1 Scope. The storage and use of flammable gases and flammable cryogenic fluids shall be in accordance with this chapter, NFPA 2 and NFPA 55. Compressed gases shall also comply with Chapter 53 and cryogenic fluids shall also comply with Chapter 55. Flammable cryogenic fluids shall comply with Section 5806. Hydrogen motor fuel-dispensing stations and repair garages and their associated above-ground hydrogen storage systems shall also be designed, constructed and maintained in accordance with Chapter 23. Mobile fueling of gaseous and liquid hydrogen, compressed natural gas (CNG), and liquefied natural gas (LNG) into the fuel tanks of vehicles is prohibited.

Exceptions:

1. Gases used as refrigerants in refrigeration systems (see Section 605).
2. Liquefied petroleum gases and natural gases regulated by Chapter 61.
3. Fuel-gas systems and appliances regulated under the California Mechanical Code and the California Plumbing Code other than gaseous hydrogen systems and appliances.
4. Pyrophoric gases in accordance with Chapter 64.

Section 5809, Mobile Gaseous Fueling of Hydrogen-Fueled Vehicles, is deleted without replacement.

Chapter 80 Referenced Standards.

NFPA 13, 2016 Edition, Standard for the Installation of Sprinkler Systems, is hereby amended as follows:

Section 6.7.3 is hereby revised to read as follows:

6.7.3 Fire department connections (FDC) shall be of an approved type. The location shall be approved and be no more than 150 feet from a public hydrant. The FDC may be located within 150 feet of a private fire hydrant when approved by the fire code official. The size of piping and the number of 2½" inlets shall be approved by the fire code official. If acceptable to the water authority, it may be installed on the backflow assembly. Fire department inlet connections shall be painted OSHA safety red or as approved. When the fire sprinkler density design requires more than 500 gpm (including inside hose stream demand), or a standpipe system is included, four 2½" inlets shall be provided.

Section 8.3.3.1 is hereby revised to read as follows:

8.3.3.1 When fire sprinkler systems are installed in shell buildings of undetermined use (Spec Buildings) other than warehouses (S occupancies), fire sprinklers of the quick-response type shall be used. Use is considered undetermined if a specific tenant/occupant is not identified at the time the fire sprinkler plan is submitted. Sprinklers in light hazard occupancies shall be one of the following:

1. Quick-response type as defined in 3.6.4.8.
2. Residential sprinklers in accordance with the requirements of 8.4.5.
3. Quick response CMSA sprinklers.
4. ESFR sprinklers.
5. Standard-response sprinklers used for modifications or additions to existing light hazard systems equipped with standard-response sprinklers.
6. Standard-response sprinklers used where individual standard-response sprinklers are replaced in existing light hazard systems.

Section 8.15.1.2.7 is hereby revised to read as follows:

8.15.1.2.7 Concealed spaces filled with noncombustible insulation shall not require sprinkler protection when approved by the fire code official.

Section 11.1.1.1 is hereby added to read as follows:

11.1.1.1 When fire sprinkler systems are required in buildings of undetermined use other than warehouses, they shall be designed and installed to have a fire sprinkler density of not less than that required for an Ordinary Hazard Group 2 use, with no reduction(s) in density or design area. Warehouse fire sprinkler systems shall be designed to Figure 16.2.1.3.2 (d) curve "G". Use is considered undetermined if a specific tenant/occupant is not identified at the time the sprinkler plan is submitted. Where a subsequent use or occupancy requires a system with greater capability, it shall be the responsibility of the occupant to upgrade the system to the required density for the new use or occupancy.

Section 11.2.3.1.1.1 is hereby added to read as follows:

11.2.3.1.1.1 The available water supply for fire sprinkler system design shall be determined by one of the following methods, as approved by the fire code official:

1. Subtract the project site elevation from the low water level for the appropriate pressure zone and multiply the result by 0.433;
2. Use a maximum of 40 psi, if available;
3. Utilize the OCFA water-flow test form/directions to document a flow test conducted by the local water agency or an approved third party licensed in the State of California.

NFPA 13D 2016 Edition, Standard for the Installation of Sprinkler Systems in One- and Two-Family Dwellings and Manufactured Homes is hereby amended as follows:

Section 7.1.2 is hereby revised to read as follows:

7.1.2 The sprinkler system piping shall not have separate control valves installed unless supervised by a central station, proprietary, or remote station alarm service.

NFPA 14, 2013 Edition, Installation of Standpipe and Hose Systems is hereby amended as follows:

Section 7.3.1.1 is hereby amended to read as follows:

7.3.1.1 Class I and III Standpipe hose connections shall be unobstructed and shall be located not less than 18 inches or more than 24 inches above the finished floor. Class II Standpipe hose connections shall be unobstructed and shall be located not less than 3 feet or more than 5 feet above the finished floor.

NFPA 24, 2016 Edition, Standard for the Installation of Private Fire Service Mains and Their Appurtenances is hereby amended as follows:

Section 6.2.8.1 is hereby added to read as follows:

6.2.8.1 All indicating valves controlling fire suppression water supplies shall be painted OSHA red.

Exceptions:

1. Brass or bronze valves on sprinkler risers mounted to the exterior of the building may be left unpainted.

2. Where OS&Y valves on the detector check assembly are the only control valves, at least one OS&Y valve shall be painted red.

Section 6.2.9 is hereby amended to read as follows:

6.2.9 All connections to private fire service mains for fire protection systems shall be arranged in accordance with one of the following so that they can be isolated:

1. A post indicator valve installed not less than 40 ft (12 m) from the building
 - (a) For buildings less than 40 ft (12 m) in height, a post indicator valve shall be permitted to be installed closer than 40 ft (12 m) but at least as far from the building as the height of the wall facing the post indicator valve.
2. A wall post indicator valve.
3. An indicating valve in a pit, installed in accordance with Section 6.4.
4. A backflow preventer with at least one indicating valve not less than 40 ft (12 m) from the building.
 - (a) For buildings less than 40 ft (12 m) in height, a backflow preventer with at least one indicating valve shall be permitted to be installed closer than 40 ft (12 m) but at least as far from the building as the height of the wall facing the backflow preventer.
5. Control valves installed in a fire-rated room accessible from the exterior.
6. Control valves in a fire-rated stair enclosure accessible from the exterior.

Section 10.1.5 is hereby added to read as follows:

10.1.5 All ferrous pipe and joints shall be polyethylene encased per AWWA C150, Method A, B, or C. All fittings shall be protected with a loose 8-mil polyethylene tube or sheet. The ends of the tube or sheet shall extend past the joint by a minimum of 12 inches and be sealed with 2 inch wide tape approved for underground use. Galvanizing does not meet the requirements of this section.

Exception: 304 or 316 Stainless Steel pipe and fittings.

Section 10.4.1.1 is hereby revised to read as follows:

10.4.1.1 All bolted joint accessories shall be cleaned and thoroughly coated with asphalt or other corrosion-retarding material after installation.

Exception: Bolted joint accessories made from 304 or 316 stainless steel.

Section 10.4.1.1.1 is hereby added to read as follows:

10.4.1.1.1 All bolts used in pipe-joint assembly shall be 316 stainless steel.

Section 10.4.3.2 is hereby revised to read as follows:

10.4.3. Where fire service mains enter the building adjacent to the foundation, the pipe may run under a building to a maximum of 24 inches, as measured from the interior face of the exterior wall to the center of the vertical pipe. The pipe under the building or building foundation shall be 304 or 316 stainless steel and shall not contain mechanical joints or it shall comply with 10.4.3.2.1 through 10.4.3.2.4.

SECTION 3. The City Council finds that this Ordinance is not subject to the California Environmental Quality Act (CEQA) pursuant to California Code of Regulations Title 14, Chapter 3, Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15371), because it has no potential for resulting in physical change to the environment, directly or indirectly.

SECTION 4. If any section, subsection, subdivision, sentence, clause, phrase, or portion of this Ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more section, subsection, subdivision, sentence, clause, phrase, or portion thereof be declared invalid or unconstitutional.

SECTION 5. The City Clerk shall certify as to the adoption of this Ordinance and cause a summary thereof to be published within (15) days of the adoption and shall post a Certified copy of this Ordinance, including the vote for and against the same, in the Office of the City Clerk, in accordance with Government Code Section 36933.

PASSED, APPROVED, AND ADOPTED this xx day of November 2019.

DON SEDGWICK, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

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

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing Ordinance No. 2019-X was duly introduced and placed upon its first reading at a Regular Meeting of the City Council on the Xth day of November 2019, and that thereafter, said Ordinance was duly adopted and passed at a Regular Meeting of the City Council held on the Xth day of November 2019, by the following vote, to wit:

AYES:

NOES

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

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

AFFIDAVIT OF POSTING
AND PUBLICATION

MELISSA AU-YEUNG, being first duly sworn, deposes and says:

That she is the duly appointed and qualified City Clerk of the City of Laguna Hills;

That in compliance with State Laws of the State of California, ORDINANCE NO. 2019-X, being:

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING CHAPTER 5-16 (FIRE CODE) OF TITLE 5 (HEALTH AND SANITATION) OF THE LAGUNA HILLS MUNICIPAL CODE AND ADOPTING BY REFERENCE THE 2019 EDITION OF THE CALIFORNIA FIRE CODE INCLUDING APPENDICES B, BB, C, AND CC, TOGETHER WITH CERTAIN AMENDMENTS, ADDITIONS, AND DELETIONS THERETO

on the Xrd day of November 2019, and on the Xth day of November 2019, was published in the Saddleback Valley News; and was, in compliance with City Resolution No. 2004-05-25-2, on the Xth day of November 2019, and the Xth day of November 2019 caused to be posted in three places in the City of Laguna Hills, to wit:

Laguna Hills City Hall
Laguna Hills Community Center
La Paz Center

MELISSA AU-YEUNG, CITY CLERK
Laguna Hills, California

The seal of the City of Laguna Hills is a circular emblem. It features a central illustration of a person in a white robe, possibly a religious figure, holding a staff. The text "CITY OF LAGUNA HILLS" is inscribed around the top inner edge of the seal, and "1991" is at the bottom. The seal is rendered in a light, faded gray color.

Attachment No. 3 OCFA Fire Code Amendment Summary

2019 California Fire Code (CFC) - OCFA Amendment Summary

Legend

Existing	This 2016 amendment is being carried forward into 2019 amendment package. Minor editorial/clerical changes may have been made, but they do not have material regulatory effect.
Revised	A modified version of the 2016 amendment is being carried forward. Changes in scope or wording are significant relative to the 2016 version, or they may impact regulatory effect.
Deleted	This 2016 amendment is not being carried forward into the 2019 amendment package.
New	This is a new amendment in the 2019 amendment package.

2019 CFC CODE SECTION	2016 Code Section	TITLE/SUBJECT	COMMENTS/JUSTIFICATION	STATUS
Chapter 1 - Scope & Administration				
110.4	109.4	Violation penalties	Clarifies administrative violation process; fines now based on OCFA adopted fee schedule.	Existing
110.4.2	109.4.2	Infraction & Misdemeanor	Used for purpose of applying penalties under 109.4. Amendment combines definitions of infraction and misdemeanor under one section--scope of infraction/misdemeanor modified compared to 2013 version.	Existing
Chapter 2 - Definitions				
202	202	Definitions	Deleted definitions related to sky lantern (see 308.1.6.3 for state-adoption). Definition of "OCFA" added for clarity. Spark arrester unchanged.	Revised: One definition removed and one carried forward unmodified
Chapter 3 - General Requirements				
304.1.2	304.1.2	Vegetation	Aligns maintenance to OCFA Guideline C-05 requirements. Existing amendment language modified to align better with Guideline.	Revised
305.6	305.6.2	Hazardous Conditions	Prohibits outdoor fires during hazardous weather conditions.	Revised
305.7	305.7	Disposal of Rubbish	Prohibits open burning of trash, leaves, and other debris.	Existing
307	307	Open burning, recreational fires, fire pits, fire rings, and outdoor fireplaces	Administrative change to the section title to include fire pits and fire rings regulated under amendments in 307.6. No change from previous amendment.	Existing
307.6	307.6	Outdoor Fireplaces, Fire Pits, Fire Rings, or similar devices used at Group R Occupancies.	Addresses requirements for outdoor fireplaces, fire pits, fire rings. Existing amendment language modified for additional clarity for the exception.	Existing
307.6.1	307.6.1	Gas-fueled devices	Prohibits gas fire pits within 3' of R-3 occupancy or 10' of other R occupancies; modified to reference amended definition for spark arrester	Existing
307.6.2	307.6.2	Devices using wood or fuels other than natural gas or LPG	Prohibits solid fuel within 15' of combustibles unless in a fireplace; modified referenced section numbers	New

2019 California Fire Code (CFC) - OCFA Amendment Summary

Legend

Existing	<i>This 2016 amendment is being carried forward into 2019 amendment package. Minor editorial/clerical changes may have been made, but they do not have material regulatory effect.</i>
Revised	<i>A modified version of the 2016 amendment is being carried forward. Changes in scope or wording are significant relative to the 2016 version, or they may impact regulatory effect.</i>
Deleted	<i>This 2016 amendment is not being carried forward into the 2019 amendment package.</i>
New	<i>This is a new amendment in the 2019 amendment package.</i>

2019 CFC CODE SECTION	2016 Code Section	TITLE/SUBJECT	COMMENTS/JUSTIFICATION	STATUS
308.1.4	308.1.4	Open-flame cooking devices	Prohibits charcoal burners and other open-flame cooking devices on balconies	Deleted - As some cities did adopt this in 2016, OCFA recommends deleting this section for those cities and not to adopt for all the other cities.
308.1.6.3	324	Sky lanterns	Revised section to be in line with 2016 code	Revised - From 324, CFC added section in 2019
309.3.1	309.2.1	Indoor charging of electric cars	Existing amendment addressing hazards associated with rechargeable vehicle batteries; deleted and relocated to new CFC Chapter 12 Section 1201-1.	Deleted
311.5 et seq	311.5 et seq	Placards	Per city code enforcement/muni code regulations	Deleted
321	320	Fuel modification requirements for new construction	Codifies requirements for fuel modification in properties adjacent to areas with combustible vegetation hazards. Existing amendment language modified for additional clarity, but no material change in content or effect.	Existing - CFC code section code section changed.
322	321	Clearance of brush or vegetation growth from roadways	Authorizes clearance of vegetation from edges of roadways to reduce ignition hazard	Existing - CFC code section code section changed.
323	322	Unusual circumstances	Provides for suspension of or alternative methods of compliance with vegetation maintenance standards under specific circumstances	Existing - CFC code section code section changed.
324	323	Use of equipment	Requires use of spark arrester on equipment used in wildfire prone areas; reference to code Section 323.1 is changed to Section 202. Existing amendment language modified for additional clarity, but no material change in content or effect.	Existing - CFC code section code section changed.
324.1	323.1	Use of equipment and devices generating heat, sparks or open flames	Adopts a modified version of Public Resources Code requirement (30' setback instead of 10') for hazardous activities in wildland risk areas based on the cause of multiple fires in OCFA jurisdiction.	New
324.2	323.2	Spark arresters	Existing amendment is modified to reflect and reference newly added Section 202 definition, but no material change in effect.	Existing - CFC code section code section changed.

2019 California Fire Code (CFC) - OCFA Amendment Summary

Legend

Existing	This 2016 amendment is being carried forward into 2019 amendment package. Minor editorial/clerical changes may have been made, but they do not have material regulatory effect.
Revised	A modified version of the 2016 amendment is being carried forward. Changes in scope or wording are significant relative to the 2016 version, or they may impact regulatory effect.
Deleted	This 2016 amendment is not being carried forward into the 2019 amendment package.
New	This is a new amendment in the 2019 amendment package.

2019 CFC CODE SECTION	2016 Code Section	TITLE/SUBJECT	COMMENTS/JUSTIFICATION	STATUS
N/A	324	Sky Lanterns or similar devices	Prohibits use of sky lanterns as they are an uncontrolled ignition source; exception for tethering has been removed as it is not an effective fire safety measure in practice.	Deleted - See 308.1.6.3
Chapter 4 - Emergency Planning and Preparedness				
407.5	407.5	Hazardous Material Inventory Statement	Reference to Hazardous material Inventory Statement is replaced by "OCFA's Chemical Classification packet" for consistency with Ch.50 language	Existing
Chapter 5- Fire Service Features				
501.1	501.1	Scope	Adopt Guideline B-09 and B-09a for fire department access and firefighting water standards. Per CalFIRE, adoption of B-09/B-09a necessary to apply local requirements in State Responsibility Area (SRA) and to ensure consistency in application of requirements throughout SRA with other areas within OCFA jurisdiction. B-09 provides development standards for criteria referred to throughout CFC Ch.5 "as approved" or "as required by the fire code official." It includes requirements for fire lane measurement, fire lane width in wildfire hazard areas and size of address numbers that were previously separate amendments.	Existing
	503.2.1	Dimensions (Fire Lanes)	Specified how to measure road width between flow-lines. Requirement in Guideline B-09, proposed to be adopted.	Deleted--see 501.1
	505.1	Address identification	Specified 6" numbers for commercial/multi-family residential building addresses. Requirement already in Guideline B-09, proposed to be adopted.	Deleted--see 501.1
510.1	510.1	Emergency responder radio coverage in new buildings	Amendment makes reference to local authority having jurisdiction's ordinance and specifies types of buildings where an emergency responder radio system is required	Revised
510.2	510.2	Emergency responder radio coverage in existing buildings	Deleted requirement for existing buildings	Deleted
510.4.2.2	N/A	Technical Criteria	Amendment incorporates more specifics for the design of emergency responder radio system.	Deleted - Pending coordination with OCC

2019 California Fire Code (CFC) - OCFA Amendment Summary

Legend

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Revised	A modified version of the 2016 amendment is being carried forward. Changes in scope or wording are significant relative to the 2016 version, or they may impact regulatory effect.
Deleted	This 2016 amendment is not being carried forward into the 2019 amendment package.
New	This is a new amendment in the 2019 amendment package.

2019 CFC CODE SECTION	2016 Code Section	TITLE/SUBJECT	COMMENTS/JUSTIFICATION	STATUS
510.5.1	N/A	Approval prior to installation	Amended to require plan submittal/coordination/approval from Orange County Sheriff--Communications and Technology Division and requires approved plans to be provided to Building Official in addition to OCFA	Deleted - Pending coordination with OCC
510.5.2	N/A	Minimum qualification of personnel	Requires licensed/certified designer/installer	Deleted - Pending coordination
510.5.3	N/A	Acceptance test procedure	Specifies that annual inspections to be done by FCC licensed technician and Orange County Sheriff--Communications and Technology Division technician	Deleted - Pending coordination with OCC
510.6.1	N/A	Testing and proof of compliance	Designates building owner as responsible party for annual testing. Provides more specific requirements for testing and certification	Deleted - Pending coordination with OCC
Chapter 6 - Building Services and Systems				
Chapter 9 - Fire Protection Systems				
903.2	903.2	Where required (Sprinklers)	Existing amendment. Requires sprinklers in new buildings based on size. Requires sprinkler retrofit in buildings undergoing addition based on various area criteria. Revised to allow exception for open parking garages.	Existing
903.2.8	903.2.8	Group R (Sprinklers)	Requires sprinkler retrofit in homes undergoing addition or remodel based on various area criteria.	Revised - added model language for some cities amendment for consistency purposes
903.3.5.3	903.3.5.3	Hydraulically calculated systems	Adds specification for industry standard 10% safety margin to be included in sprinkler calculations	Existing
Chapter 12 - Energy Systems				
1201.1.1		Other Systems	Adds specification for battery charging systems for cars and carts	New
Chapter 28 - Lumber yard, agro-industrial, Solid Biomass and Woodworking Facilities				
2801.2	2801.2	Permit (Miscellaneous combustible storage)	Clarifies permit for storage/composting of green waste is a Miscellaneous Combustible Storage permit. Existing amendment language modified for additional clarity, but no material change in content or effect.	Existing

2019 California Fire Code (CFC) - OCFA Amendment Summary

Legend

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Deleted	This 2016 amendment is not being carried forward into the 2019 amendment package.
New	This is a new amendment in the 2019 amendment package.

2019 CFC CODE SECTION	2016 Code Section	TITLE/SUBJECT	COMMENTS/JUSTIFICATION	STATUS
2808.2	2808.2	Storage site	Requires OCFA approval of site before bringing combustibles to the site; minor modification to clarify type of ground suitable for storage areas	Existing
2808.3	2803.3	Size of piles	Reduces the size of piles of combustible materials	Existing
2808.4	2808.4	Pile separation	Requires 20' separation between piles instead of specifically a fire lane; requires 100' separation from other combustible vegetation	Existing
2808.7	2808.7	Pile fire protection	Requires oscillating sprinklers to maintain moisture content and wet down burning/smoldering areas	Existing
2808.9	2808.9	Material-handling equipment	Requires approved spark arrester on equipment	Existing
2808.11	2808.11	Temperature control	Requires that temperature be monitored and maintained	Existing
2808.11.1	2808.11.1	Pile temperature Control	Requires rotation of piles above 165 degrees	Existing
2808.11.2	2808.11.2	New material temperature control	Regulates acceptance of new piles above 165 degrees; minor language addition reiterates that compliance with other section from this chapter also required	Existing
2808.12	2808.12	Water Availability	Establishes firefighting water quantity requirements	Existing
2808.13	2808.13	Tipping Area	Establishes requirements for new material tipping area configuration and use	Existing
2808.14	2808.14	Emergency Contact	Requires posting of emergency contact info	Existing
Chapter 39 - Processing and Extraction Facilities				
Chapter 49 - Requirements for Wildland-Urban Interface Fire Areas				
4906.3	4906.3	OCFA vegetation management guideline	Includes OCFA Guideline C-05 in list of laws and regulations that must be followed for vegetation maintenance. Existing amendment language <u>modified to match current guideline title.</u>	Existing
4908	4908	Fuel modification requirements for new construction	Requires fuel modification for buildings in Wildfire Risk Area. Existing amendment language modified for additional clarity and to align with current procedural requirements.	Existing
Chapter 50 - Hazardous Materials				
5001.5.2	5001.5.2	Hazardous materials inventory statement (HMIS)	References "OCFA's Chemical Classification Packet" instead of a Hazardous Materials Inventory Statement	Existing
5003.1.1.1	5003.1.1.1	Extremely hazardous substances	Prohibits extremely hazardous substances above disclosable amounts in a residential area	Existing

2019 California Fire Code (CFC) - OCFA Amendment Summary

Legend

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Deleted	This 2016 amendment is not being carried forward into the 2019 amendment package.
New	This is a new amendment in the 2019 amendment package.

2019 CFC CODE SECTION	2016 Code Section	TITLE/SUBJECT	COMMENTS/JUSTIFICATION	STATUS
Chapter 56 - Explosives and Fireworks				
5608.2	5608.2	Firing (Fireworks)	Requires fireworks shows to be electrically fired; additional language added for clarity.	Existing
5608.3	N/A	Application for Permit	Carries over Title 19 requirement into Fire Code so it can be amended to establish a 100'/inch fallout zone instead of the standard 70'/inch; Amendment is new, but requirement is not--fallout zone size carried over from OCFA fireworks guideline adopted by amendment in previous code cycles	Existing
Chapter 57 - Flammable and Combustible Liquids				
5701.1.1		On-Demand Mobile Fueling	Prohibits on-demand mobile fueling.	New
Chapter 58 - Flammable Gases and Flammable Cryogenic Fluids				
5801.1		Scope	Prohibits on-demand mobile fueling of gaseous and liquid hydrogen, compressed natural gas (CNG), and liquefied natural gas (LNG).	New
Chapter 80 - Referenced Standards				
NFPA 13				
2016 NFPA 13: 6.7.3	2013 NFPA 13: 6.8.3	FDC Type	Specifies type, location, color of FDC. Existing amendment language modified for additional clarity and to better align with other sections of NFPA 13.	Existing
8.3.3.1	8.3.3.1	Shell buildings	Specifies sprinkler type for spec shell buildings that are not warehouses	Existing
8.15.1.2.7	8.15.1.2.7	Concealed spaces	Revises section to require fire authority approval when noncombustible insulation is proposed in lieu of fire sprinklers in concealed spaces.	New
11.1.1.1	11.1.1.1	Sprinkler design	Specifies sprinkler design criteria for spec buildings that are not warehouses	Existing
11.2.3.1.1.1	11.2.3.1.1.1	Water supply	Specifies acceptable methods of determining water supply	Existing

2019 California Fire Code (CFC) - OCFA Amendment Summary

Legend

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Revised	A modified version of the 2016 amendment is being carried forward. Changes in scope or wording are significant relative to the 2016 version, or they may impact regulatory effect.
Deleted	This 2016 amendment is not being carried forward into the 2019 amendment package.
New	This is a new amendment in the 2019 amendment package.

2019 CFC CODE SECTION	2016 Code Section	TITLE/SUBJECT	COMMENTS/JUSTIFICATION	STATUS
NFPA 13D, 13R				
2016 NFPA 13D 7.1.2	<i>2013 NFPA 13D: 7.1.2</i>	Control valves	Requires monitoring if a dedicated sprinkler shutoff valve is installed	Existing
NFPA 14				
2013 NFPA 14 7.3.1.1	<i>2013 NFPA 14: 7.3.1.1</i>	Hose Connection Height	Specifies height of hose outlet	Existing
NFPA 24				
2016 NFPA 24 6.2.8.1	<i>2013 NFPA 24: 6.2.1.1, 6.3.3</i>	Indicating Valves	Specifies that valves controlling firefighting water supplies shall be painted red to facilitate identification by firefighters; provides exception for valves on exterior risers and for a system with only OS&Y shutoff valves; previously, amendment for red valves was found in two sections of NFPA 24, now consolidated into one.	Existing
6.2.9 (5)	<i>6.2.11 (5)</i>	Street valves	Removes exception for roadway valve boxes	Existing
10.1.5	<i>10.1.6.3</i>	Wrapping/Coating Pipe	Revised to allow <i>wrapping</i> of pipe with polyethylene sheet in accordance with AWWA standards instead of <i>tubing</i> .	Existing
10.4.1.1	<i>10.3.6.2</i>	Pipe joints	Specifies that stainless steel parts do not need to be coated with asphalt or other corrosion retardant.	Existing
10.4.1.1.1	<i>10.3.6.3</i>	Stainless steel bolts	Requires use of stainless steel bolts.	Existing
10.4.3.2	<i>10.6.3.1</i>	Pipe under foundations	Requires pipe to terminate near exterior wall; requires single piece stainless steel sweep at riser.	Existing
Appendices				
Appendices B, BB, C, CC, H	Only five of the 16 appendices included in the 2018 Fire Code (B, BB, C, CC, and H) are adopted by the State. OCFA is not proposing adoption of any additional appendices or amendments to them beyond what the State has already adopted.			

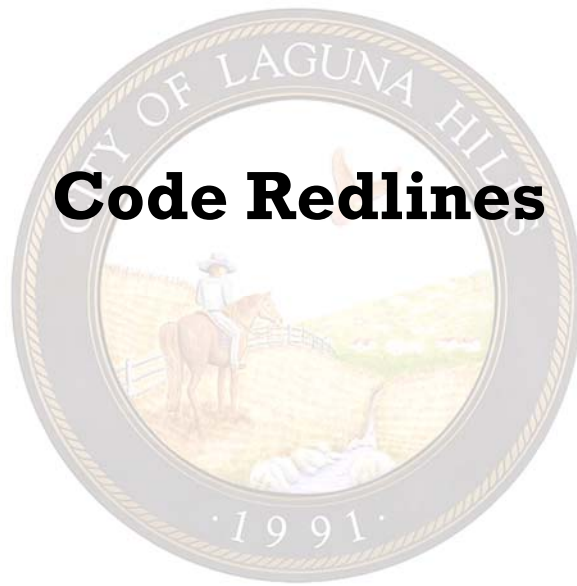
NOTES from the 2019 process: OTHER CHANGES: Please note that the CFC amendment package also includes the following items:

2019 California Fire Code (CFC) - OCFA Amendment Summary

Legend

Existing	<i>This 2016 amendment is being carried forward into 2019 amendment package. Minor editorial/clerical changes may have been made, but they do not have material regulatory effect.</i>
Revised	<i>A modified version of the 2016 amendment is being carried forward. Changes in scope or wording are significant relative to the 2016 version, or they may impact regulatory effect.</i>
Deleted	<i>This 2016 amendment is not being carried forward into the 2019 amendment package.</i>
New	<i>This is a new amendment in the 2019 amendment package.</i>

2019 CFC CODE SECTION	2016 Code Section	TITLE/SUBJECT	COMMENTS/JUSTIFICATION	STATUS
Chapter 4		The State does not adopt all sections in Ch.4 as part of the Fire Code. These State-adopted sections go into effect on January 1, 2017 regardless of whether they are adopted locally. Though the section numbers adopted in 2016 differ from those in 2019, OCFA is not proposing adoption of any sections beyond what the State has adopted other than section 407.5, which is being amended and is included above in the matrix.		
Chapter 11		The State does not adopt all sections in Ch.11 as part of the Fire Code. Though the section numbers adopted in 2016 differ from those in 2019, OCFA is not proposing adoption of any sections in Ch.11 beyond what the State has adopted and is not proposing any amendments to these adopted sections.		
Chapters 25 & 26		These two chapters are included in the 2019 California Fire Code book but are not adopted by the State. OCFA is not proposing adoption of these chapters locally.		



Code Redlines

Fire Code Redline



Chapter 5-16 FIRE CODE

5-16.010 Adoption of the California Fire Code

~~The 2016 California Fire Code, including Appendices B, BB, C, CC, and H based on the International Fire Code, 2015 Edition, published by the International Code Council (ICC), and the whole of the International Fire Code, 2015 Edition, together with the amendments provided in this chapter, are hereby adopted and incorporated by reference, as though set forth at length herein, as the fire code of the city of Laguna Hills for the purpose of prescribing regulations governing conditions hazardous to life and property from fire and explosions. Not less than one copy of said codes has been filed in the office of the City Clerk and shall be made available for public inspection. The 2019 California Fire Code, including Appendices B, BB, C, and CC, based on the International Fire Code, 2018 Edition, published by the International Code Council, together with the amendments provided in this chapter, is hereby adopted and incorporated by reference, as if set forth at length herein, as the Fire Code of the City of Laguna Hills for the purpose of prescribing regulations governing conditions hazardous to life and property from fire, explosions. Not less than one copy of said code has been filed in the office of the City Clerk and shall be made available for public inspection.~~

5-16.020 Enforcement and inspections.

~~The California Fire Code and the International Fire Code with amendments shall be enforced by the Orange County Fire Authority, which shall be operated under the Director of Fire Services of the Orange County Fire Authority. The Director of Fire Services of the Fire Authority may detail such members of the Fire Authority as inspectors as shall be necessary from time to time. The Fire Code of the City of Laguna Hills shall be enforced by the Orange County Fire Authority, which shall be operated under the Director of Fire Services of the Orange County Fire Authority. The Director of Fire Services of the Fire Authority may detail such members of the Fire Authority as inspectors as shall be necessary from time to time.~~

5-16.030 Amendments to the California Fire Code.

Chapter 1

- Scope and Administration.

Chapter 1 General Requirements.

~~Chapter 1, Scope and Administration, is adopted in its entirety with the following amendments:~~

Adopt Chapter 1 in its entirety, with the exception of Section 109, and with the following amendments:

Section 109, Board of Appeals, is deleted without replacement.

Section 110.4, Violation penalties, is hereby revised as follows: -

110.4 Violation penalties. Persons who shall violate a provision of this code or shall fail to comply with any of the requirements thereof or shall fail to comply with any issued orders or notices or who shall erect, install, alter, repair or do work in violation of the approved construction documents or directive of the fire code official, or of a permit or certificate used under provisions of this code, shall be subject to penalties assessed as prescribed in the OCFA Prevention Field Services adopted fee schedule. Each day that a violation continues after due notice has been served shall be deemed a separate offense.

Section 110.4.2, Infraction and misdemeanor, is hereby added as follows:

110.4.2 Infraction and misdemeanor. Persons operating or maintaining any occupancy, premises or vehicle subject to this code that shall permit any fire or life safety hazard to exist on premises under their control shall be guilty of an infraction. Persons who fail to take immediate action to abate a fire or life safety hazard when ordered or notified to do so by the chief or a duly authorized representative are guilty of a misdemeanor.

Chapter 2 – Definitions.

Chapter 2 Definitions is adopted in its entirety with the following amendments:

Section 202, General Definitions, is hereby revised by adding “OCFA” and “Spark Arrester” to read as follows:

202 General Definitions

OCFA: Orange County Fire Authority, fire authority having jurisdiction.

SPARK ARRESTER. A listed device constructed of noncombustible material specifically for the purpose of meeting one of the following conditions:

1. Removing and retaining carbon and other flammable particles/debris from the exhaust flow of an internal combustion engine in accordance with California Vehicle Code Section 38366.

2. Fireplaces that burn solid fuel in accordance with California Building Code Chapter 28.

Chapter 3 - General Requirements.

Chapter 3 General Requirements. Adopt Chapter 3 in its entirety, with the exception of Sections 308.1.4, 311.5 through 311.5.5, 318, and 319, and with the following amendments:

Section 304.1.2, Vegetation, is hereby revised as follows:

304.1.2 Vegetation. ~~Type, amount, or arrangement of weeds, grass, vines or other growth that is capable of being ignited and endangering property needing to comply with OCFA Guidelines, shall be cut, thinned, and removed by the owner or occupant of the premises in accordance with OCFA Guideline C-05 "Vegetation Management Guideline— Technical Design for New Construction, Fuel Modification Plans, and Maintenance Program."~~ Vegetation clearance requirement in urban-wildland interface areas shall be in accordance with Chapter 49. Weeds, grass, vines or other growth that is capable of being ignited and endangering property, shall be cut down and removed by the owner or occupant of the premises. Vegetation clearance requirement in urban-wildland interface areas shall be in accordance with Chapter 49. Type, amount, arrangement, and maintenance of vegetation in a fuel modification area, interior slope, or similarly hazardous area shall be in accordance with OCFA Guideline C-05 "Vegetation Management Guideline— Technical Design for New Construction, Fuel Modification Plans, and Maintenance Program."

Section 305.6, Hazardous ~~Conditions~~conditions, is hereby added to read as follows:

~~Outdoor fires are not allowed when predicted sustained winds exceed 8 MPH during periods when relative humidity is less than 25%, or a red flag condition has been declared or public announcement is made, when an official sign was caused to be posted by the fire code official, or when such fires present a hazard as determined by the fire code official.~~

305.6 Hazardous conditions. Outdoor fires burning wood or other solid fuel are

not allowed when any of the following conditions applies:

1. When predicted sustained winds exceed 8 MPH and relative humidity is less than 25%, or a red flag condition has been declared

2. When an official sign was caused to be posted by the fire code official, or a public announcement is made

No outdoor fires using any fuel type are permitted when predicted sustained winds exceed 20 MPH or when such fires present a hazard as determined by the fire code official.

Section 305.7, Disposal of rubbish, is hereby added to read as follows:

305.7 Disposal of rubbish. Rubbish, trash or combustible waste material shall be burned only within an approved incinerator and in accordance with Section 307.2.1.

Section 307—**OPEN BURNING, RECREATIONAL FIRES AND PORTABLE OUTDOOR FIREPLACES**

307.6 Outdoor Fireplaces, Fire Pits, Fire Rings, or similar devices used at Group R Occupancies. Outdoor fireplaces, fire pits, fire rings, or similar exterior devices used at Group R occupancies shall comply with this section.

Exception: Barbeques, grills, and other portable devices intended solely for cooking.

Section 307.6.1, Gas-fueled devices, is hereby added as follows:

307.6.1 Gas-fueled devices. Outdoor fireplaces, fire pits and similar devices fueled by natural gas or liquefied-petroleum gas are allowed when approved by

the Building Department and the device is designed to only burn a gas flame and not wood or other solid fuel. At R-3 occupancies, combustible construction and vegetation shall not be located within three feet of an atmospheric column that extends vertically from the perimeter of the device. At other R occupancies, the minimum distance shall be ten feet. Where a permanent Building Department approved hood and vent is installed, combustible construction may encroach upon this column between the bottom of the hood and the vent opening. Where chimneys or vents are installed, they shall have a spark arrester as defined in Section 202.

Section 307.6.2, Devices using wood or fuels other than natural gas or liquefied-petroleum gas, is hereby added to read as follows:

307.6.2 Devices using wood or fuels other than natural gas or liquefied-petroleum gas. Permanent outdoor fireplaces burning wood or other solid fuel shall be constructed in accordance with the California Building Code with clearance from combustible construction and building openings as required therein. Fires in a fireplace shall be contained within a firebox with an attached chimney. The opening in the face of the firebox shall have an installed and maintained method of arresting sparks.

The burning of wood or other solid fuel in a device is not allowed within 25 feet of combustible structures unless within an approved permanent fireplace. Conditions which could cause a fire to spread within 25 feet of a structure or to vegetation shall be eliminated prior to ignition. Fires in devices burning wood or solid fuel shall be in accordance with Sections 305, 307, and 308.

Exceptions:

1. Portable fireplaces and fire rings/pits equipped with a device to arrest sparks shall be located at least 3' from combustible construction at R-3 occupancies.
2. Portable fireplaces, and fire pits/rings equipped with a device to arrest sparks, shall be located at least 15 feet from combustible structures at other R occupancies.

Section ~~307.6.2~~ 308.1 ~~Where prohibited.~~ Open-flame cooking devices, is hereby added as follows: deleted without replacement.

~~**307.6.2.1 Where prohibited.** The burning of wood and other solid fuels shall not be conducted within a fuel modification zone, Wildfire Risk Area (WRA), Wildland-Urban Interface Area (WUI), or in locations where conditions could cause the spread of fire to the WRA or WUI.~~

Exceptions:

- ~~1. Permanent fireplaces that are not located in a fuel modification zone~~
- ~~2. Where determined by the Fire Code Official that the location or design of the device should reasonably prevent the start of a wildfire.~~

Section 308.1.6.3. Sky lanterns, is hereby revised to read as follows:

308.1.6.3 Sky lanterns. A person shall not ignite, release, or cause to be released a sky lantern.

Section ~~320~~311.5, Placards – including subsections 311.5.1 through 311.5.5, is deleted without replacement.

Section 318, Laundry Carts, is deleted without replacement.

Section 319 Mobile Food Preparation Vehicles is deleted without replacement.

Section 321, Fuel Modification Requirements for New Construction, is hereby added to read as follows:

~~320~~–321 Fuel Modification Requirements for New Construction. All new structures and facilities adjoining land containing hazardous combustible vegetation shall be approved and in accordance with the requirements of OCFA Guideline C-05 “Vegetation Management Guideline – Technical Design for New Construction Fuel Modification Plans and Maintenance Program.”

Section ~~321~~ 322, Clearance of brush or vegetation growth from roadways, is hereby added to read as follows:

~~321~~ 322 Clearance of brush or vegetation growth from roadways. The fire code official is authorized to cause areas within 10 feet (3048 mm) on each side of portions of highways and private streets which are improved, designed or ordinarily used for vehicular traffic, to be cleared of flammable vegetation and other combustible growth. Measurement shall be from the flow-line or the end of the improved edge of the roadway surfaces.

Exception: Single specimens of trees, ornamental shrubbery or cultivated ground cover such as green grass, ivy, succulents or similar plants used as ground covers, provided that they do not form a means of readily transmitting fire.

Section ~~322~~ 323, Unusual ~~Circumstances~~ circumstances, is hereby added to read as follows:

~~322~~ 323 Unusual circumstances. The fire code official may suspend enforcement of the vegetation management requirements and require reasonable alternative measures designed to advance the purpose of this code if determined that in any specific case that any of the following conditions exist:

1. Difficult terrain.
2. Danger of erosion.
3. Presence of plants included in any state and federal resources agencies, California Native Plant Society and county-approved list of wildlife, plants, rare, endangered and/or threatened species.
4. Stands or groves of trees or heritage trees.
5. Other unusual circumstances that make strict compliance with the clearance of vegetation provisions undesirable or impractical.

Section 324, Use of ~~Equipment~~ equipment, is hereby added to read as follows:

324 Use of equipment. Except as otherwise provided in this section, no person shall use, operate, or cause to be operated in, upon or adjoining any hazardous fire area any internal combustion engine which uses hydrocarbon fuels, unless the engine is equipped with a spark arrester as defined in Section 202 maintained in effective working order, or the engine is constructed, equipped and maintained for the prevention of fire.

Exceptions:

1. Engines used to provide motor power for trucks, truck tractors, buses, and passenger vehicles, except motorcycles, are not subject to this section if the exhaust system is equipped with a muffler as defined in the Vehicle Code of the State of California.
2. Turbocharged engines are not subject to this section if all exhausted gases pass through the rotating turbine wheel, there is no exhaust bypass to the atmosphere, and the turbocharger is in good mechanical condition.

Section ~~323.1~~ 324.1, Use of ~~Equipment~~equipment and ~~Devices Generating Heat, Sparks~~devices generating heat, sparks or ~~Open Flames~~open flames, is hereby added to read as follows:

~~323.1~~ 324.1 Equipment and devices generating heat, sparks or open flames.

During any time of the year within Wildfire Risk Areas, within or immediately adjacent to any forest- or brush-covered land or non-irrigated grass-covered land, no person shall use or operate any welding equipment, cutting torches, tar pots, grinding devices, or other tools or equipment that may produce a spark, fire, or flame that could result in a wildfire without doing the following:

1. First clearing away all flammable material, including snags, from the area around such operation for a distance of 30 feet or other approved method to reduce fire spread into the wildlands. If 30 foot clearing cannot be achieved, then an alternate method shall be approved by the AHJ prior to work starting.
2. Maintain one serviceable round point shovel with an overall length of not less than forty-six (46) inches and one backpack pump water-type fire extinguisher fully equipped and ready for use at the immediate area during the operation.

3. Stop work when winds are 8 MPH or greater during periods when relative humidity is less than 25%, or a red flag condition has been declared or public announcement is made, when an official sign was caused to be posted by the fire code official, or when such fires present a hazard as determined by the fire code official.

4. Keep a cell phone nearby and call 911 immediate in case of fire.

Section ~~323.2~~ 324.2, Spark ~~Arresters~~arresters, is hereby added to read as follows:

~~323.2~~ 324.2 Spark arresters. Spark arresters shall comply with Section 202, and when affixed to the exhaust system of engines or vehicles subject to Section 324 shall not be placed or mounted in such a manner as to allow flames or heat from the exhaust system to ignite any flammable material.

Chapter 4

– Emergency Planning and Preparedness.

~~Chapter 4: Emergency Planning and Preparedness.~~ ~~Adopt only~~Only the following sections, and subsections of Chapter 4, and an amendment listed below to the same, are enacted:

401 – 401.9

402

403.2

403.5 – 403.5.4

403.10.2.1.1

403.13 – 403.13.3

404.5 – 404.6.6

407

Section 407.5, Hazardous Materials Inventory Statement, is revised to read as follows:

407.5 Hazardous Materials Inventory Statement. Where required by the fire code official, each application for a permit shall OCFA's Chemical Classification Packet in accordance with Section 5001.5.2.

Chapter 5

Fire Service Features.

~~Chapter 5 Fire Service Features is adopted in its entirety with the following amendments:~~

~~SECTION~~Section 501.1, Scope, is revised to read as follows:

501.1 Scope. Fire service features for buildings, structures and premises shall comply with this chapter and, where required by the fire code official, with OCFA Guideline B-09, "Fire Master Plan for Commercial & Residential Development." Fire service features for buildings, structures and premises located in State Responsibility Areas, and Local Responsibility Areas designated as Very High Hazard Fire Severity Zone shall also comply with OCFA Guideline B-09a, "Fire Safe Development in State Responsibility Areas, and Local Responsibility Areas designated as Very High Hazard Fire Severity Zone".

Section 510.1, Emergency responder radio coverage in new buildings, is revised to read

as follows:

510.1 Emergency responder radio coverage in new buildings. All new buildings shall have approved radio coverage for emergency responders within the building based upon the existing coverage levels of the public safety communication systems utilized by the jurisdiction, measured at the exterior of the building. This section shall not require improvement of the existing public safety communication systems. The Emergency Responder Radio Coverage System shall comply with the Orange County Sheriff's Department, Communications and Technology Division guidelines and specifications and, where the functionality or performance requirements in the California Fire Code are more stringent, this code.

Exceptions:

1. In buildings or structures where it is determined by the fire code official that the radio coverage system is not needed, including but not limited to the following:

- a. Existing buildings or structures, unless required by the Building Official and OCFA for buildings and structures undergoing extensive remodel and/or expansion.
- b. Elevators.
- c. Structures that meet all of the following:
 - i. Three stories or less, and
 - ii. Do not have subterranean storage or parking, and
 - iii. Do not exceed 50,000 square feet on any single story.
- d. Structures that meet all of the following:
 - i. Residential structures four stories or less, and
 - ii. Constructed of wood, and
 - iii. Do not have subterranean storage or parking, and

- iv. Are not built integral to an above ground multi-story parking structure.

Should a structure that is three stories or less and 50,000 square feet or smaller on any single story include subterranean storage or parking, then this ordinance shall apply only to the subterranean areas.

- 2. In facilities where emergency responder radio coverage is required and such systems, components or equipment required could have a negative impact on the normal operations of the facility, the fire code official shall have the authority to accept an automatically activated emergency radio coverage system.

Section 510.2. Emergency responder radio coverage in existing buildings. is deleted without replacement:

Section 510.3. Permit required. is deleted without replacement.

~~Chapter 6~~ ~~Building Services and Systems~~

~~Chapter 6 Building Services and Systems is adopted in its entirety without amendments:~~

~~Chapter 7~~ ~~Fire and Smoke Protection Features~~

~~Chapter 7 Fire and Smoke Protection Features is adopted in its entirety without amendments.~~

~~Chapter 8~~ ~~Interior Finish, Decorative Materials and Furnishings~~

~~Chapter 8 Interior Finish, Decorative Materials and Furnishings is adopted in its entirety without amendments.~~

Chapter 9 –

Fire Protection and Life Safety Systems

~~Adopt Chapter 9 Fire Protection and Life Safety Systems is adopted in its entirety with the following amendments:-~~

Section 903.2. Where required, is hereby revised to read as follows:

903.2 Where required. Approved automatic sprinkler systems in ~~new~~ buildings and structures shall be provided when one of the following conditions exists:

1. New buildings: Notwithstanding any applicable provisions of Sections 903.2.1 through 903.2.19, an automatic fire-extinguishing system shall also be installed in all occupancies when the total building area exceeds 5,000 square feet as defined in Section 202, regardless of fire areas or allowable area, or is more than two stories in height.

Exception: Subject to approval by the ~~Fire Code Official~~fire code official, open parking garages in accordance with Section 406.5 of the California Building Code.

1. Existing Buildings: Notwithstanding any applicable provisions of this code, an automatic sprinkler system shall be provided in an existing building when an addition occurs and one of the following conditions exists:

- a. When an addition is 33% or more of the existing building area, and the resulting building area exceeds 5000 square feet.
- b. When an addition exceeds 2000 square feet and the resulting building area exceeds 5000 square feet.

- c. An additional story is added above the second floor regardless of fire areas or allowable area.

Exception: Additions to Group R-3 occupancies shall comply with Section 903.2.8 (2).

Section 903.2.8. Group R₁ is hereby revised to read as follows:

903.2.8 Group R. An automatic sprinkler system installed in accordance with Section 903.3 shall be provided throughout all buildings with a Group R fire area as follows:

1. **New Buildings:** An automatic sprinkler system shall be installed throughout all new buildings.
2. **Existing Buildings:** An automatic sprinkler system shall be installed throughout when one of the following conditions exists:
 - a. When an addition is 33% or more of the existing building area as defined in Section 202, and greater than 1000 square feet within a two year period; or,
 - b. An addition when the existing building is already provided with automatic sprinklers; or,
 - c. When an existing Group R Occupancy is being substantially renovated, and where the scope of the renovation is such that the Building Code Official determines that the complexity of installing a sprinkler system would be similar as in a new building.

Exceptions:

1. Existing Group R-3 occupancies converted to Group R-3.1 occupancies and not housing bedridden clients, not housing non-ambulatory clients above the first floor, and not housing clients above the second floor.
2. Existing Group R-3 occupancies converted to Group R-3.1 occupancies housing only one bedridden client and complying with Section 435.8.3.3 of the California Building Code.
3. Pursuant to Health and Safety Code, Section 13113, occupancies housing ambulatory children only, none of whom are mentally ill children or children with intellectual disabilities, and the buildings or portions thereof in which such children are housed are not more than two stories in height, and building or portions thereof housing such children have an automatic fire alarm system activated by approved smoke detectors.
4. Pursuant to Health and Safety Code, Section 13143.6, occupancies licensed for protective social care which house ambulatory clients only, none of whom is a child (under the age of 18 years), or who is elderly (65 years of age or over).

When not used in accordance with Section 504.2 or 506.3 of the California Building Code, an automatic sprinkler system installed in accordance with Section 903.3.1.2 shall be allowed in Group R-2.1 occupancies.

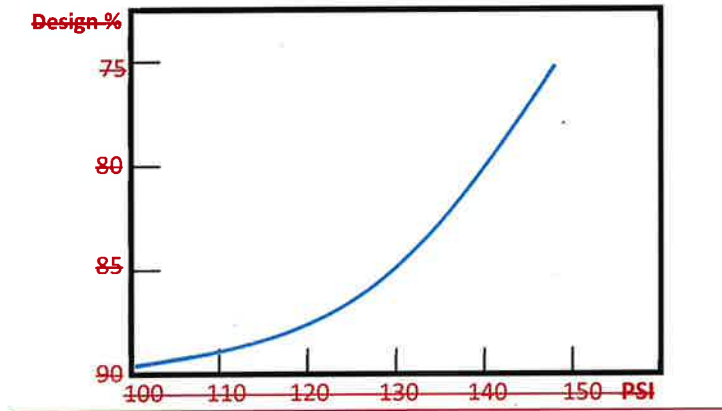
An automatic sprinkler system designed in accordance with Section 903.3.1.3 shall not be utilized in Group R-2.1 or R-4 occupancies.

Section 903.3.5.3, Hydraulically calculated systems, is hereby added to read as follows:

903.3.5.3 Hydraulically calculated systems. The design of hydraulically calculated fire sprinkler systems shall not exceed 90% of the water supply capacity.

Exception: When static pressure exceeds 100 psi, and when required by the fire code official, the fire sprinkler system shall not exceed the water supply capacity specified by Table 903.3.5.3.

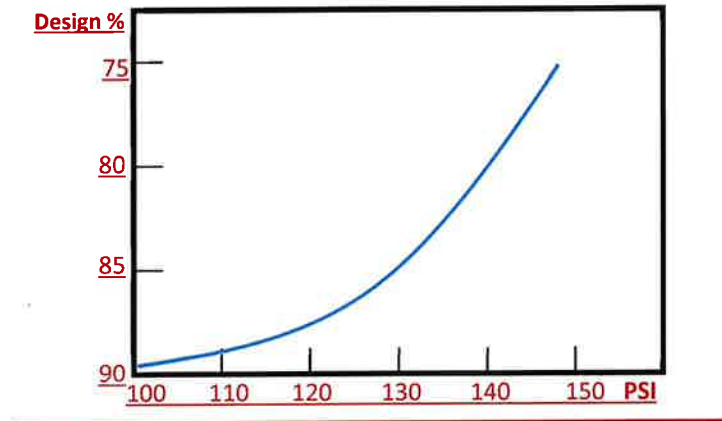
TABLE 903.3.5.3
Hydraulically Calculated Systems



Chapter 10 Means of Egress

~~Chapter 10 Means of Egress is adopted in its entirety without amendments.~~

TABLE 903.3.5.3
Hydraulically Calculated Systems



Chapter 11

Construction Requirements for Existing Buildings.

~~Chapter 11 Construction Requirements for Existing Buildings. Adopt only those~~ Only the following sections and subsections listed below of Chapter 11 are enacted:

1103.7

1103.7.3

1103.7.3.1

1103.7.8 – 1103.7.8.2

1103.7.9 – 1103.7.9.10

1103.8 – 1103.8.5.3

1103.9.1

1107

1113

1114

1115

1116

Chapter 12

Energy Systems

Chapter 12 – Energy Systems is adopted in its entirety with the following amendment added:

Section 1201.1.1, Other Systems, is hereby revised to read as follows:

1201.1.1 Other Systems Where required by the fire code official, other systems and operations including but not limited to battery systems assembly, battery reconditioning and storage, research and development of battery storage systems, electric vehicle manufacturing and testing, and battery charging systems for cars and carts inside of buildings or structures, shall comply with this chapter.

—**Exception:** When approved by the fire code official, charging stations for electric vehicles located in open parking garages of Type I or II construction.

Chapter 20
Aviation Facilities

~~Chapter 20 Aviation Facilities is adopted in its entirety without amendments.~~

Chapter 21
Dry Cleaning

~~Chapter 21 Dry Cleaning is adopted in its entirety without amendments.~~

Chapter 22
Combustible Dust-Producing Operations

~~Chapter 22 Combustible Dust-Producing Operations is adopted in its entirety without amendments.~~

Chapter 23
Motor Fuel-Dispensing Facilities and Repair Garages

~~Chapter 23 Motor Fuel-Dispensing Facilities and Repair Garages is adopted in its entirety without amendments.~~

Chapter 24
Flammable Finishes

~~Chapter 24 Flammable Finishes is adopted in its entirety without amendments.~~

Chapter 25

Fruit and Crop Ripening

~~Chapter 25 Fruit and Crop Ripening~~ is deleted in its entirety.

Chapter 26

Fumigation and Insecticidal Fogging

~~Chapter 26 Fumigation and Insecticidal Fogging~~ is deleted in its entirety.

~~Chapter 27~~

~~Semiconductor Fabrication Facilities~~

~~Chapter 27 Semiconductor Fabrication Facilities~~ is adopted in its entirety without amendments

Chapter 28

Lumber Yards and Agro-Industrial, Solid Biomass and Woodworking Facilities.

~~Chapter 28 Lumber Yards and Agro-Industrial, Solid Biomass and Woodworking Facilities~~ is adopted in its entirety with the following amendments:

Section 2801.2, Permit, is hereby revised to read as follows:

2801.2 Permit. Permits shall be required as set forth in Section 105.6 and 105.6.29.

Section 2808.2. Storage site. is hereby revised to read as follows:

2808.2 Storage site. Storage sites shall be level and on solid ground, elevated soil lifts or other all-weather surface. Sites shall be thoroughly cleaned and approval obtained from the fire code official before transferring ~~wood~~ products to the site.

Section 2808.3. Size of piles. is hereby revised to read as follows:

2808.3 Size of piles. Piles shall not exceed 15 feet in height, 50 feet in width and 100 feet in length.

Exception: The fire code official is authorized to allow the pile size to be increased where a fire protection plan is provided for approval that includes, but is not limited to, the following:

1. Storage yard areas and materials-handling equipment selection, design and arrangement shall be based upon sound fire prevention and protection principles.
2. Factor that lead to spontaneous heating shall be identified in the plan, and control of the various factors shall be identified and implemented, including provisions for monitoring the internal condition of the pile.
3. The plan shall include means for early fire detection and reporting to the public fire department; and facilities needed by the fire department for fire extinguishment including a water supply and fire hydrants.

4. Fire apparatus access roads around the piles and access roads to the top of the piles shall be established, identified and maintained.
5. Regular yard inspections by trained personnel shall be included as part of an effective fire prevention maintenance program.

Additional fire protection called for in the plan shall be provided and shall be installed in accordance with this code. The increase of the pile size shall be based upon the capabilities of the installed fire protection system and features.

Section 2808.4. ~~Pile Separation~~separation. is hereby revised to read as follows:

2808.4. Pile separation. Piles shall be separated from adjacent piles by- minimum distance of 20 feet. Additionally, piles shall have a minimum separation of 100 feet from combustible vegetation.

Section 2808.7. ~~Pile fire protection.~~ is hereby revised to read as follows:

2808.7 Pile fire protection. Automatic sprinkler protection shall be provided in conveyor tunnels and combustible enclosures that pass under a pile. Combustible conveyor systems and enclosed conveyor systems shall be equipped with an approved automatic sprinkler system. Oscillating sprinklers with a sufficient projectile reach are required to maintain a 40% to 60% moisture content and wet down burning/smoldering areas.

Section 2808.9. ~~Material-handling equipment.~~ is hereby revised to read as follows:

2808.9 Material-handling equipment. All material-handling equipment operated by an internal combustion engine shall be provided and maintained with an approved spark arrester. Approved material-handling equipment shall be available for moving wood chips, hogged material, wood fines and raw product during fire-fighting operations.

Section 2808.11. Temperature control₁ is hereby added to read as follows:

2808.11 Temperature control. The temperature shall be monitored and maintained as specified in Sections 2808.11.1 and 2808.11.2.

Section 2808.11.1. Pile temperature control₁ is hereby added to read as follows:

2808.11.1 Pile temperature control. Piles shall be rotated when internal temperature readings are in excess of 165 degrees Fahrenheit.

Section 2808.11.2. New material temperature control₁ is hereby added to read as follows:

2808.11.2 New material temperature control. New loads delivered to the facility shall be inspected and tested at the facility entry prior to taking delivery. Material with temperature exceeding 165 degrees Fahrenheit shall not be accepted on the site. New loads shall comply with the requirements of this chapter and be monitored to verify that the temperature remains stable.

Section 2808.12. Water availability₁ is hereby added to read as follows:

2808.12 Water ~~Availability~~availability. Facilities with over 2500 cubic feet shall provide a water supply. The minimum fire flow shall be no less than 500 GPM @ 20 psi for a minimum of 1 hour duration for pile heights up to 6 feet and 2 hour duration for pile heights over 6 feet. If there is no water purveyor, an alternate water supply with storage tank(s) shall be provided for fire suppression. The water supply tank(s) shall provide a minimum capacity of 2500 gallons per pile (maximum 30,000 gallons) for piles not exceeding 6 feet in height and 5000 gallons per pile (maximum 60,000) for piles exceeding 6 feet in height. Water tank(s) shall not be used for any other purpose unless the required fire flow is left in reserve within the tank at all times. An approved method shall be provided to maintain the required amount of water within the tank(s).

Section 2808.13, Tipping ~~area~~areas, is hereby added to read as follows:

2808.13 Tipping areas. Tipping areas shall comply with the following:

1. Tipping areas shall not exceed a maximum area of 50 feet by 50 feet.
2. Material within a tipping area shall not exceed 5 feet in height at any time.
3. Tipping areas shall be separated from all piles by a 20 foot wide fire access lane.
4. A fire hydrant or approved fire water supply outlet shall be located within 150 feet of all points along the perimeter of the tipping area.
5. All material within a tipping area shall be processed within 5 days of receipt.

Section 2808.14, Emergency ~~Contact~~contact, is hereby added to read as follows:

2808.14 Emergency Contactcontact. The contact information of a responsible person or persons shall be provided to the Fire Department and shall be posted at the entrance to the facility for responding units. The responsible party should be available to respond to the business in emergency situation.

Chapter 29

Manufacture of Organic Coatings

~~Chapter 29 Manufacture of Organic Coatings is adopted in its entirety without amendments.~~

Chapter 30

Industrial Ovens

~~Chapter 30 Industrial Ovens~~ is adopted in its entirety without amendments.

Chapter 31

~~Tents, Temporary Special Event Structures and Other Membrane Structures~~

~~Chapter 31 Temporary Special Event Structures and Other Membrane Structures~~ is adopted in its entirety without amendments.

Chapter 32

~~High-Piled Combustible Storage~~

~~Chapter 32 High-Piled Combustible Storage~~ is adopted in its entirety without amendments.

Chapter 33

~~Fire Safety During Construction and Demolition~~

~~Chapter 33 Fire Safety During Construction and Demolition~~ is adopted in its entirety without amendments.

Chapter 34

~~Tire Rebuilding and Tire Storage~~

~~Chapter 34 Tire Rebuilding and Tire Storage~~ is adopted in its entirety without amendments.

Chapter 35

Welding and Other Hot Work

~~Chapter 35 Welding and Other Hot Work~~ is adopted in its entirety without amendments.

Chapter 36

Marinas

~~Chapter 36 Marinas~~ is adopted in its entirety without amendments.

Chapter 37

Combustible Fibers

~~Chapter 37 Combustible Fibers~~ is adopted in its entirety without amendments.

Chapter 39

Processing and Extraction Facilities

~~Chapter 39 Processing and Extraction Facilities~~ is adopted in its entirety without amendments.

Chapter 48

Motion Picture and Television Production Studio Sound Stages, Approved Production Facilities and Production Locations

~~Chapter 48 Motion Picture and Television Production Studio Sound Stages, Approved Production Facilities and Production Locations~~ is adopted in its entirety without

~~amendments.~~

Chapter 49

Requirements for Wildland-Urban Interface Fire Areas

~~Chapter 49 Requirements for Wildland-Urban Interface Fire Areas~~ is adopted in its entirety with the following amendments:

Section 4906.3, ~~Requirements~~, is hereby revised to read as follows:

4906.3 Requirements. Hazardous vegetation and fuels around all applicable buildings and structure shall be maintained in accordance with the following laws and regulations:

1. Public Resources Code, Section 4291.
2. California Code of Regulations, Title 14, Division 1.5, Chapter 7, Subchapter 3, Section 1299 (see guidance for implementation "General Guideline to Create Defensible Space").
3. California Government Code, Section 51182.
4. California Code of Regulations, Title 19, Division 1, Chapter 7, Subchapter 1, Section 3.07.
5. OCFA Guideline C-05 "Vegetation Management Guideline – Technical Design for New Construction Fuel Modification Plans and Maintenance Program."

Section 4908, Fuel Modification Requirements for New Construction, is hereby added to read as follows:

4908 Fuel Modification Requirements for New Construction. All new buildings to be built or installed in a Wildfire Risk Area shall comply with the following:

1. Preliminary fuel modification plans shall be submitted to and approved by the fire code official prior to or concurrently with the approval of any tentative map.
2. Final fuel modification plans shall be submitted to and approved by the fire code official prior to the issuance of a grading permit.
3. The fuel modification plans shall meet the criteria set forth in the Fuel Modification Section of OCFA Guideline C-05 "Vegetation Management Guideline – Technical Design for New Construction Fuel Modification Plans and Maintenance Program."
- ~~1.43.1~~ The fuel modification plan shall include provisions for the maintenance of the fuel modification in perpetuity.
4. The fuel modification plan may be altered if conditions change. Any alterations to the fuel modification areas shall have prior approval from the fire code official.
5. All elements of the fuel modification plan shall be maintained in accordance with the approved plan and are subject to the enforcement process outlined in the Fire Code.

Chapter 50

Hazardous Materials – General Provisions.

~~Chapter 50 Hazardous Materials—General Provisions is adopted in its entirety with the following amendments.~~

Section 5001.5.2, Hazardous Materials Inventory Statement (HMIS), is hereby revised to read as follows:

5001.5.2 Hazardous Materials Inventory Statement (HMIS). Where required by the fire code official, an application for a permit shall include. Orange County Fire Authority's-Chemical Classification Packet, which shall be completed and approved prior to approval of plans, and/or the storage, use or handling of chemicals on the premises. The Chemical Classification Packet shall include the following information:

1. Product Name.
2. Component.
3. Chemical Abstract Service (CAS) number.
4. Location where stored or used.
5. Container size.
6. Hazard classification.
7. Amount in storage.
8. Amount in use-closed systems.
9. Amount in use-open systems.

Section 5003.1.1.1, Extremely Hazardous Substances, is hereby added to read as follows:

5003.1.1.1 Extremely Hazardous Substances. No person shall use or store any amount of extremely hazardous substances (EHS) in excess of the disclosable amounts (see Health and Safety Code Section 25500 et al) in a residential zoned or any residentially developed property.

~~Chapter 51~~

~~Aerosols~~

~~Chapter 51 Aerosols is adopted in its entirety without amendments.~~

~~Chapter 53~~

~~Compressed Gases~~

~~Chapter 53 Compressed Gases is adopted in its entirety without amendments.~~

~~Chapter 54~~

~~Corrosive Materials~~

~~Chapter 54 Corrosive materials is adopted in its entirety without amendments.~~

~~Chapter 55~~

~~Cryogenic Fluids~~

~~Chapter 55 Cryogenic Fluids is adopted in its entirety without amendments.~~

Chapter 56

— Explosives and Fireworks.

~~Chapter 56 Explosives and Fireworks is adopted in its entirety with the following amendments:~~

Section 5608.2. Firing. is hereby added to read as follows:

5608.2 Firing. All fireworks displays, regardless of mortar, device, or shell size, shall be electrically fired.

Section 5608.3. Application for Permit. is hereby added to read as follows:

Section 5608.3 Application for Permit. A diagram of the grounds on which the display is to be held showing the point at which the fireworks are to be discharged, the fallout area based on 100 feet per inch of shell size, the location of all buildings, roads, and other means of transportation, the lines behind which the audience will be restrained, the location of all nearby trees, telegraph or telephone line, or other overhead obstructions shall be provided to OCFA.

Chapter 57

— Flammable and Combustible Liquids. —

Section 5701.1.1. On-Demand Mobile fueling. is hereby added to read as follows:

Section 5701.1.1 On-Demand Mobile fueling. On-demand mobile fueling of Class I, II, and III liquids into the fuel tanks of vehicles is prohibited.

Chapter 58

Flammable Gases and Flammable Cryogenic Fluids

Chapter 58 Flammable Gases and Flammable Cryogenic Fluids.

Section 5801.1, Scope, is hereby revised to read as follows:

Section 5801.1 Scope. The storage and use of flammable gases and flammable cryogenic fluids shall be in accordance with this chapter, NFPA 2 and NFPA 55. Compressed gases shall also comply with Chapter 53 and cryogenic fluids shall also comply with Chapter 55. Flammable cryogenic fluids shall comply with Section 5806. Hydrogen motor fuel-dispensing stations and repair garages and their associated above-ground hydrogen storage systems shall also be designed, constructed and maintained in accordance with Chapter 23. Mobile fueling of gaseous and liquid hydrogen, compressed natural gas (CNG), and liquefied natural gas (LNG) into the fuel tanks of vehicles is prohibited.

Exceptions:

1. Gases used as refrigerants in refrigeration systems (see Section 605).
2. Liquefied petroleum gases and natural gases regulated by Chapter 61.
3. Fuel-gas systems and appliances regulated under the California Mechanical Code and the California Plumbing Code other than gaseous hydrogen systems and appliances.
4. Pyrophoric gases in accordance with Chapter 64.

Chapter 59

Flammable Solids

~~Chapter 59 Flammable Solids is adopted in its entirety without amendments.~~

Chapter 60

~~Highly Toxic and Toxic Materials~~

~~Chapter 60 Highly Toxic and Toxic Materials is adopted in its entirety without amendments.~~

~~Chapter 61~~

~~Liquefied Petroleum Gases~~

~~Chapter 61 Liquefied Petroleum Gases is adopted in its entirety without amendments.~~

~~Chapter 62~~

~~Organic Peroxides~~

~~Chapter 62 Organic Peroxides is adopted in its entirety without amendments.~~

~~Chapter 63~~

~~Oxidizers, Oxidizing Gases, and Oxidizing Cryogenic Fluids~~

~~Chapter 63 Oxidizers, Oxidizing Gases, and Oxidizing Cryogenic Fluids is adopted in its entirety without amendments.~~

~~Chapter 64~~

~~Pyrophoric Materials~~

~~Chapter 64 Pyrophoric Materials is adopted in its entirety without amendments.~~

~~Chapter 65~~

~~Pyroxylin (Cellulose Nitrate) Plastics~~

~~Chapter 65 Pyroxylin (Cellulose Nitrate) Plastics~~ is adopted in its entirety without amendments.

~~Chapter 66~~

~~Unstable (Reactive) Materials~~

~~Chapter 66 Unstable (Reactive) Materials~~ is adopted in its entirety without amendments.

~~Chapter 67~~

~~Water-Reactive Solids and Liquids~~

~~Chapter 67 Water-Reactive Solids and Liquids~~ is adopted in its entirety without amendments.

Section 5809, Mobile Gaseous Fueling of Hydrogen-Fueled Vehicles, is deleted without replacement.

Chapter 80

Referenced Standards.

~~Chapter 80 Referenced Standards~~ is adopted in its entirety with the following amendments: —

NFPA 13, 2016 Edition, Standard for the Installation of Sprinkler Systems, is hereby amended as follows:

Section 6.7.3 is hereby revised to read as follows:

6.7.3 Fire department connections (FDC) shall be of an approved type. The location shall be approved and be no more than 150 feet from a public hydrant. The FDC may be located within 150 feet of a private fire hydrant when approved by the fire code official. The size of piping and the number of 2½" inlets shall be approved by the fire code official. If acceptable to the water authority, it may be installed on the backflow assembly. Fire department inlet connections shall be painted OSHA safety red or as approved. When the fire sprinkler density design requires more than 500 gpm (including inside hose stream demand), or a standpipe system is included, four 2½" inlets shall be provided.

Section 8.3.3.1 is hereby revised to read as follows:

8.3.3.1 When fire sprinkler systems are installed in shell buildings of undetermined use (Spec Buildings) other than warehouses (S occupancies), fire sprinklers of the quick-response type shall be used. Use is considered undetermined if a specific tenant/occupant is not identified at the time the fire sprinkler plan is submitted. Sprinklers in light hazard occupancies shall be one of the following:

~~(1)~~ 1. Quick-response type as defined in 3.6.4.8.

~~(2)~~ 2. Residential sprinklers in accordance with the requirements of 8.4.5.

~~(3)~~ 3. Quick response CMSA sprinklers.

~~(4)~~ 4. ESFR sprinklers.

~~(5)~~ 5. Standard-response sprinklers used for modifications or additions to existing light hazard systems equipped with standard-response sprinklers.

~~(6)~~ 6. Standard-response sprinklers used where individual standard-response sprinklers are replaced in existing light hazard systems.

Section 8.15.1.2.7 is hereby revised to read as follows:

8.15.1.2.7 Concealed spaces filled with noncombustible insulation shall not require sprinkler protection when approved by the fire code official.

Section 11.1.1.1 is hereby added to read as follows:

11.1.1.1 When fire sprinkler systems are required in buildings of undetermined use other than warehouses, they shall be designed and installed to have a fire sprinkler density of not less than that required for an Ordinary Hazard Group 2 use, with no reduction(s) in density or design area. Warehouse fire sprinkler systems shall be designed to Figure 16.2.1.3.2 (d) curve "G". Use is considered undetermined if a specific tenant/occupant is not identified at the time the sprinkler plan is submitted. Where a subsequent use or occupancy requires a system with greater capability, it shall be the responsibility of the occupant to upgrade the system to the required density for the new use or occupancy.

Section 11.2.3.1.1.1 is hereby added to read as follows:

11.2.3.1.1.1 The available water supply for fire sprinkler system design shall be determined by one of the following methods, as approved by the fire code official:

- ~~1~~1. Subtract the project site elevation from the low water level for the appropriate pressure zone and multiply the result by 0.433;
- ~~2~~2. Use a maximum of 40 psi, if available;
- ~~3~~3. Utilize the OCFA water-flow test form/directions to document a flow test conducted by the local water agency or an approved third party licensed in the State of California.

NFPA 13D 2016 Edition, Standard for the Installation of Sprinkler Systems in One- and Two-Family Dwellings and Manufactured Homes is hereby amended as follows:

Section 7.1.2 is hereby revised to read as follows:

7.1.2 The sprinkler system piping shall not have separate control valves installed unless supervised by a central station, proprietary, or remote station alarm service.

NFPA 14, 2013 Edition, Installation of Standpipe and Hose Systems is hereby amended as follows:-

Section 7.3.1.1 is hereby revised to read as follows:

7.3.1.1 Class I and III Standpipe hose connections shall be unobstructed and shall be located not less than 18 inches or more than 24 inches above the finished floor. Class II Standpipe hose connections shall be unobstructed and shall be located not less than 3 feet or more than 5 feet above the finished floor.

NFPA 24, 2016 Edition, Standard for the Installation of Private Fire Service Mains and Their Appurtenances is hereby amended as follows:

Section 6.2.8.1 is hereby added to read as follows:

6.2.8.1 All indicating valves controlling fire suppression water supplies shall be painted OSHA red.

Exceptions:

1. Brass or bronze valves on sprinkler risers mounted to the exterior of the building may be left unpainted.
2. Where OS&Y valves on the detector check assembly are the only control valves, at least one OS&Y valve shall be painted red.

Section 6.2.9 is hereby amended as follows:

6.2.9 All connections to private fire service mains for fire protection systems shall be arranged in accordance with one of the following so that they can be isolated:-

~~(1)~~1. A post indicator valve installed not less than 40 ft (12 m) from the building

(a) For buildings less than 40 ft (12 m) in height, a post indicator valve shall be permitted to be installed closer than 40 ft (12 m) but at least as far from the building as the height of the wall facing the post indicator valve.

~~(2)~~2. A wall post indicator valve.

~~(3)~~3. An indicating valve in a pit, installed in accordance with Section 6.4.

~~(4)~~4. A backflow preventer with at least one indicating valve not less than 40 ft (12 m) from the building.

(a) For buildings less than 40 ft (12 m) in height, a backflow preventer with at least one indicating valve shall be permitted to be installed closer than 40 ft (12 m) but at least as far from the building as the height of the wall facing the backflow preventer.

~~(5)~~5. Control valves installed in a fire-rated room accessible from the exterior.

~~(6)~~6. Control valves in a fire-rated stair enclosure accessible from the exterior.

Section 10.1.5 is hereby added to read as follows:

10.1.5 All ferrous pipe and joints shall be polyethylene encased per AWWA C150, Method A, B, or C. All fittings shall be protected with a loose 8-mil polyethylene tube or sheet. The ends of the tube or sheet shall extend past the joint by a minimum of 12 inches and be sealed with 2 inch wide tape approved for underground use. Galvanizing does not meet the requirements of this section.

Exception: 304 or 316 Stainless Steel pipe and fittings.

Section 10.4.1.1 is hereby revised to read as follows:

10.4.1.1 All bolted joint accessories shall be cleaned and thoroughly coated with asphalt or other corrosion-retarding material after installation.

— **Exception:** Bolted joint accessories made from 304 or 316 stainless steel.

Section 10.4.1.1.1 is hereby added to read as follows:

10.4.1.1.1 All bolts used in pipe-joint assembly shall be 316 stainless steel.

Section 10.4.3.2 is hereby ~~deleted and replaced~~ revised to read as follows:

10.4.3. Where fire service mains enter the building adjacent to the foundation, the pipe may run under a building to a maximum of 24 inches, as measured from the interior face of the exterior wall to the center of the vertical pipe. The pipe under the building or building foundation shall be 304 or 316 stainless steel and shall not contain mechanical joints or it shall comply with 10.4.3.2.1 through 10.4.3.2.4.

Appendices

~~Appendix A~~ is deleted in its entirety without amendments.

~~Appendix B~~ is adopted in its entirety without amendments outlined in Guideline B-09.

~~Appendix BB~~ is adopted in its entirety without amendments.

~~Appendix C~~ is adopted in its entirety without amendments.

~~Appendix CC~~ is adopted in its entirety without amendments.

~~Appendix D~~ is deleted in its entirety without amendments.

~~Appendix E~~ is deleted in its entirety without amendments.

~~Appendix F~~ is deleted in its entirety without amendments.

~~Appendix G~~ is deleted in its entirety without amendments.

~~Appendix H~~ is deleted in its entirety without amendments.

~~Appendix I~~ is deleted in its entirety without amendments.

~~Appendix J~~ is deleted in its entirety without amendments.

~~Appendix K~~ is deleted in its entirety without amendments.

~~Appendix L is deleted in its entirety without amendments.~~

~~Appendix M is deleted in its entirety without amendments.~~

~~Appendix N is deleted in its entirety without amendments.~~

~~Appendix O is deleted in its entirety without amendments.~~

California Building Code Redline



**Chapter 10-28
CALIFORNIA BUILDING CODE***

**Chapter 2,
Definitions.**

202 General Definitions

OCFA: Orange County Fire Authority, fire authority having jurisdiction.

SPARK ARRESTER. A listed device constructed of noncombustible material specifically for the purpose of meeting one of the following conditions:

- 1.** ~~1.~~ Removing and retaining carbon and other flammable particles/debris from the exhaust flow of an internal combustion engine in accordance with California Vehicle Code Section [38366](#).
- 2.** ~~2.~~ Fireplaces that burn solid fuel in accordance with California Building Code Chapter 28.

**Chapter 5
General Building Heights and Areas**

Section 502.1 Address identification is hereby revised as follows:

502.1 Address identification. New and existing buildings shall be provided with approved address identification. The address identification shall be legible and placed in a position that is visible from the street or road fronting the property. Address identification characters shall contrast with their background. Address numbers shall be Arabic numbers or alphabetical letters. Numbers shall not be spelled out. Each character shall be not less than 4 inches in height with a stroke width of not less than 0.5 inch. For R-3 and other occupancies the numbers shall be a minimum of 6 inches high with a minimum stroke width of 1 inch. Where required by the fire code official, address identification shall be provided in additional approved locations to facilitate emergency response. Where access is by means of a private road and the building address cannot be viewed from the public way, a monument, pole or other sign or means shall be used to identify the structure. Address identification shall be maintained.

**Chapter 7A,
Materials and Construction Methods for Exterior Wildfire Exposure,**

Adopt Chapter 7A Materials and Construction Methods for Exterior Wildfire Exposure in its entirety with the following amendments:

Section 701A.3, Application, is hereby revised ~~to read~~ as follows:

701A.3 Application. New buildings located in any Fire Hazard Severity Zone or any Wildland-Urban Interface Fire Area designated by the enforcing agency constructed after the application date, and additions to and remodel of buildings constructed before 2012 located in areas currently designated as such, shall comply with the provisions of this chapter. The provisions shall also apply to additions, remodels, and accessory structures located within 100 feet of a fuel modification zone, vegetation management area, or similar area containing hazardous combustible vegetation, regardless of whether the property is currently located in a designated Fire Hazard Severity Zone or Wildland-Urban Interface Fire Area, when materials and/or construction methods for exterior wildfire exposure were previously required at the property by the Building or Fire Code Official ~~at the time of construction.~~

Exceptions:

- 1.** ~~1.~~ Buildings of an accessory character classified as a Group U occupancy and not exceeding 120 square feet in floor area, when located at least 30 feet from the applicable building.
- 2.** ~~2.~~ Buildings of an accessory character classified as a Group U occupancy of any size located least 50 feet from an applicable building.
- 3.** ~~3.~~ Buildings classified as a Group U Agricultural Building, as defined in Section 202 of this code (see also Appendix C – Group U Agricultural Buildings), when located at least 50 feet from an applicable building.

~~Section 710A.3.2 is hereby revised to read as follows:~~

~~**710A.3.2** Detached accessory structures within 50 feet of an applicable building shall comply with the requirements of this section.~~

~~Section 710A.4, Requirements, is hereby revised to read
as follows:~~

~~**710A.4 Requirements.** Accessory structures shall be constructed of non-combustible or ignition-resistant materials.~~

Chapter 9 Fire Protection Systems

903.2 Where required. Approved automatic sprinkler systems in buildings and structures shall be provided when one of the following conditions exists:

1. **New buildings:** Notwithstanding any applicable provisions of Sections 903.2.1 through 903.2.19, an automatic fire-extinguishing system shall also be installed in all occupancies when the total building area exceeds 5,000 square feet as defined in Section 202, regardless of fire areas or allowable area, or is more than two stories in height.

Exception: Subject to approval by the Fire Code Official, open parking garages in accordance with Section 406.5 of the California Building Code.

2. **Existing Buildings:** Notwithstanding any applicable provisions of this code, an automatic sprinkler system shall be provided in an existing building when an addition occurs and one of the following conditions exists:
 - a. When an addition is 33% or more of the existing building area, and the resulting building area exceeds 5,000 square feet
 - b. When an addition exceeds 2,000 square feet and the resulting building area exceeds 5,000 square feet.
 - c. An additional story is added above the second floor regardless of fire areas or allowable area.

Exception: Additions to Group R-3 occupancies shall comply with Section 903.2.8 (2).

Section 903.2.8, Group R, is hereby revised to read as follows:

903.2.8 Group R. An automatic sprinkler system installed in accordance with Section 903.3 shall be provided throughout all buildings with a Group R fire area as follows:

1. **New Buildings:** An automatic sprinkler system shall be installed throughout all new buildings.

2. **Existing R-3 Buildings:** An automatic sprinkler system shall be installed throughout when one of the following conditions exists:
 - a. When an addition is 33% or more of the existing building area as defined in Section 202, and greater than 1,000 square feet within a two year period; or,
 - b. An addition when the existing building is already provided with automatic sprinklers; or,
 - c. When an existing Group R Occupancy is being substantially renovated, and where the scope of the renovation is such that the Building Code Official determines that the complexity of installing a sprinkler system would be similar as in a new building.

Exceptions:

1. Existing Group R-3 occupancies converted to Group R-3.1 occupancies and not housing bedridden clients, not housing nonambulatory clients above the first floor, and not housing clients above the second floor.
2. Existing Group R-3 occupancies converted to Group R-3.1 occupancies housing only one bedridden client and complying with Section 435.8.3.3 of the California Building Code.
3. Pursuant to Health and Safety Code, Section [13113](#), occupancies housing ambulatory children only, none of whom are mentally ill children or children with intellectual disabilities, and the buildings or portions thereof in which such children are housed are not more than two stories in height, and building or portions thereof housing such children have an automatic fire alarm system activated by approved smoke detectors.
4. Pursuant to Health and Safety Code, Section [13143.6](#), occupancies licensed for protective social care which house ambulatory clients only, none of whom is a child (under the age of 18 years), or who is elderly (65 years of age or over).

When not used in accordance with Section 504.2 or 506.3 of the California Building Code, an automatic sprinkler system installed in accordance with Section 903.3.1.2 shall be allowed in Group R-2.1 occupancies.

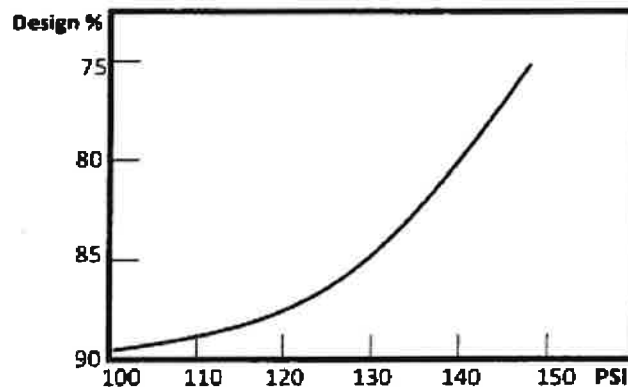
An automatic sprinkler system designed in accordance with Section 903.3.1.3 shall not be utilized in Group R-2.1 or R-4 occupancies.

Section 903.3.5.3, Hydraulically calculated systems, is hereby added as follows:

903.3.5.3 Hydraulically calculated systems. The design of hydraulically calculated fire sprinkler systems shall not exceed 90% of the water supply capacity.

Exception: When static pressure exceeds 100 psi, and when required by the fire code official, the fire sprinkler system shall not exceed the water supply capacity specified by Table 903.3.5.3.

TABLE 903.3.5.3
Hydraulically Calculated Systems



Chapter 35- Referenced Standards-

~~NFPA 13, 2016 Edition, Standard for the Installation of Sprinkler Systems, is hereby amended as follows:~~

~~Section 6.7.3 is hereby revised to read as follows:~~

~~6.7.3 Fire department connections (FDC) shall be of an approved type. The location shall be approved and be no more than 150 feet from a public hydrant. The FDC may be located within 150 feet of a private fire hydrant when approved by the fire code official. The size of piping and the number of 2-1/2" inlets shall be approved by the fire code official. If acceptable to the water authority, it may be installed on the backflow assembly. Fire department inlet connections shall be painted OSHA safety red or as approved. When the fire sprinkler density design requires more than 500~~

~~gpm (including inside hose stream demand), or a standpipe system is included, four 2 1/2" inlets shall be provided.~~

~~Section 8.3.3.1 is hereby revised to read as follows:~~

~~8.3.3.1 When fire sprinkler systems are installed in shell buildings of undetermined use (Spec Buildings) other than warehouses (S occupancies), fire sprinklers of the quick-response type shall be used. Use is considered undetermined if a specific tenant/occupant is not identified at the time the fire sprinkler plan is submitted. Sprinklers in light hazard occupancies shall be one of the following:~~

- ~~1. Quick response type as defined in 3.6.4.8~~
- ~~2. Residential sprinklers in accordance with the requirements of 8.4.5~~
- ~~3. Quick response CMSA sprinklers~~
- ~~4. ESFR sprinklers~~
- ~~5. Standard response sprinklers used for modifications or additions to existing light hazard systems equipped with standard response sprinklers~~
- ~~6. Standard response sprinklers used where individual standard response sprinklers are replaced in existing light hazard systems~~

~~Section 11.1.1.1 is hereby added as follows:~~

~~11.1.1.1 When fire sprinkler systems are required in buildings of undetermined use other than warehouses, they shall be designed and installed to have a fire sprinkler density of not less than that required for an Ordinary Hazard Group 2 use, with no reduction(s) in density or design area. Warehouse fire sprinkler systems shall be designed to Figure 16.2.1.3.2 (d) curve "G". Use is considered undetermined if a specific tenant/occupant is not identified at the time the sprinkler plan is submitted. Where a subsequent use or occupancy requires a system with greater capability, it shall be the responsibility of the occupant to upgrade the system to the required density for the new use or occupancy.~~

~~Section 11.2.3.1.1.1 is hereby added as follows:~~

~~11.2.3.1.1.1 The available water supply for fire sprinkler system design shall be determined by one of the following methods, as approved by the fire code official:~~

- ~~1. Subtract the project site elevation from the low water level for the appropriate pressure zone and multiply the result by 0.433;~~
- ~~2. Use a maximum of 40 psi, if available;~~
- ~~3. Utilize the OCFA water flow test form/directions to document a flow test conducted by the local water agency or an approved third party licensed in the State of California.~~

~~NFPA 13D, 2016 Edition, Standard for the Installation of Sprinkler Systems in One and Two Family Dwellings and Manufactured Homes, is hereby amended as follows:~~

~~Section 7.1.2 is hereby revised to read as follows:~~

~~7.1.2 The sprinkler system piping shall not have separate control valves installed unless supervised by a central station, proprietary, or remote station alarm service.~~

~~NFPA 14, 2013 Edition, Installation of Standpipe and Hose Systems, is hereby amended as follows:~~

~~Section 7.3.1.1 is hereby revised to read as follows:~~

~~7.3.1.1 Class I and III Standpipe hose connections shall be unobstructed and shall be located not less than 18 inches or more than 24 inches above the finished floor. Class II Standpipe hose connections shall be unobstructed and shall be located not less than 3 feet or more than 5 feet above the finished floor.~~

~~NFPA 24, 2016 Edition, Standard for the Installation of Private Fire Service Mains and Their Appurtenances, is hereby amended as follows:~~

~~Section 6.2.8.1 is hereby added as follows:~~

~~6.2.8.1 All indicating valves controlling fire suppression water supplies shall be painted OSHA red.~~

Exceptions:

1. ~~Brass or bronze valves on sprinkler risers mounted to the exterior of the building may be left unpainted.~~
2. ~~Where OS&Y valves on the detector check assembly are the only control valves, at least one OS&Y valve shall be painted red.~~

Section 6.2.9 is hereby revised to read as follows:

~~All connections to private fire service mains for fire protection systems shall be arranged in accordance with one of the following so that they can be isolated:~~

- (1) ~~A post indicator valve installed not less than 40 ft (12 m) from the building~~
 - (a) ~~For buildings less than 40 ft (12 m) in height, a post indicator valve shall be permitted to be installed closer than 40 ft (12 m) but at least as far from the building as the height of the wall facing the post indicator valve.~~
- (2) ~~A wall post indicator valve~~
- (3) ~~An indicating valve in a pit, installed in accordance with Section 6.4~~
- (4) ~~A backflow preventer with at least one indicating valve not less than 40 ft (12 m) from the building~~
 - (a) ~~For buildings less than 40 ft (12 m) in height, a backflow preventer with at least one indicating valve shall be permitted to be installed closer than 40 ft (12 m) but at least as far from the building as the height of the wall facing the backflow preventer.~~
- (5) ~~Control valves installed in a fire-rated room accessible from the exterior~~
- (6) ~~Control valves in a fire-rated stair enclosure accessible from the exterior~~

Section 10.1.5 is hereby added as follows:

10.1.5 ~~All ferrous pipe and joints shall be polyethylene encased per AWWA C150, Method A, B, or C. All fittings shall be protected with a loose 8-mil polyethylene tube or sheet. The ends of the tube or sheet shall extend past the joint by a minimum of~~

~~12 inches and be sealed with 2 inch wide tape approved for underground use.
Galvanizing does not meet the requirements of this section.~~

~~Exception: 304 or 316 Stainless Steel pipe and fittings.~~

~~Section 10.4.1.1 is hereby revised to read as follows:~~

~~10.4.1.1 All bolted joint accessories shall be cleaned and thoroughly coated with asphalt or other corrosion-retarding material after installation.~~

~~Exception: Bolted joint accessories made from 304 or 316 stainless steel.~~

~~Section 10.4.1.1.1 is hereby added as follows:~~

~~10.4.1.1.1 All bolts used in pipe joint assembly shall be 316 stainless steel.~~

~~Section 10.4.3.2 is hereby revised to read as follows:~~

~~10.4.3.2 Where fire service mains enter the building adjacent to the foundation, the pipe may run under a building to a maximum of 24 inches, as measured from the interior face of the exterior wall to the center of the vertical pipe. The pipe under the building or building foundation shall be 304 or 316 stainless steel and shall not contain mechanical joints or it shall comply with 10.4.3.2.1 through 10.4.3.2.4.~~

~~{Ord. 2016-7 § 2 (part); Ord. 2013-3 § 2 (part); Ord. 2010-3 § 2 (part); Ord. 07-3 § 2 (part), 2007}~~

California Residential Code Redline



Chapter 2, Definitions.

Chapter 2 Definitions.

Section 202 Definitions is hereby revised by adding “OCFA” and “Spark Arrester” as follows:

OCFA: - Orange County Fire Authority, fire authority having jurisdiction.

SPARK ARRESTER. - A listed device constructed of noncombustible material specifically for the purpose of meeting one of the following conditions:

3. Removing and retaining carbon and other flammable particles/debris from the exhaust flow of an internal combustion engine in accordance with California Vehicle Code Section [38366](#).
4. Fireplaces that burn solid fuel in accordance with California Building Code Chapter 28.

Chapter 3, Building Planning.

Chapter 3 Building Planning

Section R301.9 Fuel Modification Requirements for New Construction, is hereby added as follows:

R301.9 Fuel Modification Requirements for New Construction. All new structures and facilities adjoining land containing hazardous combustible vegetation shall be approved and in accordance with the requirements of OCFA Guideline C-05 “Vegetation Management Guideline – Technical Design for new Construction Fuel Modification Plans and Maintenance Program.”

Section R309.6, Fire sprinkler attached garages, and carports with habitable space above, is hereby amended by modifying the exception to read as follows:

Exception: - An automatic residential fire sprinkler system shall not be required when additions or alterations are made to existing carports and/or garages that do not have an automatic residential fire sprinkler system installed unless a sprinkler

system is required in accordance with California Fire Code Section 903.2.8.

Section R313.1 Townhouse automatic fire sprinkler systems is hereby amended by modifying the exception to read as follows:

Exception: An automatic residential fire sprinkler system shall not be required when additions or alterations are made to existing townhouses that do not have an automatic fire sprinkler system installed unless a sprinkler system is required in accordance with California Fire Code Section 903.2.8.

Section R313.2 One- and two-family dwellings automatic fire sprinkler systems is hereby amended by modifying the exception to read as follows:

Exception: An automatic residential fire sprinkler system shall not be required for additions or alterations to existing buildings that are not already provided with an automatic residential sprinkler system unless a sprinkler system is required in accordance with California Fire Code, OCFA Local Amendments Section 903.2.8.

Section R313.3.6.2.2, Calculation procedure, is hereby revised to read as follows:

Section R313.3.6.2.2 Calculation procedure. Determination of the required size for water distribution piping shall be in accordance with the following procedure and California Fire Code Section 903.3.5.3.

(The remainder of the section is unchanged)

Section R337.1.3 Application is hereby revised as follows:

R337.1.3 Application. New buildings located in any Fire Hazard Severity Zone or any Wildland-Urban Interface Fire Area designated by the enforcing agency constructed after the application date, and additions to and remodel of buildings constructed before 2012 located in areas currently designated as such, shall comply with the provisions of this chapter. The provisions shall also apply to additions, remodels, and accessory structures located within 100 feet of a fuel modification zone, vegetation management area, or similar area containing hazardous combustible vegetation, regardless of whether the property is currently located in a designated Fire Hazard Severity Zone or Wildland-Urban Interface Area, when materials and/or construction methods for exterior wildfire exposure were previously required at the property by the Building or Fire Code Official.

Exceptions:

- 1. Buildings of an accessory character classified as a Group U occupancy and not exceeding 120 square feet in floor area, when located at least 30 feet from an applicable building.**

2. Buildings of an accessory character classified as a Group U occupancy of any size located at least 50 feet from an applicable building.
3. Buildings classified as a Group U Agricultural Building, as defined in Section 202 of this code (see also Appendix C – Group U Agricultural Buildings), when located at least 50 feet from an applicable building.

Chapter 10, Chimneys and Fireplaces.

Section R1001.13 Outdoor Fireplaces, Fire Pits, Fire Rings, or similar devices is hereby added as follows:

R1001.13 Outdoor Fireplaces, Fire Pits, Fire Rings, or similar devices.

Outdoor fireplaces, fire pits, fire rings, or similar exterior devices shall comply with this section.

Exception: Barbeques, grills, and other portable devices intended solely for cooking

Section R1001.13.1 Gas-fueled devices is hereby added as follows:

R1001.13.1 Gas-fueled devices. Outdoor fireplaces, fire pits and similar devices fueled by natural gas or liquefied-petroleum gas are allowed when approved by the Building Department and the device is designed to only burn a gas flame and not wood or other solid fuel. At R-3 occupancies, combustible construction shall not be located within three feet of an atmospheric column that extends vertically from the perimeter of the device. Where a permanent Building Department approved hood and vent is installed, combustible construction may encroach upon this column between the bottom of the hood and the vent opening. Where chimneys or vents are installed, they shall have a spark arrester in accordance with Section R1003.9.2.

Chapter 44, Referenced Standards.

~~NFPA 13, 2016 Edition, Standard for the Installation of
Sprinkler Systems, is hereby amended as follows:~~

(R-3 Occupancy related standards are included)

Chapter 44 Referenced Standards is adopted in its entirety with the following amendments:

Section 8.15.1.2.7 ~~6.7.3~~ is hereby revised to read as follows:

~~6.7.3 Fire department connections (FDC) shall be of an approved type. The location shall be approved and be no more than 150 feet from a public hydrant. The FDC may be located within 150 feet of a private fire hydrant when approved by the fire code official. The size of piping and the number of 2½" inlets shall be approved by the fire code official. If acceptable to the water authority, it may be installed on the backflow assembly. Fire department inlet connections shall be painted OSHA safety red or as approved. When the fire sprinkler density design requires more than 500 gpm (including inside hose stream demand), or a standpipe system is included, four 2½" inlets shall be provided.~~

8.15.1.2.7 Concealed spaces filled with noncombustible insulation shall not require sprinkler protection when approved by fire code official.

Section ~~8.3.3.1~~ is hereby revised to read as follows:

~~8.3.3.1 When fire sprinkler systems are installed in shell buildings of undetermined use (Spec Buildings) other than warehouses (S occupancies), fire sprinklers of the quick-response type shall be used. Use is considered undetermined if a specific tenant/occupant is not identified at the time the fire sprinkler plan is submitted. Sprinklers in light hazard occupancies shall be one of the following:~~

- ~~1. Quick response type as defined in 3.6.4.8~~
- ~~2. Residential sprinklers in accordance with the requirements of 8.4.5~~
- ~~3. Quick response CMSA sprinklers~~
- ~~4. ESFR sprinklers~~
- ~~5. Standard response sprinklers used for modifications or additions to existing light hazard systems equipped with standard response sprinklers~~
- ~~6. Standard response sprinklers used where individual standard response sprinklers are replaced in existing light hazard systems~~

Section 11.1.1.1 is hereby added as follows:

11.1.1.1 When fire sprinkler systems are required in buildings of undetermined use other than warehouses, they shall be designed and installed to have a fire sprinkler density of not less than that required for an Ordinary Hazard Group 2 use, with no reduction(s) in density or design area. Warehouse fire sprinkler systems shall be designed to Figure 16.2.1.3.2 (d) curve "G". Use is considered undetermined if a specific tenant/occupant is not identified at the time the

sprinkler plan is submitted. Where a subsequent use or occupancy requires a system with greater capability, it shall be the responsibility of the occupant to upgrade the system to the required density for the new use or occupancy.

Section 11.2.3.1.1.1 is hereby added as follows:

11.2.3.1.1.1 The available water supply for fire sprinkler system design shall be determined by one of the following methods, as approved by the fire code official:

1. Subtract the project site elevation from the low water level for the appropriate pressure zone and multiply the result by 0.433;
2. Use a maximum of 40 psi, if available;
3. Utilize the OCFA water-flow test form/directions to document a flow test conducted by the local water agency or an approved third party licensed in the State of California.

NFPA 13D, 2016 Edition, Standard for the Installation of Sprinkler Systems in One- and Two-Family Dwellings and Manufactured Homes is hereby amended as follows:

Section 7.1.2 is hereby revised to read as follows:

7.1.2 The sprinkler system piping shall not have separate control valves installed unless supervised by a central station, proprietary, or remote station alarm service.



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: November 26, 2019
TO: Mayor and Council Members
FROM: Donald J. White
City Manager
ISSUE: Deposit/Reimbursement Agreement with MGP Fund X Laguna Hills, LLC

RECOMMENDATION: That the City Council approve the Deposit/Reimbursement Agreement with MGP Fund X Laguna Hills, LLC, and authorize the City Manager to execute the Agreement.

SUMMARY:

In May of 2013, Merlone-Geier Partners (MGP) purchased the Laguna Hills Mall. On March 22, 2016, the City Council and Planning Agency adopted Resolution No. PA2016-03-22-01, which approved a series of entitlements for the redevelopment of the Mall site. MGP has informed the City that it does not intend to move forward with the project approved in 2016, and on November 4, 2019, submitted a new application to redevelop the site. The new project was presented to the City Council by MGP at the November 12, 2019, City Council meeting.

As a result of this new submittal, the City is required to evaluate the new project and process associated entitlements for the City Council's consideration at a public hearing. This is an extensive and expensive process. To ensure that all costs associated with the new project are borne by MGP, staff has negotiated the attached Deposit/Reimbursement Agreement with MGP. This Agreement ensures that there is no General Fund impact with respect to evaluating the project and processing the necessary entitlements by requiring an initial deposit of \$250,000. The City may draw upon the Deposit Funds to pay any fees or costs including, but not limited to, City staff time and apportioned overhead costs; fees and expenses of the City Attorney and any other

Deposit/Reimbursement Agreement with MGP Fund X Laguna Hills, LLC

November 26, 2019

Page 2

consultants retained by the City. The Agreement includes a provision that the City will be reimbursed for fees and costs incurred by the City on or after June 1, 2018. If additional funds are needed, the Agreement requires that the Developer make additional deposits. Staff recommends approval of the Agreement.

FISCAL IMPACT:

This Agreement ensures that there will be no fiscal impact to the General Fund.

ATTACHMENTS:

- Deposit and Reimbursement Agreement

DEPOSIT/REIMBURSEMENT AGREEMENT

THIS DEPOSIT/REIMBURSEMENT AGREEMENT (hereinafter “Agreement”) is made and entered into, to be effective this 26th day of November 2019 (hereinafter “Effective Date”), by and between the CITY OF LAGUNA HILLS, a municipal corporation organized and existing under the laws of the State of California (hereinafter referred to as “City”), and MGP FUND X LAGUNA HILLS, LLC, a Delaware Limited Liability Company (hereinafter referred to as “Developer”). City and Developer are sometimes hereinafter individually referred to as “Party” and are hereinafter collectively referred to as the “Parties.”

RECITALS

- A. Developer is currently in the process of redeveloping the Laguna Hills Mall property located at 24155 Paseo Five Lagunas (formerly 24155 Laguna Hills Mall), known as the Five Lagunas Project (the “5L Project”), in accordance with a series of land use entitlements approved by the City’s City Council and Planning Agency on March 22, 2016 pursuant to Resolution No. PA2016-03-22-1 and Final Tract Map No. 18115 approved by the City Council July 10, 2018 (collectively, the “5L Project Entitlements”). The 5L Project authorizes the redevelopment of the Laguna Hills Mall as a mixed-use town center contemplated by the Urban Village Specific Plan, including 616,013-square feet of retail use, 115,354-square feet of restaurant use, a 109,070-square foot cinema, a 40,102-square foot health club, 45,890-square feet of flex retail/medical office space, and 988 residential units. To date, Developer has implemented the 5L Project Entitlements by demolishing certain of the existing improvements at the Laguna Hills Mall, preparing the site in accordance with the 5L Project Entitlements, commencing construction of preliminary stages of redevelopment consistent with the 5L Project Entitlements, and filing and recording a first phased final map.

- B. Developer now anticipates submitting one or more applications with the City for new land use entitlements for an alternate redevelopment project that would replace and supersede the 5L Project Entitlements (the “New MGP Project”). The requested entitlements for the anticipated New MGP Project may include, without limitation, one or more Site Development Permits, a Tentative Map, a Precise Plan, a Parking Use Permit, one or more Conditional Use Permits, and a Master Sign Program (collectively, the “New MGP Project Entitlements”). In addition, certain legislative actions may be requested or could be necessary to facilitate and implement the contemplated New MGP Project Entitlements, including, without limitation, adoption of an amendment to the City’s General Plan, adoption of one or more amendments to the City’s Zoning and Development Code, adoption of one or more amendments to the City’s Urban Village Specific Plan, and/or the negotiation and adoption of a Development Agreement (collectively, potential “Legislative Actions”). If the City considers the New MGP Project, it must also review it pursuant to the provisions of the California Environmental Quality Act (“CEQA”) and pursuant to an economic impact analysis.

- C. If Developer pursues the New MGP Project, Developer desires the City to prioritize and expedite processing and consideration of the New MGP Project Entitlements and related Legislative Actions. In consideration of City's agreement to do so, Developer is willing to reimburse City for all costs incurred by City in conjunction with the anticipated New MGP Project in accordance with the terms of this Agreement.
- D. The purpose of this Agreement is to set forth the terms pursuant to which Developer will reimburse City for all fees and costs incurred by City in evaluating, processing, and preparing: the New MGP Project; the requested New MGP Project Entitlements; any and all related requested or necessary Legislative Actions; the necessary environmental review pursuant to CEQA; the resolutions, ordinances, and/or land use plan documents for any required Legislative Actions; a proposed Development Agreement; an economic impact analysis; and the same for potential future City Council consideration.

NOW, THEREFORE, in consideration of the promises and mutual obligations, covenants, and conditions contained herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. Incorporation of Recitals. The Parties agree that the Recitals above constitute the factual basis upon which City and Developer have entered into this Agreement. City and Developer each acknowledge the accuracy of the Recitals and agree that the Recitals are hereby incorporated into this Agreement.
2. No Waiver of City's Discretionary Authority. Developer and City acknowledge and agree that the Planning Agency and City Council retain all discretion granted to them under law in considering the New MGP Project, the requested New MGP Project Entitlements, and all related requested or necessary Legislative Actions and that nothing in this Agreement is intended to limit their discretionary powers or waive any third-party procedural due process rights.
3. Expedited Processing. City will make a good faith effort to prioritize and expedite its review and evaluation of the proposed New MGP Project and the processing of any requested New MGP Project Entitlements and related Legislative Actions for City Council and Planning Agency consideration, provided, however, that nothing in this Agreement shall be construed to require City to act in a manner other than in accordance with applicable law and established City policy. In the event Developer determines that City has failed to prioritize and/or expedite its review and evaluation of the proposed New MGP Project and/or the processing of any requested New MGP Project Entitlements and related Legislative Actions to Developer's satisfaction, Developer's sole remedy shall be to terminate this Agreement pursuant to Paragraph 19, herein. In no case shall City be liable to Developer for damages of any nature for failing to prioritize and expedite the review, evaluation, and processing of the New MGP Project Entitlements or any related Legislative Actions.

4. Reimbursement by Developer. In addition to the payment by Developer of all of City's standard development processing fees and other user fees, rates, and charges established by the City for municipal services, Developer shall reimburse City for all other fees and costs incurred by the City on or after June 1, 2018 in conjunction with City's review, evaluation, and processing of (a) the New MGP Project, (b) the requested New MGP Project Entitlements, (c) all related requested or necessary Legislative Actions, as well as for all other fees and costs incurred by City related to: (1) City's evaluation of the economic implications of the New MGP Project and preparation of an economic impacts analysis; (2) City's performance of any necessary environmental review pursuant to CEQA; (3) City's research and preparation of the resolutions, ordinances, and/or land use planning documents for any required Legislative Actions, (4) City's negotiation, drafting, and preparation of any proposed development agreement; and (5) City's processing and noticing of the New MGP Project Entitlements and related Legislative Actions for potential future City Council consideration (collectively, the "Reimbursable Costs"). Reimbursable Costs may include, without limitation, the following: City staff time and apportioned overhead costs; fees, costs, and expenses of the City Attorney's office at its contracted professional hourly rates, as well as special counsel, if any, retained by the City upon the recommendation of the City Attorney, and any other consultants or advisors retained by the City, pursuant to the terms of the agreements between City and such other consultants and advisors at the time such fees and expenses are incurred; costs to conduct, attend, and/or participate in any community meetings or other forms of community outreach regarding the New MGP Project; costs of any notices; printing costs; and any and all other actual costs and expenses reasonably incurred by the City with respect to evaluating and processing the New MGP Project.

5. Deposit. Within five (5) business days following the Effective Date of this Agreement, Developer shall provide City with a deposit of Two Hundred Fifty Thousand Dollars (\$250,000.00), in immediately available funds ("Deposit"). If additional funds are anticipated to be needed to reimburse the City for Reimbursable Costs reasonably incurred by City, City shall make a written request to Developer for one or more additional deposits ("Additional Deposits"), and Developer, if it determines in its sole discretion that it wishes to proceed further with City consideration of the New MGP Project, shall promptly provide payment to City. The City Manager may direct City staff and consultants to suspend all work related to the New MGP Project until any additional amounts so demanded have been received by the City. The Deposit and any Additional Deposits are hereafter referred to, collectively, as the "Deposit Funds." City shall use the Deposit Funds solely for the purpose of paying Reimbursable Costs, shall maintain invoices and records sufficient to reasonably verify that the Deposit Funds have been spent on Reimbursable Costs, and shall, upon Developer's request, provide an accounting of all Reimbursable Costs.

6. Developer Review of Consultants/Experts: Except for the consulting firms of Placeworks, Inc., Kosmont & Associates, Inc., and Kelly Associates Management Group, LLC, at least thirty (30) days prior to City retaining any third-party consultant to be paid

from Deposit Funds, City shall provide for Developer's review written notice containing such consultant's qualifications, proposed scope of work, and budget estimate. At least thirty (30) days prior to City submitting any request for an Additional Deposit pursuant to Section 5 above, City shall provide for Developer's review written notice containing the scopes of work proposed to be funded by such Additional Deposit and budget estimates for such work. City shall provide any additional information reasonably requested by Developer during its 30-day review period and agrees to consider any changes reasonably requested by Developer to third-party consultants, scopes of work, or budget estimates pursuant to this Section 6. Notwithstanding the foregoing, any decision to retain such third-party consultants shall be at the sole discretion of the City, and City shall exercise its independent judgment in its determination as to which third-party consultants, if any, to retain.

7. Use of Deposit Funds. City may draw upon the Deposit Funds to pay Reimbursable Costs. Developer acknowledges and agrees that any fees or costs related to this Agreement are separate and distinct from the fees and costs Developer is already legally obligated to pay pursuant to Resolution No. PA2016-03-22-1 (i.e., 2016 5L Project Entitlements) or may become legally obligated to pay pursuant to any conditions of approval of the New MGP Project Entitlements.
8. Project Account. City shall establish a separate account (the "New MGP Project Account") to administer the Deposit Funds provided by Developer pursuant to this Agreement. The Deposit Funds and the New MGP Project Account shall be used for no other purpose than the payment of Reimbursable Costs, as provided above in Paragraphs 4, 5, and 7.
9. Indemnity. Developer agrees to protect, defend, indemnify and hold harmless the City, its elected and appointed officers and officials, agents, employees and volunteers ("City Indemnitees") from and against any and all claims, demands, actions, losses, damages, injuries, and liability, direct or indirect (including any and all related costs and expenses in connection therein) (collectively, "Claims and Actions"), arising out of the performance of this Agreement, except for any such claim arising out of the sole negligence, active negligence, or willful misconduct of the City, its officers, agents, employees or volunteers. In addition, Developer acknowledges and agrees that, in the event the City Council and Planning Agency approve any New MGP Project Entitlements, as a condition of such approval City will require Developer to protect, defend, indemnify, and hold harmless City Indemnitees from and against any and all Claims and Actions brought against the City Indemnitees, which seek to attack, challenge, modify, set aside, void, or annul any action of, or any permit or approval issued by, the City Indemnitees for, in connection with, or concerning the approval of such New MGP Project Entitlements and/or any related Legislative Actions, and Developer hereby waives its rights to, and agrees not to, challenge the imposition of such an indemnification provision.

- If to City: City of Laguna Hills
Attn: City Manager
24035 El Toro Road
Laguna Hills, California 92653
- With a copy to: Gregory E. Simonian
City Attorney - City of Laguna Hills

Woodruff, Spradlin & Smart
555 Anton Boulevard, Suite 1200
Costa Mesa, California 92626

If to Developer: MGP Fund X Laguna Hills, LLC
Attn.: Scott A. McPherson, Executive Managing Director
4365 Executive Drive, Suite 1400
San Diego, California 92121

With a copy to: Matthew S. Gray
Perkins Coie LLP
505 Howard Street, Suite 1000
San Francisco, CA 94105

17. Entire Agreement. This Agreement constitutes the complete and exclusive statement of Agreement between the City and Developer. All prior written and oral communications, including correspondence, drafts, memoranda, and representations, are superseded in total by this Agreement.
18. Execution. This Agreement may be executed in several counterparts, each of which shall constitute one and the same instrument and shall become binding upon the Parties when at least one copy hereof shall have been signed by both Parties hereto. In approving this Agreement, it shall not be necessary to produce or account for more than one such counterpart.
19. Termination. This Agreement may be terminated by either Party at any time upon written notice. Upon termination, Developer shall be responsible for reimbursement to City for all Reimbursable Costs incurred by City through the effective date of termination. Upon termination, City shall, within ten (10) business days of receiving a written request from Developer, return the then-unexpended Deposit Funds to Developer, without interest, less an amount equal to any Reimbursable Costs incurred by City, or that City has otherwise committed to pay, but which have not yet been so paid. If the amount of such Reimbursable Costs exceeds the then-unexpended Deposit Funds, Developer shall pay City the difference within forty-five (45) days of receipt of written notice from City of the amount owed.
20. Successors in Interest. This Agreement shall be binding upon and inure to the benefit of the Parties' successors and assignees.
21. Third Party Beneficiary. Nothing contained in this Agreement is intended to confer, nor shall this Agreement be construed as conferring, any rights, including, without limitation, any rights as a third-party beneficiary or otherwise, upon any entity or person not a party hereto.

22. Corporate Authority. Each of the undersigned represents and warrants that (i) the Party for which he/she is executing this Agreement is duly authorized and existing, (ii) he/she is duly authorized to execute and deliver this Agreement on behalf of the Party for which he/she is signing, (iii) by so executing this Agreement, the Party for which he/she is signing is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other Agreement to which the Party for which he/she is signing is bound.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the Parties have executed and entered into this Agreement as of the date first written above.

“CITY”

City of Laguna Hills,
a California municipal corporation

Date: _____

DONALD J. WHITE,
City Manager

ATTEST:

(SEAL)

MELISSA AU-YEUNG,
Assistant to the City Manager/City Clerk

APPROVED AS TO FORM:

GREGORY E. SIMONIAN,
City Attorney

“DEVELOPER”

MGP FUND X LAGUNA HILLS, LLC,
a Delaware Limited Liability Company

By: Merlone Geier X, LLC,
a California limited liability company
its Manager

Date: _____

By: _____

Print Name: Scott A. McPherson
Title: EXECUTIVE MANAGING DIRECTOR



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: November 26, 2019
TO: Mayor and Council Members
FROM: Donald J. White
City Manager
ISSUE: Consulting Services Agreement with Kelly Associates Management Group

RECOMMENDATION: That the City Council:

(1) Waive competitive informal and formal bidding requirements and procedures set forth in the City of Laguna Hills Municipal Code (LHMC) Section 3-08.080 and Section 3-08.090 with regard to approval of the proposed Strategic Planning, Economic Development, and Project Management Consulting Services Agreement with Kelly Associates Management Group as it is hereby found and determined, pursuant to LHMC Section 3-08.110 (L.6) that the services retained are for economic development services; and,

(2) Approve a Consulting Services Agreement with Kelly Associates Management Group and authorize the City Manager to execute the Agreement.

SUMMARY:

Merlone-Geier Partners (MGP) has submitted a new development application for the redevelopment of the former Laguna Hills Mall site. Although unknown at this time, the entitlement process is expected to take anywhere from 9-18 months to complete. The entitlement process is complicated and includes a City entitlement team of staff members, the City Attorney's office and multiple professional consultants. To assist the City Manager is coordinating the efforts of the entitlement team and to act as project facilitator, staff is recommending that the City retain the services of Kelly Associates Management Group (KAMG). KAMG has significant experience facilitating large development/entitlement projects. It is staff's opinion that retaining the services of

Kelly Associates Management Group Agreement
November 26, 2019
Page 2

KAMG will help facilitate the entitlement process.

Section 3-08.110(L.6) of the Laguna Hills Municipal Code allows for exceptions to purchasing requirements. In this case, typical procurement policies and procedures need not be followed since the services sought are under a contract for economic development.

FISCAL IMPACT:

All costs associated with this Agreement will be reimbursed by Merlone-Geier Partners. There is no General Fund impact.

ATTACHMENTS:

- Consulting Services Agreement - Kelly Associates Management Group

CONSULTING SERVICES AGREEMENT

Kelly Associates Management Group, LLC

(Strategic Planning, Economic Development, and Project Management Consulting Services)

THIS CONSULTING SERVICES AGREEMENT (hereinafter “Agreement”) is made and entered into, to be effective this 26th day of November 2019, by and between the CITY OF LAGUNA HILLS, a municipal corporation organized and existing under the laws of the State of California (hereinafter referred to as “City”), and KELLY ASSOCIATES MANAGEMENT GROUP, LLC., a California limited liability corporation (hereinafter referred to as “Consultant”). City and Consultant are sometimes hereinafter individually referred to as “Party” and are hereinafter collectively referred to as the “Parties.”

RECITALS

A. City has determined that there is a need to retain the services of a qualified strategic planning, economic development, and project management consulting firm to assist the City with processing the anticipated new Merlone-Geier redevelopment project at the former Laguna Hills Mall, entitled "The Village at Laguna Hills" (the “Project”).

B. Consultant has submitted to City a proposal, dated November 11, 2019, to provide strategic planning, economic development, and project management consulting services to City for the Project pursuant to the terms of this Agreement.

C. Consultant represents and maintains that it is uniquely qualified by virtue of its experience, training, education, reputation, and expertise to provide these services to City for the Project and has agreed to provide such services as provided herein. City does not have the personnel or technical expertise able to perform the work and services contracted for herein.

D. City desires to retain Consultant to provide such strategic planning, economic development, and project management consulting services for the Project.

NOW, THEREFORE, in consideration of the promises and mutual obligations, covenants, and conditions contained herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. SERVICES OF CONSULTANT

1.1 Scope of Services and Standard of Performance. In compliance with all terms and conditions of this Agreement, Consultant agrees to provide and perform strategic planning, economic development, and project management consulting services to City for the Project as described and as set forth in Consultant’s Proposal/Scope of Work, dated November 11, 2019, which is attached hereto as Exhibit “A” and is incorporated herein by reference (hereinafter

referred to as the “Scope of Services,” the “Services” or “Work”). As a material inducement to the City entering into this Agreement, Consultant acknowledges and understands that the Services and Work contracted for under this Agreement require specialized skills and abilities and that, consistent with this understanding, Consultant’s Services and Work shall be performed in a skillful and competent manner and shall be held to a standard of quality and workmanship prevalent in the industry for such Services and Work and with the standards recognized as being employed by professionals in the same discipline in the State of California. Consultant represents and warrants that it is skilled in the professional discipline necessary to perform the Services and Work and that it holds the necessary skills and abilities to satisfy the standard of work as set forth in this Agreement. Consultant represents and warrants that it and all of its employees, subconsultants and subcontractors providing any Work or Services under this Agreement shall have sufficient skill and experience to perform the Work or Services assigned to them. All Services and Work shall be completed to the reasonable satisfaction of the City.

1.2 Contract Documents. The Agreement between the Parties shall consist of the following: (1) this Agreement; and, (2) the Consultant’s signed, original November 11, 2019, proposal submitted to the City (“Consultant’s Proposal”), which shall both be referred to collectively hereinafter as the “Contract Documents.” The Consultant’s Proposal, attached hereto as Exhibit “A,” is hereby incorporated by reference and is made a part of this Agreement. All provisions of the Contract Documents shall be binding on the Parties. Should any conflict or inconsistency exist in the Contract Documents, the conflict or inconsistency shall be resolved by applying the provisions in the highest priority document, which shall be determined in the following order of priority: (1st) the terms and conditions of this Agreement; and, (2nd) the provisions of the Consultant’s Proposal.

1.3 Compliance with Law. Consultant shall comply at all times during the term of this Agreement with all applicable federal, state, and local laws, statutes, and ordinances and all lawful orders, rules, and regulations promulgated thereunder, including without limitation all applicable fair labor standards and Cal/OSHA requirements. Consultant shall keep itself fully informed of and in compliance with all local, state, and federal laws, rules, and regulations in any manner affecting the performance of the Work and Services, including all Cal/OSHA requirements, and shall give all notices required by law. Consultant shall be liable for all violations of such laws and regulations in connection with performing the Work and Services. If Consultant performs any Work or Services in violation of such laws, rules, and regulations, Consultant shall be solely responsible for all penalties and costs arising therefrom. Consultant shall defend, indemnify, and hold City, its officials, officers, employees, agents and volunteers, free and harmless from any claim or liability arising out of any failure or alleged failure to comply with such laws, rules, or regulations.

1.4 Licenses, Permits, Fees, and Assessments. Prior to performing any Services or Work hereunder Consultant shall obtain all licenses, permits, qualifications, and approvals of whatever nature that are legally required to practice its profession and perform the Work and Services required by this Agreement. Consultant represents and warrants to City that Consultant shall, at its sole cost and expense, keep in effect at all times during the term of this Agreement and any extension, any license, permit, qualification, or approval that is legally required for Consultant to perform the Work and Services under this Agreement. Consultant shall have the

sole obligation to pay for any fees, assessments, and taxes, plus applicable penalties and interest, which may be imposed by law and arise from or are necessary for the Consultant's performance of the Work and Services required by this Agreement, and shall defend, indemnify, and hold the City, its officials, officers, employees, agents and volunteers, free and harmless from and against any claim or liability arising out of any failure or alleged failure to obtain such license, permits, and approvals of whatever nature that are legally required to perform the Work or Services.

1.5 Familiarity with Work. By executing this Agreement, Consultant represents and warrants that it (a) has thoroughly investigated and considered the Scope of Work or Services to be performed, (b) has carefully considered how the Services should be performed and has carefully examined the location or locations at or with respect to where such Services or Work is to be performed, and (c) fully understands the facilities, difficulties, and restrictions attending performance of the Services under this Agreement.

1.6 Care of Work. Consultant shall adopt reasonable methods during the term of the Agreement to furnish continuous protection to the Work and the equipment, materials, papers, documents, plans, studies, and/or other components thereof to prevent losses or damages, and shall be responsible for all such damages, to persons or property, until acceptance of the Work by the City, except such losses or damages as may be caused by City's own negligence.

1.7 Further Responsibilities of Parties. Both Parties agree to use reasonable care and diligence to perform their respective obligations under this Agreement. Both Parties agree to act in good faith to execute all instruments, prepare all documents, and take all actions as may be reasonably necessary to carry out the purposes of this Agreement.

1.8 Additional Services. City shall have the right at any time during the performance of the Services, without invalidating this Agreement, to order extra work beyond that specified in Consultant's Proposal/Scope of Work (Exhibit "A") or make changes by altering, adding to, or deducting from such Work. No such extra work may be undertaken unless a written order is first given by the City to the Consultant, incorporating therein any adjustment in (i) the Maximum Contract Amount, as defined below, and/or (ii) the time to perform this Agreement, which adjustments are subject to the written approval of the Consultant. It is expressly understood by Consultant that the provisions of this section shall not apply to the Work and Services specifically set forth in the Scope of Services or reasonably contemplated therein, regardless of whether the time or materials required to complete any Work or Service identified in the Scope of Services exceeds any time or material amounts or estimates provided therein.

1.9 Non-Exclusive Agreement. Consultant acknowledges that City may enter into agreements with other contractors, consultants, or vendors for services similar to the services that are the subject of this Agreement. Consultant further acknowledges that City may have its own employees perform services similar to the services that are the subject of this Agreement.

2. COMPENSATION

2.1 Maximum Contract Amount. For the Services and Work rendered pursuant to this Agreement, Consultant shall be compensated by City for the services performed, including authorized reimbursements, in accordance with the hourly rates and charges set forth in the Schedule of Compensation/Fees, which is attached hereto as Exhibit "A" and is incorporated herein by reference, but not exceeding the total maximum contract amount of Fifty Thousand Dollars (\$50,000.00) (hereinafter referred to as the "Maximum Contract Amount"). The method of compensation shall be as set forth in Exhibit "A". Compensation for necessary expenditures for reproduction costs, telephone expenses, and transportation expenses must be approved in advance by the Contract Officer designated pursuant to Section 4.2 and will only be approved if such expenses are also specified in the Schedule of Compensation/Fees. The maximum amount of City's payment obligation under this Agreement is the amount specified in this section.

2.2. Method of Payment. Unless some other method of payment is specified in the Schedule of Compensation/Fees (Exhibit "A"), in any month in which Consultant wishes to receive payment, no later than the tenth (10th) working day of such month, Consultant shall submit to the City, in a form approved by the City's Finance Director, an invoice for services rendered prior to the date of the invoice. Such requests shall be based upon the amount and value of the services performed by Consultant and accompanied by such reporting data including an itemized breakdown of all costs incurred and tasks performed during the period covered by the invoice, as may be required by the City. City shall use reasonable efforts to make payments to Consultant within forty-five (45) days after receipt of the invoice or a soon thereafter as is reasonably practical.

2.3 Changes in Scope. In the event any change or changes in the Scope of Services is requested by the City, the Parties shall execute a written amendment to this Agreement, setting forth with particularity all terms of such amendment, including, but not limited to, any additional professional 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; and/or (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.

2.4 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 the City.

3. SCHEDULE OF PERFORMANCE

3.1 Time of Essence. Time is of the essence in the performance of this Agreement. 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.

3.2 Schedule of Performance. Consultant shall commence the Services pursuant to this Agreement upon receipt of a written notice to proceed and shall perform all Services within the time period(s) established in the Schedule of Performance, which is attached hereto as Exhibit "A" and is incorporated herein by reference. When requested by Consultant, extensions to the time period(s) specified in the Schedule of Performance may be approved in writing by the Contract Officer; however, the City shall not be obligated to grant such an extension.

3.3 Force Majeure. The time period(s) specified in the Schedule of Performance for performance of the Services rendered pursuant to this Agreement shall be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of the Consultant (financial inability excepted), including, but not limited to, acts of God or of the public enemy, unusually severe weather, fires, earthquakes, floods, epidemics, quarantine restrictions, riots, strikes, freight embargoes, wars, and/or acts of any governmental agency, including the City, if Consultant, within ten (10) days of the commencement of such delay, notifies the City Manager in writing of the causes of the delay. The City Manager shall ascertain the facts and the extent of delay, and extend the time for performing the Services for the period of the enforced delay when and if in the judgment of the City Manager such delay is justified. The City Manager's determination shall be final and conclusive upon the Parties to this Agreement. In no event shall Consultant be entitled to recover damages against the City for any delay in the performance of this Agreement, however caused, Consultant's sole remedy being extension of the Agreement pursuant to this section.

3.4 Term. Unless earlier terminated as provided elsewhere in this Agreement, this Agreement shall commence on the effective date, November 26, 2019, and shall continue in full force and effect until the Project is completed, unless extended by mutual written agreement of the Parties

4. COORDINATION OF WORK

4.1 Representative of Consultant. The following principal of Consultant is hereby designated as being the principal and representative of Consultant authorized to act in its behalf with respect to the Services to be performed under this Agreement and make all decisions in connection therewith: **William R. Kelly, President/CEO.** It is expressly understood that the experience, knowledge, education, capability, expertise, and reputation of the foregoing principal is a substantial inducement for City to enter into this Agreement. Therefore, the foregoing principal shall be responsible during the term of this Agreement for directing all activities of Consultant and devoting sufficient time to personally supervise the Work or Services performed hereunder. The foregoing principal may not be changed by Consultant without prior written approval of the Contract Officer.

4.2 Contract Officer. The Contract Officer shall be such person as may be designated by the City Manager of City, and is subject to change by the City Manager. It shall be the Consultant's responsibility to ensure that the Contract Officer is kept fully informed of the progress of the performance of the Services, and the Consultant shall refer any decisions which 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. The Contract Officer

shall have authority to sign all documents on behalf of the City required hereunder to carry out the terms of this Agreement.

4.3 Prohibition Against Subcontracting or Assignments. The experience, knowledge, capability, expertise, and reputation of Consultant, its principals and employees, were a substantial inducement for City to enter into this Agreement. Therefore, Consultant shall not assign the performance of this Agreement, nor any part thereof, nor any monies due hereunder, voluntarily or by operation of law, without the prior written consent of City. Consultant shall not contract with any other entity to perform the Services required without prior written consent of City. If Consultant is permitted to subcontract any part of this Agreement by City, Consultant shall be responsible to City for the acts and omissions of its subcontractor(s) in the same manner as it is for persons directly employed. Nothing contained in this Agreement shall create any contractual relationships between any subcontractor and City. All persons engaged in the Work will be considered employees of Consultant. City will deal directly with and will make all payments to Consultant.

4.4 Independent Contractor.

A. The legal relationship between the Parties 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. Consultant will determine the means, methods and details of performing the Services subject to the requirements of this Agreement. The personnel performing the Services under this Agreement on behalf of Consultant shall at all times be under Consultant's exclusive direction and control. Neither City nor any of its officials, officers, employees, agents or volunteers 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 a permanent office or fixed business location at City's offices. City shall have no voice in the selection, discharge, supervision, or control of Consultant's officers, employees, 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 the performance of Services under 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 the performance of any Work or Services under this Agreement. Except for professional 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 any Work or Services 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 any Work or Services hereunder. If for any reason any court or governmental agency determines that the City has financial obligations, other than pursuant to Section 2 and Subsection 1.8 herein, of any nature relating to salary, taxes, or benefits of Consultant's officers, employees, representatives, agents, or subconsultants or subcontractors, Consultant shall defend, indemnify, and hold harmless City from and against all such financial obligations.

4.5 PERS Eligibility Indemnification.

A. In the event that Consultant or any employee, agent, or subcontractor of Consultant providing any Work or Services under this Agreement claims or is determined by a court of competent jurisdiction or the California Public Employee Retirement System (PERS) to be eligible for enrollment in PERS as an employee of the City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of the City.

B. Notwithstanding any other agency, state or federal policy, rule, regulation, law or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing any Work or Services under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in PERS as an employee of City and entitlement to any contribution to be paid by City for employer contribution and/or employee contributions for PERS benefits.

5. INSURANCE

5.1 Compliance with Insurance Requirements. Consultant shall obtain, maintain, and keep in full force and effect during the term of this Agreement, at its sole cost and expense, and in a form and content satisfactory to City, all insurance required under this section. Consultant shall not commence any Work or Services under this Agreement unless and until it has provided evidence satisfactory to City that it has secured all insurance required under this section. If Consultant's existing insurance policies do not meet the insurance requirements set forth herein, Consultant agrees to amend, supplement or endorse the policies to do so.

5.2 Types of Insurance Required. As a condition precedent to the effectiveness of this Agreement, and without limiting the indemnity provisions set forth in this Agreement, Consultant shall obtain and maintain in full force and effect during the term of this Agreement, including any extension thereof, the following policies of insurance:

A. **Commercial General Liability Insurance.** Consultant shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of Commercial General Liability Insurance written on an occurrence basis 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.

Defense costs shall be paid in addition to the limits. The policy shall contain no endorsements or provisions limiting coverage for (1) contractual liability; (2) cross liability exclusion for claims or suits by one insured against another; or (3) contain any other exclusion contrary to the Agreement.

B. Automobile Liability Insurance. Consultant shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of Automobile Liability Insurance written on a per occurrence basis with limits of at least one million dollars (\$1,000,000.00) combined limit for each occurrence covering bodily injury and property damage. The policy shall specifically include coverage for owned, non-owned, leased, and hired automobiles.

C. Workers' Compensation Insurance. Consultant shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of Workers' Compensation Insurance in at least the minimum statutory amounts, and in compliance with all other statutory requirements, as required by the State of California. Consultant agrees to waive and obtain endorsements from its workers' compensation insurer waiving all subrogation rights under its workers' compensation insurance policy against the City, its officials, officers, employees, agents and volunteers, and to require each of its subconsultants and subcontractors, if any, to do likewise under their workers' compensation insurance policies. Consultant shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of Employer's Liability Insurance written on a per occurrence basis with limits of at least one million dollars (\$1,000,000.00) per accident for bodily injury or disease.

5.3 Acceptability of Insurers. Insurance required by this section 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 Approved Surplus Lines Insurers (LASLI), 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. In the event the City determines that the Work or Services to be performed under this Agreement creates an increased or decreased risk of loss to the City, the Consultant agrees that the minimum limits of the insurance policies may be changed accordingly upon receipt of written notice from the City. Consultant shall immediately substitute any insurer whose A.M. Best rating drops below the levels specified herein.

5.4 Insurance Endorsements. Required insurance policies shall not be in compliance if they include any limiting provision or endorsement that has not been submitted to the City for written approval. Required insurance policies shall contain the following provisions, or Consultant shall provide endorsements on forms approved by the City to add the following provisions to the insurance policies:

A. The policy or policies of insurance required by this section for Commercial General Liability and Automobile Liability Insurance shall be endorsed to provide the following:

1. Additional Insured: The City, its officials, officers, employees, agents and volunteers, shall be additional insureds with regard to liability and defense of suits or claims arising out of the performance of the Agreement; and

2. Additional Insured Endorsements: Additional insured endorsements shall not (1) be restricted to “ongoing operations”, (2) exclude “contractual liability”, (3) restrict coverage to “sole” liability of Consultant, or (4) contain any other exclusions contrary to the Agreement; and, the coverage shall contain no special limitations on the scope of protection afforded to additional insureds.

3. Notice: The policy or policies of insurance required by this section for Commercial General Liability and Automobile Liability Insurance shall be endorsed to state that coverage shall not be suspended, voided, cancelled, or modified, or reduced in coverage or in limits, except after thirty (30) days prior written notice by First Class U.S. Mail, postage-prepaid, has been provided to the City. Notwithstanding the foregoing, if coverage is to be suspended, voided, or cancelled because of Consultant’s failure to pay the insurance premium, the notice provided to City shall be by ten (10) days prior written notice.

B. For all policies of Commercial General Liability Insurance, Consultant shall provide endorsements for ongoing operations and completed operations to effectuate this requirement.

5.5 Deductibles and Self-Insured Retentions. Any deductible or self-insured retention must be approved in writing by the City in advance and shall protect the City, its officials, officers, employees, agents and volunteers, in the same manner and to the same extent as they would have been protected had the policy or policies not contained a deductible or self-insured retention.

5.6 Primary and Non-Contributing Insurance. All policies of Commercial General Liability Insurance and Automobile Liability Insurance shall be primary and any other insurance, deductible, or self-insurance maintained by the City, its officials, officers, employees, agents or volunteers, shall not contribute with this primary insurance. Policies shall contain or be endorsed to contain such provisions.

5.7 Waiver of Subrogation. All policies of Commercial General Liability and Automobile Liability Insurance shall contain or be endorsed to waive subrogation against the City, its officials, officers, employees, agents and volunteers, or shall specifically allow Consultant or others providing insurance evidence in compliance with the requirements set forth in this section to waive their right to recovery prior to a loss. Consultant hereby agrees to waive its own right of recovery against the City, its officials, officers, employees, agents and volunteers, and Consultant hereby agrees to require similar written express waivers and insurance clauses from each of its subconsultants or subcontractors.

5.8 Evidence of Coverage. Concurrently with the execution of the Agreement, Consultant shall deliver certificates of insurance together with original endorsements affecting each of the insurance policies required by this section. Required insurance policies shall not be

in compliance if they include any limiting provision or endorsement that has not been submitted to the City for written approval. The certificates of insurance and original endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf. At least fifteen (15) days prior to the expiration of any such policy, evidence of insurance showing that such insurance coverage has been renewed or extended shall be filed with the City. If such coverage is cancelled or reduced and not replaced immediately so as to avoid a lapse in the required coverage, Consultant shall, within ten (10) days after receipt of written notice of such cancellation or reduction of coverage, file with the City evidence of insurance showing that the required insurance has been reinstated or has been provided through another insurance company or companies. Consultant shall promptly furnish, at City's request, copies of actual policies including all declaration pages, endorsements, exclusions and any other policy documents City requires to verify coverage.

5.9 Requirements Not Limiting. Requirement of specific coverage or minimum limits contained in this section are not intended as a limitation on coverage, limits, or other requirements, or a waiver of any coverage normally provided by any insurance. Nothing in this section shall be construed as limiting in any way the indemnification provision contained in this Agreement, or the extent to which Consultant may be held responsible for payments of damages to persons or property.

5.10 Enforcement of Agreement (Non-Estoppel). Consultant acknowledges and agrees that actual or alleged failure on the part of the City to inform Consultant of any non-compliance with any of the insurance requirements set forth in this section imposes no additional obligation on the City nor does it waive any rights hereunder.

5.11 Insurance for Subconsultants. Consultant shall either: (1) include all subconsultants or subcontractors engaged in any Work or Services for Consultant relating to this Agreement as additional named insureds under the Consultant's insurance policies; or (2) Consultant shall be responsible for causing its subconsultants or subcontractors to procure and maintain the appropriate insurance in compliance with the terms of the insurance requirements set forth in this section, including adding the City, its officials, officers, employees, agents and volunteers, as additional insureds to their respective policies. All policies of Commercial General Liability Insurance provided by Consultant's subconsultants or subcontractors performing any Work or Services related to this Agreement shall be endorsed to name the City, its officials, officers, employees, agents and volunteers, as additional insureds. Consultant shall not allow any subconsultant or subcontractor to commence any Work or Services relating to this Agreement unless and until it has provided evidence satisfactory to City that the subconsultant or subcontractor has secured all insurance required under this section.

5.12 Other Insurance Requirements. The following terms and conditions shall apply to the insurance policies required of Consultant pursuant to this Agreement:

A. Consultant shall provide immediate written notice to City if (1) any of the insurance policies required herein are terminated, cancelled or suspended, (2) the limits of any of the insurance coverages required herein are reduced, or (3) the deductible or self-insured retention is increased.

B. All insurance coverage and limits provided by Consultant and available or applicable to this Agreement are intended to apply to each insured, including additional insureds, against whom a claim is made or suit is brought to the full extent of the policies. Nothing contained in this Agreement or any other agreement relating to the City or its operations shall limit the application of such insurance coverage.

C. None of the insurance coverages required herein will be in compliance with the requirements of this section if they include any limiting endorsement which substantially impairs the coverages set forth herein (e.g., elimination of contractual liability or reduction of discovery period), unless the endorsement has first been submitted to the City and approved in writing.

D. Certificates of insurance will not be accepted in lieu of required endorsements, and submittal of certificates without required endorsements may delay commencement of the Project. It is Consultant's obligation to ensure timely compliance with all insurance submittal requirements as provided herein.

E. Consultant agrees to ensure that subconsultants and subcontractors, if any, and any other parties involved with the Project who are brought onto or involved in the Project by Consultant, provide the same minimum insurance coverage required of Consultant. Consultant agrees to monitor and review all such coverage and assumes all responsibility for ensuring that such coverage is provided in conformity with the requirements of this section. Consultant agrees that upon request, all agreements with subcontractors and others engaged in the Project will be submitted to the City for review.

F. Consultant agrees to provide immediate written notice to City of any claim, demand or loss against Consultant arising out of the Work or Services performed under this Agreement and for any other claim, demand or loss which may reduce the insurance available to pay claims, demands or losses arising out of this Agreement.

6. 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 officials, officers, 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 Consultant's performance under this Agreement. 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. REPORTS AND RECORDS

7.1 Accounting Records. Consultant shall keep complete, accurate, and detailed accounts of all time, costs, expenses, and expenditures pertaining in any way to this Agreement. Consultant shall keep such books and records as shall be necessary to properly perform the Services required by this Agreement and to 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.

7.2 Reports. 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.

7.3 Ownership of Documents. All drawings, specifications, reports, records, documents, memoranda, correspondence, computations, and other materials prepared by Consultant, its employees, subconsultants, subcontractors, and agents in the performance of this Agreement shall be the property of City and shall be promptly 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 of ownership of the documents and materials hereunder.

7.4 Release of Documents. All drawings, specifications, reports, records, documents, and other materials 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. All information gained by Consultant in the performance of this Agreement shall be considered confidential and shall not be released by Consultant without City's prior written authorization.

7.5 Audit and Inspection of Records. After receipt of reasonable notice and during the regular business hours of City, Consultant shall provide City, or other agents of City, such access to Consultant's books, records, payroll documents, and facilities as City deems necessary to examine, copy, audit, and inspect all accounting books, records, work data, documents, and activities directly related to Consultant's performance under this Agreement. Consultant shall maintain such books, records, data, and documents in accordance with generally accepted accounting principles and shall clearly identify and make such items readily accessible to such parties during the term of this Agreement and for a period of three (3) years from the date of final payment by City hereunder.

8. ENFORCEMENT OF AGREEMENT

8.1 California Law and Venue. This Agreement shall be construed and interpreted both as to validity and as 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 Interpretation. This Agreement shall be construed as a whole according to its fair language and common meaning to achieve the objectives and purposes of the Parties. The terms of this Agreement are contractual and the result of negotiation between the Parties. Accordingly, any rule of construction of contracts (including, without limitation, California Civil Code Section 1654) that ambiguities are to be construed against the drafting Party, shall not be employed in the interpretation of this Agreement. The caption headings of the various sections and paragraphs of this Agreement are for convenience and identification purposes only and shall not be deemed to limit, expand, or define the contents of the respective sections or paragraphs.

8.3 Termination. City may terminate this Agreement for any reason, with or without cause, upon giving Consultant thirty (30) days written notice. Upon such notice, City shall pay Consultant for Services performed through the date of termination. Upon receipt of such notice, Consultant shall immediately cease all work under this Agreement, unless the notice provides otherwise. Thereafter, Consultant shall have no further claims against the City under this Agreement. Upon termination of the Agreement pursuant to this section, Consultant shall submit to the City an invoice for work and services performed prior to the date of termination. In addition, Consultant reserves the right to terminate this Agreement at any time upon sixty (60) days written notice to the 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.

8.4 Waiver. No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the Party against whom enforcement of a waiver is sought. Any waiver by the Parties of any default or breach of any covenant, condition, or term contained in this Agreement, shall not be construed to be a waiver of any subsequent or other default or breach, nor shall failure by the Parties to require exact, full, and complete compliance with any of the covenants, conditions, or terms contained in this Agreement be construed as changing the terms of this Agreement in any manner or preventing the Parties from enforcing the full provisions hereof.

8.5 Rights and Remedies 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.

8.6 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 declaratory or injunctive relief, or to obtain any other remedy consistent with the purposes of this Agreement.

8.7 Attorneys' Fees. 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 attorneys' fees,

expert witness fees, court costs and all fees, costs, and expenses incurred in any appeal or in collection of any judgment entered in such proceeding. To the extent authorized by law, in the event of a dismissal by the plaintiff or petitioner of the litigation or non-judicial proceeding within thirty (30) days of the date set for trial or hearing, the other Party shall be deemed to be the prevailing Party in such litigation or proceeding.

9. CITY OFFICERS AND EMPLOYEES: NON-DISCRIMINATION

9.1 Non-liability of City Officers and Employees. No officer or employee of the City shall be personally liable to the Consultant, or any successor-in-interest, in the event of any default or breach by the City or for any amount which may become due to the Consultant or to its successor, or for breach of any obligation of the terms of this Agreement.

9.2 Conflict of Interest. No officer or employee of the City shall have any financial interest, direct or indirect, in this Agreement nor shall any such officer or employee participate in any decision relating to the Agreement which effects his or her financial interest or the financial interest of any corporation, partnership, or association in which they are, directly or indirectly, interested in violation of any state statute or regulation. Consultant represents and warrants that it has not paid or given and will not pay or give any third party any money or other consideration in exchange for obtaining this Agreement.

9.3 Covenant Against Discrimination. In connection with its performance under this Agreement, Consultant shall not discriminate against any employee or applicant for employment because of race, disability, medical condition, religion, color, sex, sexual orientation, age, marital status, ancestry, or national origin. Consultant shall ensure that applicants are employed, and that employees are treated during their employment, without regard to their race, disability, medical condition, religion, color, sex, sexual orientation, age, marital status, ancestry, or national origin. Such actions shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

10. MISCELLANEOUS PROVISIONS

10.1 Notices. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered, sent by registered or certified mail, postage prepaid, return receipt requested, or delivered or sent by facsimile with attached evidence of completed transmission, and shall be deemed received upon the earlier of (i) the date of delivery to the address of the person to receive such notice if delivered personally or by messenger or overnight courier; (ii) five (5) business days after the date of posting by the United States Post Office if by mail; or (iii) when sent if given by facsimile. Notices or other communications shall be addressed as follows:

<u>To City:</u>	City of Laguna Hills Attention: City Manager 24035 El Toro Road Laguna Hills, California 92653
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Telephone: (949) 707-2600
 Facsimile: (949) 707-2633

To Consultant:

Kelly Associates Management Group, LLC
 Attention: William R. Kelly, President/CEO
 1440 North Harbor Boulevard, Suite 900
 Fullerton, California 92835
 Telephone: (714) 449-8432

10.2 Entire Agreement. This Agreement constitutes the entire agreement between the Parties and supersedes all prior negotiations, arrangements, agreements, representations, and understandings, if any, made by or among the Parties with respect to the subject matter hereof. No amendments or other modifications of this Agreement shall be binding unless executed in writing by both Parties hereto, or their respective successors, assigns, or grantees.

10.3 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be determined to be invalid by a final judgment or decree of a court of competent jurisdiction, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of that provision, or the remaining provisions of this Agreement unless the invalid provision is so material that its invalidity deprives either Party of the basic benefit of their bargain or renders this Agreement meaningless.

10.4 Successors in Interest. This Agreement shall be binding upon and inure to the benefit of the Parties' successors and assignees.

10.5 Third Party Beneficiary. Nothing contained in this Agreement is intended to confer, nor shall this Agreement be construed as conferring, any rights, including, without limitation, any rights as a third-party beneficiary or otherwise, upon any entity or person not a party hereto.

10.6 Recitals. The above-referenced Recitals are hereby incorporated into the Agreement as though fully set forth herein and each Party acknowledges and agrees that such Party is bound, for purposes of this Agreement, by the same.

10.7 Corporate Authority. Each of the undersigned represents and warrants that (i) the Party for which he/she is executing this Agreement is duly authorized and existing, (ii) he/she is duly authorized to execute and deliver this Agreement on behalf of the Party for which he/she is signing, (iii) by so executing this Agreement, the Party for which he/she is signing is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other Agreement to which the Party for which he/she is signing is bound.

10.8 Labor Code Requirements.

A. Prevailing Wages. Consultant is aware of the requirements of California labor Code Section 1720, et seq., and 1770, et seq., as well as California Code of Regulations, Title 8, Section 16000, et seq., ("Prevailing Wage Laws"), which require the payment of prevailing wage rates and the performance of other requirements on "public works" and "maintenance" projects. If the Work or Services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and since the total compensation is \$1,000 or more, Consultant agrees to fully comply with such Prevailing Wage Laws. City shall provide Consultant with a copy of the prevailing rates of per diem wages in effect at the commencement of this Agreement. Consultant shall make copies of the prevailing rates of per diem wages for each craft, classification, or type of worker needed to execute the Work or Services available to interested parties upon request, and shall post copies at the Consultant's principal place of business and at the project site. It is the intent of the parties to effectuate the requirements of sections 1771, 1774, 1775, 1776, 1777.5, 1813, and 1815 of the Labor Code within this Agreement, and Consultant shall therefore comply with such Labor Code sections to the fullest extent required by law. Consultant shall defend, indemnify, and hold the City, its officials, officers, employees, agents, and volunteers free and harmless from any claim or liability arising out of any failure or alleged failure to comply with the Prevailing Wage Laws. The foregoing indemnity shall survive termination of this Agreement.

B. DIR Registration. If the Work or Services are being performed as part of an applicable "public works" or "maintenance" project, in addition to the foregoing, then pursuant to Labor Code sections 1725.5 and 1771.1, the Consultant and all subconsultants must be registered with the Department of Industrial Relations ("DIR"). Consultant shall maintain registration for the duration of the Project and require the same of any subconsultants. This Project may also be subject to compliance monitoring and enforcement by the DIR. It shall be Contractor's sole responsibility to comply with all applicable registration and labor compliance requirements, including the submission of payroll records directly to the DIR.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the Parties have executed and entered into this Agreement as of the date first written above.

"CITY"
City of Laguna Hills,
 a California municipal corporation

 DONALD J. WHITE,
 City Manager

ATTEST:

(SEAL)

 MELISSA AU-YEUNG,
 Assistant to the City Manager/City Clerk

APPROVED AS TO FORM:

 GREGORY E. SIMONIAN,
 City Attorney

"CONSULTANT"
 Kelly Associates Management Group, LLC,
 a California limited liability corporation

By: W.R. Kelly 11.1.19
 WILLIAM R. KELLY, President/CEO

EXHIBIT “A”**CONSULTANT’S PROPOSAL/ SCOPE OF WORK****DATED: NOVEMBER 11, 2019**

SCOPE OF SERVICES FOR PROJECT**INCLUDING,****SCHEDULE OF PERFORMANCE****AND****SCHEDULE OF COMPENSATION/ FEES**



kelly associates
Management Group

November 11, 2019

Don White
City Manager
City of Laguna Hills
24035 El Toro Road
Laguna Hills, CA 92653

Mr. Don White,

Kelly Associates Management Group (KAMG) is pleased to submit this proposal to act as a professional advisor/project facilitator for the new Five Lagunas Development Project. As we understand the assignment, KAMG would act as an agent for the City of Laguna Hills, (reporting to the City Manager), between the Applicant/Developer with their consultants and the City staff with its consultants. This role would be basically defined as the link between all parties to ensure all schedules, assignments, agreements and task are coordinated and completed.

KAMG has significant experience facilitating similar large development/entitlement projects. Briefly these are described as follows:

City of Millbrae, California

Gateway at Millbrae Station

Coordinated a General Plan Amendment, Specific Plan Amendment. Environmental Impact Report, Tract Map, Design Review, Fiscal Impact Analysis, a Parking/Traffic Demand Plan and a Development Agreement. This project is on 11 acres of Bay Area Rapid Transit District (BART) owned property and was proposed for 151,000 square feet of office space, 35,00 square feet of retail space, 320 market-rate residential units, 80 affordable units (low and very low-income levels), and 164 hotel rooms. This coordination included working with BART, San Francisco International Airport (SFO), Caltrans, SamTrans, Caltrain, and adjacent City's.

Serra Station

Coordinated a General Plan Amendment, Specific Plan Amendment. Environmental Impact Report, Design Review, Fiscal Impact Analysis a Parking/Traffic Demand Plan and a Development Agreement for a mixed-use project on 3.5 acres west of the BART station. That development included approximately 270,000 square feet of office space, 24,000 square feet of retail space and 444 residential units.

City of La Habra, California**Rancho La Habra**

Coordinating a General Plan Amendment, Specific Plan Amendment, Environmental Impact Report, Tract Map, Design review and a Development Agreement for a 402 residential dwelling units, including 277 single-family homes and 125 multi-family residences, along with either 20,000 square feet of commercial development (e.g., specialty grocery, restaurant, or general retail uses) or an additional 46 multi-family dwelling units. Also proposed are open space areas that would include public parks and private recreational areas, a community center, small amphitheater, habitat conservation areas, passive recreational uses including trails, wildlife viewing, picnic areas and tot lots on the approximately 151-acre site.

City of Hawaiian Gardens**Hawaiian Gardens Casino**

Facilitated the preparation of an Environmental Impact Report, Design and Zoning amendments a Fiscal Impact Study and a Development Agreement. This project called for the removal of a temporary casino facility of 59,000 sq. Ft. built in 1997 and the construction in 2016 of a new 200,000 sq. ft. facility with a value of \$90 million.

City of Bellflower**CBD Street Renovation**

Assisted the City staff in the preparation of a new circulation/landscape renovation project for the downtown. Included in the assignment was the preparation of schematic street/landscape designs and coordination of several community meetings to solicit input on the concepts. Presented the final designs to the City Council.

Project Team

The KAMG team will be comprised of William R. (Bill) Kelly President/CEO and Christine E. Kelly, Executive Vice President. Resumes are attached.

Compensation for services are as follows;

William R. Kelly - \$295.00/hr.

Christine E. Kelly - \$250.00/hr.

Any additional expenses will be actual costs plus 10%.

We look forward to assisting you and the City of Laguna Hills on this very important project.

Sincerely,

A handwritten signature in blue ink, appearing to read "WR Kelly", is written over a horizontal blue line.

William R. Kelly
President/CEO

Kelly Associates Management Group LLC



Resume of

William R. "Bill" Kelly

President/CEO

Education

- Doctoral Studies in Executive Management, Claremont Graduate University
- Executive Masters of Business Administration, Claremont Graduate University
- Masters of Arts in Management, Claremont Graduate University
- Masters of Public Administration, University of Southern California
- Bachelor of Science - Urban Planning, California State Polytechnic University-Pomona

Qualifications

William R. (Bill) Kelly is President/CEO of Kelly Associates Management Group LLC where he specializes in the areas of organizational management, economic development, redevelopment, and city planning. Mr. Kelly also served as the Chief Operating Officer for Urban Futures, Inc. for four years where he consulted with many local agencies. Prior to that, he was the City Manager of the City of Arcadia and Executive Director of the Redevelopment Agency for 14 years and also held positions of Deputy City Manager, Director of Community Development, Director of Development Services, and Director of Planning and Building for several California municipalities.

Mr. Kelly is an Adjunct Professor at the University of Southern California, Price School of Public Policy and is also a POST certified instructor for statewide Police Team Building.

Project Experience

- President/CEO, *Kelly Associates Management Group LLC*
- Chief Operating Officer, *Urban Futures Inc.*
- City Manager, *City of Arcadia*
- Principal, *GRC Consulting Inc.*
- Deputy City Manager/Community Development Director, *City of Burbank*
- Director of Development Services, *City of Brea*
- Director of Community Development/Public Works, *City of Baldwin Park*
- Director of Planning and Building, *City of San Bruno*
- City Planner, *City of Glendora*
- Vice Chair/Member, *State of California Law Enforcement Telecommunications Commission (CLETS)*
- Chair/Vice Chair/Member, *Los Angeles County Emergency Services Commission*
- Adjunct Professor, *University of Southern California - Price School of Public Policy*
- Adjunct Faculty, *California State University, Long Beach - Graduate School of Public Policy*
- Adjunct Assistant Professor, *California State University, San Francisco - Graduate Program in Environmental Planning*

Kelly Associates Management Group LLC



Resume of

Christine “Chris” Kelly

Executive Vice President

Education

- Masters of Public Administration, California State University, Long Beach
- Certificate in Urban Studies, California State University, Long Beach
- Bachelor of Arts in Anthropology, California State University, Long Beach

Qualifications

Christine (Chris) Kelly is Executive Vice President of Kelly Associates Management Group LLC, where she specializes in the areas of project oversight, permit streamlining, economic development, and city planning. Ms. Kelly recently served as Land Use Services Director for the County of San Bernardino, overseeing Planning, Building and Safety, Code Enforcement, and Mining. Prior to that she was the Community Development Director for the City of Chino Hills, and throughout her career, held previous positions as Director of Development Services, Building and Safety, and Redevelopment for several California Municipalities. Finally, she also worked as a Senior Project Manager for Hole-Ireland, overseeing the Chapman University Specific Plan and building expansion, as well as other agency specific plans.

Ms. Kelly served as an Adjunct Professor, teaching Economic Development in the Masters of Public Administration Program at California State University, Long Beach.

Project Experience

- Executive Vice President, *Kelly Associates Management Group LLC*
- Land Use Services Director, *County of San Bernardino*
- Community Development Director, *City of Chino Hills*
- Senior Project Manager, *Hogle-Ireland, Inc.*
- Director of Community Development/Deputy Executive Director of Redevelopment, *City of Pomona*
- Director of Development Services, *City of Brea*
- Director of Community Development/Deputy Executive Director Redevelopment, *City of Cypress*
- Associate Planner, *City of Cypress*
- Administrative Analyst to the City Manager, *City of Bellflower*
- Adjunct Faculty, California State University, *Long Beach – Graduate School of Public Policy*



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: November 26, 2019
TO: Mayor and Council Members
FROM: Donald J. White
City Manager
ISSUE: Professional Services Agreement with Kosmont & Associates, Inc. for Real Estate, Financial Advisory, and Economic Development Services

RECOMMENDATION: That the City Council:

(1) Waive competitive informal and formal bidding requirements and procedures set forth in the City of Laguna Hills Municipal Code (LHCM) Section 3-08.080 and Section 3-08.090 with regard to approval of the proposed Real Estate, Financial Advisory, and Economic Development Services Agreement with Kosmont & Associates, Inc. as it is hereby found and determined, pursuant to LHMC Section 3-08.110(L.6) that the services retained are for economic development services; and,

(2) Approve the Professional Services Agreement with Kosmont & Associates, Inc. and authorize the City Manager to execute the Agreement.

SUMMARY:

On November 4, Merlone-Geier Partners (MGP) submitted a new plan for the redevelopment of the former Laguna Hills Mall property. Staff is in the process of assembling a project entitlement team, including specialized professional consulting services. The entitlement process includes the preparation of a net fiscal impact analysis and negotiating a Development Agreement with MGP. Staff is recommending that the City retain the services of Kosmont & Associates, Inc. to prepare a net fiscal impact analysis for the proposed project and provide related economic development advisory services, including Development Agreement negotiations. Kosmont & Associates, Inc. is an industry leader in economic development and real estate advisory

Kosmont & Associates Agreement
November 26, 2019
Page 2

services. It is staff's opinion that retaining the services of Kosmont & Associates, Inc. will help facilitate certain critical aspects of the entitlement process.

Section 3-08.110(L.6) of the Laguna Hills Municipal Code allows for exceptions to purchasing requirements. In this case, typical procurement policies and procedures need not be followed since the services sought are under a contract for economic development. A copy of the Professional Services Agreement, Scope of Work and Schedule of Fees is attached.

FISCAL IMPACT:

All costs associated with this Agreement will be reimbursed by Merlone-Geier Partners. There is no General Fund impact.

ATTACHMENTS:

- Professional Services Agreement - Kosmont & Associates Inc.

PROFESSIONAL SERVICES AGREEMENT
Kosmont & Associates, Inc.
(Real Estate, Financial Advisory, and Economic Development Services)

THIS PROFESSIONAL SERVICES AGREEMENT (hereinafter “Agreement”) is made and entered into, to be effective this 26th day of November 2019, by and between the CITY OF LAGUNA HILLS, a municipal corporation organized and existing under the laws of the State of California, (hereinafter referred to as “City”) and KOSMONT & ASSOCIATES, INC, a California corporation (hereinafter referred to as “Consultant”). City and Consultant are sometimes hereinafter individually referred to as “Party” and are hereinafter collectively referred to as the “Parties.”

RECITALS

A. City has determined that there is a need to retain the professional services of a qualified firm that specializes in providing real estate, financial advisory, and economic development services to cities, counties, and public agencies, in order to provide City with a Net Fiscal Impact Analysis and development agreement negotiation services in connection with the proposed new Merlone Geier Partners (MGP) Redevelopment Project located at the intersection of the I-5 Freeway and El Toro Road within the City, as well to provide the City with other as-needed, real estate, financial advisory, and economic development support services that may be required on an on-call basis (the “Project”).

B. Consultant has submitted to City a proposal, dated November 6, 2019, to provide City with professional real estate, financial advisory, and economic development services in order to provide City with a Net Fiscal Impact Analysis and development agreement negotiation services in connection with the proposed new MGP Redevelopment Project, as well as a full range of other as-needed real estate, financial advisory, and economic development support services that may be required on an on-call basis for the Project pursuant to the terms of this Agreement.

C. Consultant represents and maintains that it is uniquely qualified by virtue of its experience, training, education, reputation, and expertise to provide these services to City for the Project and has agreed to provide such services as provided herein. City does not have the personnel, training, or specialized technical expertise able to perform the work or services contracted for herein.

D. City desires to retain Consultant to provide such professional services for the Project.

NOW, THEREFORE, in consideration of the promises and mutual obligations, covenants, and conditions contained herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. SERVICES OF CONSULTANT

1.1 Scope of Services and Standard of Performance. In compliance with all terms and conditions of this Agreement, Consultant agrees to provide and perform the professional real estate, financial advisory, and economic development consulting services to City for the Project as set forth in the Proposal/Scope of Work, dated November 6, 2019, which is attached hereto as Exhibit "A" and is incorporated herein by reference (hereinafter referred to as the "Scope of Services," the "Services" or "Work"). As a material inducement to the City entering into this Agreement, Consultant acknowledges and understands that the Services and Work contracted for under this Agreement require specialized skills and abilities and that, consistent with this understanding, Consultant's Services and Work shall be performed in a skillful and competent manner and shall be held to a standard of quality and workmanship prevalent in the industry for such Services and Work and with the standards recognized as being employed by professionals in the same discipline in the State of California. Consultant represents and warrants that it is skilled in the professional discipline necessary to perform the Services and Work and that it holds the necessary skills and abilities to satisfy the standard of work as set forth in this Agreement. Consultant represents and warrants that it and all of its employees, subconsultants and subcontractors providing any Work or Services under this Agreement shall have sufficient skill and experience to perform the Services and Work assigned to them. All Services and Work shall be completed to the reasonable satisfaction of the City.

1.2 Contract Documents. The Agreement between the Parties shall consist of the following: (1) this Agreement; and, (2) the Consultant's signed, original November 6, 2019 Proposal/Scope of Work submitted to the City ("Consultant's Proposal"), which shall each be referred to collectively hereinafter as the "Contract Documents." The Consultant's Proposal, attached hereto as Exhibit "A," is hereby incorporated by reference and is made a part of this Agreement. All provisions of the Contract Documents shall be binding on the Parties. Should any conflict or inconsistency exist in the Contract Documents, the conflict or inconsistency shall be resolved by applying the provisions in the highest priority document, which shall be determined in the following order of priority: (1st) the terms and conditions of this Agreement; and, (2nd) the provisions of the Consultant's Proposal (Exhibit "A").

1.3 Compliance with Law. Consultant shall comply at all times during the term of this Agreement with all applicable federal, state, and local laws, statutes, and ordinances and all lawful orders, rules, and regulations promulgated thereunder, including without limitation all applicable fair labor standards and Cal/OSHA requirements. Consultant shall keep itself fully informed of and in compliance with all local, state, and federal laws, rules, and regulations in any manner affecting the performance of the Work and Services, including all Cal/OSHA requirements, and shall give all notices required by law. Consultant shall be liable for all violations of such laws and regulations in connection with performing the Work and Services. If Consultant performs any Work or Services in violation of such laws, rules, and regulations, Consultant shall be solely responsible for all penalties and costs arising therefrom. Consultant

shall defend, indemnify, and hold City, its officials, officers, employees, agents and volunteers, free and harmless from any claim or liability arising out of any failure or alleged failure to comply with such laws, rules, or regulations.

1.4 Licenses, Permits, Fees, and Assessments. Prior to performing any Services or Work hereunder Consultant shall obtain all licenses, permits, qualifications, and approvals of whatever nature that are legally required to practice its profession and perform the Work and Services required by this Agreement. Consultant represents and warrants to City that Consultant shall, at its sole cost and expense, keep in effect at all times during the term of this Agreement and any extension, any license, permit, qualification, or approval that is legally required for Consultant to perform the Work and Services under this Agreement. Consultant shall have the sole obligation to pay for any fees, assessments, and taxes, plus applicable penalties and interest, which may be imposed by law and arise from or are necessary for the Consultant's performance of the Work and Services required by this Agreement, and shall defend, indemnify, and hold the City, its officials, officers, employees, agents and volunteers, free and harmless from and against any claim or liability arising out of any failure or alleged failure to obtain such license, permits, and approvals of whatever nature that are legally required to perform the Work or Services.

1.5 Familiarity with Work. By executing this Agreement, Consultant represents and warrants that it (a) has thoroughly investigated and considered the Scope of Work or Services to be performed, (b) has carefully considered how the Services should be performed and has carefully examined the location or locations at or with respect to where such Services or Work is to be performed, and (c) fully understands the facilities, difficulties, and restrictions attending performance of the Services under this Agreement. If the Services involve work upon any site, Consultant represents and maintains that Consultant has or will investigate the site and is or will be fully acquainted with the conditions there existing, prior to commencement of any Services hereunder. Should the Consultant discover any latent or unknown conditions that will materially affect the performance of the Services hereunder, Consultant shall immediately inform the City of such fact and shall not proceed except at Consultant's risk until written instructions are received from the City.

1.6 Care of Work. Consultant shall adopt reasonable methods during the term of the Agreement to furnish continuous protection to the Work and the equipment, materials, papers, documents, plans, studies, and/or other components thereof to prevent losses or damages, and shall be responsible for all such damages, to persons or property, until acceptance of the Work by the City, except such losses or damages as may be caused by City's own negligence.

1.7 Further Responsibilities of Parties. Both Parties agree to use reasonable care and diligence to perform their respective obligations under this Agreement. Both Parties agree to act in good faith to execute all instruments, prepare all documents, and take all actions as may be reasonably necessary to carry out the purposes of this Agreement.

1.8 Additional Services. City shall have the right at any time during the performance of the Services, without invalidating this Agreement, to order extra work beyond that specified in the Consultant's Proposal/Scope of Work (Exhibit "A") or make changes by altering, adding to, or deducting from such Work. No such extra work may be undertaken unless a written order is

first given by the City to the Consultant, incorporating therein any adjustment in (i) the Maximum Contract Amount, as defined below, and/or (ii) the time to perform this Agreement, which adjustments are subject to the written approval of the Consultant. It is expressly understood by Consultant that the provisions of this section shall not apply to the Work and Services specifically set forth in the Scope of Services or reasonably contemplated therein, regardless of whether the time or materials required to complete any Work or Service identified in the Scope of Services exceeds any time or material amounts or estimates provided therein.

1.9 Non-Exclusive Agreement. Consultant acknowledges that City may enter into agreements with other contractors, consultants, or vendors for services similar to the services that are the subject of this Agreement. Consultant further acknowledges that City may have its own employees perform services similar to the services that are the subject of this Agreement.

2. COMPENSATION

2.1 Maximum Contract Amount. For the Services and Work rendered pursuant to this Agreement, Consultant shall be compensated by City for the services performed, including authorized reimbursements, on a time and materials basis in accordance with the professional hourly rates and charges set forth in the Schedule of Compensation/Fees, which is attached hereto as Exhibit "A" and is incorporated herein by reference, but not exceeding the total maximum contract amount of One Hundred Thousand Dollars (\$100,000.00) (hereinafter referred to as the "Maximum Contract Amount"). Compensation for necessary expenditures for reproduction costs, telephone expenses, and transportation expenses must be approved in advance by the Contract Officer designated pursuant to Section 4.2 and will only be approved if such expenses are also specified in the Schedule of Compensation/Fees. The maximum amount of City's payment obligation under this Agreement is the amount specified in this section.

2.2. Method of Payment. Unless some other method of payment is specified in the Schedule of Compensation/Fees (Exhibit "A"), in any month in which Consultant wishes to receive payment, no later than the tenth (10th) working day of such month, Consultant shall submit to the City, in a form approved by the City's Finance Director, an invoice for services rendered prior to the date of the invoice. Such requests shall be based upon the amount and value of the services performed by Consultant and accompanied by such reporting data including an itemized breakdown of all costs incurred and tasks performed during the period covered by the invoice, as may be required by the City. City shall use reasonable efforts to make payments to Consultant within forty-five (45) days after receipt of the invoice or a soon thereafter as is reasonably practical.

2.3 Changes in Scope. In the event any change or changes in the Scope of Services is requested by the City, the Parties shall execute a written amendment to this Agreement, setting forth with particularity all terms of such amendment, including, but not limited to, any additional professional 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; and/or (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.

2.4 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 term of this Agreement. If such appropriations are not made, this Agreement shall automatically terminate without penalty to the City.

3. SCHEDULE OF PERFORMANCE

3.1 Time of Essence. Time is of the essence in the performance of this Agreement. 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.

3.2 Schedule of Performance. Consultant shall commence the Services pursuant to this Agreement upon receipt of a written notice to proceed, or on each task order, if applicable, and shall perform all Services within the time period(s) established in the Schedule of Performance, which is attached hereto as Exhibit "A" and is incorporated herein by reference. When requested by Consultant, extensions to the time period(s) specified in the Schedule of Performance may be approved in writing by the Contract Officer; however, the City shall not be obligated to grant such an extension.

3.3 Force Majeure. The time period(s) specified in the Schedule of Performance for performance of the Services rendered pursuant to this Agreement shall be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of the Consultant (financial inability excepted), including, but not limited to, acts of God or of the public enemy, unusually severe weather, fires, earthquakes, floods, epidemics, quarantine restrictions, riots, strikes, freight embargoes, wars, and/or acts of any governmental agency, including the City, if Consultant, within ten (10) days of the commencement of such delay, notifies the City Manager in writing of the causes of the delay. The City Manager shall ascertain the facts and the extent of delay, and extend the time for performing the Services for the period of the enforced delay when and if in the judgment of the City Manager such delay is justified. The City Manager's determination shall be final and conclusive upon the Parties to this Agreement. In no event shall Consultant be entitled to recover damages against the City for any delay in the performance of this Agreement, however caused, Consultant's sole remedy being extension of the Agreement pursuant to this section.

3.4 Term. Unless earlier terminated as provided elsewhere in this Agreement, this Agreement shall commence upon the effective date of this Agreement and shall continue in full force and effect until Project completion, unless extended by mutual written agreement of the Parties.

3.5 Task Orders. Consultant hereby agrees and acknowledges that any and all Services or Work performed pursuant to this Agreement shall be based upon the prior issuance of a written task order by the City. Furthermore, Consultant hereby agrees and acknowledges that execution of this Agreement by the City does not in any way guarantee that a task order will be

issued to Consultant. Moreover, execution of this Agreement by the City shall not entitle Consultant to any form of payment or compensation from the City without City first having issued a task order.

4. COORDINATION OF WORK

4.1 Representative of Consultant. The following principal of Consultant is hereby designated as being the principal and representative of Consultant authorized to act in its behalf with respect to the Services to be performed under this Agreement and to make all decisions in connection therewith: **Ken Hira, President.** It is expressly understood that the experience, knowledge, education, capability, expertise, and reputation of the foregoing principal is a substantial inducement for City to enter into this Agreement. Therefore, the foregoing principal shall be responsible during the term of this Agreement for directing all activities of Consultant and devoting sufficient time to personally supervise the Work or Services performed hereunder. The foregoing principal may not be changed by Consultant without prior written approval of the Contract Officer.

4.2 Contract Officer. The Contract Officer shall be such person as may be designated by the City Manager of City, and is subject to change by the City Manager. It shall be the Consultant's responsibility to ensure that the Contract Officer is kept fully informed of the progress of the performance of the Services, and the Consultant shall refer any decisions which 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. The Contract Officer shall have authority to sign all documents on behalf of the City required hereunder to carry out the terms of this Agreement.

4.3 Prohibition Against Subcontracting or Assignments. The experience, knowledge, capability, expertise, and reputation of Consultant, its principals and employees, were a substantial inducement for City to enter into this Agreement. Therefore, Consultant shall not assign the performance of this Agreement, nor any part thereof, nor any monies due hereunder, voluntarily or by operation of law, without the prior written consent of City. Consultant shall not contract with any other entity to perform the Services required without prior written consent of City. If Consultant is permitted to subcontract any part of this Agreement by City, Consultant shall be responsible to City for the acts and omissions of its subcontractor(s) in the same manner as it is for persons directly employed. Nothing contained in this Agreement shall create any contractual relationships between any subcontractor and City. All persons engaged in the Work will be considered employees of Consultant. City will deal directly with and will make all payments to Consultant. In addition, neither this Agreement nor any interest herein may be transferred, assigned, conveyed, hypothecated, or encumbered voluntarily or by operation of law, whether for the benefit of creditors or otherwise, without the prior written consent of City. Transfers restricted hereunder shall include the transfer to any person or group of persons acting in concert of more than twenty five percent (25%) of the present ownership and/or control of Consultant, taking all transfers into account on a cumulative basis. In the event of any such unapproved transfer, including any bankruptcy proceeding, this Agreement shall be void. No approved transfer shall release Consultant or any surety of Consultant from any liability hereunder without the express written consent of City.

4.4 Independent Contractor.

A. The legal relationship between the Parties 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. Consultant will determine the means, methods and details of performing the Services subject to the requirements of this Agreement. The personnel performing the Services under this Agreement on behalf of Consultant shall at all times be under Consultant's exclusive direction and control. Neither City nor any of its officials, officers, employees, agents or volunteers 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 a permanent office or fixed business location at City's offices. City shall have no voice in the selection, discharge, supervision, or control of Consultant's officers, employees, 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 the performance of Services under 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 the performance of any Work or Services under this Agreement. Except for professional 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 any Work or Services 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 any Work or Services hereunder. If for any reason any court or governmental agency determines that the City has financial obligations, other than pursuant to Section 2 and Subsection 1.8 herein, of any nature relating to salary, taxes, or benefits of Consultant's officers, employees, representatives, agents, or subconsultants or subcontractors, Consultant shall defend, indemnify, and hold harmless City from and against all such financial obligations.

4.5 PERS Eligibility Indemnification.

A. In the event that Consultant or any employee, agent, or subcontractor of Consultant providing any Work or Services under this Agreement claims or is determined by a court of competent jurisdiction or the California Public Employee Retirement System (PERS) to be eligible for enrollment in PERS as an employee of the City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be

the responsibility of the City.

B. Notwithstanding any other agency, state or federal policy, rule, regulation, law or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing any Work or Services under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in PERS as an employee of City and entitlement to any contribution to be paid by City for employer contribution and/or employee contributions for PERS benefits.

5. **INSURANCE**

5.1 Compliance with Insurance Requirements. Consultant shall obtain, maintain, and keep in full force and effect during the term of this Agreement, at its sole cost and expense, and in a form and content satisfactory to City, all insurance required under this section. Consultant shall not commence any Work or Services under this Agreement unless and until it has provided evidence satisfactory to City that it has secured all insurance required under this section. If Consultant's existing insurance policies do not meet the insurance requirements set forth herein, Consultant agrees to amend, supplement or endorse the policies to do so.

5.2 Types of Insurance Required. As a condition precedent to the effectiveness of this Agreement, and without limiting the indemnity provisions set forth in this Agreement, Consultant shall obtain and maintain in full force and effect during the term of this Agreement, including any extension thereof, the following policies of insurance:

A. **Commercial General Liability Insurance.** Consultant shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of Commercial General Liability Insurance written on an occurrence basis 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. Defense costs shall be paid in addition to the limits. The policy shall contain no endorsements or provisions limiting coverage for (1) contractual liability; (2) cross liability exclusion for claims or suits by one insured against another; or (3) contain any other exclusion contrary to the Agreement.

B. **Automobile Liability Insurance.** Consultant shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of Automobile Liability Insurance written on a per occurrence basis with limits of at least one million dollars (\$1,000,000.00) combined limit for each occurrence covering bodily injury and property damage. The policy shall specifically include coverage for owned, non-owned, leased, and hired automobiles.

C. **Workers' Compensation Insurance.** Consultant shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of Workers' Compensation Insurance in at least the minimum statutory amounts, and in compliance with all other statutory requirements, as required by the State of California. Consultant agrees to waive

and obtain endorsements from its workers' compensation insurer waiving all subrogation rights under its workers' compensation insurance policy against the City, its officials, officers, employees, agents and volunteers, and to require each of its subconsultants and subcontractors, if any, to do likewise under their workers' compensation insurance policies. Consultant shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of Employer's Liability Insurance written on a per occurrence basis with limits of at least one million dollars (\$1,000,000.00) per accident for bodily injury or disease.

D. Professional Liability (Errors & Omissions) Insurance. Consultant shall obtain and maintain in full force and effect throughout the term of this Agreement, a policy of Professional Liability or Errors and Omissions Insurance appropriate to Consultant's profession with limits of at least two million dollars (\$2,000,000.00). Covered professional services shall specifically include all Work or Services to be performed under the Agreement and delete any exclusions that may potentially affect the Work or Services to be performed under this Agreement.

1. The policy shall be endorsed to provide the following: Contractual Liability Exclusion Deleted: This insurance shall include contractual liability applicable to this Agreement. The policy must "pay on behalf of" the insured and include a provision establishing the insurer's duty to defend.

2. If the policy of insurance is written on a "claims-made" basis, the City may require that the policy be continued in full force and effect at all times during the term of this Agreement, and for a period of three (3) years from the date of the completion of the Work or Services provided hereunder. In the event of termination of the policy during this period, Consultant shall obtain continuing insurance coverage for the prior acts or omissions of Consultant during the course of performing the Work or Services under the terms of this Agreement. The coverage shall be evidenced by either a new policy evidencing no gap in coverage, or by obtaining separate extended "tail" coverage with the present or new carrier or other insurance arrangements providing for complete coverage, either of which shall be subject to the written approval by the City.

3. In the event the policy of insurance is written on an "occurrence" basis, the policy shall be continued in full force and effect during the term of this Agreement, or until completion of the Work or Services provided for in this Agreement, whichever is later. In the event of termination of the policy during this period, new coverage shall immediately be obtained to ensure coverage during the entire course of performing the Work or Services under the terms of this Agreement.

5.3 Acceptability of Insurers. Insurance required by this section 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 Approved Surplus Lines Insurers (LASLI), 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. In the event the City determines that the Work or Services to be

performed under this Agreement creates an increased or decreased risk of loss to the City, the Consultant agrees that the minimum limits of the insurance policies may be changed accordingly upon receipt of written notice from the City. Consultant shall immediately substitute any insurer whose A.M. Best rating drops below the levels specified herein.

5.4 Insurance Endorsements. Required insurance policies shall not be in compliance if they include any limiting provision or endorsement that has not been submitted to the City for written approval. Required insurance policies shall contain the following provisions, or Consultant shall provide endorsements on forms approved by the City to add the following provisions to the insurance policies:

A. The policy or policies of insurance required by this section for Commercial General Liability and Automobile Liability Insurance shall be endorsed to provide the following:

1. Additional Insured: The City, its officials, officers, employees, agents and volunteers, shall be additional insureds with regard to liability and defense of suits or claims arising out of the performance of the Agreement; and

2. Additional Insured Endorsements: Additional insured endorsements shall not (1) be restricted to “ongoing operations”, (2) exclude “contractual liability”, (3) restrict coverage to “sole” liability of Consultant, or (4) contain any other exclusions contrary to the Agreement; and, the coverage shall contain no special limitations on the scope of protection afforded to additional insureds.

3. Notice: The policy or policies of insurance required by this section for Commercial General Liability and Automobile Liability Insurance shall be endorsed to state that coverage shall not be suspended, voided, cancelled, or modified, or reduced in coverage or in limits, except after thirty (30) days prior written notice by First Class U.S. Mail, postage-prepaid, has been provided to the City. Notwithstanding the foregoing, if coverage is to be suspended, voided, or cancelled because of Consultant’s failure to pay the insurance premium, the notice provided to City shall be by ten (10) days prior written notice.

B. For all policies of Commercial General Liability Insurance, Consultant shall provide endorsements for ongoing operations and completed operations to effectuate this requirement.

5.5 Deductibles and Self-Insured Retentions. Any deductible or self-insured retention must be approved in writing by the City in advance and shall protect the City, its officials, officers, employees, agents and volunteers, in the same manner and to the same extent as they would have been protected had the policy or policies not contained a deductible or self-insured retention.

5.6 Primary and Non-Contributing Insurance. All policies of Commercial General Liability Insurance and Automobile Liability Insurance shall be primary and any other insurance, deductible, or self-insurance maintained by the City, its officials, officers, employees,

agents or volunteers, shall not contribute with this primary insurance. Policies shall contain or be endorsed to contain such provisions.

5.7 Waiver of Subrogation. All policies of Commercial General Liability and Automobile Liability Insurance shall contain or be endorsed to waive subrogation against the City, its officials, officers, employees, agents and volunteers, or shall specifically allow Consultant or others providing insurance evidence in compliance with the requirements set forth in this section to waive their right to recovery prior to a loss. Consultant hereby agrees to waive its own right of recovery against the City, its officials, officers, employees, agents and volunteers, and Consultant hereby agrees to require similar written express waivers and insurance clauses from each of its subconsultants or subcontractors.

5.8 Evidence of Coverage. Concurrently with the execution of the Agreement, Consultant shall deliver certificates of insurance together with original endorsements affecting each of the insurance policies required by this section. Required insurance policies shall not be in compliance if they include any limiting provision or endorsement that has not been submitted to the City for written approval. The certificates of insurance and original endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf. At least fifteen (15) days prior to the expiration of any such policy, evidence of insurance showing that such insurance coverage has been renewed or extended shall be filed with the City. If such coverage is cancelled or reduced and not replaced immediately so as to avoid a lapse in the required coverage, Consultant shall, within ten (10) days after receipt of written notice of such cancellation or reduction of coverage, file with the City evidence of insurance showing that the required insurance has been reinstated or has been provided through another insurance company or companies. Consultant shall promptly furnish, at City's request, copies of actual policies including all declaration pages, endorsements, exclusions and any other policy documents City requires to verify coverage.

5.9 *Intentionally omitted.*

5.10 Enforcement of Agreement (Non-Estoppel). Consultant acknowledges and agrees that actual or alleged failure on the part of the City to inform Consultant of any non-compliance with any of the insurance requirements set forth in this section imposes no additional obligation on the City nor does it waive any rights hereunder.

5.11 Insurance for Subconsultants. Consultant shall either: (1) include all subconsultants or subcontractors engaged in any Work or Services for Consultant relating to this Agreement as additional named insureds under the Consultant's insurance policies; or (2) Consultant shall be responsible for causing its subconsultants or subcontractors to procure and maintain the appropriate insurance in compliance with the terms of the insurance requirements set forth in this section, including adding the City, its officials, officers, employees, agents and volunteers, as additional insureds to their respective policies. All policies of Commercial General Liability Insurance provided by Consultant's subconsultants or subcontractors performing any Work or Services related to this Agreement shall be endorsed to name the City, its officials, officers, employees, agents and volunteers, as additional insureds. Consultant shall not allow any subconsultant or subcontractor to commence any Work or Services relating to this

Agreement unless and until it has provided evidence satisfactory to City that the subconsultant or subcontractor has secured all insurance required under this section.

5.12 Other Insurance Requirements. The following terms and conditions shall apply to the insurance policies required of Consultant pursuant to this Agreement:

A. Consultant shall provide immediate written notice to City if (1) any of the insurance policies required herein are terminated, cancelled or suspended, (2) the limits of any of the insurance coverages required herein are reduced, or (3) the deductible or self-insured retention is increased.

B. All insurance coverage and limits provided by Consultant and available or applicable to this Agreement are intended to apply to each insured, including additional insureds, against whom a claim is made or suit is brought to the full extent of the policies. Nothing contained in this Agreement or any other agreement relating to the City or its operations shall limit the application of such insurance coverage.

C. None of the insurance coverages required herein will be in compliance with the requirements of this section if they include any limiting endorsement which substantially impairs the coverages set forth herein (e.g., elimination of contractual liability or reduction of discovery period), unless the endorsement has first been submitted to the City and approved in writing.

D. Certificates of insurance will not be accepted in lieu of required endorsements, and submittal of certificates without required endorsements may delay commencement of the Project. It is Consultant's obligation to ensure timely compliance with all insurance submittal requirements as provided herein.

E. Consultant agrees to ensure that subconsultants and subcontractors, if any, and any other parties involved with the Project who are brought onto or involved in the Project by Consultant, provide the same minimum insurance coverage required of Consultant. Consultant agrees to monitor and review all such coverage and assumes all responsibility for ensuring that such coverage is provided in conformity with the requirements of this section. Consultant agrees that upon request, all agreements with subcontractors and others engaged in the Project will be submitted to the City for review.

F. Consultant agrees to provide immediate written notice to City of any claim, demand or loss against Consultant arising out of the Work or Services performed under this Agreement and for any other claim, demand or loss which may reduce the insurance available to pay claims, demands or losses arising out of this Agreement.

6. 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 and appointed 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. Notwithstanding the foregoing, such obligation to defend, hold harmless, and indemnify the City, its elected and appointed officials, officers, employees, agents and volunteers, shall not apply to the extent that such Claims arise out of, pertain to, or are related to the City’s sole negligence, active negligence, or willful misconduct.

7. REPORTS AND RECORDS

7.1 Accounting Records. Consultant shall keep complete, accurate, and detailed accounts of all time, costs, expenses, and expenditures pertaining in any way to this Agreement. Consultant shall keep such books and records as shall be necessary to properly perform the Services required by this Agreement and to 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.

7.2 Reports. 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. Consultant hereby acknowledges that the City is greatly concerned about the cost of the Work and Services to be performed pursuant to this Agreement. For this reason, Consultant agrees that if Consultant becomes aware of any facts, circumstances, techniques, or events that may or will materially increase or decrease the cost of the Work or Services contemplated herein or, if Consultant is providing design services, the cost of the project being designed, Consultant shall promptly notify the Contract Officer of such fact, circumstance, technique, or event and the estimated increased or decreased cost related thereto and, if Consultant is providing design services, the estimated increased or decreased cost estimate for the project being designed.

7.3 Ownership of Documents. All drawings, specifications, reports, records, documents, memoranda, correspondence, computations, and other materials prepared by Consultant, its employees, subconsultants, subcontractors and agents in the performance of this Agreement shall be the property of City and shall be promptly 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 of 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 ensure that all of its subconsultants and subcontractors shall provide for assignment to City of any documents or materials prepared by

them, and in the event Consultant fails to secure such assignment, Consultant shall indemnify City for all damages resulting therefrom.

7.4 Release of Documents. All drawings, specifications, reports, records, documents, and other materials 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. All information gained by Consultant in the performance of this Agreement shall be considered confidential and shall not be released by Consultant without City's prior written authorization.

7.5 Audit and Inspection of Records. After receipt of reasonable notice and during the regular business hours of City, Consultant shall provide City, or other agents of City, such access to Consultant's books, records, payroll documents, and facilities as City deems necessary to examine, copy, audit, and inspect all accounting books, records, work data, documents, and activities directly related to Consultant's performance under this Agreement. Consultant shall maintain such books, records, data, and documents in accordance with generally accepted accounting principles and shall clearly identify and make such items readily accessible to such parties during the term of this Agreement and for a period of three (3) years from the date of final payment by City hereunder.

8. ENFORCEMENT OF AGREEMENT

8.1 California Law and Venue. This Agreement shall be construed and interpreted both as to validity and as 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 Interpretation. This Agreement shall be construed as a whole according to its fair language and common meaning to achieve the objectives and purposes of the Parties. The terms of this Agreement are contractual and the result of negotiation between the Parties. Accordingly, any rule of construction of contracts (including, without limitation, California Civil Code Section 1654) that ambiguities are to be construed against the drafting party, shall not be employed in the interpretation of this Agreement. The caption headings of the various sections and paragraphs of this Agreement are for convenience and identification purposes only and shall not be deemed to limit, expand, or define the contents of the respective sections or paragraphs.

8.3 Termination. City may terminate this Agreement for any reason, with or without cause, upon giving Consultant thirty (30) days written notice. Upon such notice, City shall pay Consultant for Services performed through the date of termination. Upon receipt of such notice, Consultant shall immediately cease all work under this Agreement, unless the notice provides otherwise. Thereafter, Consultant shall have no further claims against the City under this Agreement. Upon termination of the Agreement pursuant to this section, Consultant shall submit to the City an invoice for work and services performed prior to the date of termination. In addition, Consultant reserves the right to terminate this Agreement at any time upon sixty (60)

days written notice to the 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.

8.4 Default of Consultant.

A. Consultant's failure to comply with any provision of this Agreement shall constitute a default.

B. If the City Manager, or City Manager's designee, determines that Consultant is in default in the performance of any of the terms or conditions of this Agreement, he/she shall notify Consultant in writing of such default. Consultant shall have ten (10) days, or such longer period as City may designate, to cure the default by rendering satisfactory performance. In the event Consultant fails to cure its default within such period of time, City shall have the right, notwithstanding any other provision of this Agreement, to terminate this Agreement without further notice and without prejudice of any remedy to which City may be entitled at law, in equity, or under this Agreement. Consultant shall be liable for any and all reasonable costs incurred by City as a result of such default. Compliance with the provisions of this section shall not constitute a waiver of any City right to take legal action in the event that the dispute is not cured, provided that nothing herein shall limit City's right to terminate this Agreement without cause pursuant to Section 8.3.

C. If termination is due to the failure of the Consultant to fulfill its obligations under this Agreement, City may, after compliance with the provisions of Section 8.4(B), take over the work and prosecute the same to completion by contract or otherwise, and the Consultant shall be liable to the extent that the total cost for completion of the Services required hereunder exceeds the Maximum Contract Amount (provided that the City shall use reasonable efforts to mitigate such damages), and City may withhold any payments to the Consultant for the purpose of set-off or partial payment of the amounts owed the City as previously stated. The withholding or failure to withhold payments to Consultant shall not limit Consultant's liability for completion of the Services as provided herein.

8.5 Waiver. No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the Party against whom enforcement of a waiver is sought. Any waiver by the Parties of any default or breach of any covenant, condition, or term contained in this Agreement, shall not be construed to be a waiver of any subsequent or other default or breach, nor shall failure by the Parties to require exact, full, and complete compliance with any of the covenants, conditions, or terms contained in this Agreement be construed as changing the terms of this Agreement in any manner or preventing the Parties from enforcing the full provisions hereof.

8.6 Rights and Remedies 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.

8.7 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 declaratory or injunctive relief, or to obtain any other remedy consistent with the purposes of this Agreement.

8.8 Attorneys' Fees. 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 attorneys' fees, expert witness fees, court costs and all fees, costs, and expenses incurred in any appeal or in collection of any judgment entered in such proceeding. To the extent authorized by law, in the event of a dismissal by the plaintiff or petitioner of the litigation or non-judicial proceeding within thirty (30) days of the date set for trial or hearing, the other Party shall be deemed to be the prevailing Party in such litigation or proceeding.

9. CITY OFFICERS AND EMPLOYEES: NON-DISCRIMINATION

9.1 Non-liability of City Officers and Employees. No officer or employee of the City shall be personally liable to the Consultant, or any successor-in-interest, in the event of any default or breach by the City or for any amount which may become due to the Consultant or to its successor, or for breach of any obligation of the terms of this Agreement.

9.2 Conflict of Interest. No officer or employee of the City shall have any financial interest, direct or indirect, in this Agreement nor shall any such officer or employee participate in any decision relating to the Agreement which effects his or her financial interest or the financial interest of any corporation, partnership, or association in which they are, directly or indirectly, interested in violation of any state statute or regulation. Consultant represents and warrants that it has not paid or given and will not pay or give any third party any money or other consideration in exchange for obtaining this Agreement.

9.3 Covenant Against Discrimination. In connection with its performance under this Agreement, Consultant shall not discriminate against any employee or applicant for employment because of race, disability, medical condition, religion, color, sex, sexual orientation, age, marital status, ancestry, or national origin. Consultant shall ensure that applicants are employed, and that employees are treated during their employment, without regard to their race, disability, medical condition, religion, color, sex, sexual orientation, age, marital status, ancestry, or national origin. Such actions shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

10. MISCELLANEOUS PROVISIONS

10.1 Patent and Copyright Infringement.

A. To the fullest extent permitted by law, and in lieu of any other warranty by

City or Consultant against patent or copyright infringement, statutory or otherwise, it is agreed that Consultant shall defend at its expense any claim or suit against City on account of any allegation that any item furnished under this Agreement, or the normal use or sale thereof arising out of the performance of this Agreement, infringes upon any presently existing U.S. letters patent or copyright and Consultant shall pay all costs and damages finally awarded in any such suit or claim, provided that Consultant is promptly notified in writing of the suit or claim and given authority, information and assistance at Consultant's expense for the defense of same, and provided such suit or claim arises out of, pertains to, or is related to the alleged negligence, recklessness or willful misconduct of Consultant. However, Consultant will not indemnify City if the suit or claim results from: (1) City's alteration of a deliverable, such that City's alteration of such deliverable created the infringement upon any presently existing U.S. letters patent or copyright; or (2) the use of a deliverable in combination with other material not provided by Consultant when it is such use in combination which infringes upon an existing U.S. letters patent or copyright.

B. Consultant shall have sole control of the defense of any such claim or suit and all negotiations for settlement thereof, Consultant shall not be obligated to indemnify City under any settlement made without Consultant's consent or in the event City fails to cooperate in the defense of any suit or claim, provided, however, that such defense shall be at Consultant's expense. If the use or sale of such item is enjoined as a result of the suit or claim, Consultant, at no expense to City, shall obtain for City the right to use and sell the item, or shall substitute an equivalent item acceptable to City and extend this patent and copyright indemnity thereto.

10.2 Notices. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered, sent by registered or certified mail, postage prepaid, return receipt requested, or delivered or sent by facsimile with attached evidence of completed transmission, and shall be deemed received upon the earlier of (i) the date of delivery to the address of the person to receive such notice if delivered personally or by messenger or overnight courier; (ii) five (5) business days after the date of posting by the United States Post Office if by mail; or (iii) when sent if given by facsimile. Notices or other communications shall be addressed as follows:

<u>To City:</u>	City of Laguna Hills Attention: City Manager 24035 El Toro Road Laguna Hills, California 92653 Telephone: (949) 707-2600 Facsimile: (949) 707-2633
<u>To Consultant:</u>	Kosmont Companies Attention: Ken Hira, President 1601 N. Sepulveda Boulevard, Suite 382 Manhattan Beach, California 90266 Telephone: (424) 297-1070 E-mail: khira@kosmont.com

10.3 Entire Agreement. This Agreement constitutes the entire agreement between the

Parties and supersedes all prior negotiations, arrangements, agreements, representations, and understandings, if any, made by or among the Parties with respect to the subject matter hereof. No amendments or other modifications of this Agreement shall be binding unless executed in writing by both Parties hereto, or their respective successors, assigns, or grantees.

10.4 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be determined to be invalid by a final judgment or decree of a court of competent jurisdiction, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of that provision, or the remaining provisions of this Agreement unless the invalid provision is so material that its invalidity deprives either Party of the basic benefit of their bargain or renders this Agreement meaningless.

10.5 Successors in Interest. This Agreement shall be binding upon and inure to the benefit of the Parties' successors and assignees.

10.6 Third Party Beneficiary. Nothing contained in this Agreement is intended to confer, nor shall this Agreement be construed as conferring, any rights, including, without limitation, any rights as a third-party beneficiary or otherwise, upon any entity or person not a party hereto.

10.7 Recitals. The above-referenced Recitals are hereby incorporated into the Agreement as though fully set forth herein and each Party acknowledges and agrees that such Party is bound, for purposes of this Agreement, by the same.

10.8. Corporate Authority. Each of the undersigned represents and warrants that (i) the Party for which he/she is executing this Agreement is duly authorized and existing, (ii) he/she is duly authorized to execute and deliver this Agreement on behalf of the Party for which he/she is signing, (iii) by so executing this Agreement, the Party for which he/she is signing is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other Agreement to which the Party for which he/she is signing is bound.

10.9 Labor Code Requirements.

A. Prevailing Wages. Consultant is aware of the requirements of California labor Code Section 1720, et seq., and 1770, et seq., as well as California Code of Regulations, Title 8, Section 16000, et seq., ("Prevailing Wage Laws"), which require the payment of prevailing wage rates and the performance of other requirements on "public works" and "maintenance" projects. If the Work or Services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and since the total compensation is \$1,000 or more, Consultant agrees to fully comply with such Prevailing Wage Laws. City shall provide Consultant with a copy of the prevailing rates of per diem wages in effect at the commencement of this Agreement. Consultant shall make copies of the prevailing rates of per diem wages for each craft, classification, or type of worker needed to execute the Work or Services available to interested parties upon request, and shall post copies at the

Consultant's principal place of business and at the project site. It is the intent of the parties to effectuate the requirements of sections 1771, 1774, 1775, 1776, 1777.5, 1813, and 1815 of the Labor Code within this Agreement, and Consultant shall therefore comply with such Labor Code sections to the fullest extent required by law. Consultant shall defend, indemnify, and hold the City, its officials, officers, employees, agents, and volunteers free and harmless from any claim or liability arising out of any failure or alleged failure to comply with the Prevailing Wage Laws. The foregoing indemnity shall survive termination of this Agreement.

B. DIR Registration. If the Work or Services are being performed as part of an applicable "public works" or "maintenance" project, in addition to the foregoing, then pursuant to Labor Code sections 1725.5 and 1771.1, the Consultant and all subconsultants must be registered with the Department of Industrial Relations ("DIR"). Consultant shall maintain registration for the duration of the Project and require the same of any subconsultants. This Project may also be subject to compliance monitoring and enforcement by the DIR. It shall be Contractor's sole responsibility to comply with all applicable registration and labor compliance requirements, including the submission of payroll records directly to the DIR.

10.10 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the Parties have executed and entered into this Agreement as of the date first written above.

“CITY”
City of Laguna Hills,
 a California municipal corporation

 DONALD J. WHITE, City Manager

ATTEST:

 (SEAL)
 MELISSA AU-YEUNG,
 Assistant to the City Manager/ City Clerk

APPROVED AS TO FORM:

 GREGORY E. SIMONIAN,
 City Attorney

“CONSULTANT”
Kosmont & Associates, Inc. dba Kosmont
Companies, a California corporation

By: _____
 KEN HIRA, President

Attachment: Professional Services Agreement - Kosmont & Associates Inc. (2003 : Kosmont & Associates Agreement)

EXHIBIT “A”**CONSULTANT’S PROPOSAL/ SCOPE OF WORK****DATED: NOVEMBER 6, 2019**

SCOPE OF SERVICES FOR PROJECT**INCLUDING,****SCHEDULE OF PERFORMANCE****AND****SCHEDULE OF COMPENSATION/ FEES**

EXHIBIT A

I. BACKGROUND AND OBJECTIVE

Kosmont & Associates, Inc. doing business as Kosmont Companies ("Consultant" or "Kosmont") is pleased to present this proposal for real estate advisory services to the City of Laguna Hills ("City" or "Client") for the preparation of a Net Fiscal Impact Analysis and development agreement negotiations in connection with the proposed Merlone Geier Partners former Laguna Hills Mall redevelopment project ("Project") located at the intersection of the I-5 Freeway and El Toro Road within the City ("Site").

The Site is currently undergoing redevelopment by development firm Merlone Geier Partners ("MGP" or "Developer") to create a lifestyle and urban town center that envisions an attractive dining, shopping, entertainment, living and working environment. To that end, the City has expressed interest to continue working with Kosmont to provide related real estate advisory services, including a net fiscal impact analysis ("Analysis") and initial development agreement negotiations, as it relates to the Project. Therefore, Kosmont proposes the following scope of services accordingly.

II. SCOPE OF SERVICES

Task 1: Net Fiscal Impact Analysis & Economic Benefit Analysis

Based on a revised project description including retail, residential, office and hotel, provided by the Client/Developer for the Project, Kosmont will provide the following:

Task 1a: Analysis of Primary Fiscal Revenues

Consultant will estimate the primary fiscal revenues to be generated by the Project upon full build-out and stabilization, including property tax (secured and unsecured), property tax in-lieu of vehicle license fees ("VLF"), sales and use tax, and/or other revenues, as deemed relevant and applicable by Consultant. Kosmont will also coordinate with the City on an initial analysis of the Development Impact Fees associated with the proposed Project.

Task 1b: Analysis of Primary Fiscal Expenditures

Consultant will estimate primary fiscal expenditures that may result from the Project upon full build-out and stabilization, including personnel, operations, and/or other costs related to public works, public safety, community services, community development, administration, and/or other municipal programs, as deemed relevant and applicable by Consultant. Consultant will evaluate fiscal revenues net of fiscal expenditures, known as the net fiscal impact.

Task 1c: Estimation of Construction-Related Economic Benefits

Based on the estimated construction budget for the Project (to be provided by Client/Developer), Consultant will apply an IMPLAN-based analysis to estimate the employment (job creation), labor income (wages), and economic output (value of goods and services produced) benefits to be derived from construction of the Project. Direct, indirect, and induced economic benefits will be evaluated.

Task 1d: Estimation of Economic Benefits from Ongoing Operation

Based on estimated current industry-standard per-square-foot employment densities (and/or Client estimates), Consultant will estimate the permanent on-site employment and related labor income and economic output benefits as estimated by IMPLAN to be generated from ongoing operation of the Project after build-out and stabilization. Direct, indirect, and induced economic benefits will be evaluated.

Task 1e: Preparation of Analysis Summary Report

At the conclusion of the Analysis, Consultant will prepare an Analysis Summary Report ("Summary Report") describing the data sources, assumptions and methodologies utilized and results obtained from the Analysis. Client will have an opportunity to review and provide one round of comments on the Summary Report, and Consultant will incorporate mutually agreed upon comments into a final version of the Summary Report.

Note: Kosmont is available to analyze net fiscal impact of alternative scenarios as needed for the proposed Project as directed by Client, scope and budget for which will be outlined at the appropriate time in a follow-on scope to be approved by Client in advance.

(Optional) Presentation and Meeting Assistance

Consultant is available to assist with preparation of additional presentation materials and participation in summary presentations of the Analysis, including at City Council meetings, public / community hearings, and/or other requested meetings to be billed at the professional services (hourly) fees as shown in Section IV.

Task 2: Preliminary Transaction/Development Agreement Negotiation Assistance

Kosmont will assist the City and its legal counsel with initial Development Agreement ("DA") negotiations and public-private transaction structuring including assistance with review and negotiation of business terms such as length of DA, milestones, Developer responsibilities (e.g. performance measures), City and community benefits, remedies, etc.

Note: Complete DA negotiations is difficult to predict but Kosmont will be available to assist in further DA negotiations and project shaping as directed by Client, time and budget for which will be outlined at the appropriate time in a follow-on scope to be approved by Client in advance.

Task 3: As Needed Real Estate Advisory Services

Kosmont will assist the City on as needed and as directed basis for real estate advisory services not identified in Tasks 1 and 2.

III. WORK SCHEDULE

Consultant is prepared to commence work upon receipt of executed Agreement.



IV. SCHEDULE OF FEES

Kosmont Companies 2019-2020 Public Agency Fee Schedule

Professional Services

Chairman & CEO	\$375.00/hour
President	\$345.00/hour
Senior Vice President/Senior Advisor	\$305.00/hour
Vice President	\$210.00/hour
Senior Project Analyst	\$195.00/hour
Project Analyst/Project Research	\$165.00/hour
Assistant Project Analyst/Assistant Project Manager	\$125.00/hour
GIS Mapping/Graphics Service	\$ 95.00/hour
Clerical Support	\$ 60.00/hour

• Additional Expenses

In addition to professional services (labor fees):

- 1) An **administrative fee** for in-house copy, fax, phone and postage costs will be charged, which will be computed at four percent (4.0 %) of monthly Kosmont Companies professional service fees incurred; **plus**
- 2) **Out-of-pocket expenditures**, such as travel and mileage, professional printing, and delivery charges for messenger and overnight packages will be charged at cost.
- 3) If Kosmont retains **Third Party Vendor(s)** for Client (with Client's advance approval), fees and cost will be billed to Client at 1.1X (times) fees and costs.
- 4) Consultant's **attendance or participation at any public meeting** requested by Client will be billed at the professional services (hourly) fees as shown on this Attachment A.

• Charges for Court/Deposition/Expert Witness-Related Appearances

Court-related (non-preparation) activities, such as court appearances, depositions, mediation, arbitration, dispute resolution and other expert witness activities, will be charged at a court rate of 1.5 times scheduled rates, with a 4-hour minimum.

Rates shall remain in effect until December 31, 2020.



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: November 26, 2019
TO: Mayor and Council Members
FROM: Donald J. White
City Manager
ISSUE: Proposed Village at Laguna Hills Redevelopment Project Frequently Asked Questions (24155 Laguna Hills Mall, Laguna Hills, CA 92653)

RECOMMENDATION: That the City Council review and comment on the proposed Village at Laguna Hills Redevelopment Project Frequently Asked Questions and direct staff to post on the City's web site.

SUMMARY:

A little over six years ago, Merlone-Geier Partners (MGP) purchased the Mall from Simon Properties. They immediately began work on a conceptual plan that Simon Properties had previously developed, but soon realized that the former Sears store was a major obstacle to completing the plan. They saw an opportunity to acquire the Sears leasehold interest and free up about 18 acres on the south end of the 68 acre site. This acquisition resulted in the creation of a completely new set of plans for the site. In early 2015, MGP began working with the City on an expedited development entitlement process for an extensive redevelopment of the site from an enclosed mall to a vibrant mixed use project. In March of 2016, the City Council approved the project, and that summer, MGP broke ground and was scheduled to complete construction by the end of 2018. That project included approximately 926,000 sq. of retail/entertainment and 988 luxury apartments. At some point in late 2017, it became apparent that MGP was having second thoughts about the City approved plan. In 2018, MGP acquired the two remaining major leasehold interests encumbering the site; Macy's and JC Penney.

Village at Laguna Hills Frequently Asked Questions

November 26, 2019

Page 2

On July 10, 2018, MGP issued a press release regarding the status of Five Lagunas essentially stating that, with the closures of Macy's and JC Penney, they were going back to the drawing boards.

This past spring, MGP began sharing their new plans with the City and various stakeholder groups. This past April they held a community forum to share their new plan with the wider public. It should be noted that they never formally submitted their new plan to the City for review and evaluation. That said, on its face, it appeared that the new plan did not fit within the existing zoning for the site.

At the May 14, 2019, City Council meeting, a large number of people attended to express concerns about the new plan MGP shared at their April community forum. A newly formed resident group, Five Lagunas Advisory Committee, or FLAG, introduced themselves to the City Council and expressed a strong interest in being involved with the project.

In late June, MGP informed the City Manager that in response to the feedback they had received, they were working on a new plan that would clearly fit within the existing zoning for the site.

On July 3, City staff and the leadership team of FLAG met to discuss their concerns, the entitlement process, zoning, CEQA, housing laws, etc. At that meeting it was agreed that FLAG should meet with MGP. On July 15, MGP met with FLAG along with the City Manager to discuss relevant issues and questions. At that meeting, it was tentatively agreed that FLAG would discuss with their broader group what role they would play in any additional community outreach and engagement related to the Five Lagunas project. FLAG attended the October 8, City Council meeting and informed the City Council about what they have accomplished over the past few months and what role they intend to play moving forward.

On November 4, MGP submitted a new plan to the City and made a public presentation to the City Council at the November 12, City Council meeting. As part of the submittal, MGP has renamed the project the "Village at Laguna Hills."

In recent weeks, staff has been working with FLAG to develop a list of Frequently Asked Questions (FAQs) that will be used by both FLAG and the City. Attached to this report is a draft of the FAQs that has been developed in a collaborative effort with FLAG's leadership. It is timely to finalize the FAQs and post them on the City's web site.

Village at Laguna Hills Frequently Asked Questions

November 26, 2019

Page 3

ATTACHMENTS:

- Proposed Village at Laguna Hills Redevelopment Project Frequently Asked Questions

PROPOSED “VILLAGE AT LAGUNA HILLS” FREQUENTLY ASKED QUESTIONS

Introduction and Background

On November 4, 2019, Merlone-Geier Partners (MGP), owners of the former Laguna Hills Mall site, submitted a new development proposal to the City. This new project is intended to replace the project that was approved in March 2016 which included approximately 926,000 square feet of commercial space (consisting of retail, restaurants, health club, cinema uses, and approximately 46,000 square feet for medical offices) and 988 dwelling units. The new proposal is now called “The Village at Laguna Hills.” By way of background, MGP purchased the Laguna Hills Mall from Simon Properties in May of 2013. In March of 2016, the City Council approved a redevelopment project known as Five Lagunas. By late 2017, MGP decided that the market would not support the approved Five Lagunas project and, consequently, went back to the drawing board. In the meantime, they acquired the leases of Macy’s and J.C. Penny’s to make way for a broader redevelopment of the site. In April of 2019, MGP floated a development proposal to the Community that greatly intensified the development with more housing and office space, and less retail. This proposal was generally opposed by the Community and was never formally submitted as a development application to the City. Once again, MGP went back to the drawing board and submitted the proposal they are now calling “The Village at Laguna Hills.”

Below are a set of Frequently Asked Questions (FAQs) that have been developed in a collaborative effort between the City and the community organization known as the Future of Laguna Hills Advisory Group, or FLAG for short. These FAQs are fluid in nature and will be updated and added to as the need arises. To be included on the City’s public notification list for this project please submit your contact information by email to Jay Wu at jwuu@lagunahillsca.gov.

- 1. Explain the current zoning, conditional use permits, and land use for the 68-acre property [the former Laguna Hills Mall/Five Lagunas] and adjacent developments? What can/can’t the City Council control?**

The former Laguna Hills Mall is located within an area known as the Urban Village which encompasses approximately 240 acres and includes the Civic Center area, Saddleback Hospital (MemorialCare) and adjoining office buildings, Oakbrook Village, and the Villa Valencia senior assisted living facility. The boundaries of the Urban Village are generally Paseo de Valencia, Avenida de la Carlota, Los Alisos Boulevard, and the I-5 freeway. Zoning for the Urban Village is determined by the Urban Village Specific Plan (UVSP) which has been in place since 2002 and was last updated in 2011 after the City completed a comprehensive update to its General Plan in 2009. All properties in the Urban Village are subject to the development standards of the UVSP, which City staff and/or City Council enforce when considering proposed development projects or new businesses/uses. A key

development control within the area is the UVSP "Trip Budget", which regulates development based on traffic during morning and evening "peak" travel periods (*UVSP pp. 35-36*). The Trip Budget limits apply to all properties in the UVSP (Also See FAQ No. 4).

Imbedded within the UVSP, some uses are permitted "by right" such as retail stores, while others require a conditional use permit (CUP). For example, a CUP may be required to ensure potential traffic issues are addressed. The UVSP allows a variety of uses including office, retail, housing, hotel, and civic uses. New development is also subject to a Site Development Permit to ensure the city's development standards are met. The City Council and/or City staff enforce the regulations of the UVSP by reviewing uses and development to ensure they are allowed in the UVSP. Uses that are not allowed in the UVSP cannot obtain a building permit or zoning approval. Examples of unpermitted uses in the UVSP include landfills, industrial uses, and manufacturing plants.

Sources:

UVSP: <https://www.ci.laguna-hills.ca.us/DocumentCenter/View/291/Urban-Village-Specific-Plan-UVSP>

2. What is the status of the plan MGP showed the community at their April 2019 Community Forum? How does it compare to the approved 2016 plan?

After the community forum, MGP heeded community concerns regarding the amount of high-density housing and overall project intensity, and submitted a development application to the City on November 4th showing significantly reduced levels of development. For comparative purposes, the table below depicts the uses and building areas of the Laguna Hills Mall, Five Lagunas, and The Village at Laguna Hills, including the plan presented at MGP's April 2019 Open House. Where indicated, building areas reflect gross floor area.

Uses	2013 LH Mall	2016 Plan (Five Lagunas)	April 2019 Plan	November 4th 2019 Plan (Village at Laguna Hills)
Retail	965,512 s.f.	926,429 s.f.	248,000 s.f.	225,000 s.f. -300,000 s.f.
Office	-	45,890 s.f.	525,300 s.f.	390,000 s.f. -520,000 s.f.
Dwelling Units	-	988	2,100	1,200-1,500
Hotel	-	-	125 Rooms	125 Rooms

Ranges are indicated since the final square footage actually developed could change with market conditions. The plan submitted on November 4th is on the City's website at: <https://www.lagunahills.ca/176/Planning-Projects-New-Developments>.

The new plan has been named "The Village at Laguna Hills" and will replace the 2016 Five Lagunas plan, if approved.

3. How much housing does the City's Zoning Code allow on the property?

The Village at Laguna Hills is situated in an area of the City which is zoned "Village Commercial" (VC). The VC zone is implemented by the UVSP. Adopted in 2002 and amended in 2011, the UVSP permits between 30 and 50 dwelling units per acre. MGP's new plan proposes a range of 1,200 to 1,500 units on 30 acres. This equates to 40 to 50 dwelling units per acre in the area designated for residential/mixed use and 18 to 22 units per acre spread over the entire site.

While housing is one element of the UVSP, the UVSP also contains objectives that require the development of other uses as well. Any project proposed by MGP would be evaluated against the policies of the UVSP to ensure the community's original planning goals for the area are met.

The primary goals of the Urban Village Specific Plan are:

- To encourage and facilitate new uses in the area;
- To create new pathways and open space areas and add landscaping to existing sidewalks to foster a pedestrian-friendly environment;
- To create an identity for the area through the use of entry features, area wayfinding signs, consistent landscaping, and street furniture;
- To facilitate private investments in the development of desirable and planned activity nodes;
- To take full commercial and market advantage of the Urban Village's central location in the Saddleback Valley;
- To increase the employment opportunities and tax revenues, and ensure the long-term viability of the Urban Village; and
- To provide the framework for a public/private partnership to implement the goals of the specific plan.

The goals described above are further supported by objective development standards including a land use plan, design guidelines, and an infrastructure plan. Certain goals benefit the on-going development of the UVSP specifically, such as fostering a pedestrian environment, while other goals would have community-wide benefits (increasing tax revenues).

4. Does the City consider traffic in evaluating development proposals in the UVSP?

Overall, new development within the UVSP is regulated by a mechanism known as a "Trip Budget," which is based on the amount of traffic new development could generate (See FAQ No. 1). However, it's unclear at this time how State legislation identified in FAQ No. 21 would affect the UVSP Trip Budget for a housing or mixed-use project. The City is still evaluating the reach and impact of new State legislation on City development regulations.

Typically, the Trip Budget relies on traffic information published by the Institute of Traffic Engineers (ITE) to predict the amount of traffic a project will create. ITE trip rates are currently calculated based on ITE's 10th edition of Trip Generation. The City specifically looks at "peak-hour" trips, which is traffic generated during the morning and evening "rush-hour" periods in evaluating traffic for purposes of the UVSP Trip Budget. These rush hour periods are commonly referred to as "AM Peak" and "PM Peak" hour, respectively. Currently the UVSP has 335 trips in the AM peak hour and 1,680 trips in the PM peak hour available to accommodate traffic from new development. These trips are available on a first-come/first-serve basis. It should be noted that the remaining traffic figures above reflect the trips remaining after deducting trips from the Five Lagunas project approved in 2016. With each new development project, the City reduces the peak hour trips available within the UVSP based on a traffic study.

Also, the UVSP only recognizes "net new trips," meaning property owners are given a credit for vehicle trips associated with existing buildings that are demolished and replaced with new buildings and/or uses. For example, if a 1,000 square-foot retail building was demolished, roughly seven (7) multi-family housing units could be rebuilt in its place with no net increase in vehicle trips. In this example, a 1,000 square foot retail building generates 3.81 vehicle trips, where seven (7) multi-family units generate 3.5 vehicle trips, or 0.5 trips per unit. For office uses, an 8,000 square foot office building could be built in place of a 1,000 square foot retail building since an office building only generates 0.47 trips for every 1,000 square feet. The vehicle trips described above reflect trip generation rates during the PM Peak hour since the PM Peak hour generates the highest traffic levels, although traffic for the AM and PM Peak hours will both be analyzed for the new project.

The table below depicts the relationship between uses and vehicle trips for each of the uses described above.

Use	Trip Rate*	Development Size
Multi-Family	0.5	Per Unit
Office	0.47	Per 1,000 Square Feet
Retail	3.81	Per 1,000 Square Feet

*PM Peak Hour

ITE occasionally updates its trip generation rates, and the City always uses the most current edition available.

Sources:

ITE: <https://www.ite.org/technical-resources/topics/trip-and-parking-generation/>.

- 5. In 2016, the City approved over 926,000 square feet of retail and office building area and 988 dwelling units. If MGP is an established developer, why has Five Lagunas taken so long to get started? The condition of the property looks as if MGP has gone bankrupt.**

The City approved the Five Lagunas development in March 2016. The approved project consisted of 988 apartment units, and about 926,000 square feet of retail space including a luxury movie theater and new restaurants. MGP determined that the approved Five Lagunas project was not viable. MGP has been exploring new alternatives for the site, which includes less retail space, more office and housing, and a hotel, and submitted a new plan to the City on November 4th.

- 6. What does the City Council see as a viable solution for the development of the site? When considering a new development, does and can the City Council factor in the greater good of the community?**

See FAQ No. 1. In addition, development of the site is required to follow the City's development codes and policies contained in the community's General Plan and the UVSP. The vision for the UVSP area is to have a variety of uses working together to create an urban village consisting of civic, retail, recreational, housing, hotel, medical offices, and general offices. The former mall property accounts for nearly 30 percent of the land area within the UVSP under a single property ownership, and is the critical site within the UVSP in determining whether or not the goals of the city's General Plan and UVSP will be realized. The City Council will evaluate any proposal brought forward by MGP to determine whether or not it fits within the broader objectives of the General Plan and UVSP requirements, and will always consider the good of the community.

However, it must be noted that the State legislature has become increasingly aggressive in redefining local control of zoning and other measures affecting housing, and could affect the City's ability to regulate development of the site.

Sources:

Laguna Hills General Plan: <https://www.ci.laguna-hills.ca.us/DocumentCenter/View/133/Laguna-Hills-General-Plan>

7. How do the new and future proposed/approved Oakbrook apartments factor into any decision making?

As described in FAQ No. 4, new development in the UVSP is governed by the UVSP Trip Budget. When redevelopment of the Oakbrook shopping center was approved in 2012, the City accounted for the anticipated complete buildout of Oakbrook Village by deducting the number of peak hour trips the new project created from the available peak hour trips in the UVSP. The peak hour trips for Oakbrook Village were revisited in 2018 when the new retail building for Trader Joe's was approved. The entitled buildout of Oakbrook Village includes 132,000 square feet for retail and 489 units. The City maintains a record of all peak hour trips from development projects approved within the UVSP.

8. What are current vacancy rates for existing apartment complexes?

According to a variety of sources, both public and private, apartment vacancy rates in Orange County are 4%-5%. According to the U.S. Census, the vacancy rate for Laguna Hills in 2017 was 7.7 percent. The City has 1,685 apartment units (excluding group quarters such as assisted living facilities – 396 units) which is 15 percent of the City's housing stock (11,197 units). As a means of comparison, the vacancy factor for owner occupied units is estimated to be less than one percent. Owner occupied units include 3,200 condominiums and 6,312 single-family homes (9,512 units total), not including accessory dwelling units located on single-family properties. It should be noted that U.S. Census information may show different housing unit totals since it likely excludes the 289 units at Oakbrook Village built after the 2010 Census. In addition, Census "districts" that apply to the City do not follow City boundaries.

Sources:

City of Laguna Hills Geographic Information System

2013-2021 City of Laguna Hills Housing Element:

<https://www.lagunahillsca/DocumentCenter/View/131/Housing-Element>

U.S. Census Bureau. "Laguna Hills" <https://factfinder.census.gov>. Accessed 24 October 2019.

O.C. Register: <https://www.ocreger.com/2019/04/15/feel-bad-for-southern-californias-renters-as-vacancy-tightens-and-rates-climb/>

9. Why doesn't the City insist MGP provide more retail space and less office and housing space?

See FAQ No. 3. It should be noted the City would like to have more retail on the site; however, the outlook for traditional brick and mortar retail is not very positive. While

good retail locations will continue to do well, underperforming retail sites will continue to lose tenants and face redevelopment pressures as consumer support for traditional brick and mortar locations erode. Nationwide, over 7,000 retail stores closed in 2017, followed by 5,000 stores in 2018. Over 12,000 stores are projected to close by the end of 2019. The most significant trend impacting traditional retail stores is the continued rise of e-commerce retail sales. As on-line retail sales continue to increase, it is estimated that 75,000 more stores will need to be shuttered by 2026.

Sources:

Orange County Business Council <https://www.ocbc.org/research/ocbc-retail-study/>

USA Today July 3, 2019 <https://www.usatoday.com/story/money/2019/07/03/2019-store-closings-list-these-retailers-shuttering-locations/1597997001/>

Coresight Research: <https://coresight.com/research/weekly-us-and-uk-store-openings-and-closures-tracker-2019-week-36/>

10. What creates the most value for the city and community: High-density multifamily housing, retail, or commercial office?

Each type of project has its own unique benefits. For example, commercial office does not generate sales tax in and of itself, but it does create jobs within the community. While office workers will shop at local businesses and eat at local restaurants, the sales tax benefit derived from office worker purchases is not typically significant. Retail development generates on-going retail sales tax revenue, but is extremely susceptible to market conditions. Multi-family housing generates one-time revenues in park fees, and residents are an indirect source of sales tax revenue as everyday household purchases are made. A comprehensive net fiscal impact analysis will be prepared for the project by an independent third-party consultant and made available for public review.

But project value is not the only driver of land use decisions. Other considerations can include meeting State obligations for housing, improvement to the local economy through the addition of jobs, and improving the appearance of a major community gateway.

11. What kind of retail space can residents expect to see since the outlook for traditional storefronts is so negative?

MGP is contemplating additional restaurants, a multi-screen luxury movie theater, and fitness tenant. Existing pad restaurants such as King's Fish House and In-N-Out will remain, in addition to Nordstrom Rack. The City currently expects between 225,000 - 300,000 square feet of retail to be part of development at the property. The Laguna Hills Mall previously contained around 965,000 square feet of retail space (GFA), of which

536,000 square feet was contained in the former Sears, J.C. Penney, and Macy's department store buildings.

12. How much revenue has the City lost from the mall closing?

The Laguna Hills Mall was very successful in the 1990's, especially after a remodel in the mid part of that decade. The fact is, there was little competition in the region and the Mission Viejo Mall was struggling. As competition grew (the new Shops at Mission Viejo, Irvine Spectrum, Aliso Viejo Towne Center, the Arbors in Lake Forest) sales began slumping in the 2000's. In the last fiscal year before the Great Recession (06/07), after adjusting for inflation, the Laguna Hills Mall generated \$1.93M in sales tax revenue to the City. When MGP purchased the property in May of 2013, that figure had already dropped to about \$1.45M. With the closure of many stores and the demolition of the south mall area, that figure dropped to \$780,000 in fiscal year 2017-18.

13. How has the City responded to this loss of revenue?

In June of 2018, the City Council approved a budget amendment for the 2018-19 fiscal year that reduced the City's operating budget by about \$1,000,000 or 4%. These cuts included some employee lay-offs and other staffing realignment and reorganization. In June of 2019, the City Council adopted the 2019-21 Biennial Budget and 8-Year Financial Plan. The current budget and 8-Year Plan do not in any way rely on additional one-time or on-going revenues from the former mall site. To make up for lost retail sales tax revenue, the City has requested that MGP consider space for a hotel use since hotels generate revenue from Transit Occupancy Tax (TOT).

14. How will property taxes benefit the city and how much will the city actually receive?

Property taxes are the City's main revenue source at just over 50% of all General Fund revenues. While the basic overall property tax rate in the City is 1% of assessed value, the percentage of what the City receives of that overall rate varies throughout the City. For the former mall site, the City receives 9% of the 1%. For example, if the mall is currently assessed at \$100M, the total property taxes paid by MGP would be \$1M. Of that amount, the City would get 9%, or \$90,000. If after redevelopment, the site was assessed at \$500M, the City would get \$450,000 annually. The City will also benefit from on-going revenues from the redevelopment of the project such as sales taxes and transient occupancy taxes. MGP will also pay one-time revenues to the City in the form of traffic impact fees, park development fees, development application fees, and building permit fees. The amount of on-going revenue to the City from MGP's project is unknown at this time; however, the City will be commissioning the preparation of a fiscal impact study to evaluate costs and revenues to the city as a result of the potential development of the project. The study will evaluate the costs of providing all municipal services. The study will be made available for public review.

15. How does more development on the site, especially more residential development, impact community infrastructure such as police services, fire and paramedic services, traffic, water, schools, etc.?

Any impacts on city services, infrastructure, and the environment from the redevelopment of the property are required to be analyzed under the State environmental law known as the California Environmental Quality Act (CEQA). State law specifically requires an analysis of project water supply availability, which will be served by the El Toro Water District. Each public agency that provides service to the project will be asked to comment on potential impacts the project would have on the services it provides. If project impacts are determined to be "significant," it is possible for the project to be modified, or for "mitigation measures" to be applied in order to reduce one or more significant impacts. For example, a problem of localized flooding could be solved through the construction of more storm drain systems. The cost of infrastructure needed to serve the project will be the responsibility of MGP.

Since none of the special studies needed to determine if the proposed project will have any significant impacts on city infrastructure or on the environment have been provided to the City, questions about impacts cannot be answered at this time but will be made available for public review and comment once completed. The City anticipates that these studies will be available in the second quarter of 2020. The studies will be reviewed by City staff and special consultants the City retains to provide technical expertise on specific environmental subject matters such as traffic. It should be noted that the City must also notify the Saddleback Valley Unified School District of the new project.

Additional information regarding CEQA is available from the State at: <http://resources.ca.gov/ceqa/more/faq.html>.

16. What were the projected traffic levels for the originally approved Five Lagunas Project? What is the difference between retail development and apartment development with respect to traffic?

The standard approach to evaluating traffic impacts is based on a concept known as "Level of Service" or "LOS." This metric evaluates congestion on streets and intersections based on the capacity of a street to carry traffic. LOS is also a standard contained in the City's General Plan. The City's LOS standards are described based on a lettering system - LOS A through LOS F, with LOS A being the best. At LOS A drivers enjoy free flowing traffic conditions with individual drivers virtually unaffected by other vehicles on the street. LOS D is the heaviest congestion level allowed by the General Plan. At LOS D, high-density traffic flow restricts speed and the ability to maneuver although traffic flows remain constant. There is an exception to the General Plan standard for one City intersection located at El Toro Road and Avenida de la Carlota which is part of a county-wide traffic

plan known as a Congestion Management Plan (CMP). CMP intersections may maintain a LOS E. It should be noted that Orange County refers to its CMP as the "Master Plan of Arterial Highways."

The State also requires cities to consider "vehicle miles traveled" or "VMT." This is related to greenhouse gas emissions (GHG) and is a component of State policies that require cities to address climate change when considering new development. The State's environmental goal is to reduce VMT thereby reducing vehicle-related air emissions that contribute to climate change. Using public transit and carpooling reduce VMT and could also reduce traffic congestion.

For the approved 2016 Five Lagunas Project, a full traffic study was conducted which analyzed 61 intersections in and around the city for traffic impacts. When compared against traffic from mall operations, the Five Lagunas project was expected to result in an increase of only 6,434 additional vehicle trips per day. The increase was offset by the demolition of commercial building areas like Sears and the south half of the mall which housed retail uses. The addition of 988 multi-family units did not create significant traffic impacts since one (1) multi-family unit only generates about six (6) vehicle trips per day versus shopping centers, which generate about 43 vehicle trips per 1,000 square feet. The demolition of 1,000 square feet of retail could be replaced by seven (7) multi-family units and not result in a net increase in traffic. Traffic from the original operation of the mall was estimated at nearly 25,000 trips per day, even though actual traffic was lower.

Expected traffic from various land uses is based on surveys from the Institute of Traffic Engineers (ITE) which is a nationally recognized data source for traffic information (see FAQ 3). The traffic study for Five Lagunas determined that the project complied with the City's General Plan traffic standards with some modifications to planned on-site traffic improvements. VMT was not studied in 2016 since there was no requirement to do so at the time. A new traffic study will be prepared for MGP's new proposed project.

Sources:

Linscott, Law & Greenspan Traffic Impact Analysis for the Addendum to the City of Laguna Hills General Plan Program Environmental Impact Report for the Five Lagunas Project, Table 7, November 13, 2015.

17. **How will high-density apartments/multi-family housing benefit the City/current City residents? Did the 2009 General Plan call for 300 apartments with options to add more in future phases? Are the approved 988 units mandated or can they be negotiated or replaced entirely?**

The currently approved Five Lagunas project from 2016, which included 988 multifamily units (and any additional housing - if approved in the proposed plan), will help facilitate

the redevelopment of the property by replacing obsolete retail space for which there is shrinking demand. The approved housing is consistent with City planning policies and the City will evaluate if additional housing units would be consistent. Generally, by proposing a balance of uses that fill a need in the market, the community benefits by having new vibrant buildings and spaces, productive retail stores, and office spaces that provide jobs in the local economy. Newer multifamily housing provides older existing residents who are looking to downsize the opportunity to remain in Laguna Hills while providing a housing choice for younger residents who can't yet afford to purchase a home in Laguna Hills. The proposed housing will also help the City meet its housing obligations to the State. In addition, MGP must pay \$15,636 per unit in "Quimby Fees." Quimby Fees are fees authorized by State law which the City collects to build new park and recreation facilities, or rehabilitate existing facilities, when new multi-family residential development occurs. If approved, the project would result in the payment of between \$18 million and \$23 million in Quimby Fees, depending on the number of units built in the project.

Housing was always anticipated to be included in the Urban Village area, which was analyzed in the City 2009 General Plan update. While the General Plan estimated that an additional 200 units would be built, it also determined that as properties transitioned from one use to another or property owners rebuilt in certain areas (such as the Urban Village), land uses and intensities would gradually shift to align with the intent of the General Plan's Land Use Element. For the UVSP area, this means creating an urban village consisting of civic, retail, recreational, housing, hotel, medical offices, and general offices (Laguna Hills General Plan, pp. 29-30). Further, the UVSP anticipated that land uses could be interchangeable and that property could be developed to its maximum intensity provided that the UVSP Trip Budget was not exceeded and trip generation impacts created were within acceptable levels identified by the General Plan (UVSP, pp. 35 & 36).

Sources:

Laguna Hills General Plan & Urban Village Specific Plan

Laguna Hills Municipal Code Chapter 8-06 –

<https://www.codepublishing.com/CA/LagunaHills/#!/LagunaHills08/LagunaHills0806.html#8-06>

18. What if residents do not want to see more housing developed beyond the 988 units approved in 2016 in a future project?

Because of the current housing crisis, State law currently favors developers in order to boost housing construction across the State. New State laws and modifications to existing laws that became effective in 2018 make it increasingly difficult for cities to deny housing projects. MGP's new plan proposes a range of 1,200-1,500 units. As a result, it's likely the City will need to consider having a significant number of additional housing units on

the property. A summary of the new State laws, also known as "California's 2017 Housing Package," are summarized by the California Department of Housing and Community Development (HCD) at <http://www.hcd.ca.gov/policy-research/lhp.shtml>. For 2019, the Governor and State legislature passed additional laws that will significantly impair a city's ability to limit housing proposed for any site despite the objections of cities when they become effective in January 2020. For example, the State enacted legislation known as SB 330 to prohibit cities from changing zoning regulations that would reduce housing density.

Governor Newsom has set as a goal the need to have 3.5 million additional housing units built within the State by 2025. On August 22, 2019, the cities and counties in Southern California were informed by the State to plan for over 1.3 million new housing units for a planning period covering October 2021 through October 2029 as part of a process known as the "Regional Housing Needs Assessment," or RHNA (Source: State of California – August 22, 2019: <http://hcd.ca.gov/community-development/housing-element/docs/6thCycleRHNA-SCAGDetermination.pdf>). The RHNA process is governed by a regional planning agency known as the Southern California Association of Governments (SCAG). The outcome of the RHNA process and the number of housing units each city in the SCAG region must plan for is approved by the State.

Every city and county in the State is required by law to participate in the RHNA process which results in the adoption of a housing plan known as a Housing Element, which is part of every General Plan. The City has been advised by SCAG that it should plan for an estimated 1,970 new units to meet its share of RHNA, which includes a requirement for the provision of "affordable housing." The City is able to rely on the approved 2016 Five Lagunas plan and the 988 units contained therein to meet a portion of the anticipated RHNA. However, the approved 2016 plan does not include any units the City must include in its Housing Element to meet its "affordable housing" obligations. The City is expecting to be responsible for accommodating around 1,180 units of affordable housing in its next Housing Element (See FAQ 20 for a description of "affordable housing" as defined by State law). Providing for housing opportunities in the Urban Village enables the City to preserve its well-established land use pattern in other areas of the community.

For additional information on RHNA: <http://www.scag.ca.gov/programs/Pages/Housing.aspx>

For additional information on Housing Elements: <http://hcd.ca.gov/community-development/housing-element/index.shtml>

19. Why doesn't the City simply ignore State housing element law?

If a city refuses to meet its statutory planning requirements for housing, the California Department of Housing and Community Development (HCD) can deny or revoke

certification of the city's housing element, potentially preventing the city from approving development of any kind in the city. Cities that do not have compliant housing elements can also be sued by the California Office of the Attorney General. Cities that continue to refuse to comply after being sued by the Attorney General could be subject to fines beginning at \$10,000 per month and escalating to up to \$600,000 per month as provided for in Assembly Bill 101 (https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB101). The Court could ultimately even appoint a receiver empowered to make land use decisions on behalf of the city. Cities that fail to comply with State housing laws in considering housing projects are also subject to lawsuits from any person eligible to apply for residency in the development, as well as from any housing organizations (Government Code 65589.5 – <https://leginfo.ca.gov/faces/codesdisplaySection.xhtml?lawCode=GOV§ionNum=65589.5>).

Sources:

Office of Governor Gavin Newsom - <https://www.gov.ca.gov/2019/01/25/housing-accountability/>.

California Department of Housing and Community Development – Accountability and Enforcement - (<http://www.hcd.ca.gov/community-development/accountability-enforcement.shtml>).

20. What is the City's obligation to help address the Statewide/federal affordable housing shortage, including low-income and homeless shelters?

The City, like every community in the State, is required by State law to establish zones and development standards that can result in the development of housing for specific income levels defined by the State. These levels include Very Low Income/Low Income/Moderate Income/and Above-Moderate Income categories. These income levels are defined by the State and are based on the Area Median Income (AMI) of the county. These income levels are reviewed annually by the State. Housing for persons of Very Low Income, Low Income, and Moderate Income is commonly referred to as "affordable housing." The income levels associated with each type of housing is depicted below. (Source - <https://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/Income-Limits-2019.pdf>).

		Number of Persons in Household							
		1	2	3	4	5	6	7	8
Orange County Area Median Income: \$97,900	Extremely Low	24,950	28,500	32,050	35,600	38,450	41,300	44,150	47,000
	Very Low Income	41,550	47,500	53,450	59,350	64,100	68,850	73,600	78,350
	Low Income	66,500	76,000	85,500	94,950	102,550	110,150	117,750	125,350
	Mediam Income	68,550	78,300	88,100	97,900	105,750	113,550	121,400	129,250
	Moderate Income	82,250	94,000	105,750	117,500	126,900	136,300	145,700	155,100

In addition, the City is required to designate one or more zones where an emergency homeless shelter can be established "by right" without a public hearing. The State also requires the City to allow facilities that serve homeless families and individuals in all multifamily zones without a public hearing. These requirements are currently contained in State law in Government Code Sections 65583 – 65589.3.

21. What exactly is the Housing Crisis Act (SB 330) and how does it impact the new project submitted by MGP?

On October 9, 2019, the Governor approved Senate Bill (SB) 330, which enacts the Housing Crisis Act of 2019 (HCA). The HCA suspends the City's ability to impose new restrictions on the development of new housing until January 1, 2025. Since housing is an allowable use within the Urban Village, beginning January 1, 2020, the HCA will prohibit the City from amending its General Plan or zoning standards or policies in a manner that would lessen the permitted density or intensity of housing in the Urban Village, or from adopting or implementing a housing moratorium or growth control measure limiting the construction of new housing in the Urban Village. The HCA does not prevent the City from amending the zoning in the Urban Village to facilitate the development of new housing. The proposed new project submitted by MGP would increase the amount of new housing as permitted in the Urban Village.

22. What are the key steps involved in the entitlement process?

The key activities for this project include the following steps:

- Plan Submittal and Review (3-6 months)
- Environmental Review (6-12 months)
- Development Agreement Preparation (on-going)
- Public Hearing Preparation (2-4 weeks)

Each activity is described in more detail below.

Plan Submittal and Review

Once a development application is submitted to the City, the Planning Division and Public Services Division review the development application and plans to identify missing or incomplete information the City must have to evaluate the project against City requirements. Outside agencies such as the Orange County Fire Authority and public utility providers also review project plans. The development application will include the following City zoning applications, which could be revised further once the City has a better understanding of the project:

- Site Development Permit (Development Over 20,000 Square Feet/ Master Sign Program/ Public Art)
- Conditional Use Permit (Health Club/Hotel/Joint Parking Use Permit)
- Development Agreement (Establishes property development standards and conditions – generally)
- Precise Plan (Mixed Use Development)
- Vesting Tentative Tract Map (Subdivision for five or more Parcels)

During the Plan Submittal and Review phase, the City develops a written checklist of information MGP must provide to allow the City to continue processing the development application. This process is commonly referred to as a "completeness check." The development application is "deemed complete" once all missing information and development materials are submitted to City staff. During this phase, the City may request that MGP consider additional changes to project design features and/or the site plan. Once the City deems the application complete, it allows the City to begin the project's Environmental Review.

Environmental Review

This phase entails the preparation of all of the environmental studies and analyses required to identify and disclose all of the project's environmental impacts. The completion of this activity is required in order to comply with State environmental regulations known as the California Environmental Quality Act (CEQA). Studies associated with Environmental Review for The Village at Laguna Hills will include, at a minimum, the following:

- Air Quality Impact Analysis
- Traffic Impact Analysis
- Noise Impact Analysis
- Geotechnical Study
- Water Supply Assessment
- Hydrology Study

Other potential impacts that may not necessarily require the preparation of a separate special study are also conducted by environmental professionals and included as part of the project's environmental analysis. When the studies and analyses are completed, and the type and severity of all of the project's environmental impacts are known, the City determines what type of CEQA document should be prepared based on the preparation of an "environmental checklist."

CEQA allows different approaches to be used to complete a project's environmental evaluation depending on the severity of a project's impact on the environment. For large

projects, an Environmental Impact Report (EIR) can be needed if no prior environmental review was ever completed for the development of a site. However, the City has completed two extensive prior environmental analyses encompassing MGP's property – one for the City's General Plan EIR in 2009, and another in 2016 when the Five Lagunas project was approved (Addendum No. 3 to the 2009 General Plan EIR). While the City has yet to understand the extent of environmental impacts The Village at Laguna Hills may have on the environment, the project may be able to partially rely on information from prior environmental analyses completed in 2009 and 2016, and provide updated environmental studies and analyses of impacts based on the proposed project.

The City will not be able to make a determination on which CEQA approach is appropriate to use until it has a better understanding of the proposed project's environmental impacts.

Development Agreement

State law authorizes cities and property owners to enter into an agreement governing the development of property known as a "Development Agreement" (DA). MGP has requested a DA since it anticipates that the development of The Village at Laguna Hills will take place over an extended period of time. By law a DA cannot exceed a 15-year timeframe. DAs provide certainty to the public and the property owner concerning the timing and phasing of development, type and scale of development, public benefits, and development certainty. Negotiating a DA is time consuming, and the negotiations typically are not concluded until a project is ready to be presented to the public and City Council for consideration at a project's public hearing. The DA must be approved by the City Council at a public hearing.

State regulations concerning Development Agreements are located at: https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=1.&title=7.&part=&chapter=4.&article=2.5.

The City's requirements for DAs are found in Chapter 9-84 of the Municipal Code: <https://www.codepublishing.com/CA/LagunaHills/#!/LagunaHills09/LagunaHills0984.html#9-84>.

Public Hearing

This is the last step in the City's development process where the City Council decides whether or not to approve MGP's development application. The City Council also considers the project's Environmental Review. Since the City does not maintain a Planning Commission, the City Council acts as the Planning Commission, only one public hearing is required to approve or deny zoning applications filed with the City. City staff prepares its report on the project, and presents all material previously completed related

to the development application including plans, the project CEQA document, studies, development agreement, and all public correspondence received concerning the proposed development. Other materials typically included at public hearings where new development is being considered include Conditions of Approval, if being recommended for approval by staff, and the findings required to approve or deny a project. Findings are part of the City's legal record describing the basis on which the City Council is approving or denying a project. The findings used by the City are found in the City's Municipal Code at Section 9-92.080 at the link below.

<https://www.codepublishing.com/CA/LagunaHills/#!/LagunaHills09/LagunaHills0992.html#9-92.080>

Prior to the public hearing the City notifies by mail the surrounding property owners and any interested parties who have asked to be notified of a project's public hearing. A notice of a project's public hearing is also published in the Saddleback Valley Newspaper. Notices are mailed and published 10 days prior to the public hearing. To be included on the City's public notification list for this project please submit your contact information by email to Jay Wu at jwu@lagunahillsca.gov.

23. How long will it take for the project to reach the public hearing?

At this time the City cannot say how long it will take to entitle the project, let alone say whether or not the project will ultimately be approved. Depending on the outcome of what is called an Initial Study under the California Environmental Quality Act, the entitlement process will likely range from a minimum of nine months to a maximum of eighteen months. The Initial Study may be completed sometime in March/April 2020.



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: November 26, 2019
TO: Mayor and Council Members
FROM: Janice Reyes
Finance Director
ISSUE: Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2019

RECOMMENDATION: That the City Council receive and file the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2019, 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, 2019. For the past twenty-four years, the City has operated with an Audit Committee to oversee the audit process and review the findings with the auditors. The current Audit Committee includes Council Member Erica Pezold, Council Member Dave Wheeler, and City Manager Donald White. On November 26, 2019, prior to the regular City Council Meeting, the Audit Committee met with the independent auditors and reviewed the draft financial statements. The certified public accounting firm of White Nelson Diehl Evans LLP (WNDE) was engaged by the City to perform the audit of the City's financial statements and rendered an unmodified opinion that the City's financial statements present fairly, in all material respects, the respective financial position of the City. During the financial audit the City's independent auditors did not identify any significant deficiencies in internal control that were considered to be material weaknesses.

BACKGROUND:**I. Comprehensive Annual Financial Report (CAFR), Fiscal Year Ended June 30, 2019**

The City's CAFR for the Fiscal Year ended June 30, 2019, is attached to this report. 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, the following: (1) fulfilling 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 Fiscal Year ended June 30, 2019; 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 opinion letter affords the City Council, and other users, reasonable assurance that the City's basic financial statements are free from material misstatements and that they present fairly, in all material respects, the financial position of the City of Laguna Hills as of June 30, 2019. The auditor's opinion letter is part of the CAFR and can be found on page II-1 of the Financial Section.

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

Introductory

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 the Letter of Transmittal, 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.

Financial Section

This section, which is the focal point of the CAFR, is comprised of the independent auditor's opinion letter, 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 section offers the readers of the City's financial statement 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 the Fiscal Year ended June 30, 2019.

The accompanying Notes to the Basic Financial Statement section provides comprehensive information concerning the significant 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 compliance with prescribed accounting and reporting standards.

Budgetary comparison for the General Fund and Measure M Special Revenue Fund are provided in the Required Supplementary Information section, as well as schedules regarding the City's pension plan.

The Supplementary Schedules provide: combining statements for each of the non-major governmental funds; budgetary comparison for the individual non-major governmental funds, capital projects fund, and debt service 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.

II. Audit Letters by White Nelson Diehl Evans LLP

The letters prepared by the independent auditors are standard letters issued upon completion of an annual audit, which are provided as attachments to this report. The following is a brief description of each of the letters attached:

- Appropriations Limit Calculation

It is required by state law, under Article XIII B of the California Constitution, 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 and stipulates that the annual

calculation must be reviewed as part of an annual financial audit.

The City calculated its appropriations limit using Article XIII B Appropriations Limitation Uniform Guidelines prepared by the League of California Cities. The independent auditor reviewed the calculation of the appropriations limit for Fiscal Year ending June 30, 2019, and determined the calculation was prepared in accordance with state law, as stated in the letter.

- Government Auditing Standards - Internal Control over Financial Reporting

The purpose of this letter is to describe the scope of testing of internal control and compliance, and the results of that testing. This letter states the audit was performed in accordance with the generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States. This letter also states that in order to determine the audit procedures for the purpose of expressing an opinion on the City's financial statements the auditor must consider the internal control of the City. Effective internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. The auditor did not identify any deficiencies in internal control that would be considered to be material weaknesses during the audit, as stated in the letter. Furthermore, the audit disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

- Communication to Those Charged with Governance – Concluding Letter

This letter addresses the auditor's responsibility under general accepted auditing standards and complies with the requirements of the Statements of Auditing Standards, which provides guidance on the auditor's communication with those charged with governance in relation to an audit of the financial statements. In recognizing the importance of effective two-way communication, these standards provide a framework for the auditor's communication to those charged with governance and identifies some specific matters to be communicated to them. In the letter, the auditor provides those charged with governance information about the

auditor's responsibilities, as well as certain information related to the planned scope and timing of the audit.

III. Government Finance Officers Association (GFOA) Award

For the past twenty-six years the City has received awards for excellence in financial reporting from the GFOA of USA and Canada. The GFOA award program was established in 1945 to encourage government units to produce and publish excellent CAFRs 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 ended June 30, 2018, can be found immediately following the Table of Contents in the attached CAFR for Fiscal Year ended June 30, 2019. Staff is confident that this CAFR will be recognized again for its excellence in financial reporting.

ATTACHMENTS:

- Auditor Letter - Appropriation Limit FY 2018/19
- Auditor Letter - Government Auditing Standards
- Auditor Letter - Audit Conclusion
- CAFR FY 2018-19

CITY OF LAGUNA HILLS, CALIFORNIA

APPROPRIATIONS LIMIT WORKSHEET NO. 6

WITH INDEPENDENT ACCOUNTANTS' REPORT
ON AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT WORKSHEET NO. 6

FOR THE YEAR ENDED JUNE 30, 2019

Attachment: Auditor Letter - Appropriation Limit FY 2018/19 (2008 : Cafr FY 2018/19)

INDEPENDENT ACCOUNTANTS' REPORT
ON AGREED-UPON PROCEDURES APPLIED
TO APPROPRIATIONS LIMIT WORKSHEET NO. 6

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

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet No. 6 of the City of Laguna Hills, California for the year ended June 30, 2019. These procedures, which were agreed to by the City of Laguna Hills, California and the League of California Cities (as presented in the League publication entitled "Article XIII-B Appropriations Limit Uniform Guidelines") were performed solely to assist the City of Laguna Hills, California in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The City of Laguna Hill's management is responsible for the Appropriations Limit Worksheet No. 6.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the 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 for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed Worksheet No. 6 for the year ended June 30, 2019, and compared the limit and annual adjustment factors included in that worksheet 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 worksheet to those that were selected by a recorded vote of the City Council.

No exceptions were noted as a result of this procedure.

2. For the accompanying Appropriations Limit Worksheet No. 6, we added last year's limit to the total adjustments, and compared the resulting amount to this year's limit. We also recalculated the adjustment factor and the adjustment for inflation and population, and compared the results to the amounts on Worksheet No. 6.

No exceptions were noted as a result of this procedure.

3. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet No. 6 to the prior year appropriations limit adopted by the City Council for the prior year.

No exceptions were noted as a result of this procedure.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Worksheet No. 6. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled "Article XIII-B Appropriations Limit Uniform Guidelines".

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

White Nelson Diehl Evans LLP

Irvine, California
November 18, 2019

CITY OF LAGUNA HILLS

APPROPRIATIONS LIMIT WORKSHEET NO. 6

For the year ended June 30, 2019

Appropriations limit for fiscal year ended June 30, 2018 (see Note 2) \$ 37,791,907

Adjustment factors for the fiscal year ended June 30, 2019 (see Note 2):

Inflation Factor (Note 3)	Population Factor (Note 4)	Combined Factor	
<u>1.03670000</u>	<u>1.00690000</u>	<u>1.04385323</u>	x <u>.04385323</u>
Adjustment for inflation and population			1,657,297
Other adjustments (Note 5)			<u>-</u>
Total adjustments			<u>1,657,297</u>
Appropriations limit for fiscal year ended June 30, 2019			<u>\$ 39,449,204</u>

Attachment: Auditor Letter - Appropriation Limit FY 2018/19 (2008 : Cafr FY 2018/19)

See accompanying notes to Appropriations Limit Worksheet No. 6.

CITY OF LAGUNA HILLS

NOTES TO APPROPRIATIONS LIMIT WORKSHEET NO. 6

For the year ended June 30, 2019

1. PURPOSE OF LIMITED PROCEDURES REVIEW:

Under Article XIII B 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 XIII B, 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 at Notes 3 and 4 below.

3. 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 percentages are supplied by the State 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 (the City) for fiscal year 2018-2019 represents the annual percentage change in the 4th quarter per capita personal income.

4. 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 in the County where the jurisdiction is located. The factor adopted by the City for fiscal year 2018-2019 represents the annual percentage change in population for the County in which the City is located.

5. OTHER ADJUSTMENTS:

A California governmental 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 governmental agency or private entity. The City had no such adjustments for the year ended June 30, 2019.

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

Honorable Mayor and
Members of the City Council
of the City of Laguna Hills
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, business-type activity, each major fund, and the aggregate remaining fund information of the City of Laguna Hills, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 18, 2019.

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 City'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*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White Nelson Dick Evans LLP

Irvine, California
November 18, 2019

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

We have audited the financial statements of the governmental activities, business-type activity, each major fund, and aggregate remaining fund information of the City of Laguna Hills, California (the City) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards 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 April 30, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2018-2019. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

The most sensitive estimates affecting the City's financial statements are as follows:

- a. Management's estimate of the fair value of investments is based on quoted prices in an active market. When quoted prices in active markets are not available, fair values are based on evaluated prices received by the City's broker or custodian. Amounts invested in the Local Agency Investment Fund are valued based on information provided by the California Department of Treasury.
- b. Management's estimate of the value of capital assets (infrastructure assets) is based on industry standards.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

Sensitive Estimates (Continued):

- c. The estimated useful lives of capital assets for depreciation purposes are based on industry standards.
- d. The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the City's public defined benefit plans with CalPERS are based on actuarial valuations provided by CalPERS.
- e. Management's estimate of the claims payable liabilities related to general liability and worker's compensation claims are based on estimates by the claims administrators.

We evaluated the key factors and assumptions used to develop these estimates in determining that they were 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 disclosure affecting the financial statements was reported in Note 8 regarding the CalPERS defined benefit plans.

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. As a result of our audit related test work, we did not identify any such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' 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 November 18, 2019.

Significant Audit Findings (Continued)

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 Matters

We applied certain limited procedures to management’s discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions - defined benefit pension plans, and the schedule of revenues, and expenditures and changes in fund balance - budget and actual - general fund and major special revenue fund, which are required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on them.

Restriction on Use

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

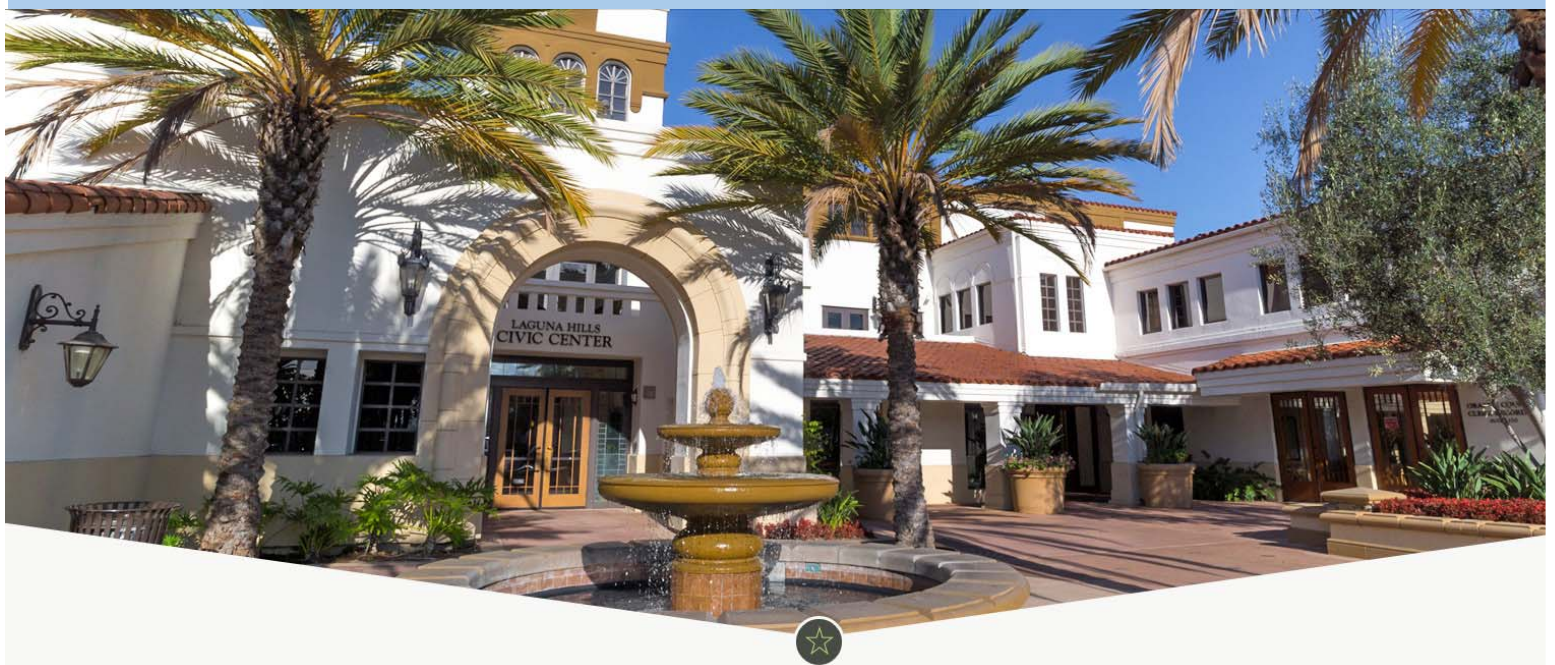
White Nelson Michl Evans LLP

Irvine, California
November 18, 2019



CITY OF LAGUNA HILLS

CALIFORNIA



Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

CITY OF LAGUNA HILLS

California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019

CITY MANAGER
Donald J. White

FINANCE DIRECTOR
Janice Mateo Reyes

INTRODUCTORY SECTION

Table of Contents

Introductory Section

Table of Contents	i
GFOA Certificate of Achievement	iii
Letter of Transmittal	I - 1
Elected Officials	I - 10
Management Staff	I - 11
Organizational Chart	I - 12

Financial Section

Independent Auditors' Report	II - 1
Management Discussion & Analysis	II - 5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	II - 19
Statement of Activities	II - 20
Fund Financial Statements:	
Balance Sheet - Governmental Funds	II - 23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	II - 24
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	II - 25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	II - 26
Statement of Net Position - Proprietary Fund	II - 27
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund.....	II - 28
Statement of Cash Flows - Proprietary Fund	II - 29
Statement of Fiduciary Assets and Liabilities - Agency Fund	II - 30
Notes to the Basic Financial Statements.....	II - 31
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability	II - 65
Schedule of Contribution	II - 66
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	II - 67
Measure M Special Revenue Fund.....	II - 68
Note to Required Supplementary Information	II - 69
Supplementary Schedules:	
Non-Major Governmental Funds - Special Revenue:	
Combining Balance Sheet	II - 72
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	II - 74
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Capital Projects Fund - Major Fund.....	II - 76
Debt Service Fund - Major Fund	II - 77
Gas Tax Special Revenue Fund	II - 78
SB1 RMRA Revenue Fund	II - 79
AB 2766 Special Revenue Fund	II - 80
Senior Mobility Program Special Revenue Fund	II - 81
CARITS Special Revenue Fund	II - 82
Public Art Special Revenue Fund.....	II - 83
Beverage Recycling Special Revenue Fund.....	II - 84
CR&R Recycling Fees Special Revenue Fund	II - 85
C & D Forfeited Deposits Special Revenue Fund	II - 86
Water Conservation Special Revenue Fund	II - 87
Grants and Contribution Special Revenue Fund	II - 88
SLESF/COPS Brulte Special Revenue Fund	II - 89
Statement of Changes in Fiduciary Assets & Liabilities - Agency Fund	II - 90

CITY OF LAGUNA HILLS

Table of Contents

Statistical
Section
(Unaudited)

Description of Statistical Section Contents	III - 1
Financial Trends:	
Net Position by Component	III - 3
Change in Net Position	III - 4
Governmental Activities Tax Revenues By Source	III - 6
Fund Balances of Governmental Funds	III - 7
Changes in Fund Balances of Governmental Funds	III - 8
Revenue Capacity:	
Assessed Value and Estimated Actual Value of Taxable Property	III -10
Assessed Value of Property by Use Code	III -11
Direct and Overlapping Property Tax Rates.....	III -12
Principal Property Taxpayers	III -13
Property Tax Levies and Collections	III -14
Principal Sales Tax Producers	III -15
Debt Capacity:	
Ratios of Outstanding Debt by Type	III -16
Ratios of General Bonded Debt Outstanding	III -17
Direct and Overlapping Governmental Activities Debt	III -18
Legal Debt Margin Information	III -19
Pledged Revenue Coverage	III -20
Demographic & Economic Information:	
Demographic and Economic Statistics	III -21
Principal Employers	III -22
Operating Information:	
Full-time Equivalent Personnel Allocation by Function	III -23
Operating Indicators by Function	III -24
Capital Assets Statistics by Function	III -25
City at a Glance	III -26

GFOA CERTIFICATE OF ACHIEVEMENT



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, 2018

Christopher P. Morill

Executive Director/CEO

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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November 26, 2019

**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, 2019, 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

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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 White Nelson Diehl Evans, 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 unmodified 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, 2019, 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 31,818 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 contracted services.

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

The national, state, and local economies continue to expand since the “Great Recession” of 2008. At the national level, real gross domestic product showed a 2.0% increase in the second quarter of 2019, with the state generating a 1.9% expansion during the same period, according to the Bureau of Economic Analysis at the U.S. Department of Commerce. As of June 2019, the national unemployment rate was 3.7%, a 0.3% decrease over the previous year. Similarly, the unemployment rate for California and Orange County experienced a downward trend of 4.2% and 3.0%, respectively. In Laguna Hills, the unemployment rate is 2.2%.

In March of 2016, the City approved a plan for the renovation of the Laguna Hills Mall which included approximately 860,000 square feet of new and renovated commercial retail space, movie theaters, restaurants, and 988 residential units. The approved plan was known as Five Llagunas, and was originally purchased by Merlone-Geier Partners (MGP) in 2013. In 2018, MGP informed City staff that they could not move forward with the approved 2016 plan due to market constraints. As a result, the City’s revenue stream has been suffering and losing approximately \$900,000 in sales tax revenue on an annual basis. On November 4, 2019, MGP submitted a development application to the City to replace the Five Llagunas project approved in 2016 and rebranded the project as “The Village at Laguna Hills”. Consequently, since the development project is at its beginning stages, the City’s tax base will not recover for at least 3 to 4 years.

To maintain its strong financial position, the City must continue to promote overall fiscal health and sustainability by adhering to its conservative financial policies, focusing on organizational efficiency and performance, and fiscally prudent decision-making. This financially conservative stance has played a critical role in allowing the City to respond quickly to the post-Recession difficulties that were 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 seven years, has helped the City weather slower economic conditions.

General fund reported revenues increased in Fiscal Year 2018-19 by \$804,521 and totaled \$22,047,533. Property tax revenues totaled \$10,981,130, representing a 4.76% increase over the prior year revenues. Total operating expenditures totaled \$19,725,985, an increase in the amount of \$222,560 over the previous fiscal year. Moreover, general fund revenues exceeded expenditures by \$2,321,548. The City ended the fiscal year with a total fund balance of \$13,697,286.

Given a positive consumer price index and the overall improvement that is occurring in the local housing market, property taxes are anticipated to increase slightly over the next few years.

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. The City's policy is to strive to maintain an operating ratio of 1.1 to 1.0, an Unrestricted General Fund Balance Ratio of 35% and an Unassigned General Fund balance Ratio of 25%. The operating ratio for FY 2018-19 came in at 1.05 and the Unrestricted Fund Balance and the Unassigned Fund Balance were at 44% and 38%, respectively. During the development of the 2019-21 Biennial Budget, the City identified a number of costs saving measures that resulted in a structurally balanced budget. These, coupled with the completion of major development projects discussed under the *Major Initiatives* heading, will allow the City to improve its operating ratio target.

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. The City's investments at the close of the most recent fiscal year ended June 30, 2019, consisted of fully insured or collateralized certificates of deposit with qualified banks, money market mutual funds, and investment pools with the State Treasurer's Local Agency Investment Fund (LAIF) and Investment Trust of California (CALTrust).

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 2018-2019 fiscal year as well as from the current endeavors:

FY 2019-2021 BIENNIAL BUDGET DEVELOPMENT

Since its incorporation, the City has been committed to biennial budgeting and long-range financial planning. Preparing a budget every other year lends greater weight to the importance of such processes. This year's budget process lasted from February through June this year, and the lengthy budget process included public meetings and a public hearing. The City Council was ultimately presented with and adopted a structurally balanced budget that accomplished the following:

- Operating revenues for FY 2019-20 are anticipated to increase by 3.3% from the FY 2018-19 year-end estimate.

Revenues for the following year are projected to increase by 4.8%.

- Thirteen Capital projects are scheduled for completion during the Biennial Budget period for a total estimated cost of \$4,845,336. Of this amount, \$1,215,000 is required from the General Fund and another \$385,000 is funded out of capital reserve funds. The remaining \$3,345,336 will come from various Special Revenue funds.

REDEVELOPMENT OF FORMER PHILLIPS SITE

At a joint City Council and Planning Agency meeting on March 12, 2019, the City Council and Agency Members approved a site development permit, zoning text amendment, and municipal code amendment to construct a residential care facility for the elderly at 24888 Alicia Parkway – the former site of Phillips Mazda. The approved project, submitted by ActivCare Living, Inc., includes the following:

- An Amendment to the City's Zoning and Development Code
- Construction of a new approximately 31,500 square foot building
- Construction of various site improvements including 28 parking spaces, landscaping, and facility amenities
- Subdivision of the subject 5.2-acre property into two parcels
- Adoption of a Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program in accordance with the California Environmental Quality Act

The project is currently under construction with an estimated completion date of December 2020.

MOULTON NIGUEL WATER DISTRICT OPERATIONS CENTER

In November 2018, the City Council and Planning Agency approved a development application submitted by the Moulton Niguel Water District (District). The project includes the relocation and consolidation of the District's administrative facilities and operations functions and establishes a new headquarters at 26121 Gordon Road. The proposal included:

- Demolition of miscellaneous buildings totaling +/- 7,000 square feet

- Renovation of existing buildings totaling 21,735 square feet
- Construction of three new buildings totaling 64,664 square feet
- Construction of various site improvements including 349 parking spaces, over 123,000 square feet of landscaping including a +/- 25,000 square foot water quality basin
- Various modifications to the Zoning Code to facilitate construction of the project

Furthermore, site grading has commenced and building permits will be issued before the end of 2019. Construction is expected to last into 2021.

OAKBROOK VILLAGE REDEVELOPMENT

The City Council approved an additional expansion of Oakbrook Village resulting in the demolition of a vacant 7,800 square foot restaurant building and the construction of approximately 21,000 square feet of new building area. The new buildings will accommodate an enlarged Trader Joe's store, See's Candy, and additional retail space in addition to other related site improvements. Construction was completed in May 2019.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

The City successfully competed for a multiple-year award of FY 2018-2019 and 2019-2020 Community Development Block Grant (CDBG) funding for Public Facilities and Improvement monies to be used for certain improvements to public facilities. In FY 2018-19, the City managed a project to replace three existing heating, ventilation, and air conditioning units (HVAC) and one existing water heating unit at the Florence Sylvester Memorial Senior Center in partnership with Age Well Senior Services, Inc. The improvements to the senior center were completed in June 2019.

ELECTRIC VEHICLE CHARGING STATIONS AT THE CIVIC CENTER

As part of the Local Government Partnership Program with the Mobile Source Air Pollution Reduction Review Committee (MSRC), the City applied for and received a grant to install electric vehicle charging stations and related infrastructure at the Civic Center in early 2018. Subsequently, in March 2019, the City entered into an Agreement with the South Coast Air Quality Management District/MSRC detailing the project requirements. The City will leverage its AB 2766 Subvention Fund – a revenue fund from the

State's Motor Vehicle Registration Program – for project costs that exceed the grant award. Installation of the electric vehicle charging stations is expected to begin in the spring of 2020.

**THE VILLAGE AT
LAGUNA HILLS
(FORMERLY FIVE
LAGUNAS)**

In March of 2016, the City approved a plan for the renovation of the Laguna Hills Mall which included approximately 860,000 square feet of new and renovated commercial retail space, movie theaters, restaurants, and 988 residential units. The approved plan was known as Five Llagunas. Within the last year, the property owner of Five Llagunas, Merlone-Geier Partners, informed City staff that they could not move forward with the approved 2016 plan.

On November 4, 2019, Merlone-Geier Partners (MGP), the property owner of the former Laguna Hills Mall, submitted a development application to the City to replace the Five Llagunas project approved in 2016. Renamed, "The Village at Laguna Hills", MGP's development proposal includes the following:

- Retail: +/-225,000 square feet – +/-300,000 square feet
- Hotel: 125 Rooms
- Office: +/-390,000 square feet – +/-520,000 square feet
- Mixed Use/ Residential: +/- 1,200 units – 1,500 units

The development process is expected to take anywhere from 9 to 18 months.

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, 2018. This was the twenty-seventh 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 2017-19 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 General Government 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,



Donald J. White
City Manager



Janice Mateo Reyes
Finance Director

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

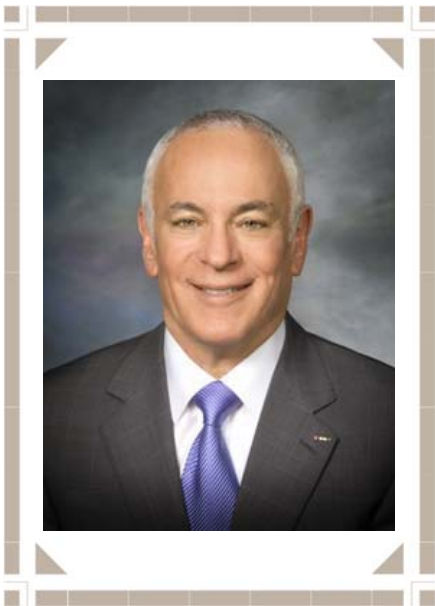
ELECTED OFFICIALS As of June 30, 2019



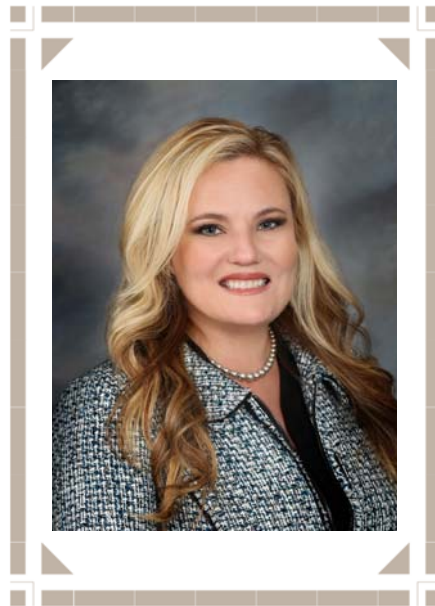
Don Sedgwick
Mayor



Janine Heft
Mayor Pro Tem



Dore Gilbert
Council Member



Erica Pezold
Council Member



Dave Wheeler
Council Member

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

MANAGEMENT STAFF
As of June 30, 2019



Donald J. White
City Manager/Treasurer

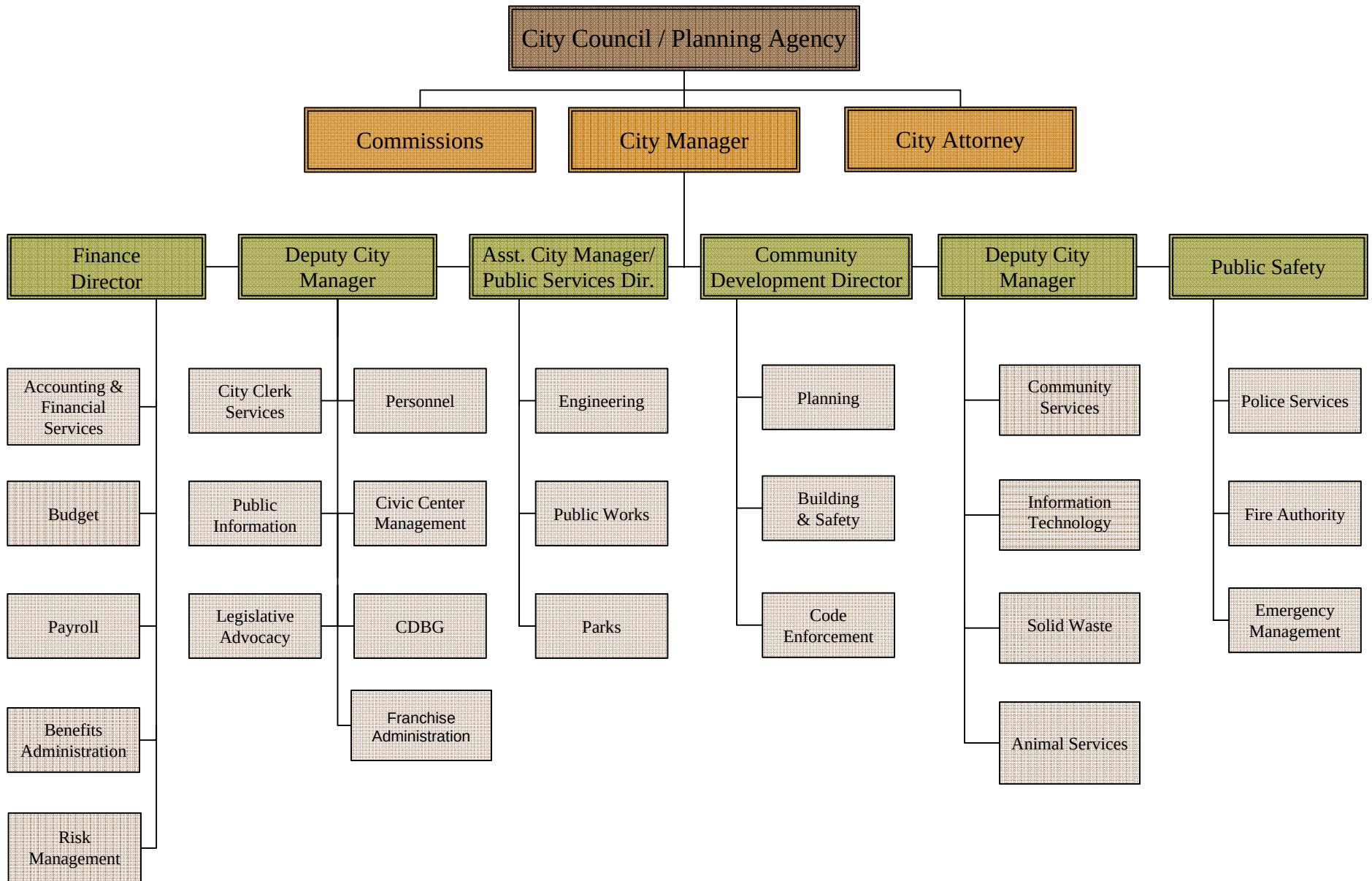
♦ Gregory E. Simonian	City Attorney
♦ Kenneth H. Rosenfield	Assistant City Manager/Public Services Director
♦ Janice Mateo Reyes	Finance Director
♦ Melissa Au-Yeung	Deputy City Manager
♦ David T. Reynolds	Deputy City Manager
♦ David Chantarangsu	Community Development Director
♦ Lt. Matthew Stiverson	Police Chief (O.C. Sheriff Department)
♦ Mike Contreras	Division Chief (OC. Fire Department)

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS

ORGANIZATIONAL CHART

June 30, 2019



Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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 activity, each major fund, and the aggregate remaining fund information of the City of Laguna Hills (the City), as of and for the year ended June 30, 2019, and the related notes to the basic 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.

Auditors' Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions - defined benefit pension plans, and the schedule of revenues, expenditures and changes in fund balance - budget and actual - general fund and major special revenue fund, identified as Required Supplementary Information (RSI) in the accompanying table of contents, 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 RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI 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, and statistical section, as listed in the table of contents, 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 (supplementary information), as listed in the table of contents, 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 supplementary information is 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 November 18, 2019, 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.

White Nelson Diehl Evans LLP

Irvine, California
November 18, 2019

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MANAGEMENT'S DISCUSSION AND 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, 2019**. 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 \$94,944,353. Of this amount, \$4,811,033 is not restricted to a specific use or purpose.
- After recording the value of the City's infrastructure assets, net of accumulated depreciation, the net change in the City's net position resulting from the most recent fiscal year's operation was a decrease of \$11,471, or .01%.
- Total revenues from all sources were \$25,147,863. Of this amount, \$5,371,635, or 21%, was from program revenues and \$19,776,228, or 79%, was from general revenues.
- The total cost of all City programs and projects was \$25,159,334. Approximately 18%, or \$4,647,169, of this amount is attributable to depreciation on the City's capital assets.
- The net pension liability reported as of June 30, 2019, for the City's proportionate shares of the net pension liability of all pension plans, was \$3,524,547.
- The net position of governmental activities was \$87,752,382 as of June 30, 2019, 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, increased the City's net position by \$667,994.

Fund Based

- As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$13,697,286.
- Total nonspendable fund balances, amounts that are either not in spendable form or are legally or contractually required to be maintained, were \$99,169.
- Total spendable fund balances were \$13,598,117. Of this amount, approximately 8% (\$1,145,659 in total assigned) is constrained by the City's intent to be used for a specific purpose and 39% (\$5,291,312 in total restricted) is constrained in their use by external restrictions, such as by creditors, debt covenants, grantors, contributors, or by laws and regulations.

- Total governmental fund balances increased by \$2,389,508.
- At the end of the most recent fiscal year, the total fund balance for the general fund was \$8,405,974, an increase of \$1,081,531 over prior year.
- General fund reported revenues exceeded expenditures by \$2,321,548.

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' financial position, in a manner similar to a private-sector business, using the economic resources measurement focus and the full accrual basis of accounting. The following reports comprise the government-wide financial statements:

- a) *Statement of Net Position.* This report presents information on all the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The difference between the assets and deferred outflows, on the one hand, and liabilities and deferred inflows of resources, on the other, constitutes 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, program revenues, 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-19 to II-21 of this report.

- (2) **Fund financial statements.** These statements show how 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.* 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, Measure M 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 non-major 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 the *business-type activity* 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 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 be readily 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 fund financial statements can be found on pages II-23 to II-30 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-31 to II-63 of this report.
- (4) **Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including budgetary comparison for the general fund, a schedule of proportionate share of the net pension liability, and a schedule of employer plan contributions. Additionally, the combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government –Wide Financial Analysis

The City's combined net position at the close of the most recent fiscal year ended June 30, 2019, was \$94,944,353, as shown on Table 1 below. The City is able to report positive balances in all three categories of net position 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.

Table 1
Condensed Statement of Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 15,160	\$ 12,537	\$ 295	\$ 314	\$ 15,455	\$ 12,851
Capital assets	84,011	87,780	6,965	7,634	90,976	95,414
Total assets	99,171	100,317	7,260	7,948	106,431	108,265
Total deferred outflows	1,208	1,513	-	-	1,208	1,513
Long-term liabilities	9,233	11,413	-	-	9,233	11,413
Other liabilities	3,196	2,937	68	77	3,264	3,014
Total liabilities	12,429	14,350	68	77	12,497	14,427
Total deferred inflows	198	395	-	-	198	395
Net position:						
Net investment in capital assets	79,706	81,973	6,965	7,635	86,671	89,608
Restricted	3,462	2,156	-	-	3,462	2,156
Unrestricted	4,584	2,956	227	236	4,811	3,192
Total net position	\$ 87,752	\$ 87,085	\$ 7,192	\$ 7,871	\$ 94,944	\$ 94,956

By far the largest portion of the City's net position (roughly \$86.7 million, or 91% of total net position) reflects its net investment in capital assets, which is made up of: (1) capital assets (land, building, machinery, and equipment) less accumulated depreciation, any related debt used to acquire those assets that are still outstanding, and the unamortized bond premium, (2) outstanding deferred loss on refunding, and (3) the cash with fiscal agent held in reserve to secure the timely payment of principal and interest on the capital asset related debt. 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 and corresponding items, 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 \$6,294,252 in debt outstanding (including the unamortized debt premium) related to the acquisition and construction of these capital assets.

Another portion of the City's net position, \$3,462,461 (3.6% 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 \$4,811,033 (5.1% of the total net position), which may be used to meet the City's ongoing obligations to its citizens and creditors.

The City's combined total assets at the close of the fiscal year was \$106,429,597. Of this amount, \$99,170,067, or 93%, represents assets from governmental activities and \$7,259,530, or 7%, represents assets from business-type activities. By far the largest component of the City's combined total assets is in the form of capital assets at \$90,975,464, or 85%. The remaining \$15,454,133 of combined total asset is largely in the form of cash and investment of \$10,900,303 and restricted cash and investment of \$1,828,881.

At the end of the fiscal year, the City's combined total liabilities was \$12,495,826, which was largely in the form of long-term liabilities of the City's government activities at \$10,894,251, or 87%. Long-term liabilities were mainly comprised of the City's net pension liability of \$3,524,547, or 32%, and \$6,294,252, or 58%, in debt pertaining to Certificates of Participation for the 2010 Refinancing Project.

Deferred inflows and outflows reported in the Statement of Net Position represent an acquisition (revenue) or consumption (expense) of net position that applies to a future period and hence will not be recognized as an inflow or outflow of resources until that time. The reported deferred inflows of \$197,536 and deferred outflows of \$1,047,322 pertain specifically to the City's pension liability. More information on the City's pension plan can be found in Note 6, beginning on page II-53 of this report.

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

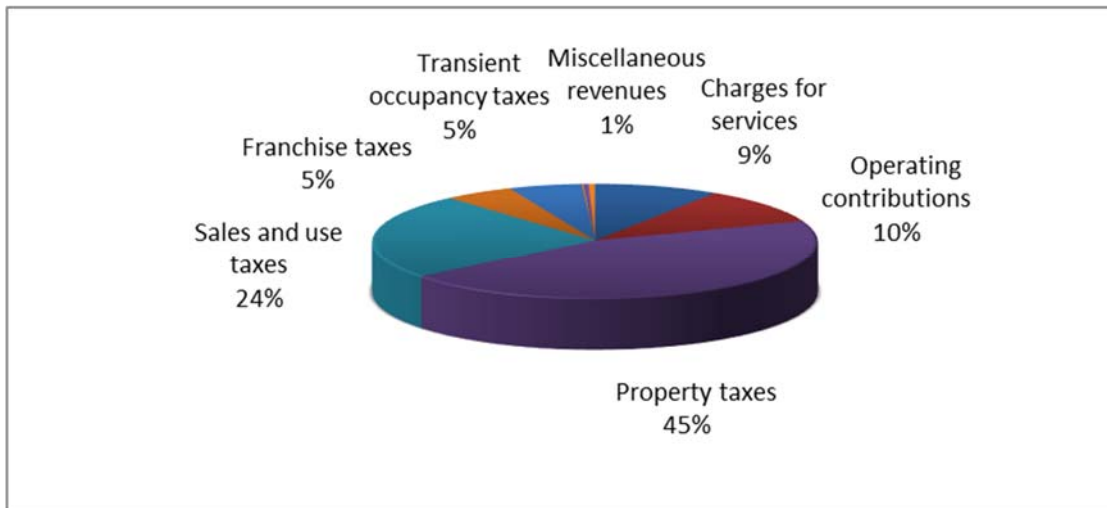
Table 2
Statement of Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 2,261	\$ 2,208	\$ 594	\$ 658	\$ 2,855	\$ 2,866
Operating contributions	2,517	1,876	-	-	2,517	1,876
Capital contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	10,981	10,482	-	-	10,981	10,482
Sales and use taxes	5,967	5,756	-	-	5,967	5,756
Franchise taxes	1,265	1,248	-	-	1,265	1,248
Transient occupancy taxes	1,311	1,382	-	-	1,311	1,382
Motor vehicle in lieu taxes	15	17	-	-	15	17
State subvention	23	6	-	-	23	6
Interest earnings	99	49	-	-	99	49
Miscellaneous revenues	115	121	-	-	115	121
Total revenues	<u>24,554</u>	<u>23,145</u>	<u>594</u>	<u>658</u>	<u>25,148</u>	<u>24,233</u>
Expenses:						
General government	3,468	4,104	-	-	3,468	4,104
Public services	6,434	6,841	-	-	6,434	6,841
Community development	1,385	1,288	-	-	1,385	1,288
Community services	4,079	4,161	-	-	4,079	4,161
Public safety	8,252	8,033	-	-	8,252	8,033
Property leasing	-	-	1,273	1,248	1,273	1,248
Interest	269	323	-	-	269	323
Total expenses	<u>23,887</u>	<u>24,750</u>	<u>1,273</u>	<u>1,248</u>	<u>25,160</u>	<u>25,998</u>
Change in net position before transfers	667	(1,605)	(679)	(590)	(12)	(2,195)
Transfers	-	-	-	-	-	-
Change in net position	667	(1,605)	(679)	(590)	(12)	(2,195)
Net position, beginning	<u>87,085</u>	<u>88,690</u>	<u>7,871</u>	<u>8,461</u>	<u>94,953</u>	<u>97,151</u>
Net position, ending	\$ <u>87,752</u>	\$ <u>87,085</u>	\$ <u>7,192</u>	\$ <u>7,871</u>	\$ <u>94,944</u>	\$ <u>94,956</u>

During the fiscal year, the total revenue from all sources was \$25,147,863 and the cost of all activities was \$25,159,334, resulting in an overall decrease in net position of \$11,471. The City's governmental activities increased total net position by \$667,994.

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 2018/19



As shown in the above pie chart, roughly 80%, or \$19,539,551 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 \$4,777,609, or 19%, of the total revenue resources, which is comprised of charges for services, operating and capital contributions.

The City's expenses in connection with its governmental activities are categorized by function, namely: general government, 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 relationship of the City's program revenues to the related governmental functions are illustrated in a graph shown as **Figure 2** on the following page.

Expenses associated with governmental activities experienced a decrease of 3.5%, or \$864,694 over the prior fiscal year, as a result of reductions in General Government activities of \$636,160, or 15.5%, Community Services activities of \$81,658, or 2%, and Public Services activities of \$407,746, or 6%. These decreases offset the year-over-year increases in Public Safety activities of \$219,277, or 2.7%, and Community Development activities of \$97,524, or 7.6%.

Expenses related to public services was \$6,433,542 and to public safety was \$8,251,937, representing 27% and 35% of total governmental activities, respectively. Public services include certain capital projects, landscape maintenance, traffic signal maintenance, road maintenance, as well as water and electric utility usage charges. Public safety includes the costs for the law enforcement contract with the Orange

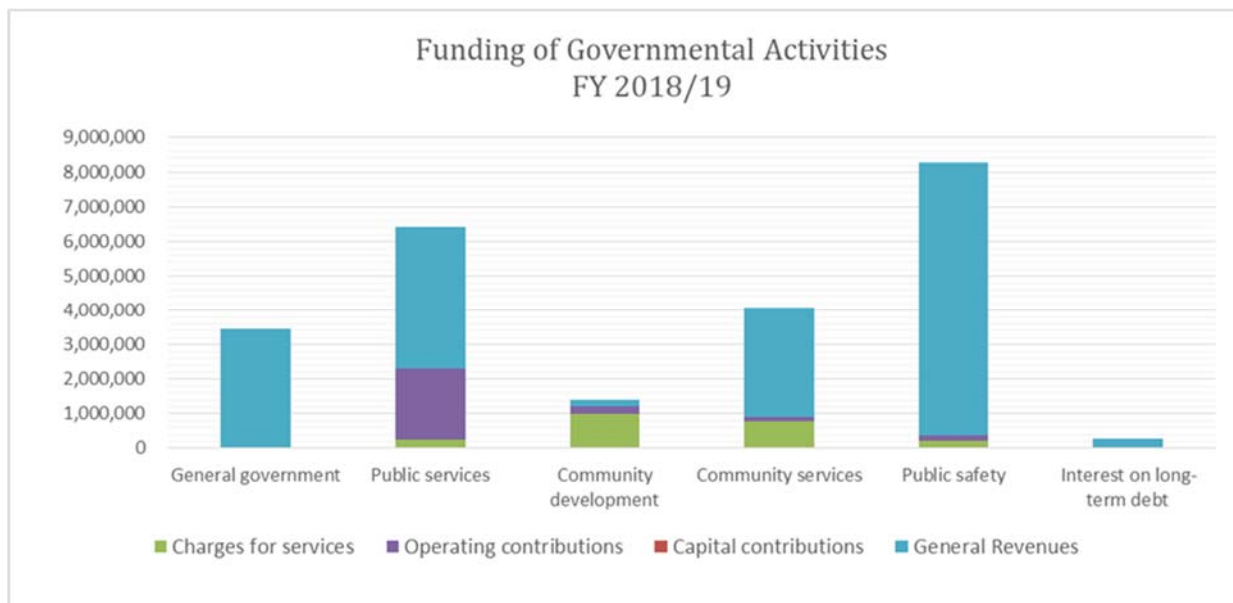
County Sheriff's Department (OCSD), as well as the cost for animal control and shelter services. The OCSD law enforcement contract represents roughly \$7.6 million, or 33%, of total governmental activities. Additionally, depreciation of capital assets accounts for \$3,896,631 (16%) and the debt service interest payment on capital related items accounts for \$267,582 (1.1%).

The City's business-type activities decreased total net position by \$679,465. The decrease from business-type activities is largely attributable to depreciation. Of the \$1,273,554 of total operating expenses related to property leasing activities, depreciation represents 59%, or \$750,538, of that total.

Program Revenues and Expenses:

Program revenues for the most recent fiscal year were \$4,777,609. Expenses related to governmental activities were \$23,885,780. 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 \$267,582.

Figure 2



Business-type Activities

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. Altogether, there are 51,945 square feet of leasable office space in the Civic Center building. The City occupies 21,033 square feet and leases out 30,912 square feet. The occupancy rate was approximately 81% on June 30, 2019.

During the most recent fiscal year, the operating revenues of the Laguna Hills Civic Center were \$594,026 and the operating expenses were \$1,273,554, resulting in a net operating loss of \$679,528, which includes a depreciation charge of \$750,538. After interest income of \$63, the change in net position at fiscal year-end was \$(679,465). The net cash provided by the leasing operating activities was \$64,634. The contra rent revenue associated with the occupied spaces for City Hall was \$549,965 for the current fiscal year.

Analysis of Major Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. As noted earlier, the City of Laguna Hills uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus of the *governmental funds* is to provide information on near-term inflows and outflows, as well as the balances of spendable resources at the end of the fiscal year. Such information is useful in assessing the City of Laguna Hills' near term 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 \$13,697,286, an increase of \$2,389,508 from the prior year's balance. Of the ending fund balance, \$99,169 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 \$13,598,117 in spendable fund balance, \$5,291,312 is restricted fund balance, \$1,145,659 is assigned fund balance and \$7,161,146 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 \$945,659 reserved for equipment maintenance of the Civic Center, Community Center, Sports Complex, slopes, storm drains, and various parks.

The City identifies "major" governmental funds within the fund financial statements. Funds are reviewed annually to determine if any should be classified as a major fund. Specifically, funds that have 10% or more of total assets, liabilities,

or fund balance of total governmental funds. The City may also classify as a major fund any fund or combination of funds that is considered essentially important to users.

The General Fund is the City's primary operating governmental fund. The fund balance of the City's general fund increased by \$1,081,531 from the prior fiscal year's balance, which exceeded expectation as a result of higher than anticipated sales tax revenue and revenues from licenses and permits, as well as lower than projected transfers out to fund certain capital projects that have been deferred.

The Measure M Fund accounts for revenues and expenditures for road improvements and transportation system maintenance financed through the Orange County's half-cent sales tax administered through the Orange County Transportation Authority (OCTA). Revenues and transfers out to other funds reflect financial resources are allocated to fund expenditures reported in other funds. During the fiscal year, the City recorded \$710,581 from Measure M2 revenues and \$7,124 in investment income, of which \$100,000 funded storm drain improvements to clean transportation-related pollutants from local waterways and \$617,705 to fund maintenance of roads, street lights, and traffic signals.

The City's capital projects fund accounts for financial resources related to the acquisition and construction of the City's capital projects. Revenues and transfers in from other funds reflect the financial resources used to fund the capital project expenditures during the current fiscal year; therefore, this fund typically reflects no fund balance at the end of the fiscal year. Total expenditures and transfers in for the current fiscal year were \$356,354. The largest capital expenditure during the current year was the Water Quality Improvement Program CIP #412, which totaled \$125,000, or 35% of the total capital improvement expenditures for the fiscal year.

The City's debt service fund reports current financial resources restricted for the payment of principal and interest for long-term debt. As of the end of the current fiscal year, the debt service fund reported \$1,840,536 in fund balance. Of the total fund balance, \$1,804,589 is restricted to meet the reserve requirement under the Trust Agreement of the Certificates of Participation for the 2010 Refinancing Project. Pursuant to the Agreement, a reserve fund was established by the trustee, The Bank of New York Mellon Trust Company, N.A., to further secure the timely payment of principal and interest. All interest or income received by the investment of the reserve fund is required to be retained in the reserve fund. Only to the extent the reserve requirement is satisfied, may amounts in the reserve fund may be allocated toward lease payments. Interest income for the current fiscal year was \$45,934.

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 51,945. The City is a tenant using approximately 21,033 square feet of the building.

The statement of revenues, expenses, and changes in net position shows a net operating loss of \$679,528, before the interest income of \$63. The net effect is a decrease in the ending net position of \$679,465, which is largely attributable to depreciation. Before accounting for \$750,538 in depreciation expense, the net operating activity would result in a net operating income of \$71,010 from the City's other leasing related activities. It should be noted that the enterprise fund does not charge the City rent. The estimated annual rent for the space would be approximately \$549,965.

General Fund Budgetary Highlights

Total general fund revenue was originally budgeted at \$22,206,139, but was amended to \$21,427,984, a decrease of 4%, or \$778,155, to adjust for lower anticipated revenue. At fiscal year-end, total general fund revenues came in at \$22,047,533, which was roughly 3%, or \$619,549, above the amended budget for the year. This overage is largely attributable to higher than anticipated intergovernmental revenues and revenues from licenses and permits. Intergovernmental revenues exceeded the budget by \$452,292, mainly from sales tax revenue that exceeded the budget by \$388,524. License and permit revenue was approximately 19%, or \$154,017, higher than anticipated due a slight increase in projected development throughout the City. Additionally, various other revenues received from fines and forfeitures, charges for services, and investment income rose above projections, which when combined exceeded projections by \$133,499. The excess in these revenue sources absorbed the underperformance in taxes, which came in under budget by \$120,259, mainly as a result of lower than anticipated revenues from transient occupancy tax.

Given the lower than expected general fund revenues as indicated above, the original total general fund expenditures budget of \$20,470,017 was amended to \$19,715,489, which was a 4%, or \$754,528, decrease. After a concerted effort to lower general fund expenditures, general fund expenditures totaled \$19,725,985 at fiscal year-end, just slightly over budget by roughly .05%, or \$10,496. This is due entirely to litigation and lawsuit settlement expenditures, which totaled \$447,849 during the fiscal year and well over exceeded budget.

Expenditures in Public Services, Community Development, Community Services, and Public Safety each came in under budget, for a combined budget savings of \$406,790. The largest budget savings came from the Public Safety Department and Community Development Department. Public safety expenditures came in under budget by \$168,225, largely due to reduced staffing level from the Orange County Sheriff Department Law Enforcement Contract. Community development expenditures came in under budget by \$127,329, as a result of lower than anticipated contracted services for code enforcement, inspection, and plan check.

While other departments experienced positive budget variances, expenditures for the General Government Department and Debt Service exceeded the budget. General

government expenditures exceeded budget by \$320,663, as a result of the litigation expense and claim settlements mentioned above. The debt service of \$96,623 pertains to the on-bill financing program for energy efficiency lighting projects with Southern California Edison and San Diego Gas & Electric, and contributed to the budget savings in the Public Services department from lower utility cost.

The net change in fund balance at fiscal year-end in the General Fund was \$1,081,531, which exceeded budget by \$1,265,758. This was partially a result of the positive budget variance in the excess of revenues over expenditures of \$609,053, discussed above. Additionally, net total transfers in and out produced a positive budget variance of \$656,705, which was mainly due to the deferment of capital improvement projects funded by the general fund.

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, 2019 amounted to \$90,975,464, 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 **Table 3** on the following page.

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

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 17,962	\$ 17,962	\$ 2,855	\$ 2,855	\$ 20,817	\$ 20,817
Land improvements	5,395	6,712	-	-	5,395	6,712
Rights of ways/Easements	2,854	2,854	-	-	2,854	2,854
Building & improvements	2,158	2,831	4,110	4,780	6,268	7,611
Equipment and machinery	394	500	-	-	394	500
Construction in progress	-	-	-	-	-	-
Infrastructure						
Street signs	15	26	-	-	15	26
Storm drains	2,324	2,285	-	-	2,324	2,285
Streets	44,652	45,718	-	-	44,652	45,718
Parks inventory	1,910	2,210	-	-	1,910	2,210
Curbs, sidewalks, gutters	4,937	5,205	-	-	4,937	5,205
Bridges	1,409	1,477	-	-	1,409	1,477
Total capital assets net of accumulated depreciation	<u>\$ 84,010</u>	<u>\$ 87,780</u>	<u>\$ 6,965</u>	<u>\$ 7,635</u>	<u>\$ 90,975</u>	<u>\$ 95,415</u>

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, 2019, the per capita liability of the City of Laguna Hills was \$199.36. The 2010 COPs maintain a "AA+" rating from Standard & Poor's.

Additional information on the City's long-term debt can be found in Note 6 on pages II-48 to II-50 of this report.

Budget and Economic Factors

The City's most recent adopted biennial budget for fiscal years 2019/20 -2020/21 shows that the City continues to live within its means and poised to further improve as projects throughout the City move forward. General Fund revenues are projected at approximately \$22.4 million in fiscal year 2019/20, while operating expenditures are estimated at roughly \$20.7 million. 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. A copy of the 2019-21 Biennial Budget is available on the City's website: www.ci.laguna-hills.ca.us.

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.

* * * * *

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LAGUNA HILLS
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	\$ 10,613,202	\$ 287,101	\$ 10,900,303
Taxes receivable	1,586,656	-	1,586,656
Accounts receivable	452,511	7,778	460,289
Interest receivable	56,308	-	56,308
Prepaid items	99,169	-	99,169
Due from other governments	522,527	-	522,527
Restricted cash and investments	1,828,881	-	1,828,881
Capital assets, not depreciated	20,815,814	2,855,425	23,671,239
Capital assets, net of accumulated depreciation	63,194,999	4,109,226	67,304,225
Total Assets	<u>99,170,067</u>	<u>7,259,530</u>	<u>106,429,597</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refunding	160,796	-	160,796
Deferred amounts from pension plans	1,047,322	-	1,047,322
Total Deferred Outflows of Resources	<u>1,208,118</u>	<u>-</u>	<u>1,208,118</u>
LIABILITIES:			
Accounts payable	195,670	-	195,670
Accrued liabilities	659,670	20,329	679,999
Interest payable	115,478	-	115,478
Due to other governments	514,164	-	514,164
Deposits payable	49,034	42,858	91,892
Unearned revenue	-	4,372	4,372
Noncurrent Liabilities:			
Due within one year	1,661,582	-	1,661,582
Due in more than one year:			
Other long-term liabilities	5,708,122	-	5,708,122
Net pension liability	3,524,547	-	3,524,547
Total Liabilities	<u>12,428,267</u>	<u>67,559</u>	<u>12,495,826</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts from pension plans	197,536	-	197,536
Total Deferred Inflows of Resources	<u>197,536</u>	<u>-</u>	<u>197,536</u>
NET POSITION:			
Net investment in capital assets	79,706,238	6,964,651	86,670,889
Restricted for:			
Public services	3,027,780	-	3,027,780
Community services	422,996	-	422,996
Debt service	11,655	-	11,655
Unrestricted	4,583,713	227,320	4,811,033
Total Net Position	<u>\$ 87,752,382</u>	<u>\$ 7,191,971</u>	<u>\$ 94,944,353</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

		Program Revenues			
		Charges for	Operating	Capital	Total
	Expenses	Services	Contributions and Grants	Contributions and Grants	Program Revenues
Governmental Activities:					
General government	\$ 3,467,852	\$ -	\$ -	\$ -	\$ -
Public services	6,433,542	253,438	2,046,565	-	2,300,003
Community development	1,385,455	1,010,326	209,625	-	1,219,951
Community services	4,079,412	777,605	109,425	-	887,030
Public safety	8,251,937	219,727	150,898	-	370,625
Interest expense	267,582	-	-	-	-
Total Governmental Activities	<u>23,885,780</u>	<u>2,261,096</u>	<u>2,516,513</u>	<u>-</u>	<u>4,777,609</u>
Business-type Activity:					
Property leasing	<u>1,273,554</u>	<u>594,026</u>	<u>-</u>	<u>-</u>	<u>594,026</u>
Total Business-type Activity	<u>1,273,554</u>	<u>594,026</u>	<u>-</u>	<u>-</u>	<u>594,026</u>
Total Primary Government	<u>\$ 25,159,334</u>	<u>\$ 2,855,122</u>	<u>\$ 2,516,513</u>	<u>\$ -</u>	<u>\$ 5,371,635</u>

General Revenues:

Taxes:

Property taxes

Franchise tax

Transient occupancy tax

Intergovernmental, unrestricted:

Sales and use tax

Motor vehicle in lieu

State subvention

Investment earnings

Miscellaneous revenue

Total General Revenues

Changes in Net Position

Net Position, Beginning

Net Position, Ending

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

See Accompanying Notes to the Basic Financial Statement:

Net (Expense) Revenue and Changes in Net Position**Primary Government**

Governmental Activities	Business-type Activity	Total
\$ (3,467,852)	\$ -	\$ (3,467,852)
(4,133,539)	-	(4,133,539)
(165,504)	-	(165,504)
(3,192,382)	-	(3,192,382)
(7,881,312)	-	(7,881,312)
(267,582)	-	(267,582)
<u>(19,108,171)</u>	<u>-</u>	<u>(19,108,171)</u>
-	(679,528)	(679,528)
-	(679,528)	(679,528)
<u>(19,108,171)</u>	<u>(679,528)</u>	<u>(19,787,699)</u>
10,981,130	-	10,981,130
1,265,411	-	1,265,411
1,311,213	-	1,311,213
5,966,524	-	5,966,524
15,273	-	15,273
22,529	-	22,529
99,204	63	99,267
114,881	-	114,881
<u>19,776,165</u>	<u>63</u>	<u>19,776,228</u>
667,994	(679,465)	(11,471)
<u>87,084,388</u>	<u>7,871,436</u>	<u>94,955,824</u>
<u>\$ 87,752,382</u>	<u>\$ 7,191,971</u>	<u>\$ 94,944,353</u>

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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FUND FINANCIAL STATEMENTS

CITY OF LAGUNA HILLS
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2019

	General	Measure M Special Revenue Fund	Capital Projects	Debt Service	Other Governmental Funds	Totals
Assets						
Current:						
Cash and investments	\$ 7,327,662	\$ -	\$ -	\$ -	\$ 3,285,540	\$ 10,613,202
Receivables:						
Taxes	1,586,656	-	-	-	-	1,586,656
Accounts	452,511	-	-	-	-	452,511
Interest	44,653	-	-	11,655	-	56,308
Prepaid items	99,169	-	-	-	-	99,169
Due from other funds	189,530	-	-	-	-	189,530
Due from other governments	89,828	189,530	-	-	243,169	522,527
Restricted assets:						
Cash and investments	-	-	-	1,828,881	-	1,828,881
Total Assets	<u>\$ 9,790,009</u>	<u>\$ 189,530</u>	<u>\$ -</u>	<u>\$ 1,840,536</u>	<u>\$ 3,528,709</u>	<u>\$ 15,348,784</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	\$ 195,670	\$ -	\$ -	\$ -	\$ -	\$ 195,670
Accrued liabilities	581,737	-	-	-	77,933	659,670
Deposits	49,034	-	-	-	-	49,034
Due to other funds	-	189,530	-	-	-	189,530
Due to other governments	514,164	-	-	-	-	514,164
Total Liabilities	<u>1,340,605</u>	<u>189,530</u>	<u>-</u>	<u>-</u>	<u>77,933</u>	<u>1,608,068</u>
Deferred Inflows of Resources						
Unavailable revenues	<u>43,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,430</u>
Total Deferred Inflows of Resources	<u>43,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,430</u>
Fund Balances:						
Nonspendable	99,169	-	-	-	-	99,169
Restricted	-	-	-	1,840,536	3,450,776	5,291,312
Assigned	1,145,659	-	-	-	-	1,145,659
Unassigned	<u>7,161,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,161,146</u>
Total Fund Balances	<u>8,405,974</u>	<u>-</u>	<u>-</u>	<u>1,840,536</u>	<u>3,450,776</u>	<u>13,697,286</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,790,009</u>	<u>\$ 189,530</u>	<u>\$ -</u>	<u>\$ 1,840,536</u>	<u>\$ 3,528,709</u>	<u>\$ 15,348,784</u>

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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, 2019

Fund balances of governmental funds	\$ 13,697,286
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	
Capital assets	159,683,800
Accumulated depreciation	(75,672,987)
Long-term liabilities are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds. Long-term liabilities consist of the following:	
Certificates of participation	(5,845,000)
Bond premium	(449,252)
Capital leases	(626,511)
Compensated absences	(339,698)
Claims and judgments payable	(109,243)
Deferred outflows of resources (loss on refunding of bonds) that have not been included in the governmental fund activity.	160,796
Accrued interest payable for the current portion of interest due on the Certificates of Participation has not been reported in the governmental funds.	(115,478)
Pension related debt applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities:	
Deferred outflows of resources	1,047,322
Deferred inflows of resources	(197,536)
Net pension liability	(3,524,547)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.	43,430
Net position of governmental activities	\$ 87,752,382

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General	Measure M Special Revenue Fund	Capital Projects	Debt Service	Other Governmental Funds	Totals
Revenues:						
Taxes	\$ 13,557,754	\$ -	\$ -	\$ -	\$ 2,000	\$ 13,559,754
Licenses and permits	954,017	-	-	-	27,856	981,873
Intergovernmental revenues	6,072,420	710,581	-	-	1,680,883	8,463,884
Charges for current services	1,152,319	-	-	-	-	1,152,319
Fines and forfeitures	219,727	-	-	-	-	219,727
Investment income	91,296	7,124	-	45,934	55,949	200,303
Total Revenues	22,047,533	717,705	-	45,934	1,766,688	24,577,860
Expenditures:						
Current:						
General government	3,856,802	-	-	-	-	3,856,802
Public services	4,351,578	-	-	-	55,050	4,406,628
Community development	1,175,000	-	-	-	209,625	1,384,625
Community services	2,002,236	-	-	-	48,416	2,050,652
Public safety	8,243,746	-	-	-	-	8,243,746
Capital outlay	-	-	356,354	-	-	356,354
Debt service:						
Interest and fiscal charges	-	-	-	342,922	-	342,922
Principal retirement	96,623	-	-	1,450,000	-	1,546,623
Total Expenditures	19,725,985	-	356,354	1,792,922	313,091	22,188,352
Excess (Deficiency) of Revenues over Expenditures	2,321,548	717,705	(356,354)	(1,746,988)	1,453,597	2,389,508
Other Financing Sources (Uses):						
Transfers in	876,391	-	356,354	1,751,109	8,945	2,992,799
Transfers out	(2,116,408)	(717,705)	-	-	(158,686)	(2,992,799)
Total Other Financing Sources (Uses)	(1,240,017)	(717,705)	356,354	1,751,109	(149,741)	-
Net Change in Fund Balances	1,081,531	-	-	4,121	1,303,856	2,389,508
Fund Balances, Beginning	7,324,443	-	-	1,836,415	2,146,920	11,307,778
Fund Balances, Ending	\$ 8,405,974	\$ -	\$ -	\$ 1,840,536	\$ 3,450,776	\$ 13,697,286

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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, 2019

Net change in fund balances - total governmental funds	\$ 2,389,508
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 activity is reconciled as follows:	
Capital outlay, net of disposals	137,923
Depreciation	(3,896,631)
Loss on disposition of capital assets	(10,651)
Long-term debt 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 revenues 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 principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	
Principal payments	1,546,623
Amortization of bond premium	80,464
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)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in compensated absences	(15,804)
Change in claims and judgments payable	457,713
Change in accrued interest for Certificates of Participation	23,676
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.	
	8,059
Revenues in the Statement of Activities that do not meet the "availability" criteria for revenue recognition are reported as deferred inflows of resources, unavailable revenues, in the governmental funds. This is the net change in deferred inflows of resources, unavailable revenues, from the prior year.	
	(24,086)
Change in net position of governmental activities	\$ 667,994

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2019

	Enterprise - Property Leasing
ASSETS:	
Current Assets:	
Cash and investments	\$ 287,101
Accounts receivable	7,778
Total Current Assets	<u>294,879</u>
Noncurrent Assets:	
Capital assets not depreciated	2,855,425
Capital assets, net of accumulated depreciation	4,109,226
Total Noncurrent Assets	<u>6,964,651</u>
Total Assets	<u>7,259,530</u>
LIABILITIES:	
Current Liabilities:	
Accrued liabilities	20,329
Deposits payable	42,858
Unearned revenue	4,372
Total Current Liabilities	<u>67,559</u>
NET POSITION:	
Net investment in capital assets	6,964,651
Unrestricted	<u>227,320</u>
Total Net Position	<u><u>\$ 7,191,971</u></u>

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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, 2019

	<u>Enterprise - Property Leasing</u>
Operating Revenues:	
Rental fees	\$ 593,801
Other current service fees	225
Total Operating Revenues	<u>594,026</u>
Operating Expenses:	
Direct operating expenses	485,093
Advertising and promotion	2,996
Administrative and professional fees	6,670
Repairs and maintenance	28,257
Depreciation expense	750,538
Total Operating Expenses	<u>1,273,554</u>
Operating Loss	<u>(679,528)</u>
Nonoperating Revenues:	
Interest income	63
Total Nonoperating Revenues	<u>63</u>
Change in Net Position	(679,465)
Net Position, Beginning	<u>7,871,436</u>
Net Position, Ending	<u>\$ 7,191,971</u>

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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, 2019

	Enterprise - Property Leasing
Cash Flows from Operating Activities:	
Receipts from tenants	\$ 588,732
Payments to suppliers for goods and services	(524,098)
Net Cash Provided by Operating Activities	64,634
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(79,949)
Net Cash Used for Capital and Related Financing Activities	(79,949)
Cash Flows from Investing Activities:	
Interest on investments	63
Net Cash Provided by Investing Activities	63
Net Increase in Cash and Cash Equivalents	(15,252)
Cash and Cash Equivalents, Beginning	302,353
Cash and Cash Equivalents, Ending	\$ 287,101
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	\$ (679,528)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	750,538
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	913
(Increase) decrease in prepaid items	2,586
Increase (decrease) in accrued liabilities	(3,668)
Increase (decrease) in deposits payable	(6,207)
Total adjustments	744,162
Net Cash Provided by Operating Activities	\$ 64,634

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
AGENCY FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2019

ASSETS:

Cash and investments	\$ 243,494
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Total Assets	\$ 243,494
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LIABILITIES:

Deposits	\$ 243,494
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Total Liabilities	\$ 243,494
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Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

See Accompanying Notes to the Basic Financial Statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF LAGUNA HILLS

Notes to the Basic Financial Statements
June 30, 2019

(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 accordance 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.

This report includes all fund types of the City (the primary government) and the Laguna Hills Public Improvement Corporation (the Corporation). The Corporation meets the definition of a component unit and is presented on a blended basis, as if it is a part of the primary government. Although it is a legally separate entity, the governing board of the Corporation is comprised of the same membership as the City Council. The City may impose its will on the Corporation, including the ability to appoint, hire, reassign, or dismiss management. There is also a financial benefit/burden relationship between the City and the Corporation.

The Corporation was established by the City Council on September 2, 1998. The Board of Directors of the Corporation is composed of the five members in connection with the acquisition, construction and improvement of public capital improvements. The activity of the Corporation is reported in the Debt Service Fund. Separate financial statements are not prepared for this blended component unit.

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

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. Also, interfund services provided and used have not been eliminated.

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

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

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as 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.

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.

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, deferred inflows of resources, 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*. *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, 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.

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.

Sales taxes, property taxes, franchise fees, gas taxes, motor vehicle in lieu fees, highway user's taxes, transient occupancy taxes, grants and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available where cash is received by the government.

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

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect fund balance, 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 expenditures are incurred, the City's applies the most restrictive funds first; and then the City would use the appropriate funds in the following order: committed, assigned, and lastly unassigned amounts.

Proprietary Fund

The City's enterprise fund is a proprietary fund. In the fund financial statements, the proprietary fund is 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, the proprietary fund is presented using the *economic resources measurement focus*. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their statement of net position. Proprietary fund type operating statements present increases

(revenues) and decreases (expenses) in total net position. 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. Proprietary fund operating expenses result from providing the services in connection with the proprietary fund's principal ongoing operations.

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.

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.

Fiduciary Fund

The fiduciary fund financial statements include a Statement of Fiduciary Assets and Liabilities. The City's fiduciary agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities. Because these funds are not available for use by the City, fiduciary funds are not included in the government-wide statements. The City uses an agency fund to account for construction deposits and trust monies received from builders, land developers, and other agencies.

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.

Measure M Special Revenue Fund

The Measure M Special Revenue Fund is used to account for Measure M revenues from the Orange County Transportation Authority to be used for street improvement and transportation system maintenance.

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.

Debt Service Fund

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

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

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

d) New Accounting Pronouncements**Current Year Standards**

GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018, and did not impact the City.

GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018, and did not significantly impact the City.

Pending Accounting Standards

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.

- GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.
- GASB 91 - *Conduit Debt Obligations*, effective for periods beginning after December 15, 2020.

e) Cash and Investments

Investments are reported in the accompanying basic financial statements at fair value, which is price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value represented by the external pool.

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

f) 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.

g) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the Government-Wide and Fund Financial Statements utilizing the consumption method.

h) Property Taxes

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing, they become available (within 90 days of the fiscal year end). 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.

i) 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 acquisition 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 statements of net position. 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
Land improvements	20 years

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 the 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

In addition to assets, the government-wide statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The City has the following items that qualify for reporting in this category:

- Deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This

amount is deferred and amortized over the shorter of the life of the refunded or refunding debt, which is 15 years.

- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pensions for differences between expected and actual experiences, changes in assumptions, and changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.

In addition to liabilities, the government-wide statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows from unavailable revenues, which are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, which is property damage. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.
- Deferred inflows related to pensions for differences between expected and actual experiences, changes in assumptions, and changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.

1) 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 (RHS) Plan, a defined contribution plan, to its full-time employees that

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 on a tax-free basis either upon separation of service from the City or age 50 dependent upon when contributions to the plan were made. In compliance with the Patient Protection and Affordable Care Act, contributions to the plan made after December 31, 2013, are available to plan participants for medical expenses only upon separation of employment. In the event of a participant's death, the participant's surviving spouse and/or eligible dependent(s) are immediately eligible to maintain the account and utilize it to fund eligible medical expenses. If a participant's balance is not fully depleted upon the death of the eligible spouse, the account balance may continue to be utilized to pay medical expenses of eligible dependents. An eligible dependent is (a) the participant's lawful spouse, (b) the participant's child under the age of 27, as defined by IRC Section 152(f)(1) and Internal Revenue Service Notice 2010-38, or (c) any other individual who is a person described in IRC Section 152(a), as classified by Internal Revenue Service Notice 2004-79. 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 at their prevailing pay rate, upon the completion of ten (10) years of service to the City. 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 \$5,000 on behalf of each participant, upon completion of ten years of service and annually thereafter on the participant's employment anniversary date as long as the individual is an employee with the City. The \$5,000 City contributions cease after termination or retirement of the employee. In the fiscal year ended June 30, 2019, the City contributed \$55,000 to the RHS Plan.

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) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

n) Use of Estimates

The preparation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB, requires 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.

(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, 2019, are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 10,900,303
Restricted cash and investments	1,828,881
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	243,494
Total cash and investments	<u>\$ 12,972,678</u>

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

Cash on hand		\$ 2,500
Pooled deposits:		
Demand deposits	\$ 1,271,752	
Certificates of deposit	570,502	
Total pooled deposits		1,842,254
Pooled investments:		
Local Agency Investment Fund		7,999,114
CalTRUST Short-Term Investment Fund		524,914
Money Market Mutual Fund		775,015
Restricted cash and investments:		
Money Market Mutual Fund	\$ 24,586	
Local Agency Investment Fund	1,804,295	
Total restricted cash and investments		1,828,881
Total cash and investments		<u>\$ 12,972,678</u>

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.

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 fair value of the repurchase agreement is 102 percent or greater than the value of the funds borrowed
- Commercial paper
- Prime Banker's Acceptances
- Investment Trust of California, a Joint Powers Authority, doing business as CalTRUST

The maximum maturity for all investments listed above is 1 year with the exception of commercial paper and Prime Banker's Acceptances for which the maximum maturity is 180 days and 270 days, respectively.

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.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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 specific identification method to present the investment maturities as follows.

<u>Investment Type</u>	<u>6 months or less</u>	<u>Fair Value</u>
Local Agency Investment Fund	\$ 7,999,114	\$ 7,999,114
CalTRUST Short-Term Investment Fund	524,914	524,914
Money Market Mutual Fund	775,015	775,015
Investment with Fiscal Agent:		
Money Market Mutual Fund	24,586	24,586
Local Agency Investment Fund	1,804,295	1,804,295
Total	<u>\$ 11,127,924</u>	<u>\$ 11,127,924</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's minimum legal rating for Money Market Mutual Funds is AAA. There is no minimum legal rating applicable for investments in the Local Agency Investment Fund and the City has no minimum legal rating for investments in CalTRUST. As of June 30, 2019, the City's investment in the State Treasurer's Local Agency Investment Fund has not been rated by a nationally recognized statistical rating organization, the City's investment in the CalTRUST Short-Term Investment Fund is rated AA, and the City's investment in the Money Market Mutual Funds are rated AAA by Standard and Poor's.

Concentration of Credit Risk

Concentration credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. As of June 30, 2019, other than the State Treasurer's Local Agency Investment Fund, CalTRUST Short-Term Investment Fund, and the Money Market Mutual Fund, the City had no investments concentrated in one issuer which exceeded 5% of total investments.

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.

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 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.

As of June 30, 2019, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

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

Investment in State Treasurer's Local Agency Investment Fund

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

Investment in CalTRUST Investment Pool:

CalTRUST is a Joint Powers Agency Authority created by local public agencies to provide a convenient method for local public agencies to voluntarily pool their assets for investment purposes. CalTRUST is governed by a Board of Trustees made up of experienced local agency treasurers and investment officers. The Board sets overall policies for the program and selects and supervises the activities of the investment manager and other agents. CalTRUST maintains and administers four pooled accounts within the program: Government Fund, Money Market, Short-Term, and Medium-Term. The Government Fund and Money Market accounts permit daily transactions, with same-day liquidity (provided redemption requests are received by 1:00 p.m. Pacific time), with no limit on the amount of funds that may be invested. The Short-Term account permits an unlimited number of transactions per month (with prior day notice), with no limit on the amount of funds that may be invested. The Medium- account permits investments, withdrawals and transfers once per month, with five days advance notice. All CalTRUST accounts comply with the limits and restrictions placed on local agency investments by the California Government Code. CalTRUST imposes a \$250,000 minimum investment; however, there is no maximum limit.

The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's percentage interest of the fair value provided by CalTRUST for the CalTRUST accounts (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CalTRUST.

Fair Value Measurements

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

Amounts invested in the Local Agency Investment Fund, CalTRUST Short-Term Investment Fund, and Money Market Mutual Funds are not subject to fair value measurements.

(3) Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2019, were as follows.

Funds:	Interfund Receivables	Interfund Payables
<u>Major Governmental:</u>		
General Fund	\$ 189,530	\$ -
Measure M Special Revenue Fund	-	189,530
Total	<u>\$ 189,530</u>	<u>\$ 189,530</u>

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.

(4) Transfers In and Out

Transfers in and out for the fiscal year ended June 30, 2019 are as follows:

<u>Paying Fund</u>	<u>Transfers Out</u>	<u>Receiving Fund</u>	<u>Transfers In</u>
<u>Major Governmental:</u>		<u>Major Governmental:</u>	
General	\$ 2,116,408	General	\$ 876,391
Measure M Special Revenue	717,705	Capital Projects	356,354
		Debt Service	1,751,109
<u>Non-major Governmental</u>		<u>Non-major Governmental</u>	
<u>Special Revenue Funds:</u>		<u>Special Revenue Funds:</u>	
Gas Tax	7,788	Senior Mobility Program	8,945
SLEFS/COPS BRULTE	150,898		
Total	<u>\$ 2,992,799</u>	Total	<u>\$ 2,992,799</u>

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. There were no significant interfund transfers that were unusual or of a non-routine nature.

(5) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
Governmental activities:				
Buildings and improvements	\$ 13,466,229	\$ -	\$ -	\$ 13,466,229
Machinery and equipment	2,653,139	5,135	(26,624)	2,631,650
Land improvements	26,347,918	-	-	26,347,918
Infrastructure	96,289,401	132,788	-	96,422,189
Total cost of depreciable assets	138,756,687	137,923	(26,624)	138,867,986
Less accumulated depreciation for:				-
Buildings and improvements	10,635,329	673,312	-	11,308,641
Machinery and equipment	2,152,997	100,439	(15,973)	2,237,463
Land improvements	19,635,612	1,317,396	-	20,953,008
Infrastructure	39,368,391	1,805,484	-	41,173,875
Total accumulated depreciation	71,792,329	3,896,631	(15,973)	75,672,987
Net depreciable assets	66,964,358	(3,758,708)	(10,651)	63,194,999
Land	17,961,632	-	-	17,961,632
Rights of way/Easements	2,854,182	-	-	2,854,182
Total cost of non-depreciable assets	20,815,814	-	-	20,815,814
Total capital assets, net	\$ 87,780,172	\$ (3,758,708)	\$ (10,651)	\$ 84,010,813
Business-type activity:				
Buildings and improvements	\$ 14,949,672	\$ 79,949	\$ -	\$ 15,029,621
Total cost of depreciable assets	14,949,672	79,949	-	15,029,621
Less accumulated depreciation for:				
Buildings and improvements	10,169,857	750,538	-	10,920,395
Total accumulated depreciation	10,169,857	750,538	-	10,920,395
Net depreciable assets	4,779,815	(670,589)	-	4,109,226
Land	2,855,425	-	-	2,855,425
Total capital assets, net	\$ 7,635,240	\$ (670,589)	\$ -	\$ 6,964,651

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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

Governmental activities:

General government	\$ 50,367
Community development	830
Public services	1,808,483
Community services	2,028,760
Public safety	8,191
	<u>3,896,631</u>

Business-type activity:

Property leasing	<u>750,538</u>
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Total	<u><u>\$ 4,647,169</u></u>
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(6) Long-term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

Governmental Activities:

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019	Amounts Due in One Year
Other Debt:					
Certificates of Participation:					
2010 COP	\$ 7,295,000	\$ -	\$ (1,450,000)	\$ 5,845,000	\$ 1,520,000
Unamortized premium	529,716	-	(80,464)	449,252	-
Total Certificates of Participation	<u>7,824,716</u>	<u>-</u>	<u>(1,530,464)</u>	<u>6,294,252</u>	<u>1,520,000</u>
Direct Borrowings and Direct Placements:					
Capital lease - Edison	451,894	-	(56,255)	395,639	56,320
Capital lease - SDGE	271,240	-	(40,368)	230,872	40,368
Other Liabilities:					
Compensated absences	323,894	221,781	(205,977)	339,698	33,970
Claims and judgments	566,956	58,462	(516,175)	109,243	10,924
Total Other Liabilities	<u>1,613,984</u>	<u>280,243</u>	<u>(818,775)</u>	<u>1,075,452</u>	<u>141,582</u>
Totals	<u>\$ 9,438,700</u>	<u>\$ 280,243</u>	<u>\$ (2,349,239)</u>	<u>\$ 7,369,704</u>	<u>\$ 1,661,582</u>

Typically, the City liquidates its certificates of participation, capital leases, compensated absences, and claims and judgments with general fund resources.

The City's legal debt margin is 15% of the gross assessed valuation, which is \$1,100,194 for the fiscal year ended June 30, 2019.

Other Debt: 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 was used to service the future debt requirements of the 2001 and

2003 Certificates of Participation. There are no amounts outstanding on the defeased COPs.

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, 2019, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2020	\$ 1,520,000	\$ 282,881	\$ 1,802,881
2021	1,580,000	206,881	1,786,881
2022	1,670,000	127,881	1,797,881
2023	345,000	44,381	389,381
2024	355,000	30,581	385,581
2025	375,000	15,939	390,939
Totals	<u>\$ 5,845,000</u>	<u>\$ 708,544</u>	<u>\$ 6,553,544</u>

The COPs are subject to federal arbitrage regulations. The City calculated no arbitrage rebate due.

The COPs require a reserve in an amount that is the least of (1) 125% of the average annual lease payments, (2) 10% of the original proceeds, or (3) maximum annual lease payments. This reserve is fully funded as of June 30, 2019 with a balance of \$1,804,589.

Direct Borrowings and Direct Placements:

Capital Lease: Southern California Edison On-Bill Financing Program

In fiscal year 2016-2017, the City approved the installation of energy-efficient LED streets lights in areas of the City. The project was partially funded through Southern California Edison's On-Bill Financing Program. Through this program, the City received zero percent financing for approved energy reduction projects for \$471,344 as of June 30, 2019. Since each individual item is below the City's capitalization policy, there are no amounts recorded as capital assets for these purchases. The costs are repaid from energy savings over a period of up to ten years. The unpaid balance as of June 30, 2019 was \$395,639. The annual debt service requirements are as follows:

Fiscal Year Ending June 30	Principal
2020	\$ 56,320
2021	52,299
2022	51,934
2023	51,934
2024	51,317
2025 - 2028	131,835
Totals	<u>\$ 395,639</u>

Direct Borrowings and Direct Placements:
Capital Lease: San Diego Gas & Electric On-Bill Financing Program

In fiscal year 2017-2018, the City approved the installation of energy-efficient LED streets lights in areas of the City. The project was partially funded through San Diego Gas & Electric's On-Bill Financing Program. Through this program, the City received zero percent financing for approved energy reduction projects for \$287,539 as of June 30, 2019. Since each individual item is below the City's capitalization policy, there are no amounts recorded as capital assets for these purchases. The costs are repaid from energy savings over a period of up to ten years. The unpaid balance as of June 30, 2019 was \$230,872. The annual debt service requirements are as follows:

Fiscal Year Ending June 30	Principal
2020	\$ 40,368
2021	40,368
2022	40,368
2023	40,368
2024	40,368
2025 - 2028	29,032
Totals	<u>\$ 230,872</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. The long-term portion of this liability, amounting to \$305,728 at June 30, 2019 will be paid primarily from the general fund.

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

The City is also a member in an insurance pool through the Special District Risk Management Authority (SDRMA). SDRMA is a not-for-profit public agency formed under California Government Code Sections 6500 et. Seq. SDRMA is governed by a board composed of members from participating agencies. The mission of SDRMA is to provide renewable, efficiently priced risk financing and risk management services through a financially sound pool. The City pays an annual premium for commercial insurance covering workers' compensation and employers' liability claims. Accordingly, the City retains no risk of loss. Separate financial statements of SDRMA may be obtained at Special District Risk Management Authority, 1112 "I" Street, Suite 300, Sacramento, CA 95814.

The following is a list of the allocation of risk coverage for the City as of June 30, 2019, 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 BI, PI, PD and public officials E&O • \$1,000,000 for employment practices liability	ERMAC	• \$50M per occurrence and in the annual aggregate excess of limit of the SIR of \$1M
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	Aegis Security Insurance Company	• \$7.5M per occurrence and annual aggregate • \$60.6M TIV

Area of Risk	City Self-Insurance	Carrier	Risk Coverage
Crime	• \$2,500	CSAC-EIA	• \$15M funds transfer fraud • \$15M employee dishonesty • \$15M forgery alterations • \$15M money & securities theft, inside premises • \$15M money & securities theft, outside premises • \$15M computer fraud • \$15M money order & counterfeit paper currency • \$15M theft of other property, inside premises • \$15M theft of other property, outside premises
Cyber Liability	• \$50,000 per occurrence	APIP	• \$25M annual aggregate for all members combined • \$2M per occurrence and annual aggregate
Recreational Class & Officials Supplemental	• None	SCMAF	• \$1M per occurrence • \$2M aggregate • \$100,000 property damage • \$1M personal and adv injury, products • \$5,000 medical expense
Business Auto	• \$500	Columbia Insurance Company	• \$500K combined BI • \$500K uninsured, under-insured motorist • \$5,000 medical payments • \$22,000 physical damage
Workers' Compensation & Employers' Liability	• None	SDRMA	• Statutory Workers' Compensation per occurrence • \$5M Employer's Liability per occurrence

Claims Liability

In the financial statements prepared using the economic resources measurement focus, authoritative standards require that the liability for claims and the corresponding expense should be recognized in the period in which the underlying event occurs. Therefore, the liability of outstanding *unallocated loss adjustment expenses* (ULAE) must be established to represent the amount that will be paid out in claims as well as the expenses associated with processing of those claims. The City's third-party administrator provides the data on estimated claim liabilities (paid and reserves). As of June 30, 2019, the estimated outstanding ULAE was \$109,243.

Furthermore, as a practical matter, claims are often not reported during the period in which the underlying event occurs. The claim, even if not filed timely, must still be reported in the period in which the underlying event took place. Therefore, when it is probable that a claims liability has been incurred

and the amount of the loss can be reasonably estimated through historical trends, the liability for claims should include an amount for *incurred but not reported* (IBNR) claims. IBNR is estimated at 25% of the current year annual claim expenses. As of June 30, 2019, the estimated IBNR was \$52,743. The following is a summary of the changes in the claims liability for the last two fiscal years:

Fiscal Year Ending June 30	FY 2018/19	FY 2017/18
Claims payable, beginning	\$ 566,956	\$ 526,994
Claims and changes in estimate	58,462	919,170
Claims payments	(516,175)	(879,208)
Claims payable, ending	<u>\$ 109,243</u>	<u>\$ 566,956</u>

The total amount designated in the Claims Liability Loss Reserve Fund as of June 30, 2019 is \$200,000, which would cover two full limit losses. The City's self-insured retention is \$100,000.

During the past three fiscal years, none of the above programs of protection have experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2018-2019.

(8) **Pension Plans**

a) **General Information about the Pension Plans**

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 and 52 with statutorily reduced benefits for Tier I and PEPR, respectively. All members are eligible for non-industrial disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at the measurement period ending June 30, 2018, are summarized as follows:

	Miscellaneous	
	Tier I	PEPRA
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.5%
Required employer contribution rates:		
Normal cost rate	8.303%	6.908%
Payment of unfunded liability	\$ 119,403	\$ 539

Contributions

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

Typically, the City liquidates its net pension liability with general fund resources.

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

As of June 30, 2019, the City reported net pension liabilities for its proportionate share of the net pension liability of all Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 3,524,547</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

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

	Miscellaneous
Proportion - June 30, 2017	0.09159%
Proportion - June 30, 2018	0.09352%
Change - Increase (Decrease)	0.00193%

For the year ended June 30, 2019, the City recognized pension expense of \$414,066. At June 30, 2019 (measurement period ending June 30, 2018) the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 422,127	\$ -
Differences between expected and actual experience	135,230	(46,018)
Change in assumptions	401,809	(98,475)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	70,731	(53,043)
Net differences between projected and actual earnings on plan investments	17,425	-
Total	<u>\$ 1,047,322</u>	<u>\$ (197,536)</u>

\$422,127 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2020	\$ 343,336
2021	201,492
2022	(85,467)
2023	(31,702)
2024	-
Thereafter	-

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The total pension liability was based on the following assumptions:

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

- (1) Varies by entry age and service.
- (2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.
- (3) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

- (a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
- (b) An expected inflation of 2.0% used for this period
- (c) An expected inflation of 2.92% used for this period

Discount Rate

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

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

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

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ 6,151,480
Current Discount Rate	7.15%
Net Pension Liability	\$ 3,524,547
1% Increase	8.15%
Net Pension Liability	\$ 1,356,056

Pension Plans Fiduciary Net Position

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

c) Payable to the Pension Plans

At June 30, 2019, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2019.

(9) Deferred Compensation

The City offers its employees two kinds of defined contribution deferred compensation plans. City contribution rates may change if plan contracts are amended.

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 \$18,500 and \$19,000 for calendar years 2018 and 2019, respectively. 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 City contributes 3.75% of the employee's compensation for part-time seasonal employees. There are no City contributions required for full-time and non-seasonal part-

time employees. The City's total contributions for the fiscal year ended June 30, 2019 was \$5,336.

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, which is 3% for eligible non-management employees and 6.5% for eligible management employees. The City's total contributions for the fiscal year ended June 30, 2019 was \$90,589. 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.

(10) Classification of Net Position and Governmental Fund Balances

Net Position is measured on the full accrual basis of accounting as compared to the concept of Fund Balance, which is measured on the modified accrual basis of accounting.

Net Position Classifications

Net Position is divided into three captions as 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.

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

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Governmental Fund Balances Classifications

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 determined by a formal action (resolution) of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally. The City does not have any committed fund balances at June 30, 2019.

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.

Unassigned fund balances include the residual balance for the City's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

When expenditures are incurred, the City's applies the most restrictive funds first; and then the City would use the appropriate funds in the following order: committed, assigned, and lastly unassigned amounts.

Fund balances are presented in the following categories: nonspendable, restricted, assigned, and unassigned. A detailed schedule of fund balances at June 30, 2019 is as follows:

	General	Debt Service	Other Governmental	
	Fund	Fund	Funds	Total
Nonspendable:				
Prepaid Items	\$ 99,169	\$ -	\$ -	\$ 99,169
Total	99,169	-	-	99,169
Restricted:				-
Public Services	-	-	3,027,780	3,027,780
Community Services	-	-	422,996	422,996
Debt Service	-	1,840,536	-	1,840,536
Total	-	1,840,536	3,450,776	5,291,312
Assigned:				
Claims Liability	200,000	-	-	200,000
Community Center and Sports Complex Mtnc	525,000	-	-	525,000
Parks Maintenance	315,700	-	-	315,700
Slopes/Storm Drain Mtnc	104,959	-	-	104,959
Total	1,145,659	-	-	1,145,659
Unassigned	7,161,146	-	-	7,161,146
Total Fund Balances	\$ 8,405,974	\$ 1,840,536	\$ 3,450,776	\$ 13,697,286

(11) 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 (the 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, Seal Beach and Westminster 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, 2019. 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.

Complete financial statements may be obtained from the Orange County Fire Authority, 180 South Water Street, Orange, California 92866.

(12) 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 \$549,965.

(13) Other Required Individual Fund Disclosures

Excess of Expenditures over Appropriations

The following are funds in which expenditures exceeded appropriations for the fiscal year ended June 30, 2019. The City manages its budget at the fund level.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance Positive (Negative)</u>
Major Governmental Fund:			
General Fund	\$ 19,715,489	\$ 19,725,985	\$ (10,496)
Debt Service Fund	1,790,882	1,792,922	(2,040)
Non-major Governmental Special Revenue Funds:			
Pulbic Art	-	7,833	(7,833)

(14) 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.

(15) Operating Leases

Operating leases arise from renting the City's Civic Center. Initial lease terms generally range from 12 to 60 months. Future minimum rental payments to be received on non-cancelable operating leases are contractually due as follows as of June 30, 2019:

Fiscal Year Ending June 30	Principal
2020	\$ 525,673
2021	455,493
2022	395,283
2023	344,633
2024	260,972
Thereafter	274,307
Totals	<u>\$ 2,256,361</u>

The Property Leasing Enterprise Fund Statement of Net Position includes the capital assets that represent the land, building, and improvements utilized by the operating leases. The original cost of these capital assets is \$17,885,046. The carrying value of these capital assets as of June 30, 2019 is \$6,964,651.

Total rent revenue for the year ended June 30, 2019 was \$593,801.

(16) Subsequent Events

In preparing these financial statements, the City's Management has evaluated events and transactions for potential recognition or disclosure through November 18, 2019, 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

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST TEN FISCAL YEARS*

Fiscal year ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.03658%	0.03641%	0.03413%	0.02851%	0.03634%
Plan's proportionate share of the net pension liability	\$ 3,524,547	\$ 3,610,550	\$ 2,953,536	\$ 1,956,617	\$ 2,261,011
Plan's covered payroll	\$ 3,199,277	\$ 3,197,331	\$ 3,076,464	\$ 3,093,576	\$ 2,893,989
Plan's proportionate share of the net pension liability as a percentage of covered payroll	110.17%	112.92%	96.00%	63.25%	78.13%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%
Plan's proportionate share of aggregate employer contributions	\$ 605,465	\$ 553,754	\$ 482,240	\$ 431,378	\$ 299,124

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no changes in assumptions.

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

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS

SCHEDULE OF CONTRIBUTIONS LAST TEN FISCAL YEARS*

Fiscal year ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 422,127	\$ 378,900	\$ 346,439	\$ 308,768	\$ 278,231
Contributions in relation to the actuarially determined contributions	<u>(422,127)</u>	<u>(378,900)</u>	<u>(346,439)</u>	<u>(308,768)</u>	<u>(278,231)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,978,329	\$ 3,199,277	\$ 3,197,331	\$ 3,076,464	\$ 3,093,576
Contributions as a percentage of covered payroll	14.17%	11.84%	10.84%	10.04%	8.99%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) 50 years (2%@60), 52 years (2%@62)**
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

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

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 13,762,883	\$ 13,678,013	\$ 13,557,754	\$ (120,259)
Licenses and permits	1,050,000	800,000	954,017	154,017
Intergovernmental revenues	6,012,662	5,620,128	6,072,420	452,292
Charges for current services	1,128,444	1,094,000	1,152,319	58,319
Fines and forfeitures	252,150	190,000	219,727	29,727
Investment income	-	45,843	91,296	45,453
Total Revenues	22,206,139	21,427,984	22,047,533	619,549
Expenditures:				
Current:				
General government	3,621,153	3,536,139	3,856,802	(320,663)
Public services	4,531,623	4,400,954	4,351,578	49,376
Community development	1,479,773	1,302,329	1,175,000	127,329
Community services	2,136,265	2,064,096	2,002,236	61,860
Public safety	8,701,203	8,411,971	8,243,746	168,225
Debt service:				
Principal retirement	-	-	96,623	(96,623)
Total Expenditures	20,470,017	19,715,489	19,725,985	(10,496)
Excess of Revenues over Expenditures	1,736,122	1,712,495	2,321,548	609,053
Other Financing Sources (Uses):				
Transfers in	2,300,060	1,238,959	876,391	(362,568)
Transfers out	(4,172,681)	(3,135,681)	(2,116,408)	1,019,273
Total Other Financing Sources (Uses)	(1,872,621)	(1,896,722)	(1,240,017)	656,705
Net Change in Fund Balance	(136,499)	(184,227)	1,081,531	1,265,758
Fund Balance, Beginning	7,324,443	7,324,443	7,324,443	-
Fund Balance, Ending	\$ 7,187,944	\$ 7,140,216	\$ 8,405,974	\$ 1,265,758

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

See Accompanying Note to Required Supplementary Information

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 890,060	\$ 890,060	\$ 710,581	\$ (179,479)
Investment income	-	5,666	7,124	1,458
Total Revenues	890,060	895,726	717,705	(178,021)
Expenditures	-	-	-	-
Excess of Revenues over Expenditures	890,060	895,726	717,705	(178,021)
Other Financing Uses:				
Transfers out	(890,060)	(890,060)	(717,705)	172,355
Total Other Financing Uses	(890,060)	(890,060)	(717,705)	172,355
Net Change in Fund Balance	-	5,666	-	(5,666)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ 5,666	\$ -	\$ (5,666)

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

See Accompanying Note to Required Supplementary Information

CITY OF LAGUNA HILLS

NOTE 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 fund types.

Biennial budgets are adopted for all governmental funds except for certain special revenue funds and capital projects funds, which adopt project length budgets. The CDBG Special Revenue Fund did not have an adopted budget during the current fiscal year.

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SUPPLEMENTARY INFORMATION

NON-MAJOR FUNDS

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.

SB1 RMRA Fund - Used to account for revenues received from the State SB1 taxes. Expenditures are restricted to basic road maintenance, rehabilitation, and critical safety projects.

AB 2766 Fund - Used to account for revenues and expenditures 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.

CARTIS 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 (CARTIS) 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."

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.

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 Fees 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.

CASp Fund - (Certified Access Specialist Program) Used to account for revenues and expenditures related to Senate Bill 1186 funds that are to be used for disability access and compliance with construction-related accessibility requirements.

Water Conservation Fund - Used to account for revenues and expenditures related to water use efficiency and conservation programs.

Grants & Contributions Fund - Used to account for 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.

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.

CITY OF LAGUNA HILLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2019

	Special Revenue Funds							
	Gas Tax	SB1 RMRA	AB 2766	Senior Mobility Program	CARITS	CDBG	Public Art	Beverage Recycling
Assets								
Cash and investments	\$ 678,981	\$ 484,810	\$ 213,506	\$ 73,704	\$ 1,245,578	\$ -	72,692	\$ 22,060
Due from other governments	53,120	104,135	10,699	5,590	-	69,625	-	-
Total Assets	<u>\$ 732,101</u>	<u>\$ 588,945</u>	<u>\$ 224,205</u>	<u>\$ 79,294</u>	<u>\$ 1,245,578</u>	<u>\$ 69,625</u>	<u>72,692</u>	<u>\$ 22,060</u>
Liabilities and Fund Balances								
Liabilities:								
Accrued liabilities	\$ -	\$ -	\$ -	\$ 1,462	\$ -	69,625	-	\$ -
Total Liabilities	-	-	-	1,462	-	69,625	-	-
Fund Balances:								
Restricted	732,101	588,945	224,205	77,832	1,245,578	-	72,692	22,060
Total Fund Balances	<u>732,101</u>	<u>588,945</u>	<u>224,205</u>	<u>77,832</u>	<u>1,245,578</u>	<u>-</u>	<u>72,692</u>	<u>22,060</u>
Total Liabilities and Fund Balances	<u>\$ 732,101</u>	<u>\$ 588,945</u>	<u>\$ 224,205</u>	<u>\$ 79,294</u>	<u>\$ 1,245,578</u>	<u>\$ 69,625</u>	<u>72,692</u>	<u>\$ 22,060</u>

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

Special Revenue Funds (Continued)						Total Nonmajor Governmental Funds
CR&R Recycling Fees	C & D Forfeited Deposits	CASp	Water Conservation	Grants & Contributions	SLEFS/COPS BRULTE	
\$ 2,934	\$ 57,556	\$ 8,998	\$ 338,294	\$ 86,427	\$ -	\$ 3,285,540
-	-	-	-	-	-	243,169
<u>\$ 2,934</u>	<u>\$ 57,556</u>	<u>\$ 8,998</u>	<u>\$ 338,294</u>	<u>\$ 86,427</u>	<u>\$ -</u>	<u>\$ 3,528,709</u>
\$ -	\$ 6,846	\$ -	\$ -	\$ -	\$ -	\$ 77,933
-	6,846	-	-	-	-	77,933
2,934	50,710	8,998	338,294	86,427	-	3,450,776
<u>2,934</u>	<u>50,710</u>	<u>8,998</u>	<u>338,294</u>	<u>86,427</u>	<u>-</u>	<u>3,450,776</u>
<u>\$ 2,934</u>	<u>\$ 57,556</u>	<u>\$ 8,998</u>	<u>\$ 338,294</u>	<u>\$ 86,427</u>	<u>\$ -</u>	<u>\$ 3,528,709</u>

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, 2019

	Special Revenue Funds							
	Gas Tax	SB1 RMRA	AB 2766	Senior Mobility Program	CARITS	CDBG	Public Art	Beverage Recycling
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	659,630	583,485	41,270	38,126	-	209,625	-	-
Investment income	7,821	5,460	3,825	1,502	23,761	-	1,456	423
Total Revenues	667,451	588,945	45,095	39,628	23,761	209,625	1,456	423
Expenditures:								
Current:								
Public services	-	-	-	-	-	-	-	120
Community development	-	-	-	-	-	209,625	-	-
Community services	-	-	-	40,583	-	-	7,833	-
Total Expenditures	-	-	-	40,583	-	209,625	7,833	120
Excess (Deficiency) of Revenues over Expenditures	667,451	588,945	45,095	(955)	23,761	-	(6,377)	303
Other Financing Sources (Uses):								
Transfers in	-	-	-	8,945	-	-	-	-
Transfers out	(7,788)	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(7,788)	-	-	8,945	-	-	-	-
Net Change in Fund Balances	659,663	588,945	45,095	7,990	23,761	-	(6,377)	303
Fund Balances, Beginning	72,438	-	179,110	69,842	1,221,817	-	79,069	21,757
Fund Balances, Ending	\$ 732,101	588,945	\$ 224,205	\$ 77,832	\$ 1,245,578	\$ -	\$ 72,692	\$ 22,060

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

Special Revenue Funds (Continued)						Total
CR&R Recycling Fees	C & D Forfeited Deposits	CASp	Water Conservation	Grants & Contributions	SLEFS/COPS BRULTE	Nonmajor Governmental Funds
\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000
-	21,952	5,904	-	-	-	27,856
-	-	-	-	-	148,747	1,680,883
56	1,288	104	6,453	1,649	2,151	55,949
2,056	23,240	6,008	6,453	1,649	150,898	1,766,688
-	54,930	-	-	-	-	55,050
-	-	-	-	-	-	209,625
-	-	-	-	-	-	48,416
-	54,930	-	-	-	-	313,091
2,056	(31,690)	6,008	6,453	1,649	150,898	1,453,597
-	-	-	-	-	-	8,945
-	-	-	-	-	(150,898)	(158,686)
-	-	-	-	-	(150,898)	(149,741)
2,056	(31,690)	6,008	6,453	1,649	-	1,303,856
878	82,400	2,990	331,841	84,778	-	2,146,920
\$ 2,934	\$ 50,710	\$ 8,998	\$ 338,294	\$ 86,427	\$ -	\$ 3,450,776

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
CAPITAL PROJECTS FUND - MAJOR FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	1,795,000	1,270,000	356,354	913,646
Total Expenditures	1,795,000	1,270,000	356,354	913,646
Excess (Deficiency) of Revenues over Expenditures	(1,795,000)	(1,270,000)	(356,354)	913,646
Other Financing Sources:				
Transfers in	1,795,000	1,278,000	356,354	(921,646)
Total Other Financing Sources	1,795,000	1,278,000	356,354	(921,646)
Net Change in Fund Balance	-	8,000	-	(8,000)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ 8,000	\$ -	\$ (8,000)

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
DEBT SERVICE FUND - MAJOR FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ -	\$ 11,690	\$ 45,934	\$ 34,244
Total Revenues	-	11,690	45,934	34,244
Expenditures:				
Debt service:				
Interest and fiscal charges	340,882	340,882	342,922	(2,040)
Principal retirement	1,450,000	1,450,000	1,450,000	-
Total Expenditures	1,790,882	1,790,882	1,792,922	(2,040)
Excess (Deficiency) of Revenues over Expenditures	(1,790,882)	(1,779,192)	(1,746,988)	32,204
Other Financing Sources:				
Transfers in	1,790,882	1,790,882	1,751,109	(39,773)
Total Other Financing Sources	1,790,882	1,790,882	1,751,109	(39,773)
Net Change in Fund Balance	-	11,690	4,121	(7,569)
Fund Balance, Beginning	1,836,415	1,836,415	1,836,415	-
Fund Balance, Ending	\$ 1,836,415	\$ 1,848,105	\$ 1,840,536	\$ (7,569)

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 697,429	\$ 697,429	\$ 659,630	\$ (37,799)
Investment income	-	8,260	7,821	(439)
Total Revenues	697,429	705,689	667,451	(38,238)
Other Financing Uses:				
Transfers out	-	(8,000)	(7,788)	212
Total Other Financing Uses	-	(8,000)	(7,788)	212
Net Change in Fund Balance	697,429	697,689	659,663	(38,026)
Fund Balance, Beginning	72,438	72,438	72,438	-
Fund Balance, Ending	\$ 769,867	\$ 770,127	\$ 732,101	\$ (38,026)

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
SB1 RMRA SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 527,571	\$ 527,571	\$ 583,485	\$ 55,914
Investment income	-	-	5,460	5,460
Total Revenues	527,571	527,571	588,945	61,374
Expenditures	-	-	-	-
Excess of Revenues over Expenditures	527,571	527,571	588,945	61,374
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ 527,571	\$ 527,571	\$ 588,945	\$ 61,374

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
AB 2766 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 41,270	\$ 1,270
Investment income	-	1,395	3,825	2,430
Total Revenues	40,000	41,395	45,095	3,700
Expenditures	-	-	-	-
Excess of Revenues over Expenditures	40,000	41,395	45,095	3,700
Fund Balance, Beginning	179,110	179,110	179,110	-
Fund Balance, Ending	\$ 219,110	\$ 220,505	\$ 224,205	\$ 3,700

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 35,126	\$ 35,126	\$ 38,126	\$ 3,000
Investment income	-	240	1,502	1,262
Total Revenues	35,126	35,366	39,628	4,262
Expenditures:				
Current:				
Community services	44,000	44,000	40,583	3,417
Total Expenditures	44,000	44,000	40,583	3,417
Excess (Deficiency) of Revenues over Expenditures	(8,874)	(8,634)	(955)	7,679
Other Financing Sources (Uses):				
Transfers in	16,800	16,800	8,945	(7,855)
Transfers out	(40,000)	(40,000)	-	
Total Other Financing Sources (Uses)	(23,200)	(23,200)	8,945	(7,855)
Net Change in Fund Balance	(32,074)	(31,834)	7,990	39,824
Fund Balance, Beginning	69,842	69,842	69,842	-
Fund Balance, Ending	\$ 37,768	\$ 38,008	\$ 77,832	\$ 39,824

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
CARITS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Investment income	\$ -	\$ 7,778	\$ 23,761	\$ 15,983
Total Revenues	-	7,778	23,761	15,983
Expenditures	-	-	-	-
Excess of Revenues over Expenditures	-	7,778	23,761	15,983
Fund Balance, Beginning	1,221,817	1,221,817	1,221,817	-
Fund Balance, Ending	\$ 1,221,817	\$ 1,229,595	\$ 1,245,578	\$ 15,983

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
PUBLIC ART SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive(Negative)
Revenues:				
Investment income	\$ -	\$ 503	\$ 1,456	\$ 953
Total Revenues	-	503	1,456	953
Expenditures:				
Current:				
Community services	-	-	7,833	(7,833)
Total Expenditures	-	-	7,833	(7,833)
Excess (Deficiency) of Revenues over Expenditures	-	503	(6,377)	(6,880)
Fund Balance, Beginning	79,069	79,069	79,069	-
Fund Balance, Ending	\$ 79,069	\$ 79,572	\$ 72,692	\$ (6,880)

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 8,300	\$ 8,300	\$ -	\$ (8,300)
Investment income	-	139	423	284
Total Revenues	8,300	8,439	423	(8,016)
Expenditures:				
Current:				
Community services	8,300	8,300	120	8,180
Total Expenditures	8,300	8,300	120	8,180
Excess of Revenues over Expenditures	-	139	303	164
Fund Balance, Beginning	21,757	21,757	21,757	-
Fund Balance, Ending	\$ 21,757	\$ 21,896	\$ 22,060	\$ 164

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Investment income	-	6	56	50
Total Revenues	2,000	2,006	2,056	50
Expenditures:				
Current:				
Public services	2,000	2,000	-	2,000
Total Expenditures	2,000	2,000	-	2,000
Excess of Revenues over Expenditures	-	6	2,056	2,050
Fund Balance, Beginning	878	878	878	-
Fund Balance, Ending	\$ 878	\$ 884	\$ 2,934	\$ 2,050

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
C & D FORFEITED DEPOSITS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses and permits	\$ 30,000	\$ 30,000	\$ 21,952	\$ (8,048)
Investment income	-	191	1,288	1,097
Total Revenues	30,000	30,191	23,240	(6,951)
Expenditures:				
Current:				
Public Services	82,328	82,328	54,930	27,398
Total Expenditures	82,328	82,328	54,930	27,398
Excess (Deficiency) of Revenues over Expenditures	(52,328)	(52,137)	(31,690)	20,447
Fund Balance, Beginning	82,400	82,400	82,400	-
Fund Balance, Ending	\$ 30,072	\$ 30,263	\$ 50,710	\$ 20,447

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
WATER CONSERVATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ -	\$ 2,112	\$ 6,453	\$ 4,341
Total Revenues	-	2,112	6,453	4,341
Expenditures	-	-	-	-
Excess of Revenues over Expenditures	-	2,112	6,453	4,341
Fund Balance, Beginning	331,841	331,841	331,841	-
Fund Balance, Ending	\$ 331,841	\$ 333,953	\$ 338,294	\$ 4,341

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget- Positive(Negative)
	Original	Final		
Revenues:				
Investment income	\$ -	\$ 540	\$ 1,649	\$ 1,109
Total Revenues	-	540	1,649	1,109
Expenditures	-	-	-	-
Excess of Revenues over Expenditures	-	540	1,649	1,109
Fund Balance, Beginning	84,778	84,778	84,778	
Fund Balance, Ending	\$ 84,778	\$ 85,318	\$ 86,427	\$ 1,109

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 100,000	\$ 148,747	\$ 148,747	\$ -
Investment income	-	637	2,151	1,514
Total Revenues	100,000	149,384	150,898	1,514
Expenditures	-	-	-	-
Excess of Revenues over Expenditures	100,000	149,384	150,898	1,514
Other Financing Uses:				
Transfers out	(100,000)	(150,898)	(150,898)	-
Total Other Financing Uses	(100,000)	(150,898)	(150,898)	-
Net Change in Fund Balance	-	(1,514)	-	1,514
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ (1,514)	\$ -	\$ 1,514

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
AGENCY FUND
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Assets				
Cash and investments	\$ -	\$ 243,494	\$ -	\$ 243,494
Accounts receivables	<u>279,433</u>	<u>-</u>	<u>(279,433)</u>	<u>-</u>
Total assets	<u><u>\$ 279,433</u></u>	<u><u>\$ 243,494</u></u>	<u><u>\$ (279,433)</u></u>	<u><u>\$ 243,494</u></u>
Liabilities				
Deposits	\$ 223,849	\$ 143,969	\$ (124,324)	\$ 243,494
Due to other governments	<u>55,584</u>	<u>-</u>	<u>(55,584)</u>	<u>-</u>
Total liabilities	<u><u>\$ 279,433</u></u>	<u><u>\$ 143,969</u></u>	<u><u>\$ (179,908)</u></u>	<u><u>\$ 243,494</u></u>

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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

Financial Trends

III-3

Financial trend schedules contain trend information to help the reader understand how the City of Laguna Hills' financial performance and well-being have changed over time.

Revenue Capacity

III-10

Revenue capacity schedules contain information to help the reader assess the City of Laguna Hills' most significant local revenue source, the property tax.

Debt Capacity

III-16

Debt capacity schedules present information to help the reader assess the affordability of the City of Laguna Hills' current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

III-21

Demographic and economic information schedules offer demographic and economic indicators to help the reader understand the environment within which the City of Laguna Hills' financial activities take place.

Operating Information

III-23

Operating information schedules contain service and infrastructure data to help the reader understand how the information in the City of Laguna Hills' financial report relates to the services the government provides and the activities it performs.

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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net Investment in capital assets	\$ 76,364,755	\$ 78,797,985	\$ 82,982,768	\$ 84,618,576	\$ 84,465,323	\$ 84,623,408	\$ 83,320,937	\$ 82,980,468	\$ 81,972,798	\$ 79,706,238
Restricted	3,935,701	3,653,349	2,106,914	998,727	2,414,686	5,240,670	2,470,305	2,394,252	2,155,589	3,462,431
Unrestricted	7,501,713	6,504,972	6,944,547	8,340,769	5,751,121	1,789,992	4,916,994	3,315,387	2,956,001	4,583,713
Total government activities net position	<u>\$ 87,802,169</u>	<u>\$ 88,956,306</u>	<u>\$ 92,034,229</u>	<u>\$ 93,958,072</u>	<u>\$ 92,631,130</u>	<u>\$ 91,654,070</u>	<u>\$ 90,708,236</u>	<u>\$ 88,690,107</u>	<u>\$ 87,084,388</u>	<u>\$ 87,752,382</u>
Business-type activities										
Net Investment in capital assets	\$ 12,206,656	\$ 11,542,563	\$ 10,989,447	\$ 10,403,077	\$ 9,894,503	\$ 9,324,493	\$ 8,998,114	\$ 8,343,488	\$ 7,635,240	\$ 6,964,651
Restricted										
Unrestricted	150,668	85,344	96,511	47,563	47,801	(36,397)	68,288	117,338	236,196	227,320
Total business-type activities net position	<u>\$ 12,357,324</u>	<u>\$ 11,627,907</u>	<u>\$ 11,085,958</u>	<u>\$ 10,450,640</u>	<u>\$ 9,942,304</u>	<u>\$ 9,288,096</u>	<u>\$ 9,066,402</u>	<u>\$ 8,460,826</u>	<u>\$ 7,871,436</u>	<u>\$ 7,191,971</u>
Primary government										
Net Investment in capital assets	\$ 88,571,411	\$ 90,340,548	\$ 93,972,215	\$ 95,021,653	\$ 94,359,826	\$ 93,947,901	\$ 92,319,051	\$ 91,323,956	\$ 89,608,038	\$ 86,670,889
Restricted	3,935,701	3,653,349	2,106,914	998,727	2,414,686	5,240,670	2,470,305	2,394,252	2,155,589	3,462,431
Unrestricted	7,652,381	6,590,316	7,041,058	8,388,332	5,798,922	1,753,595	4,985,282	3,432,725	3,192,197	4,811,033
Total primary government net position	<u>\$ 100,159,493</u>	<u>\$ 100,584,213</u>	<u>\$ 103,120,187</u>	<u>\$ 104,408,712</u>	<u>\$ 102,573,434</u>	<u>\$ 100,942,166</u>	<u>\$ 99,774,638</u>	<u>\$ 97,150,933</u>	<u>\$ 94,955,824</u>	<u>\$ 94,944,353</u>

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General Government	\$ 3,316,426	\$ 3,309,197	\$ 3,320,664	\$ 3,522,274	\$ 3,304,687	\$ 3,088,372	\$ 3,112,783	\$ 4,226,233	\$ 4,104,012	\$ 3,467,852
Public services	7,389,564	5,781,123	5,999,412	6,150,553	6,376,642	6,332,724	6,802,499	7,234,921	6,841,288	6,433,542
Community development	1,595,670	1,404,624	1,127,036	1,138,280	1,265,719	1,434,213	1,309,210	1,462,611	1,287,931	1,385,455
Community services	1,769,589	3,702,911	3,642,792	3,777,102	3,886,180	4,660,667	4,141,792	4,131,886	4,161,070	4,079,412
Public safety	6,597,894	6,487,711	6,528,489	6,575,855	6,837,050	7,162,514	6,929,025	8,167,361	8,032,660	8,251,937
Interest expense	636,441	663,944	620,376	583,461	530,039	479,589	431,264	376,993	323,513	267,582
Total governmental activities expenses	21,305,584	21,349,510	21,238,769	21,747,525	22,200,317	23,158,079	22,726,573	25,600,005	24,750,474	23,885,780
Business-type activities:										
Property leasing	1,125,330	1,190,752	1,154,967	1,163,305	1,278,434	1,204,437	1,222,043	1,255,765	1,247,849	1,273,554
Total business-type activities expenses	1,125,330	1,190,752	1,154,967	1,163,305	1,278,434	1,204,437	1,222,043	1,255,765	1,247,849	1,273,554
Total primary government expenses	\$ 22,430,914	\$ 22,540,262	\$ 22,393,736	\$ 22,910,830	\$ 23,478,751	\$ 24,362,516	\$ 23,948,616	\$ 26,855,770	\$ 25,998,323	\$ 25,159,334
Program Revenues										
Government activities:										
Charges for Services:										
General Government	\$ -	\$ 98,962	\$ 2,838	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public services	86,176	155,373	83,989	112,629	106,633	136,037	205,446	196,054	189,662	253,438
Community development	514,162	653,918	669,936	750,626	799,316	1,050,127	881,286	894,150	988,719	1,010,326
Community services	703,099	701,040	657,129	714,634	608,877	775,330	780,519	756,089	821,388	777,605
Public safety	542,732	401,665	295,587	226,311	186,347	300,032	267,555	228,649	208,461	219,727
Operating Contributions	3,059,335	4,738,096	3,082,972	2,137,580	2,186,050	2,989,299	1,960,392	2,131,220	1,876,109	2,516,513
Capital Contributions		820,456	3,040,344	945,068	807,545	2,264,558	60,850	716,200	-	-
Total governmental activities program revenues	4,905,504	7,569,510	7,832,795	4,886,848	4,694,768	7,515,383	4,156,048	4,922,362	4,084,339	4,777,609
Business-type activities:										
Charges for Services:										
Property Leasing	649,270	535,455	527,530	527,931	476,391	500,202	579,313	650,147	658,396	594,026
Operating grants and contributions										
Capital grants and contributions			85,134							
Total business-type activities program revenues	649,270	535,455	612,664	527,931	476,391	500,202	579,313	650,147	658,396	594,026
Total primary government program revenues	\$ 5,554,774	\$ 8,104,965	\$ 8,445,459	\$ 5,414,779	\$ 5,171,159	\$ 8,015,585	\$ 4,735,361	\$ 5,572,509	\$ 4,742,735	\$ 5,371,635
Net (expense)/revenue										
Governmental activities	\$ (16,400,080)	\$ (13,780,000)	\$ (13,405,974)	\$ (16,860,677)	\$ (17,505,549)	\$ (15,642,696)	\$ (18,570,525)	\$ (20,677,643)	\$ (20,666,135)	\$ (19,108,171)
Business-type activities	(476,060)	(655,297)	(542,303)	(635,374)	(802,043)	(704,235)	(642,730)	(605,618)	(589,453)	(679,528)
	\$ (16,876,140)	\$ (14,435,297)	\$ (13,948,277)	\$ (17,496,051)	\$ (18,307,592)	\$ (16,346,931)	\$ (19,213,255)	\$ (21,283,261)	\$ (21,255,588)	\$ (19,787,699)

(continued)

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
(continued)										
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 8,573,008	\$ 8,186,735	\$ 8,223,234	\$ 8,722,406	\$ 8,826,271	\$ 9,128,568	\$ 9,660,614	\$ 10,064,067	\$ 10,481,864	\$ 10,981,130
Sales and use taxes	5,197,367	5,238,949	5,157,787	5,305,487	5,562,823	5,603,521	5,439,210	5,779,073	5,755,661	5,966,524
Motor vehicle in lieu taxes	99,167	154,787	16,727	17,332	14,344	13,856	12,506	13,745	16,604	15,273
Other State subvention				-	16,549	93,653	57,112	9,209	5,725	22,529
Franchise taxes	1,217,595	1,199,882	1,223,523	1,210,837	1,259,021	1,343,505	1,303,919	1,191,868	1,248,488	1,265,411
Transient occupancy taxes	752,478	869,505	1,004,483	1,108,290	1,203,422	1,285,455	1,406,823	1,437,420	1,381,719	1,311,213
Investment earnings	29,205	25,267	15,736	12,216	12,251	14,266	14,893	21,911	49,179	99,204
Miscellaneous revenue	21,389	4,468	21,951	21,016	29,706	56,542	150,614	142,221	121,176	114,881
Lawsuit settlement										
Sale of capital assets				2,769,504						
Transfers	24,790	75,000			(293,691)	(50,000)	(421,000)	-	-	-
Total governmental activities	<u>15,914,999</u>	<u>15,754,593</u>	<u>15,663,441</u>	<u>19,167,088</u>	<u>16,630,696</u>	<u>17,489,366</u>	<u>17,624,691</u>	<u>18,659,514</u>	<u>19,060,416</u>	<u>19,776,165</u>
Business-type activities:										
Investment earnings	2,695	880	354	56	16	27	36	42	63	63
Transfers	(24,790)	(75,000)			293,691	50,000	421,000	-	-	-
Total business-type activities	<u>(22,095)</u>	<u>(74,120)</u>	<u>354</u>	<u>56</u>	<u>293,707</u>	<u>50,027</u>	<u>421,036</u>	<u>42</u>	<u>63</u>	<u>63</u>
Total primary government	<u>\$ 15,892,904</u>	<u>\$ 15,680,473</u>	<u>\$ 15,663,795</u>	<u>\$ 19,167,144</u>	<u>\$ 16,924,403</u>	<u>\$ 17,539,393</u>	<u>\$ 18,045,727</u>	<u>\$ 18,659,556</u>	<u>\$ 19,060,479</u>	<u>\$ 19,776,228</u>
Change in Net Position:										
Governmental activities	\$ (485,081)	\$ 1,974,593	\$ 2,257,467	\$ 2,306,411	\$ (874,853)	\$ 1,846,670	\$ (945,834)	\$ (2,018,129)	\$ (1,605,719)	\$ 667,994
Business-type activities	(498,155)	(729,417)	(541,949)	(635,318)	(508,336)	(654,208)	(221,694)	(605,576)	(589,390)	(679,465)
Total primary government	<u>\$ (983,236)</u>	<u>\$ 1,245,176</u>	<u>\$ 1,715,518</u>	<u>\$ 1,671,093</u>	<u>\$ (1,383,189)</u>	<u>\$ 1,192,462</u>	<u>\$ (1,167,528)</u>	<u>\$ (2,623,705)</u>	<u>\$ (2,195,109)</u>	<u>\$ (11,471)</u>

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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
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
2015	9,128,568	5,603,521	13,856	93,653	1,343,505	1,285,455	17,468,558
2016	9,660,614	5,439,210	12,506	57,112	1,303,919	1,406,823	17,880,184
2017	10,064,067	5,779,073	13,745	9,209	1,191,868	1,437,420	18,495,382
2018	10,481,864	5,755,661	16,604	5,725	1,248,488	1,381,719	18,890,061

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2010	2011 ⁽¹⁾	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Reserved	\$ 15,624	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	8,611,931									
Nonspendable		305,302	311,223	335,603	416,994	318,769	312,137	81,520	78,971	99,169
Restricted						88,990	-	-	-	-
Committed										
Assigned		1,318,164	1,284,939	1,315,557	1,726,228	1,230,959	1,059,959	720,659	871,931	1,145,659
Unassigned		4,716,361	5,149,410	6,718,179	4,184,661	5,078,583	6,727,197	6,029,507	6,373,541	7,161,146
Total general fund	<u>\$ 7,422,224</u>	<u>\$ 6,339,827</u>	<u>\$ 6,745,572</u>	<u>\$ 8,369,339</u>	<u>\$ 6,327,883</u>	<u>\$ 6,717,301</u>	<u>\$ 8,099,293</u>	<u>\$ 6,831,686</u>	<u>\$ 7,324,443</u>	<u>\$ 8,405,974</u>
All other governmental funds										
Reserved	\$ 1,817,086									
Unreserved, reported in:										
Special revenue funds	2,411,192									
Debt service funds										
Nonspendable										
Restricted		4,473,805	3,916,541	2,813,802	4,222,459	5,151,680	4,276,934	4,209,039	3,983,335	5,291,312
Committed										
Assigned										
Unassigned		(273,326)	(238,732)	(245,214)	(322,781)	(229,971)	(227,254)			
Total all other governmental funds	<u>\$ 4,228,278</u>	<u>\$ 4,200,479</u>	<u>\$ 3,677,809</u>	<u>\$ 2,568,588</u>	<u>\$ 3,899,678</u>	<u>\$ 4,921,709</u>	<u>\$ 4,049,680</u>	<u>\$ 4,209,039</u>	<u>\$ 3,983,335</u>	<u>\$ 5,291,312</u>

⁽¹⁾ Fund Balance Classification reflects implementation of GASB 54 requirements starting with Fiscal Year 2010/11

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Taxes	\$ 10,553,196	\$ 10,513,681	\$ 10,533,542	\$ 11,061,533	\$ 11,308,714	\$ 11,777,528	\$ 12,393,356	\$ 12,695,355	\$ 13,114,068	\$ 13,559,754
Licenses and permits	423,012	550,155	816,863	655,855	778,208	3,195,756	959,138	1,022,542	932,640	981,873
Intergovernmental	7,975,877	10,023,285	10,960,315	8,597,520	8,864,729	8,765,516	7,897,817	8,506,103	7,602,950	8,463,884
Charges for current services	946,119	1,047,727	887,126	981,063	931,909	944,054	1,156,880	1,068,521	1,159,437	1,152,319
Fines and forfeitures	542,732	401,665	295,587	226,311	186,347	300,032	267,555	228,649	208,461	219,727
Investment income	45,732	36,906	30,129	25,928	21,608	24,209	35,970	65,691	109,302	200,303
Total revenues	<u>20,486,668</u>	<u>22,573,419</u>	<u>23,523,562</u>	<u>21,548,210</u>	<u>22,091,515</u>	<u>25,007,095</u>	<u>22,710,716</u>	<u>23,586,861</u>	<u>23,126,858</u>	<u>24,577,860</u>
Expenditures:										
Current:										
General Government	3,120,850	3,119,712	3,178,508	3,675,542	3,168,265	3,271,039	3,128,699	3,599,531	3,876,923	3,856,802
Public services	4,088,538	4,190,842	4,155,386	4,346,672	4,399,704	4,299,138	4,273,572	4,848,571	4,276,773	4,406,628
Community development	1,593,187	1,404,624	1,127,036	1,259,502	1,261,715	1,433,383	1,308,380	1,461,781	1,287,101	1,384,625
Community services	1,570,196	1,646,388	1,595,904	1,904,831	1,860,866	2,608,281	2,070,952	2,101,883	2,131,638	2,050,652
Public safety	6,585,639	6,475,456	6,494,020	6,591,732	6,826,303	7,153,841	6,917,275	8,149,762	8,025,961	8,243,746
Capital outlay	2,013,797	5,013,252	5,289,390	4,402,694	2,965,511	2,976,435	2,277,446	2,777,691	2,151,578	356,354
Debt service:										
Interest	427,854	712,976	670,243	625,043	601,542	553,529	503,429	451,427	397,428	342,922
Cost of bond issuance	301,477									
Principal retirement	820,000	1,090,000	1,130,000	1,180,000	1,205,000	1,250,000	1,300,000	1,352,353	1,423,396	1,546,623
Total expenditures	<u>20,521,538</u>	<u>23,653,250</u>	<u>23,640,487</u>	<u>23,986,016</u>	<u>22,288,906</u>	<u>23,545,646</u>	<u>21,779,753</u>	<u>24,742,999</u>	<u>23,570,798</u>	<u>22,188,352</u>
Excess (deficiency) of revenues over expenditures	(34,870)	(1,079,831)	(116,925)	(2,437,806)	(197,391)	1,461,449	930,963	(1,156,138)	(443,940)	2,389,508

(Continued)

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

(Continued)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Other financing sources (uses):										
Capital Lease Proceeds								47,890	710,993	-
Transfers in	\$ 7,868,431	\$ 12,431,918	\$ 13,529,097	\$ 10,468,784	\$ 7,214,336	\$ 8,059,715	\$ 7,006,357	\$ 7,582,790	\$ 5,207,406	\$ 2,992,799
Transfers out	(7,843,641)	(12,356,918)	(13,529,097)	(10,468,784)	(7,508,027)	(8,109,715)	(7,427,357)	(7,582,790)	(5,207,406)	(2,992,799)
Bond Proceeds	17,190,000									
Payment to bond escrow agent	(18,081,996)									
Premium on bond issue	1,206,953									
Lawsuit Settlement	(7,500)	(105,365)								
Sale of Capital Assets				2,952,352						
Total other financing sources (uses)	332,247	(30,365)	-	2,952,352	(293,691)	(50,000)	(421,000)	47,890	710,993	-
Net change in fund balances	<u>\$ 297,377</u>	<u>\$ (1,110,196)</u>	<u>\$ (116,925)</u>	<u>\$ 514,546</u>	<u>\$ (491,082)</u>	<u>\$ 1,411,449</u>	<u>\$ 509,963</u>	<u>\$ (1,108,248)</u>	<u>\$ 267,053</u>	<u>\$ 2,389,508</u>
Debt service as a percentage of noncapital expenditures	6.74%	9.67%	9.81%	9.22%	9.35%	8.60%	8.76%	8.00%	8.21%	8.57%

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

City of Laguna Hills

Assessed Value and Estimated Actual Value of Taxable Property, Citywide
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year End	Other Property	Secured Property	Unsecured Property	Less Tax-Exempt Property	Taxable Assessed Value	Total Direct Tax Rate (1)	Estimated Actual Taxable Value (2)	Factor of Taxable Assessed Value (3)
2009-10	5,413,579	5,413,579	175,241	33,614	5,588,820	.05371	5,588,820	1.000000
2010-11	5,299,826	5,299,826	160,738	33,534	5,460,564	.05371	5,460,564	1.000000
2011-12	5,308,488	5,308,488	156,488	33,852	5,464,976	.05371	5,464,976	1.000000
2012-13	5,371,901	5,371,901	143,351	34,825	5,515,252	.05371	5,515,252	1.000000
2013-14	5,509,351	5,509,351	146,695	35,252	5,656,046	.05371	5,656,046	1.000000
2014-15	5,809,642	5,809,642	148,567	35,410	5,958,209	.05371	5,958,209	1.000000
2015-16	21,729	6,236,428	183,676	165,185	6,254,919	.05371	8,159,912	1.304559
2016-17	22,060	6,499,868	187,553	218,920	6,468,501	.05371	9,167,561	1.417262
2017-18	22,501	6,728,482	188,841	209,680	6,707,643	.05371	9,373,474	1.397432
2018-19	22,950	7,089,277	245,352	212,722	7,121,907	.05371	9,878,938	1.387120

Source: Orange County Assessor data, Avenu Insights & Analytics

Source: 2009-2018 prior CAFR

Table has been reformatted to comply with GASB No. 44 and include estimated actual value.

(1.) Total direct tax rate is the city share of the 1% Proposition 13 tax only for TRA 31-001.

(2.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices.

(3.) Based on these calculations a multiplier value was extrapolated and applied to current assessed values.

City of Laguna Hills

Assessed Value of Property by Use Code, Citywide Last Two Fiscal Year (In Thousands)

Category	2017-18	2018-19
Commercial	1,100,803	1,180,147
Industrial	229,033	239,771
Residential	5,398,624	5,669,336
Rural	23	23
Gross Secured Value	6,728,482	7,089,277
Unsecured Value	188,841	245,352
Exemptions	209,680	212,722
Net Taxable Value	6,707,643	7,121,907

Source: Orange County Assessor Data, Avenu Insights & Analytics

City of Laguna Hills

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Overlapping Basic Rate	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Capistrano Union	0.010770	0.011050	0.011010	0.011710	0.009720	0.009000	0.008450	0.008430	0.008000	0.007860
Metropolitan Water District	0.004300	0.003700	0.003000	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500
Moulton Niguel Water District	0.121040	0.122030	0.129360	0.145470	0.129770	0.086000	-	-	-	-
Saddleback Valley Unified	0.030430	0.031940	0.031630	0.032650	0.032070	0.028060	-	-	-	-
Total	1.166540	1.168720	1.175000	1.193330	1.175060	1.126560	1.011950	1.011930	1.011500	1.011360
City Direct Rate										
City Share of 1% Levy Per Prop 13	0.122820	0.053710	0.053710	0.053710	0.053710	0.053710	0.053710	0.053710	0.053710	0.053710

Source: Orange County Assessor data, Avenu Insights & Analytics

Source: 2009/10 - 2017/18 prior CAFR

TRA 31-000 is represented

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

City of Laguna Hills

Principal Property Tax Payers Last Fiscal Year and Nine Years Ago

Taxpayer	2018-19		2009-10	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
Laguna Hills Investment Co	139,672,728	1.96%	21,970,396	0.40%
Mgp Fund X Laguna Hills Llc	127,679,151	1.79%		0.00%
Pmi Prado Llc	94,824,425	1.33%		
Acquiport Three Corp	84,226,418	1.18%	73,413,089	1.32%
Sptmrt Properties Trust	52,632,193	0.74%	39,909,451	0.72%
Lakehills Cm Cg Llc	47,908,550	0.67%		
Roic California Llc	46,000,000	0.65%		
23961 Calle De La Magdalena In	35,893,800	0.50%		
Memorial Health Services	35,232,162	0.49%	13,093,239	0.24%
La Paz Office Plaza Llc	34,205,708	0.48%	30,223,114	0.55%
Ag Lo Oakbrook Owner Llc	30,625,000	0.43%		
Spectrum Property Owner Llc	28,050,051	0.39%		
Moulton Plaza Llc	25,536,624	0.36%	27,719,451	0.50%
Eqr Villa Solana Vistas Inc.	24,239,616	0.34%		
Laguna Hills Estate Llc	23,628,549	0.33%	17,408,903	0.31%
Sylmar Apts Llc	21,443,196	0.30%		
Muller Taj Llc	21,036,773	0.30%		
Colton David A Colton	20,742,221	0.29%	18,028,130	0.33%
Mpvca Laguna Llc	19,929,800	0.28%		
Universal Properties Lh Five L	18,300,000	0.26%	21,562,290	0.39%
Mouldy Llc	16,116,231	0.23%	14,459,993	0.26%
Laguna Hills Office Partners L	15,900,000	0.22%		
K M Royal Group Llc	15,814,343	0.22%		
Laguna Hills Real Estate Partn	15,066,627	0.21%		
La Paz Shopping Center	15,063,647	0.21%		
Shopping Center Associates			122,468,046	2.21%
Tgm Prado Llc			78,540,000	1.42%
Lakehills At Laguna Llc			54,091,833	0.98%
Lht Saddleback Llc			50,988,729	0.92%
Columbia California Carlota Of			32,600,000	0.59%
The Realty Associates Fund Vii			28,350,000	0.51%
Eqr-Villa Solana Vistas Inc			21,492,041	0.39%
HpF Gib Saddleback Llc			21,354,209	0.39%
Sylmar Apartments Llc			18,891,745	0.34%
Greenlaw Laguna Hills Llc			18,040,535	0.33%
Cox Com Inc. Orange			15,812,062	0.29%
Alicia Office Park Associates			15,600,158	0.28%
K & M Royal Group Llc			13,812,581	0.25%
Laguna Hills Business Park			13,312,406	0.24%
Muller-Taj			13,017,348	0.23%
Total Top 25 Taxpayers	1,009,767,813	14.18%	796,159,749	14.36%
Total Taxable Value	7,121,906,714		5,544,339,256	

Source: Orange County Assessor data, Avenu Insights & Analytics

Source: 2009/10 prior CAFR

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

City of Laguna Hills

Levy and Collections Last Ten Fiscal Years (amounts expressed in thousands)

Fiscal Year	Secured	Unsecured	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date	
				Amount Collected	% of Levy	Other Collections	Amount	% of Levy
2009-10	5,555	256	\$5,812	\$ 5,629	96.9%	\$ 203	\$ 5,832	100%
2010-11	5,489	248	\$5,737	\$ 5,577	97.2%	\$ 126	\$ 5,703	99%
2011-12	5,526	246	\$5,772	\$ 5,605	97.1%	\$ 87	\$ 5,692	99%
2012-13	5,587	239	\$5,827	\$ 5,694	97.7%	\$ 85	\$ 5,779	99%
2013-14	5,732	261	\$5,992	\$ 5,885	98.2%	\$ 62	\$ 5,947	99%
2014-15	6,051	275	\$6,327	\$ 6,180	97.7%	\$ 52	\$ 6,231	98%
2015-16	6,375	232	\$6,607	\$ 6,456	97.7%	\$ 72	\$ 6,528	99%
2016-17	6,634	300	\$6,934	\$ 6,733	97.1%	\$ 69	\$ 6,802	98%
2017-18	6,901	230	\$7,131	\$ 7,004	98.2%	\$ 66	\$ 7,070	99%
2018-19	7,288	235	\$7,523	\$ 7,376	98.0%	\$ 66	\$ 7,442	99%

Source: County Auditor-Controller, Avenu Insights & Analytics

City of Laguna Hills

Principal Sales Tax Producers Last Fiscal Year and Nine Years Ago

2018-19		2009-10	
Taxpayer	Business Type	Taxpayer	Business Type
Ashley Furniture Homestore	Home Furnishings	7-Eleven Food Stores	Grocery W/Beer/Wine
Big Lots	Variety Stores	Becton Dickinson & Company	Bio Medical
BJ's Restaurants & Brewery	Restaurants W/Onsale	Big Lots	Variety Stores
Chevron Service Stations	Service Stations	BJ's Restaurants & Brewery	Restaurants W/Onsale
Chick-Fil-A	Restaurants W/Beer	Chevron Service Stations	Service Stations
Dick's Sporting Goods	Sporting Goods	Chick's Sporting Goods	Sporting Goods
Howard's Appliances	Appliance Stores	Elephant Bar Restaurant	Restaurants W/Onsale
In-N-Out Burgers	Fast Food Restaurant	G & M Service Stations	Service Stations
J C Penney Company	Department Stores	Howard's Appliances	Appliance Stores
Jeromes Furniture Warehouse	Home Furnishings	In-N-Out Burgers	Fast Food Restaurant
John Deere Landscapes	Nursery	J C Penney Company	Department Stores
Johnstone Supply	Plumbing & Electric	King's Seafood Company	Restaurants W/Onsale
King's Seafood Company	Restaurants W/Onsale	Laguna Hills Auto Spa	Vehicle Repair
Laguna Hills Auto Spa	Vehicle Repair	Macy's Department Store	Department Stores
Marshall's Stores	Family Apparel	Marshall's Stores	Family Apparel
Material Supply Incorporated	Bldg Matls-Whsle	Material Supply Incorporated	Bldg Matls-Whsle
Nordstrom Department Store	Department Stores	Nordstrom Department Store	Department Stores
Raising Cane's Chicken Fingers	Fast Food Restaurant	Phillips Mazda	New Car Dealers
Ralph's Grocery Company	Supermarkets	Ralph's Grocery Company	Supermarkets
Schireson Bros	Music Stores	Sears Roebuck & Company	Department Stores
Sidepath	I.T. Consulting	Shell Service Stations	Service Stations
Sit 'N Sleep-Laguna Hills	Home Furnishings	Sit 'N Sleep-Laguna Hills	Home Furnishings
Tesoro Service Stations	Service Stations	Tesoro Service Stations	Service Stations
Total Wine & More	Liquor Stores	The Claim Jumper	Restaurants W/Onsale
Union 76 Service Stations	Service Stations	Union 76 Service Stations	Service Stations

Source: Avenu Insights & Analytics

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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	COP Per Capita (a)	Direct Borrowing (c)
2009	18,470	1,417,282	\$ 42,444	1.30%	553.13	
2010	17,943	1,500,666	\$ 44,672	1.20%	534.14	
2011	16,802	1,445,996	\$ 47,227	1.16%	548.75	
2012	15,620	1,363,858	\$ 44,421	1.15%	508.75	
2013	14,388	1,320,001	\$ 42,778	1.09%	466.29	
2014	13,437	1,336,181	\$ 43,315	1.01%	435.57	
2015	12,106	1,373,184	\$ 44,757	0.88%	390.60	
2016	10,726	1,479,761	\$ 46,911	0.72%	340.02	
2017	9,295	1,587,577	\$ 49,896	0.59%	294.67	46
2018	7,825	1,661,606	\$ 52,629	0.47%	245.92	723
2019	6,294				199.36	627

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: 2009-2010 Income Data: ESRI-Demographic Estimates are based on the latest 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 - 21.

(b) 2019 personal income data not available at time of print; Hence, table provides personal income history for years 2008-2018.

(c) On-bill financing program with Southern California Edison and San Diego Gas & Electric, for the installation of energy efficient LED street lighting throughout the City, beginning in FY 2016/17.

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	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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Note: There was no general bonded debt outstanding for the last ten fiscal years.

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2019

	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	4,805,000	0.246%	118,203
Saddleback Valley Unified School District	107,700,000	17.243%	18,570,711
Capistrano Unified School District Facilities Improvement District No. 1	21,748,753	0.022%	4,785
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT:			<u>\$ 18,693,699</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</u>			
Orange County General Fund Obligations	388,720,000	1.211%	4,707,399
Orange County Pension Obligations	407,629,239	1.211%	4,936,390
Orange County Board of Education Certificates of Participation	13,490,000	1.211%	163,364
Capistrano Unified School District Certificates of Participation	28,790,000	0.015%	4,319
Moulton-Niguel Water District Certificates of Participation	59,065,000	13.274%	7,840,288
SUBTOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			<u>\$ 17,651,760</u>
City of Laguna Hills Certificates of Participation, Direct Debt	5,845,000	100.000%	<u>5,845,000</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT:			<u><u>\$ 23,496,760</u></u>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</u>	12,345,000	0.863-2.813%	224,025
<u>GROSS COMBINED TOTAL DEBT</u>			<u>\$ 42,414,484 ^(b)</u>

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

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

Source: Avenu Insights & Analytics

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	838,413	\$ 819,070	\$ 819,547	\$ 832,512	\$ 853,695	\$ 899,043	\$ 963,016	\$ 1,003,113	\$ 1,037,598	\$ 1,100,194
Total net debt applicable to limit	17,190	16,100	14,970	13,790	12,585	11,335	10,035	9,295	7,825	6,294
Legal debt margin	<u>\$ 821,223</u>	<u>\$ 802,970</u>	<u>\$ 804,577</u>	<u>\$ 818,722</u>	<u>\$ 841,110</u>	<u>\$ 887,708</u>	<u>\$ 952,981</u>	<u>\$ 993,818</u>	<u>\$ 1,029,774</u>	<u>\$ 1,093,900</u>
Total net debt applicable to limit, as a percentage of debt limit	2.05%	1.97%	1.83%	1.66%	1.47%	1.26%	1.04%	0.93%	0.75%	0.57%

Legal Debt Margin Calculation for Fiscal Year 2018/19

Assessed value	7,121,907
Add back: exempt real property	212,722
Total assessed value	<u>7,334,629</u>
Debt limit (15% of total assessed value)	1,100,194
Debt applicable to limit:	
Certificates of Participation	6,294
Total net debt applicable to limit	<u>6,294</u>
Legal debt margin	<u>\$ 1,093,900</u>

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.

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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 and Economic Statistics Last Ten Fiscal Years

Calendar Year	Population (1)	Personal Income (In Thousands)	Per Capita Personal Income (2)	City Unemployment Rate (3)	Median Age (4)	% Of Pop with High School Diploma (5)	% of Pop With Bachelor's Degree (5)
2009	33,246	1,417,282	42,444	7.6%	41.2	92.8%	44.0%
2010	33,392	1,500,666	44,672	8.1%	39.3	90.6%	42.9%
2011	33,593	1,445,996	47,227	7.4%	40.7	91.4%	43.0%
2012	30,618	1,363,858	44,421	4.8%	41.6	92.3%	44.5%
2013	30,703	1,320,001	42,778	4.2%	41.5	91.7%	42.8%
2014	30,857	1,336,181	43,315	5.0%	41.8	91.6%	45.3%
2015	30,681	1,373,184	44,757	4.1%	41.7	91.2%	44.8%
2016	31,544	1,479,761	46,911	3.7%	41.8	91.5%	45.6%
2017	31,818	1,587,577	49,896	2.6%	43.0	91.3%	46.7%
2018	31,572	1,661,606	52,629	2.2%	41.4	92.1%	49.1%

Source: Avenu Insights & Analytics, U.S. Census Bureau, 2010 American Community Survey

Source: 2009-2018 prior CAFR

The California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark.

- 1.) Population Projections are provided by the California Department of Finance Projections.
- 2.) Income Data is provided by the United States Census Data and is adjusted for inflation.
- 3.) Unemployment and Total Employment Data are provided by the EDD's Bureau of Labor Statistics Department.
- 4.) Median Age reflects the U.S. Census data estimation table for years 2009-2018

City of Laguna Hills

Principal Employers Last Fiscal Year and Nine Years Ago

Business Name	2018-19		2009-10	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Saddleback Memorial Medical Center	1,596	9.33%	1,020	6.22%
Laguna Hills Health and Rehabilitation Cntr	217	1.27%		
Five Star-Villa Valencia	170	0.99%		
Memorial Care home health	167	0.98%		
Moulton Niguel Water	152	0.89%		
Bj's Restaurant & Brewhouse*	150	0.88%		
Saddleback Valley USD	138	0.81%		
Orange Coast Women's Med Group	120	0.70%		
The Wellington (senior Living)	115	0.67%		
United States Post Office	83	0.49%		
Professional Community Management			350	2.13%
JCPenney Corp Inc.			250	1.52%
Macys Department Store			200	1.22%
Total Top Employers	2,908	17.01%	1,820	11.09%
Total City Employment (1)	17,100			

Source: Orange County Assessor data, Avenu Insights & Analytics

Source: 2009-10 prior published CAFR only list Top 4 employers.

*Includes Full and Part time

Note: Both Macy's and JCPenney Department Stores are permanently closed.

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
FULL-TIME EQUIVALENT PERSONNEL ALLOCATION BY FUNCTION
LAST TEN FISCAL YEARS

Function	Full-time Equivalent Personnel at June 30									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government	11.90	11.90	11.90	11.75	11.75	10.99	10.99	10.49	9.74	9.50
Non-Departmental	0.00	0.00	0.00	1.25	1.25	1.00	1.00	1.00	1.00	1.00
Public Services	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Community Development	7.15	8.15	8.15	7.85	7.85	8.23	8.23	8.23	8.00	7.10
Community Services	<u>15.61</u>	<u>15.75</u>	<u>15.75</u>	<u>15.75</u>	<u>15.75</u>	<u>15.40</u>	<u>15.40</u>	<u>15.40</u>	<u>14.65</u>	<u>14.50</u>
Total	<u>39.66</u>	<u>40.80</u>	<u>40.80</u>	<u>41.60</u>	<u>41.60</u>	<u>40.62</u>	<u>40.62</u>	<u>40.12</u>	<u>38.39</u>	<u>37.10</u>

Source: City of Laguna Hills' Biennial Budget

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS

Function	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19
Police ^(b)										
Physical arrests	721	684	468	362	458	534	284	293	281	24
Parking violations	2,662	2,087	1,107	885	1,407	1,981	3,257	3,406	2,487	2,38
Traffic violations	5,781	4,089	3,074	2,462	2,070	3,041	3,187	2,669	1,512	1,13
Fire ^(c)										
Number of calls answered	2,558	2,614	2,550	2,579	2,584	2,675	2,888	3,077	3,203	3,30
Inspections	439	393	308	273	379	494	364	299	440	32
Highways and Streets ^(d)										
Sidewalk replacement (sq. ft.)	22,266	8,592	13,482	13,610	3,519	7,250	940	7,012	1,328	1,79
Curb & gutter replacement (linear ft.)	1,030	1,727	3,990	1,141	478	-	211	523	28	8
Asphalt concrete placed (tons)	15,695	14,454	15,692	16,319	7,857	16,276	134	10,536	1,215	17
Street sweeping debris collected (tons)	294	290	374	432	293	265	229	219	217	22
New sign installations	92	102	28	42	65	23	155	12	31	
Sign Replacements	168	173	161	378	278	380	297	312	196	5
Trees trimmed	2,273	1,872	1,474	1,568	1,185	792	821	1,396	1,347	1,40
Trees removed	81	114	166	215	179	461	152	263	286	18
Trees planted	43	39	649	39	44	38	43	118	120	10
Sanitation ^(a)										
Refuse collected (tons/day)	46	46	44	47	45	43	47	49	48	4
Recyclables collected (tons/day)	50	47	45	46	46	49	50	47	46	4
Culture and Recreation ^(e)										
Community center programs (participants)	7,262	6,876	5,682	5,633	5,783	5,637	6,152	5,686	5,993	4,45
Athletic permits	69	57	44	41	45	41	42	48	41	4
Waste Stream ^(a)										
Refuse collected (tons)	16,698	16,814	15,932	17,185	16,416	15,707	17,197	17,966	17,520	16,57
Recyclables collected (tons)	18,162	17,325	16,391	16,753	16,964	17,728	18,150	17,058	16,827	16,87

^(a) CR&R Monthly Tonnage Report, 6/30/19

^(b) Orange County Sheriff's Daily Booking Log,; Monthly Traffic Statistics; Data Ticket Citation 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

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

CITY OF LAGUNA HILLS
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Highways and streets										
Streets (miles)	83	83	83	83	83	83	83	83	83	83
Traffic signals	46	46	46	46	46	47	47	47	48	48
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

Attachment: CAFR FY 2018-19 (2008 : Cafr FY 2018/19)

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 31,572 people. Majority of the area in the City has a distinctive residential character. Yet, the City has a commercial base in its northern part. This commercial area, or “urban village”, is anchored by The Village at Laguna Hills, the Oakbrook Village Shopping Center, and the Saddleback Memorial Hospital. It includes 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.

