



CITY OF MENDOTA

"Cantaloupe Center Of The World"

ROLANDO CASTRO
Mayor

VICTOR MARTINEZ
Mayor Pro Tempore

JESSE MENDOZA

OSCAR ROSALES

ROBERT SILVA

AGENDA MENDOTA CITY COUNCIL

Regular City Council Meeting
CITY COUNCIL CHAMBERS
643 QUINCE STREET
January 23, 2018
6:00 PM

VINCE DiMAGGIO
City Manager

JOHN KINSEY
City Attorney

The Mendota City Council welcomes you to its meetings, which are scheduled for the 2nd and 4th Tuesday of every month. Your interest and participation are encouraged and appreciated. Notice is hereby given that Council may discuss and/or take action on any or all of the items listed on this agenda. **Please turn your cell phones on vibrate/off while in the council chambers.**

Any public writings distributed by the City of Mendota to at least a majority of the City Council regarding any item on this regular meeting agenda will be made available at the front counter at City Hall located at 643 Quince Street Mendota, CA 93640, during normal business hours, 8 AM - 5 PM.

CALL TO ORDER

ROLL CALL

FLAG SALUTE

INVOCATION

FINALIZE THE AGENDA

1. Adjustments to Agenda.
2. Adoption of final Agenda

PRESENTATION

1. Fausto Hinojosa from Price, Paige, & Company to present the results of the 2016/2017 audit.

CITIZENS ORAL AND WRITTEN PRESENTATIONS

At this time members of the public may address the City Council on any matter not listed on the agenda involving matters within the jurisdiction of the City Council. Please complete a "request to speak" form and limit your comments to THREE (3) MINUTES. Please give the completed form to City Clerk prior to the start of the meeting. All speakers shall observe proper decorum. The Mendota Municipal Code prohibits the use of boisterous, slanderous, or profane language. All speakers must step to the podium, state their names and addresses for the record. Please watch the time.

APPROVAL OF MINUTES AND NOTICE OF WAIVING OF READING

1. Minutes of the regular City Council meeting of January 9, 2018.
2. Notice of waiving of the reading of all resolutions and/or ordinances introduced and/or adopted under this agenda.

CONSENT CALENDAR

Matters listed under the Consent Calendar are considered to be routine and will be enacted by one motion and one vote. There will be no separate discussion of these items. If discussion is desired, that item will be removed from the Consent Calendar and will be considered separately.

1. JANUARY 09, 2018 THROUGH JANUARY 17, 2018
WARRANT LIST CHECKS NO. 043461 THRU 043507
TOTAL FOR COUNCIL APPROVAL = \$290,472.09
2. Proposed approval of letters to be sent to congressional representatives in support of Deferred Action for Childhood Arrivals ("DACA") and Temporary Protected Status ("TPS").
3. Proposed adoption of **Resolution No. 18-07**, authorizing the City Manager to execute Amendment I to Community Development Block Grant ("CDBG") Agreement 17-113 for the 7th Street and Derrick Avenue Reconstruction Project, providing additional CDBG funds to offset the City's costs.
4. Proposed adoption of **Resolution No. 18-08**, acknowledging receipt of the annual audit of city funds.

BUSINESS

1. Council receive presentation on the proposed conceptual design for a Bass Avenue subdivision.
 - a. *Receive presentation from Mr. Steve Hair*
 - b. *Inquiries from Council to staff*
 - c. *Mayor opens floor to receive any comment from the public*
 - d. *Council provide direction to staff on how to proceed*
2. Council discussion and consideration of the development agreement between the City and Canna-Hub regarding the development of property for commercial cannabis operations.
 - a. *Receive report from City Manager DiMaggio*
 - b. *Inquiries from Council to staff*
 - c. *Mayor opens floor to receive any comment from the public*
 - d. *Council take action as appropriate*

3. Council receive report on the Police Department building feasibility.
 - a. *Receive report from City Manager DiMaggio*
 - b. *Inquiries from Council to staff*
 - c. *Mayor opens floor to receive any comment from the public*
 - d. *Council take action as appropriate*

DEPARTMENT REPORTS AND INFORMATIONAL ITEMS

1. Administrative Services
 - a) Monthly Report
2. Public Works
 - a) Monthly Report
3. City Attorney
 - a) Update
4. City Manager


MAYOR AND COUNCIL REPORTS AND INFORMATIONAL ITEMS

1. Council Member(s)
2. Mayor

ADJOURNMENT

CERTIFICATION OF POSTING

I, Celeste Cabrera, Deputy City Clerk of the City of Mendota, do hereby declare that the foregoing agenda for the Mendota City Council Regular Meeting of January 23, 2018, was posted on the outside bulletin board located at City Hall, 643 Quince Street Friday, January 19, 2018 at 4:45 p.m.


Celeste Cabrera, Deputy City Clerk

**CITY OF MENDOTA
CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2017**

CITY OF MENDOTA
FINANCIAL STATEMENTS
JUNE 30, 2017

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CITY OF MENDOTA
FINANCIAL STATEMENTS
JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mendota, California (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mendota, California, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Clovis, CA 93612
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fax 559.299.2344

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-13, budgetary comparison information on pages 62-64, proportionate share of net pension liability on page 65, and schedule of contributions on page 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report December 4, 2017 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.

Price Pange & Company

Clovis, California
December 4, 2017

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The management of the City of Mendota (the City) offers 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, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at close of the most recent fiscal year by \$31,296,727 (net position). Of this amount, \$2,008,773 (unrestricted net position) may be used to meet the City's ongoing obligation to its citizens and creditors.

The City's total net position increased by \$1,049,566 from the prior fiscal year. Governmental activities increased the City's total net position by \$652,576 and business-type activities increased by \$396,990. The overall increase in net position is due to several factors. The business-type activities of the City, which represent utility service for water, sewer and waste disposal, benefitted from a significant increase in one-time impact fees for water and sewer service collected for planned residential and commercial development in the City, coupled with higher service revenue over the prior year. These revenue increases were partially offset by higher depreciation expense recorded on water and sewer infrastructure facilities. With regard to the governmental-type activities, the City was the beneficiary of a \$950,000 budget allocation awarded by the State of California for the acquisition of a police operations facility during the fiscal year. This one-time increase was offset by lower fees for planning/zoning services and police services as compared to the prior fiscal year. In addition, higher employee related wages and benefits expense, particularly in public safety, contributed to the offset of the one-time revenue received from the State of California.

At June 30, 2017, the City's governmental funds reported combined ending fund balances of \$4,538,399, an increase of \$820,066 in comparison with the prior year. As discussed in the preceding paragraph, the receipt of a one-time budget allocation from the State of California, coupled by lower capital expenditures, and partially offset by a reduction in service revenue and an increase in public safety expenditures, are the primary reasons for the increase in the overall reporting of governmental funds in comparison to the prior fiscal year.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$235,955. This represents a \$587,508 decrease from the unassigned fund balance of \$823,463 reported at June 30, 2016. The decrease from the prior year is primarily the result of lower service revenue, coupled with higher wages and related benefits related primarily to public safety, and increased debt service outlays related to obligations of the General Fund as compared to the prior fiscal year. In addition to the above operational decreases, the General Fund transferred \$156,094 in funds during the fiscal year to eliminate the cash overdraft of a debt service fund devoted to servicing the redemption of a general obligation liability of the City, which further reduced the unassigned fund balance in comparison to the prior year.

The City's total long-term debt of \$6,207,181 decreased by \$486,002 compared to last year. The decrease is the result of scheduled principal payments on the City's existing outstanding debt during the fiscal year, coupled with the early redemption of the outstanding Mendota Joint Powers Financing Authority Series 1989 Revenue Bonds on October 19, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction of the City's 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 basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The *statement of activities* presents information showing 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 expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City included general government, public safety, municipal airport, highways and streets, public works, building and planning, parks, redevelopment and housing, and economic development and assistance. The business-type activities of the City included water, sewer, refuse, and the Mendota Joint Powers Public Financing Authority.

The Mendota Public Financing Authority, although legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as an integral part of the primary government.

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund finance statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 43 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, HOME Investment Partnership Program Special Revenue Fund, Measure C Special Revenue Fund, Police Building Capital Project Fund, and the Community Development Block Grant Special Revenue Fund. All of these are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 22 through 28 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statement. The City uses enterprise funds to account for its water, sewer, sanitation and Public Financing Authority operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for its Public Financing Authority and for the water, sewer and sanitation operations, as all of these are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 29 through 32 of this report.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 33 through 34 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to fully understand of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 36 through 60 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund and major Special Revenue Funds budgetary comparison schedule to demonstrate compliance with the City's adopted budget. The City adopts an annual appropriated budget for its general fund.

Required supplementary information can be found on pages 62 through 66 of this report.

The combining fund statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 68 through 77.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$31,296,727 at June 30, 2017.

**City of Mendota
Condensed Statement of Net Position
June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 6,952,651	\$ 6,064,454	\$ 3,500,776	\$ 3,189,605	\$ 10,453,427	\$ 9,254,059
Capital assets	11,980,010	12,300,781	15,748,993	16,145,748	27,729,003	28,446,529
Total assets	18,932,661	18,365,235	19,249,769	19,335,353	38,182,430	37,700,588
Total deferred outflows of resources	27,425	-	31,753	-	59,178	-
Long-term liabilities	700,539	819,038	5,506,642	5,874,145	6,207,181	6,693,183
Other liabilities	265,062	204,288	472,638	555,956	737,700	760,244
Total liabilities	965,601	1,023,326	5,979,280	6,430,101	6,944,881	7,453,427
Net position:						
Net investment in capital assets	11,595,694	11,548,900	10,281,094	10,345,222	21,876,788	21,894,122
Restricted	6,452,026	3,222,382	959,140	943,787	7,411,166	4,166,169
Unrestricted	(53,235)	2,570,627	2,062,008	1,616,243	2,008,773	4,186,870
Total net position	\$ 17,994,485	\$ 17,341,909	\$ 13,302,242	\$ 12,905,252	\$ 31,296,727	\$ 30,247,161

The largest portion of the City's net position, \$21,876,788 (70 percent) represents investment in capital assets, less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of \$2,008,773 (6 percent) represents unrestricted net position, which may be used to meet the City's ongoing obligations to its citizens and creditors. The remaining balance of \$7,411,166 (24 percent) represents resources that are subject to external restrictions on their use.

Governmental activities increased the City's net position by \$625,573, accounting for 62 percent of the total increase in the net position of the City of Mendota as compared to the prior fiscal year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

**City of Mendota
Condensed Statement of Activities
For the Years Ended June 30, 2017 and 2016**

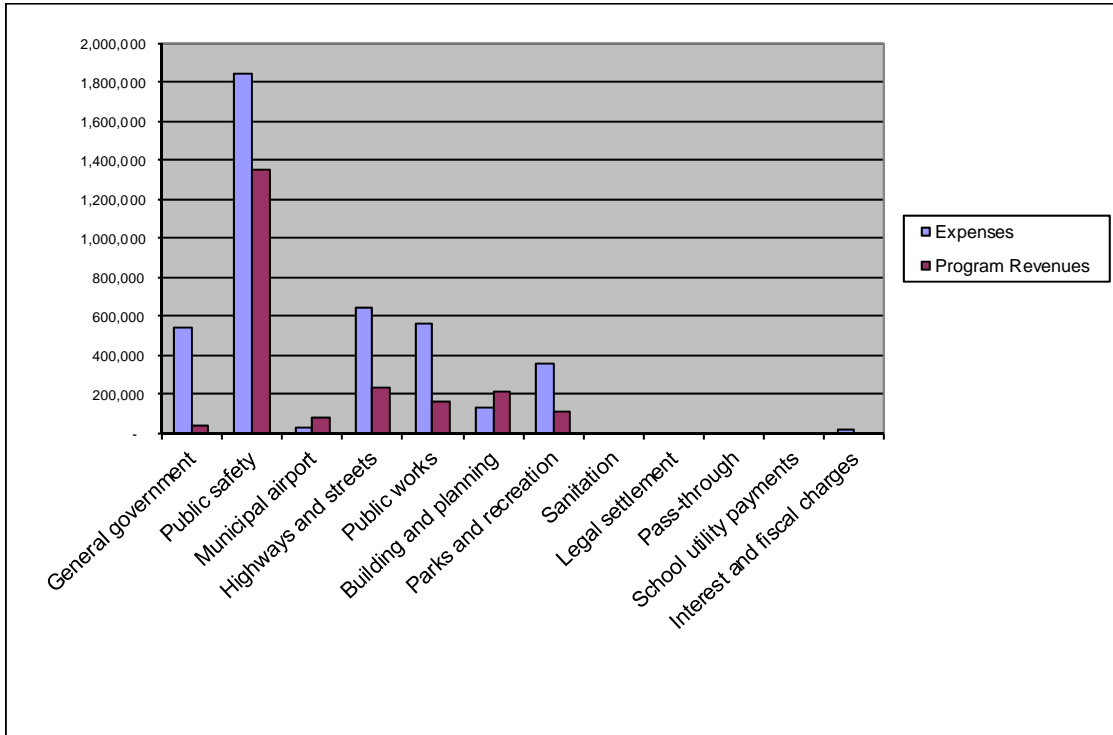
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 693,820	\$ 678,976	\$ 3,914,541	\$ 3,506,682	\$ 4,608,361	\$ 4,185,658
Operating grants and contributions	388,750	436,695	196,718	116,447	585,468	553,142
Capital grants and contributions	1,106,321	284,487	-	5,390	1,106,321	289,877
General revenues:						
Property taxes	1,009,370	1,026,176	-	-	1,009,370	1,026,176
Sales tax	527,888	447,086	-	-	527,888	447,086
Franchise taxes	110,595	115,100	-	-	110,595	115,100
Other taxes	850,078	756,207	-	-	850,078	756,207
Earnings on investments	7,954	4,775	18,617	21,312	26,571	26,087
Miscellaneous	137,582	155,458	119,664	1,150	257,246	156,608
Total revenues	<u>4,832,358</u>	<u>3,904,960</u>	<u>4,249,540</u>	<u>3,650,981</u>	<u>9,081,898</u>	<u>7,555,941</u>
Expenses:						
General government	537,285	587,810	-	-	537,285	587,810
Public safety	1,838,312	1,676,776	-	-	1,838,312	1,676,776
Municipal airport	25,036	26,748	-	-	25,036	26,748
Highways and streets	646,398	594,399	-	-	646,398	594,399
Public works	559,665	525,933	-	-	559,665	525,933
Building and planning	131,298	280,040	-	-	131,298	280,040
Parks and recreation	360,426	421,614	-	-	360,426	421,614
Redevelopment and housing	11,770	5,080	-	-	11,770	5,080
Sanitation	-	-	-	-	-	-
Legal settlement	-	650,000	-	-	-	650,000
Interest and fiscal charges	15,165	17,332	-	-	15,165	17,332
Water	-	-	1,724,153	1,717,634	1,724,153	1,717,634
Sewer	-	-	1,427,957	1,469,857	1,427,957	1,469,857
Refuse	-	-	697,275	686,070	697,275	686,070
Mendota Joint Powers Financing Authority	-	-	3,165	13,014	3,165	13,014
Total expenses	<u>4,179,782</u>	<u>4,785,732</u>	<u>3,852,550</u>	<u>3,886,575</u>	<u>8,032,332</u>	<u>8,672,307</u>
Increase (decrease) in net position	652,576	(880,772)	396,990	(235,594)	1,049,566	(1,116,366)
Net position - beginning	<u>17,341,909</u>	<u>18,222,681</u>	<u>12,905,252</u>	<u>13,140,846</u>	<u>30,247,161</u>	<u>31,363,527</u>
Net position - ending	<u>\$ 17,994,485</u>	<u>\$ 17,341,909</u>	<u>\$ 13,302,242</u>	<u>\$ 12,905,252</u>	<u>\$ 31,296,727</u>	<u>\$ 30,247,161</u>

Key elements of the increase/decrease in revenue for governmental activities are as follows:

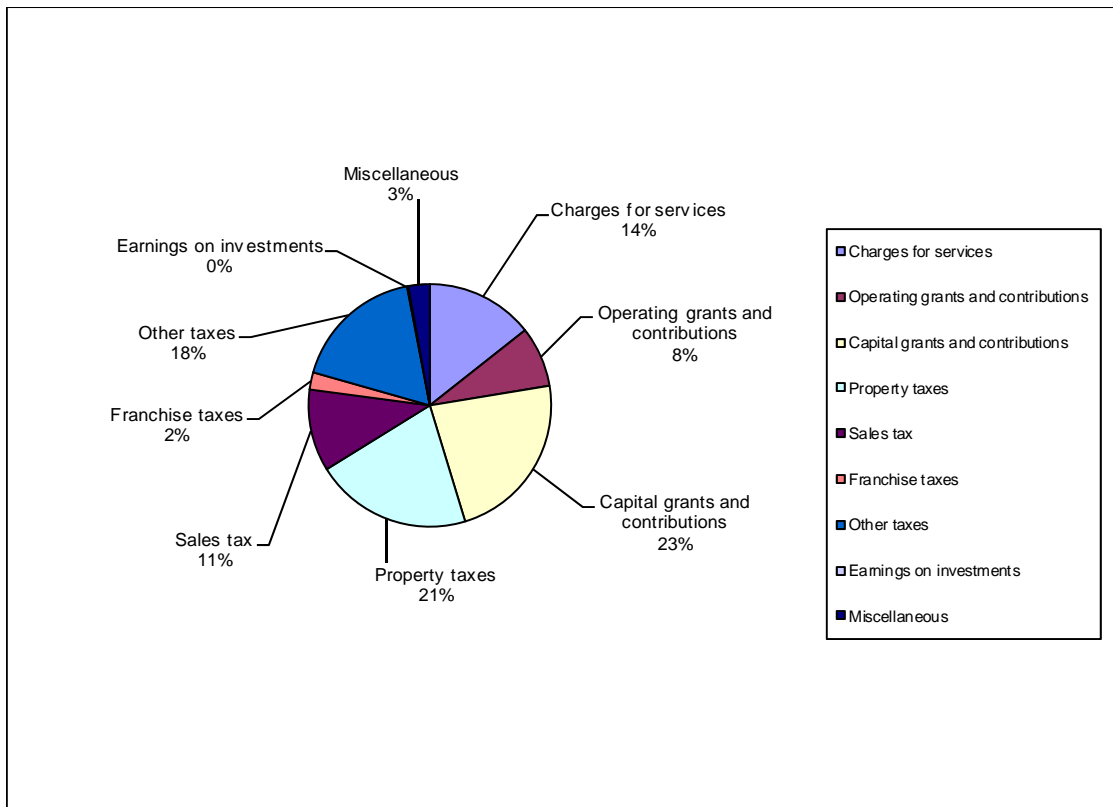
- Charges for services increased by \$14,844 to \$693,820 from the prior year. The increase is due primarily to an increase in permit revenue for use of City park facilities and building permits issued to area developers for residential and commercial projects. These increases were partially offset by a decrease in planning and zoning service fees, along with a decrease in police service revenue for contracted private events and motor vehicle fines.
- Governmental operating grants decreased by \$47,945 from the prior year to \$388,750. The decrease can be attributed to lower state gasoline tax revenues, coupled with a reduction in a state aviation operational grant.
- Governmental capital grants increased \$821,834 to \$1,106,321 during the fiscal year. The increase is due primarily to receipt of state funds for the acquisition of a police operational facility and aviation equipment, offset by lower federal and state highway grants.
- Sales tax revenue increased \$80,802 or 18% over the prior fiscal year. The increase can be attributed to several new retail businesses along the Highway 33 corridor, which opening during the current fiscal year.
- Other Taxes increased by \$93,871 to \$850,078. The increase is due to higher federal gas tax revenues received as compared to the prior fiscal year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Expenses and Program Revenue – Governmental Activities



Revenues by Source – Governmental Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Key elements of the increase/decrease in expenses for governmental activities are as follows:

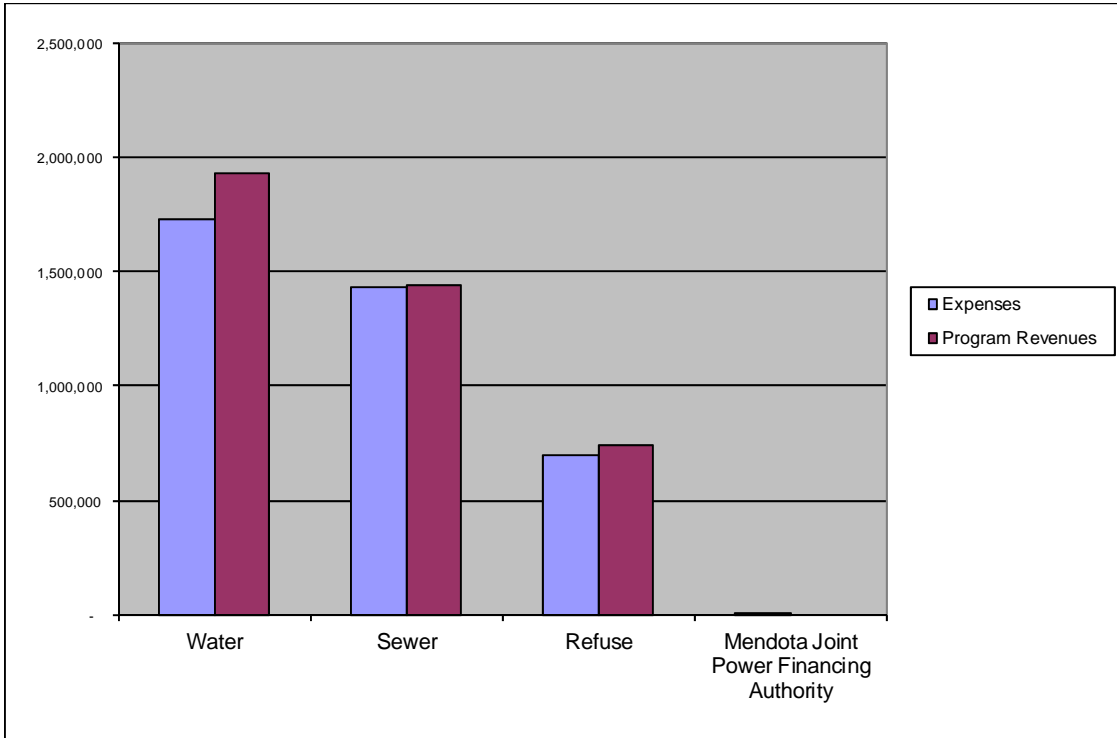
- General government expenses decreased by \$50,525 to \$537,285 in 2017. The decrease is due primarily to a reduction in legal and contract service fees as compared to the prior fiscal year, coupled with lower administrative salaries and related benefits.
- Public safety expenses increased by \$161,536 or approximately 9% from the prior year. Salaries and related employee benefits related to police personnel increased by approximately \$117,000 during the current fiscal year, as the department continues to expand its force and pay competitive wages and benefits. In addition, dispatch services provided by the City of Firebaugh increased by \$25,000 over the prior year.
- Highways and streets expenditures increased by \$51,999 or 9% to \$646,398. During the current fiscal year, the City devoted more internal labor resources to general street repair and maintenance than it has in prior years, resulting in higher wage and employee benefits paid as compared to the prior fiscal year.
- Public works expenses increased by \$33,732 to \$559,665. The increase is due almost exclusively to an increase in depreciation expense for large infrastructure projects placed in service during the current and prior years.
- Building and planning expenses decreased by \$148,742 or 53% to \$131,298. In direct correlation with the significant decrease in planning and zoning service revenue during the year, the need for outside services provided by engineering and legal firms to the City for permitting and zoning have decreased as well, resulting in the reported overall decrease in expenditures as compared to the prior year.
- Parks and recreation expenses decreased by \$61,188 or 15% to \$360,426. The decrease is primarily attributable to employee wages and related benefits. As discussed above, the City shifted additional labor resources to general street repair and maintenance during the current fiscal year, resulting in overall lower costs to the parks as compared to the prior fiscal year.
- In the case of *Warkentine et al v. Soria et al*, in which the City was a defendant, a legal settlement in the amount of \$650,000 was agreed to by the parties on March 2, 2016, and reported for the fiscal year ended June 30, 2016. There were no reportable amounts related to this or any other legal settlement for the fiscal year ended June 30, 2017.
- Interest and fiscal charges decreased by \$2,167, which correlates with scheduled interest payments on existing debt.

Business-type activities. Business-type activities increased the City's net position by \$396,990 over the prior fiscal year. Key elements of this decrease are as follows:

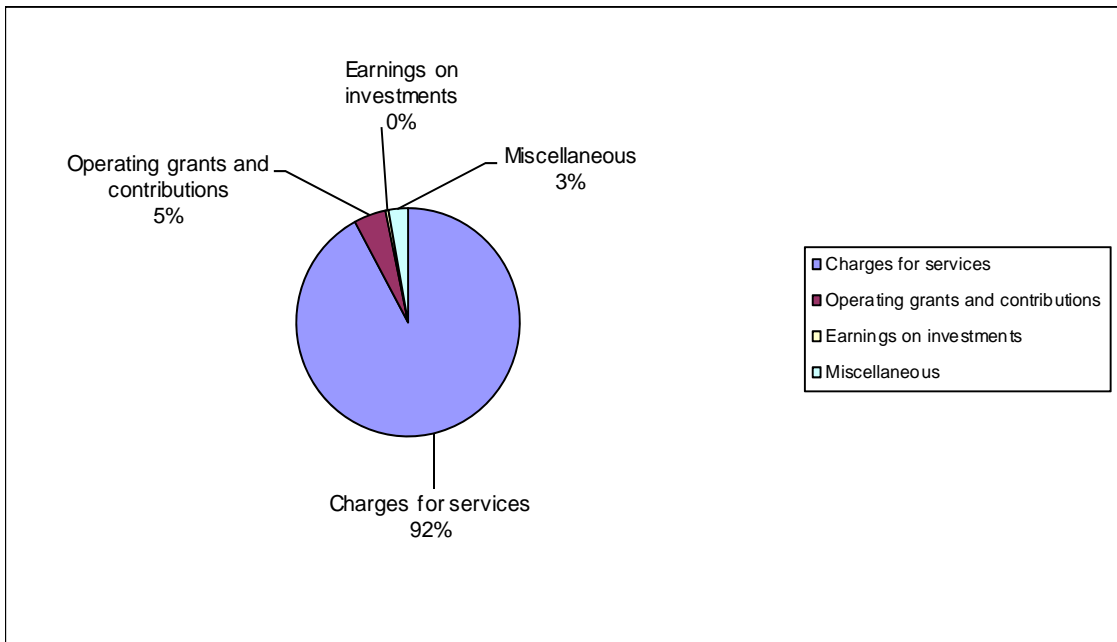
- Service revenue for the business-type activities increased by \$407,859 or 12% over the previous year. The increase is due primarily to an across the board increase in its customer base for water, sewer and sanitation enacted midway during the prior fiscal year. In addition, an easing in state water restrictions due to the California drought during the current fiscal year resulted in improved water sales by the City, as well.
- Operating grants and developer contributions for the business-type activities increased by \$80,271 or 69% over the previous year. The substantial increase is directly related to the increase in building permits issued by the City during the current fiscal year. Assessments for water and sewer impact fees are calculated and paid at the time the permit is issued.
- Expenses of the Water Enterprise Fund increased by \$6,519 to \$1,724,153 during the year. The decrease is due primarily to lower utility costs incurred due to efficiencies implemented in the prior fiscal year and lower professional fees for engineering, partially offset by higher facility repair costs and depreciation on infrastructure.
- Expenses of the Sewer Enterprise Fund decreased by 41,900 or 3% from the prior fiscal year. The decrease can be attributed to lower professional fees for engineering services as compared to the prior year.
- Expenses of the Refuse Enterprise Fund increased by \$11,205 or 2% from the prior fiscal year. The increase is due exclusively to higher charges paid to the City's subcontracted service provider.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Expenses and Program Revenue – Business-Type Activities



Revenue by Source – Business-Type Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

FINANCIAL ANALYSIS OF CITY'S FUNDS

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,538,399, an increase of \$820,066 in comparison with the prior year. Of this total amount, \$4,510,534 is either nonspendable, restricted, committed or assigned to various projects and activities of the City, leaving an overall unassigned fund balance of \$27,865 at June 30, 2017. This represents a decrease of \$429,743 over the prior year unassigned fund balance of \$457,608 at June 30, 2016.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Current year expenditures for the General Fund total \$2,513,865 at June 30, 2017; the unassigned General Fund balance is currently showing a balance of \$235,955 at June 30, 2017.

The fund balance of the City's General Fund decreased by \$510,385 during the current fiscal year. The following provides an explanation of revenues by source that changed significantly over the prior year.

**Revenue by Source
GENERAL FUND**

	FY 2017		FY2016		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Taxes	\$ 1,562,837	72.37%	\$ 1,539,674	67.32%	\$ 23,163	-18.16%
Licenses and permits	132,933	6.16%	128,325	5.61%	4,608	-3.61%
Intergovernmental	97,599	4.52%	80,232	3.51%	17,367	-13.62%
Charges for services	160,649	7.44%	284,922	12.46%	(124,273)	97.45%
Fines	91,579	4.24%	136,752	5.98%	(45,173)	35.42%
Revenue from the use of money and property	71,627	3.32%	73,999	3.24%	(2,372)	1.86%
Proceeds from sale of capital assets	2,671	0.12%	117	0.01%	2,554	-2.00%
Miscellaneous	39,679	1.84%	43,083	1.88%	(3,404)	2.67%
Total	\$ 2,159,574	100.00%	\$ 2,287,104	100.00%	\$ (127,530)	100.00%

- Taxes increased by \$23,163 or 1% as compared to the prior fiscal year. The increase is attributable to higher sales tax revenue received as the result of several new retail business establishments opening during the current fiscal year, partially offset by lower property tax revenue.
- Licenses and permits revenue increased by \$4,608 or 4% from the prior year. The growth in revenue can be attributed to an increase in building permits over the prior fiscal year.
- Intergovernmental revenue increased by \$17,367 to \$97,599 due primarily to an increase in motor vehicle fees allocated to the City by the State of California during the current fiscal year.
- Charges for services decreased \$124,273 or 44%. The significant decrease is due to lower planning and zoning fee revenue received during the year. Several new retail establishments were zoned by the City on the Highway 33 corridor in the prior fiscal year. There was no similar activity in the current fiscal year.
- Revenue from fines decreased \$45,173 or 33% from the prior fiscal year. Police service revenue from fines for repossessed vehicles and DUI convictions dropped significantly from the prior fiscal year due in part to successful efforts by the department starting in the prior fiscal year to educate and inform the community.
- The \$2,372 decrease in revenue from the use of money and property is due to lower rent income received on City owned property, offset by higher interest earnings on invested funds.
- Miscellaneous revenue decreased by \$3,404 due to receipt of one-time revenue during the prior fiscal year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The following provides an explanation of expenditures by function that changed significantly over the prior year:

**Expenditures by Function
GENERAL FUND**

	FY 2017		FY2016		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General government	\$ 506,405	20.14%	\$ 548,965	21.37%	\$ (42,560)	77.57%
Public safety	1,446,794	57.55%	1,282,703	49.94%	164,091	-299.07%
Public works	77,908	3.10%	89,013	3.47%	(11,105)	20.24%
Building and planning	133,269	5.30%	218,741	8.52%	(85,472)	155.78%
Parks and recreation	204,026	8.12%	258,632	10.07%	(54,606)	99.52%
Capital outlay	-	0.00%	112,025	4.36%	(112,025)	204.17%
Debt Service	<u>145,463</u>	<u>5.79%</u>	<u>58,654</u>	<u>2.28%</u>	<u>86,809</u>	<u>-158.21%</u>
Total	<u>\$ 2,513,865</u>	<u>100.00%</u>	<u>\$ 2,568,733</u>	<u>100.00%</u>	<u>\$ (54,868)</u>	<u>100.00%</u>

- General government expenditures decreased by \$42,560 to \$506,405 as compared to last year. Expenditures for legal services decreased by \$33,345 as compared to the prior year due to the settlement of the Warkentine lawsuit, coupled with small decreases in fees for other outside professional services.
- Public safety expenditures increased by \$164,091 over the previous fiscal year due primarily to higher wages and benefits paid to both administrative personnel and front-line officers. In addition, contracted police dispatching services provided through the City of Firebaugh increased \$25,000 over the prior year.
- Public works expenditures decreased by \$11,105 or 12% from the prior fiscal year. As was evident in the prior fiscal year, the decrease is due primarily to the reallocating of labor resources from public works to general street repair and maintenance handled by several of the City's special revenue funds during the current fiscal year.
- Building and planning expenditures decreased by \$85,472 over the previous fiscal year due to a substantial decrease in outsourced engineering service fees incurred by the City. This decrease directly correlates with the decrease in charges for services related to planning and zoning fees discussed in the revenue section on the previous page.
- As with the decrease in public works expenditures, the \$54,606 decline in parks expenditures is primarily attributable to the shifting of labor resources to street and road maintenance during the fiscal year, coupled with decreases in facility maintenance and supplies costs incurred during the year.
- The City's General Fund incurred no capital outlay expenditures for capital assets during the current fiscal year.
- Debt service payments increased by \$86,809 to \$145,463. The increase can be traced to the first-year obligation payments of \$60,000 and \$23,763 for the Warkentine legal settlement and a loan held by the Successor Trustee of the Mendota Redevelopment Agency, respectively.

The Home Investment Partnership Program Special Revenue Fund has a total fund deficit of \$8,705. The net increase in fund balance during the current year was \$2, representing interest earnings. The fund had no activity during the current fiscal year due to lack of new funding.

The Measure C Special Revenue Fund has a total fund balance of \$877,978, all of which is restricted to street maintenance and road improvement projects. The net decrease in fund balance during the current fiscal year was \$74,328. Several of the City's road projects during the fiscal year did not receive federal or state grant funding to offset the project cost. Consequently, in addition to current year Measure C revenue, the City utilized prior year available fund balances to fund these projects during the current fiscal year. Of the \$349,184 in apportioned sales tax revenue received through Measure C, the City utilized \$282,395 in general road maintenance during the current fiscal year, with the remaining revenue utilized on the above mentioned capital improvement projects.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The Police Building Capital Project Fund has a total fund balance of \$951,307, which is restricted in use to the acquisition by purchase or construction of a new police operational facility. The \$950,000 budget allocation was provided by the State of California. At the present time, the City is still in the planning stage of how to utilize the funds received. The fund realized interest earnings of \$1,307 during the fiscal year ended June 30, 2017.

The CDBG Program Special Revenue Fund has a total fund balance of \$340,561, all of which is restricted to housing and development. The net fund balance increased by \$405 during the current fiscal year due solely to interest earnings on its invested cash. The fund did not commence or enter into any new housing projects with local developers during the current fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning these funds have already been addressed in the discussion of Government-Wide Financial Analysis of business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

At the end of the fiscal year, actual expenditures were \$242,992 higher than the final budgetary appropriations. The higher expenditure variance is due to higher salaries and benefits for the City's police department that were not anticipated as the budget was being development last year. Approximately \$40,000 of police wages charged to special revenue funds dedicated to public safety in the prior fiscal year were, instead, paid from the General Fund during the current fiscal year accounting for 34% of the approximately \$117,000 increase in police wages over the previous year. In addition, debt service expenditures for principal and interest were inadvertently not budgeted for the fiscal year ended June 30, 2017, accounting for \$145,463 of negative variance reported.

During the year, actual revenues were \$72,005 lower than the final budgetary estimates. The revenue variance is due primarily to lower than anticipated revenue from planning and zoning fees, contracted police service revenue, and police fines and forfeitures. These lower revenues were partially offset by higher than projected intergovernmental revenue, specifically allocated motor vehicle fees received from the State of California.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets. The City's investment in capital assets of its governmental and business-type activities as of June 30, 2017, amounts to \$27,729,003 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, land improvements, building and improvements, and equipment. The total decrease in the City's investments in capital assets for the current year is approximately three percent.

City of Mendota's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 357,322	\$ 357,322	\$ 2,098,220	\$ 2,098,220	\$ 2,455,542	\$ 2,455,542
Construction in progress	541,091	284,845	45,806	56,400	586,897	341,245
Infrastructure - non depreciable	-	-	61,425	61,425	61,425	61,425
Infrastructure - depreciable	9,464,530	9,247,174	9,391,202	9,391,202	18,855,732	18,638,376
Land improvements	4,585,147	4,585,147	10,268,022	10,268,022	14,853,169	14,853,169
Buildings and improvements	1,414,456	1,414,456	2,910,182	2,683,681	4,324,638	4,098,137
Equipment	1,760,155	1,887,348	-	-	1,760,155	1,887,348
Less: accumulated depreciation	(6,142,691)	(5,475,511)	(9,025,864)	(8,413,202)	(15,168,555)	(13,888,713)
Total capital assets	\$ 11,980,010	\$ 12,300,781	\$ 15,748,993	\$ 16,145,748	\$ 27,729,003	\$ 28,446,529

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS (Continued)

Capital Assets (Continued)

This year's additions include:

Comencement of Marie and Divisadero Street reconstruction	\$ 299,737
Acquisition of vehicles used for water and sewer services	151,337
Deposit on the acquisition of an electric aircraft	67,770
Acquisition of additional water related equipment	61,311
Continued work on Derrick and 7th Street construction	59,799
Completion of work on school pedestrian improvements project	27,646
Commencement on 8th Street reconstruction project	18,650
Continued work on sewer lift station improvements	16,406
Acquisition of sewer related equipment	10,403
Acquisition of a gun rack and storage locker	6,353
Acquisition of a flail mover	6,900

Total additions	\$ 726,312
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For further information, see Note 5 of the financial statements on pages 47 through 48 of this report.

Long-term debt. At the end of the current fiscal year, the City of Mendota has total debt outstanding of \$6,207,181. Of this amount, \$700,539 is the liability of governmental activities and \$5,506,642 is the liability of business-type activities.

City of Mendota's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue bonds payable	\$ -	\$ -	\$ 4,837,746	\$ 5,143,065	\$ 4,837,746	\$ 5,143,065
Loans payable	635,901	751,881	627,630	682,850	1,263,531	1,434,731
Capital leases	-	-	2,523	8,345	2,523	8,345
Compensated absences	64,638	67,157	38,743	39,885	103,381	107,042
Total long-term liabilities	\$ 700,539	\$ 819,038	\$ 5,506,642	\$ 5,874,145	\$ 6,207,181	\$ 6,693,183

Additional information on the City's long-term debt can be found in Note 6 of the financial statements on pages 49 through 54 of this report.

ECONOMIC FACTORS AND NEXT FIVE YEARS' BUDGETS AND RATES

In preparing the budget for the next fiscal year, the following factors were taken into consideration:

- No employee salary adjustments for the current year.
- Health care adjustments of less than 3.0 percent.
- Increases in intergovernmental revenue to be received on various programs from the State of California. Property tax revenue and sales tax increase due to additions of new retailers in the City and an easing of the effects of drought on the local economy in and around the City of Mendota.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the City's finances for those with an interest in this area. Any questions concerning the information found in this report or requests for additional information should be directed to the Director of Finance, City of Mendota, 643 Quince Street, Mendota, CA 93640.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF MENDOTA

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,549,896	\$ 2,454,993	\$ 7,004,889
Receivables	2,322,451	464,765	2,787,216
Prepaid expenses	35,498	1,366	36,864
Internal balances	44,806	(44,806)	-
Restricted assets:			
Cash and cash equivalents	-	624,458	624,458
Capital assets:			
Nondepreciable	898,413	2,205,451	3,103,864
Depreciable (net)	<u>11,081,597</u>	<u>13,543,542</u>	<u>24,625,139</u>
Total assets	<u>18,932,661</u>	<u>19,249,769</u>	<u>38,182,430</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	<u>27,425</u>	<u>31,753</u>	<u>59,178</u>
Total deferred outflows of resources	<u>27,425</u>	<u>31,753</u>	<u>59,178</u>
LIABILITIES			
Accounts payable	258,942	185,436	444,378
Deposits	-	161,418	161,418
Accrued interest	6,120	125,784	131,904
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences payable	15,884	8,271	24,155
Capital lease payable	-	2,523	2,523
Revenue bonds payable	-	151,000	151,000
Loans payable	109,044	58,091	167,135
Portion due or payable after one year:			
Compensated absences payable	48,754	30,472	79,226
Revenue bonds payable	-	4,686,746	4,686,746
Loans payable	<u>526,857</u>	<u>569,539</u>	<u>1,096,396</u>
Total liabilities	<u>965,601</u>	<u>5,979,280</u>	<u>6,944,881</u>
NET POSITION			
Net investment in capital assets	11,595,694	10,281,094	21,876,788
Restricted for:			
Redevelopment and housing	2,708,189	-	2,708,189
Public safety	1,550,145	-	1,550,145
Highways and streets	2,004,261	-	2,004,261
Parks and recreation	189,431	-	189,431
Debt service reserve	-	959,140	959,140
Unrestricted	<u>(53,235)</u>	<u>2,062,008</u>	<u>2,008,773</u>
Total net position	<u>\$ 17,994,485</u>	<u>\$ 13,302,242</u>	<u>\$ 31,296,727</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF MENDOTA

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 537,285	\$ 35,681	\$ -	\$ -
Public safety	1,838,312	248,048	156,532	950,000
Municipal airport	25,036	-	10,000	67,770
Highways and streets	646,398	10,915	222,218	3,422
Public works	559,665	76,165	-	85,129
Building and planning	131,298	215,159	-	-
Parks and recreation	360,426	107,852	-	-
Redevelopment and housing	11,770	-	-	-
Economic development and assistance	54,427	-	-	-
Interest and fiscal charges	15,165	-	-	-
Total governmental activities	<u>4,179,782</u>	<u>693,820</u>	<u>388,750</u>	<u>1,106,321</u>
Business-Type Activities:				
Water	1,724,153	1,743,664	186,849	-
Sewer	1,427,957	1,438,307	4,869	-
Refuse	697,275	732,570	5,000	-
Mendota Joint Powers Financing Authority	3,165	-	-	-
Total business-type activities	<u>3,852,550</u>	<u>3,914,541</u>	<u>196,718</u>	<u>-</u>
Total City of Mendota	<u>\$ 8,032,332</u>	<u>\$ 4,608,361</u>	<u>\$ 585,468</u>	<u>\$ 1,106,321</u>

General revenues:

Taxes:

 Property taxes

 Sales tax

 Franchise taxes

 Other taxes

Earnings on investments

Miscellaneous

Total general revenues

Change in net position

Net position - beginning

Net position - ending

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (501,604)	\$ -	\$ (501,604)
(483,732)	-	(483,732)
52,734	-	52,734
(409,843)	-	(409,843)
(398,371)	-	(398,371)
83,861	-	83,861
(252,574)	-	(252,574)
(11,770)	-	(11,770)
(54,427)	-	(54,427)
<u>(15,165)</u>	<u>-</u>	<u>(15,165)</u>
<u>(1,990,891)</u>	<u>-</u>	<u>(1,990,891)</u>
-	206,360	206,360
-	15,219	15,219
-	40,295	40,295
<u>-</u>	<u>(3,165)</u>	<u>(3,165)</u>
<u>-</u>	<u>258,709</u>	<u>258,709</u>
<u>(1,990,891)</u>	<u>258,709</u>	<u>(1,732,182)</u>
1,009,370	-	1,009,370
527,888	-	527,888
110,595	-	110,595
850,078	-	850,078
7,954	18,617	26,571
<u>137,582</u>	<u>119,664</u>	<u>257,246</u>
<u>2,643,467</u>	<u>138,281</u>	<u>2,781,748</u>
652,576	396,990	1,049,566
<u>17,341,909</u>	<u>12,905,252</u>	<u>30,247,161</u>
<u>\$ 17,994,485</u>	<u>\$ 13,302,242</u>	<u>\$ 31,296,727</u>

The notes to the basic financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF MENDOTA

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General	Measure C Special Revenue Fund	HOME Investment Partnership Program Special Revenue Fund	CDBG Program Special Revenue Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 283,746	\$ 878,967	\$ -	\$ 340,454
Receivables	165,759	24,825	1,254,010	841,408
Due from other funds	186,781	-	-	-
Prepaid expenses	<u>31,232</u>	<u>312</u>	<u>-</u>	<u>-</u>
Total assets	<u>667,518</u>	<u>904,104</u>	<u>1,254,010</u>	<u>1,181,862</u>
LIABILITIES				
Accounts payable	166,373	26,126	-	-
Due to other funds	-	-	8,706	-
Settlement payable - current	60,000	-	-	-
Advances from other funds	<u>117,543</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>343,916</u>	<u>26,126</u>	<u>8,706</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - loans	<u>-</u>	<u>-</u>	<u>1,254,009</u>	<u>841,301</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,254,009</u>	<u>841,301</u>
FUND BALANCES				
Nonspendable:				
Prepays	31,232	312	-	-
Restricted for:				
Redevelopment and housing	-	-	900	340,561
Public safety	-	-	-	-
Highways and streets	-	877,666	-	-
Parks and recreation	-	-	-	-
Committed to:				
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Subsequent year budget deficit	17,213	-	-	-
Assigned to:				
Public Safety	1,480	-	-	-
Streets and roads	37,722	-	-	-
Unassigned	<u>235,955</u>	<u>-</u>	<u>(9,605)</u>	<u>-</u>
Total fund balances (deficit)	<u>323,602</u>	<u>877,978</u>	<u>(8,705)</u>	<u>340,561</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 667,518</u>	<u>\$ 904,104</u>	<u>\$ 1,254,010</u>	<u>\$ 1,181,862</u>

The notes to the basic financial statements are an integral part of this statement.

Police Building Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 951,008	\$ 2,095,721	\$ 4,549,896
299	36,150	2,322,451
-	-	186,781
-	3,954	35,498
<u>951,307</u>	<u>2,135,825</u>	<u>7,094,626</u>
-	66,443	258,942
-	15,726	24,432
-	-	60,000
-	-	117,543
<u>-</u>	<u>82,169</u>	<u>460,917</u>
<u>-</u>	<u>-</u>	<u>2,095,310</u>
<u>-</u>	<u>-</u>	<u>2,095,310</u>
-	3,954	35,498
-	271,418	612,879
951,307	598,838	1,550,145
-	1,126,595	2,004,261
-	189,431	189,431
-	28,635	28,635
-	33,270	33,270
-	-	17,213
-	-	1,480
-	-	37,722
<u>-</u>	<u>(198,485)</u>	<u>27,865</u>
<u>951,307</u>	<u>2,053,656</u>	<u>4,538,399</u>
<u>\$ 951,307</u>	<u>\$ 2,135,825</u>	<u>\$ 7,094,626</u>

The notes to the basic financial statements are an integral part of this statement.

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CITY OF MENDOTA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total fund balances - governmental funds		\$ 4,538,399
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$18,122,701 and the accumulated depreciation is \$6,142,691.		11,980,010
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		2,095,310
Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		(6,120)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Loan payable	(575,901)	
Compensated absences	<u>(64,638)</u>	(640,539)
Pension related deferred outflows of resources are not due in the current period and, therefore, are not reported in the funds.		<u>27,425</u>
Net position of governmental activities		<u>\$ 17,994,485</u>

CITY OF MENDOTA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	General	Measure C Special Revenue Fund	HOME Investment Partnership Program Special Revenue Fund	CDBG Program Special Revenue Fund
REVENUES				
Taxes	\$ 1,562,837	\$ 349,184	\$ -	\$ -
Licenses and permits	132,933	-	-	-
Intergovernmental	97,599	3,422	-	-
Charges for services	160,649	-	-	-
Fines	91,579	-	-	-
Revenue from the use of money and property	71,627	1,122	2	405
Miscellaneous	39,679	-	-	-
	<u>2,156,903</u>	<u>353,728</u>	<u>2</u>	<u>405</u>
EXPENDITURES				
Current:				
General government	506,405	-	-	-
Public safety	1,446,794	-	-	-
Municipal airport	-	-	-	-
Highways and streets	-	282,395	-	-
Public works	77,908	-	-	-
Building and planning	133,269	-	-	-
Parks and recreation	204,026	-	-	-
Redevelopment and housing	-	-	-	-
Capital outlay	-	145,661	-	-
Debt service:				
Principal	115,980	-	-	-
Interest	29,483	-	-	-
	<u>2,513,865</u>	<u>428,056</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(356,962)</u>	<u>(74,328)</u>	<u>2</u>	<u>405</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	2,671	-	-	-
Transfers in	-	-	-	-
Transfers out	(156,094)	-	-	-
	<u>(153,423)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(510,385)	(74,328)	2	405
Fund balances - beginning (restated)	<u>833,987</u>	<u>952,306</u>	<u>(8,707)</u>	<u>340,156</u>
Fund balances (deficit) - ending	<u>\$ 323,602</u>	<u>\$ 877,978</u>	<u>\$ (8,705)</u>	<u>\$ 340,561</u>

The notes to the basic financial statements are an integral part of this statement.

Police Building Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 585,910	\$ 2,497,931
-	308,659	441,592
950,000	446,050	1,497,071
-	-	160,649
-	-	91,579
1,307	2,510	76,973
-	29,393	69,072
<u>951,307</u>	<u>1,372,522</u>	<u>4,834,867</u>
-	-	506,405
-	315,956	1,762,750
-	8,474	8,474
-	380,883	663,278
-	-	77,908
-	-	133,269
-	20,473	224,499
-	11,770	11,770
-	337,745	483,406
-	-	115,980
-	250	29,733
-	<u>1,075,551</u>	<u>4,017,472</u>
<u>951,307</u>	<u>296,971</u>	<u>817,395</u>
-	-	2,671
-	156,094	156,094
-	-	(156,094)
-	<u>156,094</u>	<u>2,671</u>
951,307	453,065	820,066
-	<u>1,600,591</u>	<u>3,718,333</u>
<u>\$ 951,307</u>	<u>\$ 2,053,656</u>	<u>\$ 4,538,399</u>

CITY OF MENDOTA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

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

Net change in fund balances - total governmental funds	\$ 820,066
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay in the current period.	(320,770)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position.	115,980
In the statement of activities, compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid).	2,519
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(5,180)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	12,536
Changes to the pension related deferred outflows do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>27,425</u>
Change in net position of governmental activities	<u>\$ 652,576</u>

CITY OF MENDOTA

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

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,259,738	\$ 1,052,847	\$ -	\$ 142,408	\$ 2,454,993
Accounts receivable, net	191,097	191,537	81,404	-	464,038
Interest receivable	365	338	-	24	727
Prepaid expenses	795	571	-	-	1,366
Total current assets	<u>1,451,995</u>	<u>1,245,293</u>	<u>81,404</u>	<u>142,432</u>	<u>2,921,124</u>
Noncurrent assets:					
Advances to other funds	-	35,086	-	192,250	227,336
Restricted assets:					
Cash and cash equivalents	-	624,458	-	-	624,458
Capital assets:					
Nondepreciable	79,281	2,126,170	-	-	2,205,451
Depreciable (net)	<u>5,802,302</u>	<u>7,741,240</u>	-	-	<u>13,543,542</u>
Total noncurrent assets	<u>5,881,583</u>	<u>10,526,954</u>	<u>-</u>	<u>192,250</u>	<u>16,600,787</u>
Total assets	<u>7,333,578</u>	<u>11,772,247</u>	<u>81,404</u>	<u>334,682</u>	<u>19,521,911</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	<u>15,917</u>	<u>14,551</u>	<u>1,285</u>	<u>-</u>	<u>31,753</u>
Total deferred outflows of resources	<u>15,917</u>	<u>14,551</u>	<u>1,285</u>	<u>-</u>	<u>31,753</u>
LIABILITIES					
Current liabilities:					
Accounts payable	93,833	36,697	54,906	-	185,436
Deposits	161,418	-	-	-	161,418
Due to other funds	-	-	162,349	-	162,349
Accrued interest	12,938	112,846	-	-	125,784
Compensated absences payable	3,587	3,633	1,051	-	8,271
Capital lease payable	-	2,523	-	-	2,523
Revenue bonds payable	-	151,000	-	-	151,000
Loans payable	<u>42,000</u>	<u>16,091</u>	<u>-</u>	<u>-</u>	<u>58,091</u>
Total current liabilities	<u>313,776</u>	<u>322,790</u>	<u>218,306</u>	<u>-</u>	<u>854,872</u>
Noncurrent liabilities:					
Advances from other funds	109,793	-	-	-	109,793
Compensated absences payable	14,774	14,765	933	-	30,472
Revenue bonds payable	-	4,686,746	-	-	4,686,746
Loans payable	<u>533,000</u>	<u>36,539</u>	<u>-</u>	<u>-</u>	<u>569,539</u>
Total noncurrent liabilities	<u>657,567</u>	<u>4,738,050</u>	<u>933</u>	<u>-</u>	<u>5,396,550</u>
Total liabilities	<u>971,343</u>	<u>5,060,840</u>	<u>219,239</u>	<u>-</u>	<u>6,251,422</u>
NET POSITION					
Net investment in capital assets	5,306,583	4,974,511	-	-	10,281,094
Restricted for:					
Debt service	-	624,458	-	334,682	959,140
Unrestricted	<u>1,071,569</u>	<u>1,126,989</u>	<u>(136,550)</u>	<u>-</u>	<u>2,062,008</u>
Total net position (deficit)	<u>\$ 6,378,152</u>	<u>\$ 6,725,958</u>	<u>\$ (136,550)</u>	<u>\$ 334,682</u>	<u>\$ 13,302,242</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF MENDOTA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Operating revenues:					
Charges for services	\$ 1,742,869	\$ 1,438,307	\$ 732,570	\$ -	\$ 3,913,746
Miscellaneous	795	-	5,000	-	5,795
Total operating revenues	<u>1,743,664</u>	<u>1,438,307</u>	<u>737,570</u>	<u>-</u>	<u>3,919,541</u>
Operating expenses:					
Wages and benefits	519,155	463,790	54,340	-	1,037,285
Maintenance and supplies	827,271	435,583	642,935	-	1,905,789
Depreciation	316,584	296,078	-	-	612,662
Amortization	-	4,681	-	-	4,681
Bad debt	1,835	-	-	-	1,835
Total operating expenses	<u>1,664,845</u>	<u>1,200,132</u>	<u>697,275</u>	<u>-</u>	<u>3,562,252</u>
Operating income (loss)	<u>78,819</u>	<u>238,175</u>	<u>40,295</u>	<u>-</u>	<u>357,289</u>
Nonoperating revenue (expenses):					
Developer fees	186,849	4,869	-	-	191,718
Interest income	1,292	2,775	-	14,550	18,617
Interest expense	(32,308)	(227,825)	-	(3,165)	(263,298)
Other nonoperating income	54,470	65,194	-	-	119,664
Gain (loss) on sale of assets	(27,000)	-	-	-	(27,000)
Total nonoperating revenues (expenses)	<u>183,303</u>	<u>(154,987)</u>	<u>-</u>	<u>11,385</u>	<u>39,701</u>
Change in net position	262,122	83,188	40,295	11,385	396,990
Net position (deficit) - beginning	<u>6,116,030</u>	<u>6,642,770</u>	<u>(176,845)</u>	<u>323,297</u>	<u>12,905,252</u>
Net position (deficit) - ending	<u>\$ 6,378,152</u>	<u>\$ 6,725,958</u>	<u>\$ (136,550)</u>	<u>\$ 334,682</u>	<u>\$ 13,302,242</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF MENDOTA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Cash flow from operating activities:					
Cash received from customers	\$ 1,771,147	\$ 1,398,040	\$ 730,169	\$ -	\$ 3,899,356
Cash payments to suppliers	(826,389)	(472,793)	(693,967)	-	(1,993,149)
Cash payments to employees	(535,796)	(479,058)	(55,326)	-	(1,070,180)
Other operating cash receipts	<u>795</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,795</u>
Net cash provided (used) by operating activities	<u>409,757</u>	<u>446,189</u>	<u>(14,124)</u>	<u>-</u>	<u>841,822</u>
Cash flow from noncapital financing activities:					
Loans from/(to) other funds	(21,473)	10,146	14,124	(109,903)	(107,106)
Other nonoperating cash receipts	<u>54,470</u>	<u>65,194</u>	<u>-</u>	<u>-</u>	<u>119,664</u>
Net cash provided (used) by noncapital financing activities	<u>32,997</u>	<u>75,340</u>	<u>14,124</u>	<u>(109,903)</u>	<u>12,558</u>
Cash flow from capital and related financing activities:					
Cash received from developers	186,849	4,869	-	-	191,718
Principal and interest paid on capital debt	(73,208)	(397,280)	-	(173,493)	(643,981)
Acquisition or construction of capital assets	<u>(136,979)</u>	<u>(105,928)</u>	<u>-</u>	<u>-</u>	<u>(242,907)</u>
Net cash provided (used) by capital and related financing activities	<u>(23,338)</u>	<u>(498,339)</u>	<u>-</u>	<u>(173,493)</u>	<u>(695,170)</u>
Cash flow from investing activities:					
Interest and dividends on investments	<u>1,133</u>	<u>2,719</u>	<u>-</u>	<u>14,526</u>	<u>18,378</u>
Net cash provided (used) by investing activities	<u>1,133</u>	<u>2,719</u>	<u>-</u>	<u>14,526</u>	<u>18,378</u>
Net increase (decrease) in cash	420,549	25,909	-	(268,870)	177,588
Cash and cash equivalents, July 1, 2016	<u>839,189</u>	<u>1,651,396</u>	<u>-</u>	<u>411,278</u>	<u>2,901,863</u>
Cash and cash equivalents, June 30, 2017	<u>\$ 1,259,738</u>	<u>\$ 1,677,305</u>	<u>\$ -</u>	<u>\$ 142,408</u>	<u>\$ 3,079,451</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF MENDOTA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017
 (Continued)**

**Reconciliation of Operating Income (Loss) to Net Cash
 Provided (Used) by Operating Activities**

	Business-Type Activities -- Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	Total
Operating income (loss)	\$ 78,819	\$ 238,175	\$ 40,295	\$ -	\$ 357,289
<i>Adjustments to reconcile operating income (loss) to net cash used by operating activities:</i>					
Depreciation and amortization	316,584	300,759	-	-	617,343
Bad debt expense	1,835	-	-	-	1,835
<i>Change in assets and liabilities:</i>					
Decrease (increase) in receivables	15,103	(40,267)	(2,401)	-	(27,565)
Decrease (increase) in prepaid expenses	(245)	(263)	-	-	(508)
Decrease (increase) in pension deferred outflows	(15,917)	-	-	-	(15,917)
Increase (decrease) in accounts payable	1,127	(14,551)	(1,285)	-	(14,709)
Increase (decrease) in compensated absences	(724)	(36,947)	(51,032)	-	(88,703)
Increase (decrease) in customer deposits	13,175	(717)	299	-	12,757
Net cash provided (used) by operating activities	<u>\$ 409,757</u>	<u>\$ 446,189</u>	<u>\$ (14,124)</u>	<u>\$ -</u>	<u>\$ 841,822</u>

Schedule of Non-Cash Capital and Related Financing Activities

	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	Total
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Mendota Joint Powers Financing Authority</u>	<u>Total</u>
Gain (loss) on disposal of capital assets	<u>\$ (27,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,000)</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF MENDOTA

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

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents:	
Held with fiscal agent	\$ 1,269,031
Loans receivable	<u>59,795</u>
 Total assets	 <u>1,328,826</u>
NET POSITION	
Held in trust for pension benefits	<u>1,328,826</u>
 Total net position	 <u>\$ 1,328,826</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF MENDOTA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment earnings	\$ 82,273
Employer contributions	16,846
Employee contributions	<u>65,595</u>
Total additions	<u>164,714</u>
DEDUCTIONS	
Current:	
Plan fees	12,507
Withdrawals	<u>37,974</u>
Total deductions	<u>50,481</u>
Change in net position	114,233
Net position - beginning	<u>1,214,593</u>
Net position - ending	<u>\$ 1,328,826</u>

The notes to the basic financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES

The basic financial statements of City of Mendota (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting principles are described below.

Reporting Entity

The City was incorporated in 1942 as a general law city of the State of California and, as such, can exercise the powers specified by the constitution and laws of the State of California. The City is governed by an elected five-member City Council under the administration of an appointed City Manager. The City provides the following services: public safety; community services; planning and zoning; street construction and maintenance; water; refuse collection and disposal; sewer; street cleaning and general administrative services.

As required by generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government’s operations. Further, the City Council has significant influence over the operations of the component units and data from these units are combined with data of the primary government. The blended component units have a June 30 year-end.

Blended Component Unit

Mendota Joint Powers Financing Authority (the “Authority”) – The Authority was established by the Mendota City Council to facilitate the issuance of the City’s debt. The activity of the Mendota Joint Powers Financing Authority is reported in these financial statements as an enterprise fund.

Mendota Community Corporation (the “Corporation”) – The Corporation was incorporated in the State of California on April 13, 2015 by the Mendota City Council as a nonprofit entity under Internal Revenue Code Section 501(C)(3) to facilitate the receipt of tax deductible donations from the public to fund various philanthropic causes within the City of Mendota. The activity of the Mendota Community Corporation is reported in these financial statements as a special revenue fund.

Basis of Presentation

Management’s Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the City’s financial activities in the form of “management’s discussion and analysis” (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements:

The fund financial statements provide information about the City's funds. Separate statements for each fund category—*governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds; each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund: This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Measure C Special Revenue Fund: This fund is used to account for apportioned local sales tax revenues to be used exclusively for maintenance and improvement of the City's streets and roads.

HOME Investment Partnership Program Special Revenue Fund: This fund is used to account for grant funds received from the Federal Government for the purpose of developing viable urban communities and for the City's rehabilitation program.

Community Development Block Grants Program (CDBG Program) Special Revenue Fund: This fund is used to account for grant funds received from the Federal Government for the purpose of providing affordable loans to developers of low income housing within the City and, also, to provide direct housing loans to low income residents of the City.

Police Building Capital Project Fund: This fund is used to account for budget allocated funds received from the State of California for the purpose of constructing or acquiring facilities for law enforcement operations and administration within the City of Mendota.

The City reports the following major enterprise funds:

Water Fund: This fund is used to account for the activities of the City's water distribution operations.

Sewer Fund: This fund is used to account for the activities of the City's wastewater utility.

Sanitation Fund: This fund is used to account for the activities of the City's sanitation services.

Mendota Joint Powers Financing Authority Fund: This fund is used to account for the 1989 Series A Revenue Bonds which were issued to provide funds for the acquisition of various obligations of the City of Mendota and the Mendota Redevelopment Agency and to finance certain public projects located within the City and various redevelopment projects located in the Project Area.

The City reports the following fiduciary fund types:

Pension Trust Fund: This fund is used to account for the City's pension plan.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers certain revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, as well as compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These investments are not specifically identified with any one fund. Interest is allocated to the individual funds on the basis of average cash balances.

Restricted Assets

Certain proceeds of general obligation debt and enterprise debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. "Cash with Fiscal Agent" is used to report resources set aside for potential deficiencies in the repayment ability of the debt service fund and enterprise funds, and for payment of construction projects undertaken by the City.

Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g. roads, sidewalks, traffic lights and signals, street lights and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The City's policy has set the capitalization threshold for reporting capital assets as follows:

<u>Capital Assets</u>	<u>Minimum Threshold</u>
Land	\$ 100,000
Land improvements	5,000
Buildings	100,000
Building improvements	5,000
Vehicles	5,000
Equipment/machinery	5,000
Infrastructure	100,000
Utility systems	100,000
Information technology equipment	5,000

For capital assets, depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

<u>Capital Assets</u>	<u>Useful Life</u>
Land improvements	10-20 years
Buildings	25-40 years
Building improvements	25-40 years
Vehicles	5-10 years
Equipment/machinery	5-10 years
Infrastructure	20-40 years
Utility systems	25-40 years
Information technology equipment	3-5 years

The City has decided not to capitalize general infrastructure assets retroactively as allowed under paragraph 148 of GASB Statement No. 34.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Interest Payable

In the government-wide financial statements, interest payable of long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

In the fund financial statements, proprietary fund types recognize the interest payable when the liability is incurred.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Unearned Revenue

In the government-wide financial statements, unearned revenue is recognized for transactions for which revenue has not yet been earned. Typically, transactions recorded as unearned revenue in the government-wide financial statements are long-term loans receivable and prepaid charges for services.

Unavailable Revenue

In the fund financial statements, unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrued basis of accounting. The City records unavailable revenue for transactions for which revenues have been earned but are not available to meet current financial obligations. Typical transactions for which unavailable revenue is recorded are property taxes earned but not yet available.

Compensated Absences

Compensated absences are recorded in accordance with GASB. Vested or accumulated compensated absences that are expected to be liquidated with current financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated compensated absences that are not expected to be liquidated with expendable available financial resources are reported in the governmental activities of the government-wide financial statements. Vested or accumulated compensated absences of proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees.

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) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position and Fund Balance

Net Position

In government-wide financial statements, net position is reported in three categories as follows:

- *Net Investment in Capital Assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvements of the assets.
- *Restricted Net Position* – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- *Unrestricted Net Position* – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Net Position and Fund Balance (Continued)

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the City. This classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amount.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

In the General Fund, the City strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Property Tax Calendar

Secured property taxes become a lien on the property as of January 1 and are levied in two equal installments: the first due November 1, and delinquent on December 11, and the second due February 1 and delinquent April 11. Property taxes on unsecured property are due on the lien date of March 1 and become delinquent on September 1. The County of Fresno is responsible for the assessment, collection and apportionment for all jurisdictions within the County, including the City of Mendota.

The City accounts for property taxes in conformance with NCGA Interpretation 3 which requires that: (1) taxes relating to the current budget and collected within 60 days after the year-end of the budget period be recognized as revenue currently; and (2) a property tax assessment made during the current year, for the purpose of financing the budget of the following fiscal period, be recorded as receivable and the related revenue deferred to the period for which it was levied.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

The City of Mendota maintains a cash and investment pool that is available for all funds. Each fund type balance in the pool is reflected on the combined balance sheet as cash and investments. The City apportions interest earnings to all funds based on their monthly cash balances. Certain restricted funds which are held and invested by independent outside custodians through contractual agreements are not pooled. These restricted funds include cash and investment held by trustees.

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

Statement of Net Position:	
Cash and cash equivalents	\$ 7,004,889
Cash and cash equivalents - restricted	624,458
Fiduciary Funds Statement of Net Position	<u>1,269,031</u>
Total cash and investments	<u>\$ 8,898,378</u>

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

Cash on hand	\$ 700
Bank deposits	5,903,302
Deposits with financial institutions	1,269,031
LAIF	1,100,887
Investments	<u>624,458</u>
Total cash and investments	<u>\$ 8,898,378</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Deposits

The carrying amount of the City's cash deposit was \$5,903,302 at June 30, 2017. The bank balance at June 30, 2017 was \$5,754,534 the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name as described below.

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

Investments

Investments Authorized by the City's Investment Policy

The City of Mendota's investment policy only authorizes investment in the local government investment pool administered by the State of California (LAIF). The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provision of debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
U.S. Treasury Obligations	None
U.S. Agency Securities	None
Banker's Acceptances	180 days
Commercial Paper	270 days
Money Market Mutual Funds	N/A

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

<u>Investment Type</u>		<u>Remaining Maturity Date</u>
State investment pool	\$ 1,100,887	12 months or less
Held by fiscal agents:		
Money market	<u>624,458</u>	12 months or less
Total	<u>\$ 1,725,345</u>	

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is actual rating as of year-end for each investment type:

<u>Investment Type</u>		<u>Ratings as of Year-End</u>	
		<u>AAA</u>	<u>Not Rated</u>
State investment pool	\$ 1,100,887	\$ -	\$ 1,100,887
Held by fiscal agents:			
Money market	<u>624,458</u>	<u>624,458</u>	<u>-</u>
Total	<u>\$ 1,725,345</u>	<u>\$ 624,458</u>	<u>\$ 1,100,887</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City holds investments in U.S. Bank Money Market Account that represents 5 percent or more of total City investments.

Investments in any one issuer that represent 5 percent or more of total investments by reporting unit (primary government, governmental activities, major funds, nonmajor funds in aggregate, etc.) are as follows:

\$620,458 of cash and investments (including amounts held by bond trustee) reported in the Sewer Fund are held in the form of the above-described money market funds.

Custodial Credit Risk

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (i.e. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amount based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based in the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Pension Trust Fund

The City is the plan administrator for the City's 401(K) Profit Sharing Plan. The market value of plan assets at June 30, 2017 is \$1,269,031.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

Investments valuation

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs. Fair value measurements of the City's investments are as follows at June 30, 2016:

- Investment in the Local Agency Investment Fund: valued at \$1,093,765, based on the City's pro-rata share of the fair value provided by the LAIF for the entire LAIF portfolio. LAIF invests in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, LAIF is not an investment type that can be categorized in any particular level in the fair value hierarchy.
- The pension trust fund for the City of Mendota 401(k) Profit Sharing Plan invests in Equity securities: valued at \$983,177, based on quoted market prices (Level 1 inputs).

NOTE 3 – RECEIVABLES

Accounts receivable as of June 30, 2017 consist of the following:

Governmental Activities

	General	Measure C Special Revenue Fund	HOME Investment Partnership Program Special Revenue Fund	CDBG Program Special Revenue Fund	Police Building Capital Projects Fund	Nonmajor Governmental	Total
Receivables:							
Intergovernmental	\$ 120,554	\$ 24,541	\$ -	-	-	\$ 35,454	\$ 180,549
Interest	422	284	1	107	299	696	1,809
Loans	44,783	-	1,254,009	841,301	-	-	2,140,093
Receivables, net	<u>\$ 165,759</u>	<u>\$ 24,825</u>	<u>\$ 1,254,010</u>	<u>\$ 841,408</u>	<u>\$ 299</u>	<u>\$ 36,150</u>	<u>\$ 2,322,451</u>

Business-Type Activities

	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	Total
Receivables:					
Accounts	\$ 234,797	\$ 202,706	\$ 91,215	\$ -	\$ 528,718
Interest	365	338	-	24	727
Allowance for uncollectible	<u>(43,700)</u>	<u>(11,169)</u>	<u>(9,811)</u>	<u>-</u>	<u>(64,680)</u>
Receivables, net	<u>\$ 191,462</u>	<u>\$ 191,875</u>	<u>\$ 81,404</u>	<u>\$ 24</u>	<u>\$ 464,765</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 – INTERFUND ACTIVITY

Due from/Due to Other Funds

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed and are expected to be repaid shortly after the end of the fiscal year. Interfund receivable and payable balances have primarily been recorded when funds overdraw their share of pooled cash.

Activities within due from/due to other fund balances at June 30, 2017 are as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General Fund	\$ 186,781	\$ -
HOME Investment Partnership Program Special Revenue Fund	-	8,706
Sanitation Fund	-	162,349
Nonmajor Funds:		
Aviation Assistance Special Revenue Fund	-	15,726
 Total	 <u>\$ 186,781</u>	 <u>\$ 186,781</u>

Advances to/Advances from Other Funds

Advances receivable constitute long-term borrowing between funds. Advances typically carry a stated interest rate and have scheduled debt service payments. At June 30, 2017, the funds below have made advances that were not expected to be repaid in one year or less.

	<u>Advances To</u>	<u>Advances From</u>
Major Funds:		
General Fund	\$ -	\$ 117,543
Water Fund	-	109,793
Sewer Fund	35,086	-
Mendota Joint Powers Financing Authority	192,250	-
 Total	 <u>\$ 227,336</u>	 <u>\$ 227,336</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue through which the resources are to be expended. Interfund transfers for the year ended June 30, 2017 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
General Fund	\$ -	\$ 156,094
Nonmajor Funds:		
Mendota Community Corporation Special Revenue Fund	500	-
General Bond Debt Service Fund	155,594	-
	<u>\$ 156,094</u>	<u>\$ 156,094</u>

In January 2017, the City terminated its General Bond Debt Service Fund upon its final installment payment of an obligation to the Mendota Joint Powers Authority. A cash deficit of \$155,594 that existed in the General Bond Debt Service Fund was eliminated by an operating transfer from the City's General Fund.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – CAPITAL ASSETS

A summary of governmental activities capital assets activity for the year ended June 30, 2017 is as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 357,322	\$ -	\$ -	\$ 357,322
Construction in progress	<u>284,845</u>	<u>445,956</u>	<u>(189,710)</u>	<u>541,091</u>
Total capital assets, not being depreciated	<u>642,167</u>	<u>445,956</u>	<u>(189,710)</u>	<u>898,413</u>
Capital assets, being depreciated:				
Infrastructure	9,247,174	217,356	-	9,464,530
Land improvements	4,585,147	-	-	4,585,147
Buildings and improvements	1,414,456	-	-	1,414,456
Equipment	<u>1,887,348</u>	<u>9,803</u>	<u>(136,996)</u>	<u>1,760,155</u>
Total capital assets, being depreciated	<u>17,134,125</u>	<u>227,159</u>	<u>(136,996)</u>	<u>17,224,288</u>
Less: accumulated depreciation	<u>5,475,512</u>	<u>804,175</u>	<u>(136,996)</u>	<u>6,142,691</u>
Total capital asset, being depreciated, net	<u>11,658,613</u>	<u>(577,016)</u>	<u>-</u>	<u>11,081,597</u>
Business-type activities capital assets, net	<u>\$ 12,300,780</u>	<u>\$ (131,060)</u>	<u>\$ (189,710)</u>	<u>\$ 11,980,010</u>

Depreciation expense was charged to the following governmental activities functions on the statement of activities:

General government	\$ 17,810
Public safety	73,530
Municipal airport	16,629
Hghways and streets	496,927
Public works	39,775
Parks and recreation	<u>159,504</u>
Total depreciation expense - business-type activities	<u>\$ 804,175</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – CAPITAL ASSETS (Continued)

A summary of business-type capital assets activity for the year ended June 30, 2017 is as follows:

	<u>Balance June 30, 2016</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance June 30, 2017</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,098,220	\$ -	\$ -	\$ 2,098,220
Construction in progress	56,400	16,406	(27,000)	45,806
Infrastructure	<u>61,425</u>	<u>-</u>	<u>-</u>	<u>61,425</u>
Total capital assets, not being depreciated	<u>2,216,045</u>	<u>16,406</u>	<u>(27,000)</u>	<u>2,205,451</u>
Capital assets, being depreciated:				
Infrastructure	9,391,202	-	-	9,391,202
Buildings and improvements	10,268,022	-	-	10,268,022
Equipment	<u>2,683,681</u>	<u>226,501</u>	<u>-</u>	<u>2,910,182</u>
Total capital assets, being depreciated	<u>22,342,905</u>	<u>226,501</u>	<u>-</u>	<u>22,569,406</u>
Less: accumulated depreciation	<u>8,413,202</u>	<u>612,662</u>	<u>-</u>	<u>9,025,864</u>
Total capital asset, being depreciated, net	<u>13,929,703</u>	<u>(386,161)</u>	<u>-</u>	<u>13,543,542</u>
Business-type activities capital assets, net	<u>\$ 16,145,748</u>	<u>\$ (369,755)</u>	<u>\$ (27,000)</u>	<u>\$ 15,748,993</u>

Depreciation expense was charged to the following business-type activities:

Water	\$ 316,584
Sewer	<u>296,078</u>
Total depreciation expense - business-type activities	<u>\$ 612,662</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions for the City for the year ended June 30, 2017 is as follows:

	<u>Balance July 1, 2016</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Governmental Activities:					
Central San Joaquin Valley Risk Management Authority Loan, payable in annual principal reductions from \$20,000 to \$11,103, non-interest bearing. Instrument matures on February 12, 2018.	\$ 31,585	-	\$ (20,000)	\$ 11,585	\$ 11,585
Westamerica Bank Loan, payable in monthly installments of \$1,012, including interest at 5.50%. Instrument matures on March 31, 2020 and is secured by police vehicles acquired.	41,006	-	(10,112)	30,894	10,691
Westamerica Bank Loan, payable in monthly installments of \$1,626, including interest at 5.50%. Instrument matures on October 1, 2020 and is secured by first trust deed on real property acquired.	75,000	-	(15,725)	59,275	16,625
Contractual legal settlement in the case of <i>Warkentine et al. v. Soria et al.</i> , in which the City of Mendota was a party. Initial principal reduction of \$350,000 paid on March 11, 2016, to be followed by five equal, non-interest bearing, annual installments of \$60,000 beginning March 2, 2017. Maturing on March 2, 2021.	300,000	-	(60,000)	240,000	60,000
Loan due to the Successor Agency of the Mendota Redevelopment Agency. Interest is calculated and accrued quarterly based on the current rate of interest earned with the California Local Agency Investment Fund. Annual principal reductions of \$10,143, including interest (as determined), will commence thereafter. Instrument matures in August 2039.	304,290	-	(10,143)	294,147	10,143
Compensated absences	<u>67,157</u>	<u>122,185</u>	<u>(124,704)</u>	<u>64,638</u>	<u>15,884</u>
Governmental activities long-term liabilities	<u>\$ 819,038</u>	<u>\$ 122,185</u>	<u>\$ (240,684)</u>	<u>\$ 700,539</u>	<u>\$ 124,928</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

	<u>Balance July 1, 2016</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Westamerica capital lease for Pitney Bowes Invoice Folding Machine, payable in monthly installments of \$512, including interest at 5.5%. Instrument matures on December 15, 2017.	\$ 8,345	-	\$ (5,822)	\$ 2,523	\$ 2,523
1989 Finance Authority Revenue Bonds, payable in annual principal reductions from \$30,000 to \$160,000, interest payable semi-annually at 7.75% per annum. The bond was fully redeemed on October 19, 2016.	165,000	-	(165,000)	-	-
USDA Water Improvement Loan, payable in annual principal reductions from \$22,000 to \$60,000, interest payable semi-annually at 4.50% per annum.	615,000	-	(40,000)	575,000	42,000
Westamerica Bank Loan, payable in monthly installments of \$1,552, including interest at 5.50%. Instrument matures on July 20, 2020 and is secured by three work trucks acquired.	67,850	-	(15,220)	52,630	16,091
Mendota Joint Powers Financing Authority Wastewater Revenue Bonds, Series 2005, payable in annual principal reductions from \$30,000 to \$200,000, interest payable on January 1 and July 1; serial bonds with annual maturities on July 1 beginning in 2006, in amounts from \$30,000 to \$135,000, with interest rates from 3.00% to 4.75%; term bonds in the amount of \$620,000 at 5.10% maturing July 1, 2024, and in the amount of \$1,725,000 at 5.25% maturing July 1, 2035, with annual payments ranging from \$135,000 to \$200,000 beginning 2024.	2,970,000	-	(115,000)	2,855,000	120,000
Less: unamortized bond discount	<u>(88,935)</u>	-	<u>4,681</u>	<u>(84,254)</u>	-
Subtotal	2,881,065	-	(110,319)	2,770,746	120,000
Mendota Joint Powers Financing Authority Wastewater Certificates of Participation, Series 2010-1, payable in annual principal reductions from \$18,000 to \$110,000 beginning on July 1, 2010 through July 1, 2049, interest payable semi-annually on January 1 and July 1 at the stated interest rate of 4.00%.	2,097,000	-	(30,000)	2,067,000	31,000
Compensated absences	<u>39,885</u>	<u>69,753</u>	<u>(70,895)</u>	<u>38,743</u>	<u>8,271</u>
Business-type activities long-term liabilities	<u>\$ 5,874,145</u>	<u>\$ 69,753</u>	<u>\$ (437,256)</u>	<u>\$ 5,506,642</u>	<u>\$ 219,885</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2017, annual debt service requirements for governmental activities are as follows:

Central San Joaquin Valley Risk Management Authority

Year Ended June 30	Principal	Interest	Totals
2018	\$ 11,585	\$ -	\$ 11,585
Total	<u>\$ 11,585</u>	<u>\$ -</u>	<u>\$ 11,585</u>

Westamerica Bank Loan (Police Vehicles)

Year Ended June 30	Principal	Interest	Totals
2018	\$ 10,691	\$ 1,453	\$ 12,144
2019	11,304	841	12,145
2020	<u>8,899</u>	<u>209</u>	<u>9,108</u>
Total	<u>\$ 30,894</u>	<u>\$ 2,503</u>	<u>\$ 33,397</u>

Westamerica Bank Loan (Land Acquisition)

Year Ended June 30	Principal	Interest	Totals
2018	\$ 16,625	\$ 2,886	\$ 19,511
2019	17,576	1,935	19,511
2020	18,579	931	19,510
2021	<u>6,495</u>	<u>77</u>	<u>6,572</u>
Total	<u>\$ 59,275</u>	<u>\$ 5,829</u>	<u>\$ 65,104</u>

Contractual Legal Settlement (Warkentine, et. al.)

Year Ended June 30	Principal	Interest	Totals
2018	\$ 60,000	\$ -	\$ 60,000
2019	60,000	-	60,000
2020	60,000	-	60,000
2021	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total	<u>\$ 240,000</u>	<u>\$ -</u>	<u>\$ 240,000</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Successor Agency of the Mendota Redevelopment Agency Loan

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 10,143	\$ 2,247	\$ 12,390
2019	10,143	-	10,143
2020	10,143	-	10,143
2021	10,143	-	10,143
2022	10,143	-	10,143
2023-2027	50,715	-	50,715
2028-2032	50,715	-	50,715
2033-2037	50,715	-	50,715
2038-2042	50,715	-	50,715
2043-2046	<u>40,572</u>	<u>-</u>	<u>40,572</u>
Total	<u>\$ 294,147</u>	<u>\$ 2,247</u>	<u>\$ 296,394</u>

As of June 30, 2017, annual debt service requirements for business-type activities are as follows:

Westamerica Bank Loan (Office Equipment)

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	<u>\$ 2,523</u>	<u>\$ 36</u>	<u>\$ 2,559</u>
Total	<u>\$ 2,523</u>	<u>\$ 36</u>	<u>\$ 2,559</u>

Westamerica Bank Loan (Vehicles)

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 16,091	\$ 2,529	\$ 18,620
2019	17,011	1,608	18,619
2020	17,983	636	18,619
2021	<u>1,545</u>	<u>7</u>	<u>1,552</u>
Total	<u>\$ 52,630</u>	<u>\$ 4,780</u>	<u>\$ 57,410</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

USDA Water Improvement Loan

Year Ended June 30	Principal	Interest	Totals
2018	\$ 42,000	\$ 24,930	\$ 66,930
2019	44,000	22,995	66,995
2020	46,000	20,970	66,970
2021	48,000	18,855	66,855
2022	50,000	16,650	66,650
2023-2027	285,000	46,733	331,733
2028	<u>60,000</u>	<u>1,350</u>	<u>61,350</u>
Total	<u>\$ 575,000</u>	<u>\$ 152,483</u>	<u>\$ 727,483</u>

**Mendota Joint Powers Financing Authority
Wastewater Revenue Bonds, Series 2005**

Year Ended June 30	Principal	Interest	Totals
2018	\$ 120,000	\$ 140,933	\$ 260,933
2019	125,000	135,266	260,266
2020	130,000	129,305	259,305
2021	135,000	123,044	258,044
2022	145,000	116,213	261,213
2023-2027	720,000	468,074	1,656,148
2028-2032	740,000	289,688	1,029,688
2033-2036	<u>740,000</u>	<u>78,795</u>	<u>818,795</u>
Subtotal	2,855,000	1,481,318	4,804,392
Less: unamortized discount	<u>(84,254)</u>	<u>-</u>	<u>(84,254)</u>
Total	<u>\$ 2,770,746</u>	<u>\$ 1,481,318</u>	<u>\$ 4,720,138</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

**Mendota Joint Powers Financing Authority Wastewater Certificates of
Participation, Series 2010-1**

Year Ended June 30	Principal	Interest	Totals
2018	\$ 31,000	\$ 82,055	\$ 113,055
2019	32,000	80,795	112,795
2020	34,000	79,474	113,474
2021	35,000	78,310	113,310
2022	37,000	76,654	113,654
2023-2027	206,000	359,766	565,766
2028-2032	250,000	314,339	564,339
2033-2037	305,000	259,100	564,100
2038-2042	370,000	191,640	561,640
2043-2047	451,000	109,691	560,691
2048-2050	<u>316,000</u>	<u>19,292</u>	<u>335,292</u>
Total	<u>\$ 2,067,000</u>	<u>\$ 1,651,116</u>	<u>\$ 3,718,116</u>

NOTE 7 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2012, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other government entities in the State as a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA). RMA is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to CSJVRMA for its above insurance coverage. The agreement for the formation of CSJVRMA provides that CSJVRMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The financial statements of CSJVRMA can be obtained at 1750 Creekside Oaks Drive, Suite 200I Sacramento, CA 95833.

Current levels of coverage are \$10,000,000 liability, \$1,000,000 workers compensation, and applicable assessed value in property coverage. Losses in excess of \$10,000 are pooled with other members of the association.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has numerous items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, unavailable revenue and deferred loans, are reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	HOME Investment Partnership Program Special Revenue Fund	CDBG Program Special Revenue Fund	Total
Unavailable revenues - loans	\$ 1,254,009	\$ 841,301	\$ 2,095,310
Total deferred inflows of resources	<u>\$ 1,254,009</u>	<u>\$ 841,301</u>	<u>\$ 2,095,310</u>

NOTE 9 – 401(K) PENSION PLAN

The City contributes to the City of Mendota 401(k) Profit Sharing Plan (Plan), for its full-time safety employees after 6 months of service with the City. The Plan is administered by the City.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the City Council. For each employee in the Plan, the City is required to contribute 5 percent of annual salary and may contribute additional matching contributions to an individual employee account. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code Limits. For the year ended June 30, 2017, employee contributions totaled \$46,253 and the City recognized pension expense of \$52,666.

Employees are immediately vested in their own contributions and earnings on those contributions and become fully vested in City contributions and earnings after completing 3 years of creditable service with the City. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the Plan's administrative expenses and contributions. For the year ended June 30, 2017, there were no forfeitures reported.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors one miscellaneous rate plan. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

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

	<u>Miscellaneous PEPRA</u>
Hire date	On or after January 1, 2013
Benefit formula	2% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	52 to 67
Monthly benefits, as a % of annual salary	1.0% to 2.5%
Required employee contribution rates	6.250%
Required employer contribution rates	6.555%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Since the City first entered the Plan during the fiscal year ended June 30, 2017, it did not have any contributions to the plan recognized as a part of pension expense.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

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

As of June 30, 2017, the City did not have a net pension liability for its proportionate share of the net pension liability of the Plan, nor did it recognize a pension expense related to the Plan.

\$59,178 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. There were no other amounts reported as deferred outflow of resources and deferred inflows of resources related to the Plan.

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.5% ⁽²⁾
Mortality	Derived from CalPERS Membership Data for all Funds ⁽³⁾

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of pension plan investment expenses, including inflation

⁽³⁾ The mortality Table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experiences Study can be found on the CalPERS website.

D. Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Discount Rate (Continued)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1- 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

E. Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

F. Payable to the Pension Plan

The City did not have an outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 – DEFICIT FUND BALANCES/NET POSITIONS

The following funds had deficit fund equity at June 30, 2017:

Major Funds:

HOME Investment Partnership Program Special Revenue Fund	\$	8,705
Sanitation Enterprise Fund		136,550

Nonmajor Governmental Funds:

Aviation Assistance Special Revenue Fund		11,902
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NOTE 12 – CONTINGENCIES

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 13 – RELATED PARTY TRANSACTIONS

Effective November 4, 2016, the City Council approved a secured promissory note (the "Note") in the amount of \$45,000 to Vincent F. DiMaggio, who serves as manager of the City of Mendota. Interest is calculated monthly based on the current rate of interest reported under the Annual Applicable Federal Rate for Long-Term Loans published by the Internal Revenue Service with a minimum floor rate of 2.50% (2.50% at June 30, 2017). Principal and interest in the amount of \$152.30 is payable each month until November 4, 2021, at which time all outstanding principal and interest is payable in full. The Note is secured by a deed of trust on real property.

The Note is accounted for as an asset of the General Fund and is included as a receivable in the accompanying financial statement. The unpaid balance at June 30, 2017 was \$44,783.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 – PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2017, the City was subjected to an audit by the California Department of Finance to determine whether funds allocated to the City under California Assembly Bill 2928 during the fiscal year ended June 30, 2013 for street and road improvements were properly expended in accordance with the provisions of the Assembly Bill. The results of the audit required the City to reclassify expenditures originally charged to its State Gas Tax Special Revenue Fund during the fiscal year ended June 30, 2013 to its AB 2928 Capital Projects Fund.

Additionally, during the fiscal year ended June 30, 2016, the City did not properly account for the current portion of a settlement payable. In accordance with GASB requirements, the current portion of a long-term settlement payable must be accrued in the governmental fund financial statements.

The effect to opening fund balance in the basic financial statements is as follows:

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Gas Tax Special Revenue Fund</u>	<u>Streets Capital Projects Fund</u>
Fund balance/net position, June 30, 2016, as previously reported	\$ 893,987	\$ 511,838	\$ 69,905
Prior period adjustments:			
Understatement of settlements payable	(60,000)	-	-
Overstatement of expenses	-	36,706	-
Understatement of expenses	-	-	(36,706)
Total prior period adjustments	<u>(60,000)</u>	<u>36,706</u>	<u>(36,706)</u>
Fund balance/net position, July 1, 2016, as restated	<u>\$ 833,987</u>	<u>\$ 548,544</u>	<u>\$ 33,199</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,622,671	\$ 1,622,671	\$ 1,562,837	\$ (59,834)
Licenses and permits	108,007	108,007	132,933	24,926
Intergovernmental	6,000	6,000	97,599	91,599
Charges for services	260,678	260,678	160,649	(100,029)
Fines	119,915	119,915	91,579	(28,336)
Revenue from the use of money and property	72,727	72,727	71,627	(1,100)
Miscellaneous	41,338	38,910	39,679	769
	<u>2,231,336</u>	<u>2,228,908</u>	<u>2,156,903</u>	<u>(72,005)</u>
EXPENDITURES				
Current:				
General government	527,098	527,098	506,405	20,693
Public safety	1,300,068	1,300,068	1,446,794	(146,726)
Public works	112,621	112,621	77,908	34,713
Building and planning	105,227	105,227	133,269	(28,042)
Parks and recreation	225,859	225,859	204,026	21,833
Debt service:				
Principal	-	-	115,980	(115,980)
Interest	-	-	29,483	(29,483)
	<u>2,270,873</u>	<u>2,270,873</u>	<u>2,513,865</u>	<u>(242,992)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,537)</u>	<u>(41,965)</u>	<u>(356,962)</u>	<u>(314,997)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	2,671	2,671
Transfers out	(500)	-	(156,094)	(156,094)
	<u>(500)</u>	<u>-</u>	<u>(153,423)</u>	<u>(153,423)</u>
Net change in fund balance	(40,037)	(41,965)	(510,385)	(468,420)
Fund balance - beginning (restated)	893,987	893,987	833,987	(60,000)
Fund balance - ending	<u>\$ 853,950</u>	<u>\$ 852,022</u>	<u>\$ 323,602</u>	<u>\$ (528,420)</u>

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
MEASURE C SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 359,865	\$ 359,865	\$ 349,184	\$ (10,681)
Intergovernmental	-	-	3,422	3,422
Revenue from the use of money and property	-	-	1,122	1,122
Total revenues	<u>359,865</u>	<u>359,865</u>	<u>353,728</u>	<u>(6,137)</u>
EXPENDITURES				
Current:				
Highways and streets	300,223	300,223	282,395	17,828
Capital outlay	<u>632,000</u>	<u>632,000</u>	<u>145,661</u>	<u>486,339</u>
Total expenditures	<u>932,223</u>	<u>932,223</u>	<u>428,056</u>	<u>504,167</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(572,358)</u>	<u>(572,358)</u>	<u>(74,328)</u>	<u>498,030</u>
Net change in fund balance	(572,358)	(572,358)	(74,328)	498,030
Fund balance - beginning	<u>952,306</u>	<u>952,306</u>	<u>952,306</u>	-
Fund balance - ending	<u>\$ 379,948</u>	<u>\$ 379,948</u>	<u>\$ 877,978</u>	<u>\$ 498,030</u>

CITY OF MENDOTA

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

BUDGETARY BASIS OF ACCOUNTING

The official budget was prepared for adoption for the General Fund, Special Revenue Fund and Debt Service Fund. The following procedures are followed in establishing the budgetary data reflected in the general purpose financial statements:

1. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
3. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a 4/5ths vote of the members of the City Council. As required by law, such amendments are made after fiscal year-end. All budget appropriations lapse at year-end.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2017, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Public safety	\$ 146,726
Building and planning	28,042
Principal	115,980
Interest	29,483

CITY OF MENDOTA

**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS***

	<u>2017</u>
Proportion of the net pension liability	0.0000%
Proportionate share of the net pension liability	\$ -
Covered payroll	\$ -
Proportionate share of the net pension liability as percentage of covered	0.00%
Plan fiduciary net position as a percentage of the total pension liability	0.00%

NOTES TO SCHEDULE

Changes in Benefit Terms - None

Changes in Assumptions - None

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF MENDOTA

**SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS***

	<u>2017</u>
Actuarially required contribution (actuarially determined)	\$ 59,178
Contributions in relation to the actuarially determined contributions	<u>59,178</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 902,792
Contributions as a percentage of covered payroll	6.55%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Debt Service</u>	<u>Nonmajor Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,976,884	\$ -	\$ 118,837	\$ 2,095,721
Receivables	36,104	-	46	36,150
Prepaid expenses	<u>3,954</u>	<u>-</u>	<u>-</u>	<u>3,954</u>
 Total assets	 <u>2,016,942</u>	 <u>-</u>	 <u>118,883</u>	 <u>2,135,825</u>
LIABILITIES				
Accounts payable	66,443	-	-	66,443
Due to other funds	<u>15,726</u>	<u>-</u>	<u>-</u>	<u>15,726</u>
 Total liabilities	 <u>82,169</u>	 <u>-</u>	 <u>-</u>	 <u>82,169</u>
FUND BALANCES				
Nonspendable:				
Prepays	3,954	-	-	3,954
Restricted for:				
Redevelopment and housing	271,418	-	-	271,418
Public safety	598,838	-	-	598,838
Highways and streets	1,040,982	-	85,613	1,126,595
Parks and recreation	189,431	-	-	189,431
Committed to:				
Public safety	28,635	-	-	28,635
Highways and streets	-	-	33,270	33,270
Unassigned	<u>(198,485)</u>	<u>-</u>	<u>-</u>	<u>(198,485)</u>
 Total fund balances	 <u>1,934,773</u>	 <u>-</u>	 <u>118,883</u>	 <u>2,053,656</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 2,016,942</u>	 <u>\$ -</u>	 <u>\$ 118,883</u>	 <u>\$ 2,135,825</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total
REVENUES				
Taxes	\$ 585,910	\$ -	\$ -	\$ 585,910
Licenses and permits	308,659	-	-	308,659
Intergovernmental	446,050	-	-	446,050
Revenue from the use of money and property	2,338	-	172	2,510
Miscellaneous	<u>29,393</u>	-	-	<u>29,393</u>
Total revenues	<u>1,372,350</u>	-	<u>172</u>	<u>1,372,522</u>
EXPENDITURES				
Current:				
Public safety	315,956	-	-	315,956
Municipal airport	8,474	-	-	8,474
Highways and streets	380,883	-	-	380,883
Parks and recreation	20,473	-	-	20,473
Redevelopment and housing	11,770	-	-	11,770
Capital outlay	337,745	-	-	337,745
Debt service:				
Interest	-	<u>250</u>	-	<u>250</u>
Total expenditures	<u>1,075,301</u>	<u>250</u>	-	<u>1,075,551</u>
Excess (deficiency) of revenues over (under) expenditures	<u>297,049</u>	<u>(250)</u>	<u>172</u>	<u>296,971</u>
Other financing sources (uses):				
Transfers in	<u>500</u>	<u>155,594</u>	-	<u>156,094</u>
Total other financing sources (uses)	<u>500</u>	<u>155,594</u>	-	<u>156,094</u>
Net change in fund balances	297,549	155,344	172	453,065
Fund balances - beginning (restated)	<u>1,637,224</u>	<u>(155,344)</u>	<u>118,711</u>	<u>1,600,591</u>
Fund balances - ending	<u>\$ 1,934,773</u>	<u>\$ -</u>	<u>\$ 118,883</u>	<u>\$ 2,053,656</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2017**

	<u>Housing Income</u>	<u>Gas Tax Special Revenue Fund</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>Police Grants</u>
ASSETS					
Cash and cash equivalents	\$ 271,925	\$ 524,117	\$ -	\$ 567,617	\$ 63,569
Receivables	93	151	-	217	10,022
Prepaid expenses	<u>-</u>	<u>-</u>	<u>3,954</u>	<u>-</u>	<u>-</u>
Total assets	<u>272,018</u>	<u>524,268</u>	<u>3,954</u>	<u>567,834</u>	<u>73,591</u>
LIABILITIES					
Accounts payable	600	30,776	130	1,857	-
Due to other funds	<u>-</u>	<u>-</u>	<u>15,726</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>600</u>	<u>30,776</u>	<u>15,856</u>	<u>1,857</u>	<u>-</u>
FUND BALANCES					
Nonspendable:					
Prepays	-	-	3,954	-	-
Restricted for:					
Redevelopment and housing	271,418	-	-	-	-
Public safety	-	-	-	363,859	44,956
Highways and streets	-	493,492	-	211,179	-
Parks and recreations	-	-	-	173,568	-
Committed to					
Public safety	-	-	-	-	28,635
Unassigned	<u>-</u>	<u>-</u>	<u>(15,856)</u>	<u>(182,629)</u>	<u>-</u>
Total fund balances (deficit)	<u>271,418</u>	<u>493,492</u>	<u>(11,902)</u>	<u>565,977</u>	<u>73,591</u>
Total liabilities and fund balances	<u>\$ 272,018</u>	<u>\$ 524,268</u>	<u>\$ 3,954</u>	<u>\$ 567,834</u>	<u>\$ 73,591</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2017**

	<u>LTF Special Revenue Fund</u>	<u>Mendota CFD</u>	<u>Mendota Community Corporation</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 343,233	\$ 190,566	\$ 15,857	\$ 1,976,884
Receivables	25,132	483	6	36,104
Prepaid expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,954</u>
Total assets	<u>368,365</u>	<u>191,049</u>	<u>15,863</u>	<u>2,016,942</u>
LIABILITIES				
Accounts payable	32,054	1,026	-	66,443
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,726</u>
Total liabilities	<u>32,054</u>	<u>1,026</u>	<u>-</u>	<u>82,169</u>
FUND BALANCES				
Nonspendable:				
Prepays	-	-	-	3,954
Restricted for:				
Redevelopment and housing	-	-	-	271,418
Public safety	-	190,023	-	598,838
Highways and streets	336,311	-	-	1,040,982
Parks and recreations	-	-	15,863	189,431
Committed to:				
Public safety	-	-	-	28,635
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(198,485)</u>
Total fund balances (deficit)	<u>336,311</u>	<u>190,023</u>	<u>15,863</u>	<u>1,934,773</u>
Total liabilities and fund balances	<u>\$ 368,365</u>	<u>\$ 191,049</u>	<u>\$ 15,863</u>	<u>\$ 2,016,942</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Housing Income</u>	<u>Gas Tax Special Revenue Fund</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>Police Grants</u>
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	308,659	-
Intergovernmental	-	222,218	77,770	-	146,062
Revenue from the use of money and property	352	582	4	782	72
Miscellaneous	<u>5,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>5,531</u>	<u>222,800</u>	<u>77,774</u>	<u>309,441</u>	<u>146,134</u>
EXPENDITURES					
Current:					
Public safety	-	-	-	24,636	142,729
Municipal airport	-	-	8,474	-	-
Highways and streets	-	152,691	-	-	-
Parks and recreation	-	-	-	-	-
Redevelopment and housing	11,770	-	-	-	-
Capital outlay	<u>-</u>	<u>125,161</u>	<u>67,770</u>	<u>6,353</u>	<u>-</u>
Total expenditures	<u>11,770</u>	<u>277,852</u>	<u>76,244</u>	<u>30,989</u>	<u>142,729</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,239)</u>	<u>(55,052)</u>	<u>1,530</u>	<u>278,452</u>	<u>3,405</u>
Other financing sources (uses):					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(6,239)	(55,052)	1,530	278,452	3,405
Fund balances (deficit) - beginning (restated)	<u>277,657</u>	<u>548,544</u>	<u>(13,432)</u>	<u>287,525</u>	<u>70,186</u>
Fund balances (deficit) - ending	<u>\$ 271,418</u>	<u>\$ 493,492</u>	<u>\$ (11,902)</u>	<u>\$ 565,977</u>	<u>\$ 73,591</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>LTF Special Revenue Fund</u>	<u>Mendota CFD</u>	<u>Mendota Community Corporation</u>	<u>Total</u>
REVENUES				
Taxes	\$ 375,542	\$ 210,368	\$ -	\$ 585,910
Licenses and permits	-	-	-	308,659
Intergovernmental	-	-	-	446,050
Revenue from the use of money and property	394	149	3	2,338
Miscellaneous	<u>3,195</u>	<u>-</u>	<u>21,019</u>	<u>29,393</u>
Total revenues	<u>379,131</u>	<u>210,517</u>	<u>21,022</u>	<u>1,372,350</u>
EXPENDITURES				
Current:				
Public safety	-	148,591	-	315,956
Municipal airport	-	-	-	8,474
Highways and streets	228,192	-	-	380,883
Parks and recreation	-	-	20,473	20,473
Redevelopment and housing	-	-	-	11,770
Capital outlay	<u>138,461</u>	<u>-</u>	<u>-</u>	<u>337,745</u>
Total expenditures	<u>366,653</u>	<u>148,591</u>	<u>20,473</u>	<u>1,075,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,478</u>	<u>61,926</u>	<u>549</u>	<u>297,049</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>500</u>	<u>500</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>500</u>	<u>500</u>
Net change in fund balances	12,478	61,926	1,049	297,549
Fund balances (deficit) - beginning (restated)	<u>323,833</u>	<u>128,097</u>	<u>14,814</u>	<u>1,637,224</u>
Fund balances (deficit) - ending	<u>\$ 336,311</u>	<u>\$ 190,023</u>	<u>\$ 15,863</u>	<u>\$ 1,934,773</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
JUNE 30, 2017**

	<u>General Bond</u>
LIABILITIES	
Due to other funds	\$ -
Advances from other funds	-
	<hr/>
Total liabilities	-
	<hr/>
FUND BALANCES	
Unassigned	-
	<hr/>
Total fund balances	-
	<hr/>
Total liabilities and fund balances	\$ <u><u>-</u></u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
FOR THE YEAR ENDED 30, 2017**

	<u>General Bond</u>
REVENUES	
Revenue from the use of money and property	\$ <u> -</u>
Total revenues	<u> -</u>
EXPENDITURES	
Debt service:	
Interest	<u> 250</u>
Total expenditures	<u> 250</u>
Excess (deficiency) of revenues over (under) expenditures	(250)
Other financing sources (uses):	
Transfers in	<u> 155,594</u>
Total other financing sources (uses)	<u> 155,594</u>
Net change in fund balance	155,344
Fund balances (deficit) - beginning	<u> (155,344)</u>
Fund balances - ending	<u><u> -</u></u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
JUNE 30, 2017**

	<u>CDBG - Sewer and Drainage Projects</u>	<u>Street Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 85,586	\$ 33,251	\$ 118,837
Receivables	<u>27</u>	<u>19</u>	<u>46</u>
Total assets	<u>85,613</u>	<u>33,270</u>	<u>118,883</u>
FUND BALANCES			
Restricted to:			
Highways and streets	85,613	-	85,613
Committed to:			
Highways and streets	<u>-</u>	<u>33,270</u>	<u>33,270</u>
Total fund balances	<u>85,613</u>	<u>33,270</u>	<u>118,883</u>
Total fund balances	<u>\$ 85,613</u>	<u>\$ 33,270</u>	<u>\$ 118,883</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>CDBG - Sewer and Drainage Projects</u>	<u>Street Capital Projects</u>	<u>Total</u>
REVENUES			
Revenue from the use of money and property	\$ 101	\$ 71	\$ 172
Total revenues	<u>101</u>	<u>71</u>	<u>172</u>
EXPENDITURES			
Current:			
Highways and streets	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>101</u>	<u>71</u>	<u>172</u>
Net change in fund balances	101	71	172
Fund balances - beginning (restated)	<u>85,512</u>	<u>33,199</u>	<u>118,711</u>
Fund balances - ending	<u>\$ 85,613</u>	<u>\$ 33,270</u>	<u>\$ 118,883</u>

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OTHER AUDITOR'S REPORT

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

To the City Council
City of Mendota, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Mendota, California (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 4, 2017.

Internal Control Over Financial Reporting

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

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540

fax 559.299.2344

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.

Price Pange & Company

Clovis, California
December 4, 2017

FINDINGS AND QUESTIONED COSTS

**CITY OF MENDOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	<u> X </u> no
Significant deficiencies identified - not considered to be material weaknesses?	_____ yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

**CITY OF MENDOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENT FINDINGS

None reported.



MINUTES OF MENDOTA REGULAR CITY COUNCIL MEETING

Regular Meeting

January 9, 2017

Meeting called to order by Mayor Castro at 6:00 p.m.

Flag salute led by Mayor Castro.

Roll Call

Council Members Present: Mayor Rolando Castro, Mayor Pro Tem Victor Martinez, Councilors Jesse Mendoza, Oscar Rosales, and Robert Silva.

Council Members Absent: None.

Invocation led by Pastor Robert Lopez from Mendota Pentecostal Church of God.

FINALIZE THE AGENDA

1. Adjustments to Agenda.
2. Adoption of final Agenda.

City Manager DiMaggio requested that presentation #2 be tabled to a future meeting.

A motion was made by Councilor Silva to adopt the agenda as requested by staff, seconded by Mayor Pro Tem Martinez; unanimously approved (5 ayes).

PRESENTATION

1. Planning & Public Works Director Gonzalez to present the Mendota Public Works Department's Employee of the Year award to Maria Alvarez.

Economic Development Manager Flood requested that the item be tabled until Ms. Alvarez arrived.

2. *Davena Witcher to provide an update on the AMOR project
[Tabled to a future meeting.]*

CITIZENS ORAL AND WRITTEN PRESENTATIONS

Ramiro Espinoza (Mendota Boys & Girls Club) – introduced himself and stated that the club is requesting to use the baseball field for flag football.

Discussion was held on the item being on the Recreation Commission's agenda, but due to the lack of a quorum, the Commission was unable to act on it; the days that the club is requesting to utilize the field; when other organizations begin their baseball leagues, and whether it would interfere with the request of the Boys & Girls Club; whether a city employee would need to be assigned to open the gate of the field and the restrooms; the possibility of placing the item on the agenda for the next City Council meeting; whether waiting for the item to be placed on the next City Council meeting's agenda would interfere with the schedule of the flag football; concerns that staff has had in the past regarding the usage of the baseball field; the damage that has occurred to the baseball field in the past; and the kids in the community wanting to participate in various extracurricular activities.

Council directed staff to move forward with the application

PRESENTATION

1. Planning & Public Works Director Gonzalez to present the Mendota Public Works Department's Employee of the Year award to Maria Alvarez.

Director of Planning & Public Works Gonzalez introduced Ms. Alvarez and stated that the Public Works Department is beginning a new tradition of naming someone within the department as the Employee of the Year; that the award is to recognize the efforts and merits of an employee; stated that Ms. Alvarez initially began working with the city as a result of the Proteus program; that Ms. Alvarez remained with the city after the Proteus program ended; and that Public Works Superintendent Bautista concurred with his decision to name Ms. Alvarez as the 2017 Public Works Employee of the Year.

Council congratulated Ms. Alvarez and thanked her for hard work.

At 6:15 p.m. Mayor Castro announced that there would be a recess.

At 6:16 p.m. the Council reconvened in open session.

APPROVAL OF MINUTES AND NOTICE OF WAIVING OF READING

1. Minutes of the regular City Council meeting of December 12, 2017, and the special City Council meeting of December 15, 2017.

2. Notice of waiving of the reading of all resolutions and/or ordinances introduced and/or adopted under this agenda.

A motion was made by Councilor Mendoza to approve items 1 and 2, seconded by Councilor Rosales; unanimously approved (5 ayes).

CONSENT CALENDAR

1. DECEMBER 12, 2017 THROUGH JANUARY 5, 2018
WARRANT LIST CHECKS NO. 043368 THRU 043460
TOTAL FOR COUNCIL APPROVAL = \$1,003,554.07
2. Proposed adoption of **Resolution No. 18-04**, authorizing the City Manager to execute the planning services contract.

Discussion was held on the total amount of the warrant list.

A motion was made by Councilor Silva to adopt items 1 and 2 of the Consent Calendar, seconded by Mayor Pro Tem Martinez; unanimously approved (5 ayes).

BUSINESS

1. Discussion/possible action on withdrawal of October 30, 2017, Request for Proposals for the Lease and Development of City Surplus Real Property to Establish Commercial Cannabis Operations.

Mayor Castro introduced the item and City Attorney Kinsey reported that Attorney General Sessions had repealed the Cole Memorandum the week prior; that the memorandum directed attorneys not to prosecute conduct relating to the usage and cultivation of medical marijuana; the uncertainty that the rescinding of the memo has inflicted related to the regulation of cannabis; that there is still conduct that remains legal under state law, but there is uncertainty under federal law; the purpose of the RFP that was released for the lease of city property; the potential consequences that would result if the city were to move forward with the RFP; and staff wanting to reevaluate the usage of the property in question.

Discussion was held on whether the city would still receive funds from the proposed cannabis cultivation facility at the silver creek packing building; staff's decision to withdraw the RFP and re-evaluate the usage of the property being the best decision; whether the property located next to the silver creek packing company is still available; whether the Council needs to take formal action to withdraw the RFP; what would occur to the RFPs that were submitted; whether the city would be reprimanded if it would follow through with the RFP process; whether the City could sell the property; and the Council reconsidering the item in the future when there is clearer picture of the issue.

A motion was made by Councilor Silva to withdraw the October 30, 2017, Request for Proposals for the Lease and Development of City Surplus Real Property to Establish Commercial Cannabis Operations, seconded by Councilor Mendoza; unanimously approved (5 ayes).

2. Receive report on animal control impoundment and redemption.

Mayor Castro introduced the item and City Manager DiMaggio summarized the report including that Councilor Mendoza asked staff to look into the costs associated with impounding dogs, and the fees that owners have to pay to redeem their dogs; the total amount of fees that owners have to pay to redeem their dogs; costs associated with euthanizing and disposing unclaimed dogs; the amount of dogs that are redeemed by their owners; the possible reasons as to why owners may not claim their dogs; the veterinarian assisting the city by attempting to adopt unclaimed dogs out, and giving the city a credit for every dog that is adopted out; staff posting pictures of the dogs that are available for adoption on the city's Facebook page; staff's recommendation to enact a "no penalty-first offense" program for six months to determine whether the costs to redeem a dog are discouraging owners from doing so; informing the public of the program by putting it on the Facebook page and newsletter; and he thanked Councilor Mendoza for bringing the issue up to staff's attention.

Willie Macias (1775 5th Street) – stated that aggressive dogs should not be returned by to their owners; requested that dangerous dogs not be allowed to be redeemed; and reported on an incident in which an aggressive dog almost hurt a child.

Discussion was held on the separate process that is followed for dangerous dogs; the state's opinion on dangerous dogs; and reminding the public to call dispatch if they encounter an aggressive dog.

A motion was made by Councilor Mendoza to enact the "no penalty-first offense" program for six months, seconded by Councilor Silva; unanimously approved (5 ayes).

3. Discussion and consideration on nominating a candidate to the San Joaquin Valley Air Pollution Control District Governing Board.

Mayor Castro introduced the item and Deputy City Clerk Cabrera reported that there is a vacancy on the San Joaquin Valley Air Pollution Control District Governing Board; the requirement to fill the vacancy; the applicant that is to be nominated; and the staff recommendation.

Discussion was held on the qualifications for nomination to the Board.

A motion was made by Councilor Silva to adopt Resolution No. 18-01, seconded by Mayor Pro Tem Martinez; unanimously approved (5 ayes).

4. Discussion and consideration on appointing alternates to represent the City for the Fresno COG, FCTRA, and FCRTMF Agency board meetings.

Mayor Castro introduced the item and Economic Development Manager Flood reported that the Fresno County Board of Supervisors recently changed the Fresno COG's conflict of interest code; the revised code requires that cities designate an alternate representative for Fresno COG, FCTRA, and FCRTMF; that Mr. Silva has attended the meetings when neither the Mayor Castro or Mayor Pro Tem Martinez cannot attend; that Mr. Silva has also been required to file forms declaring his economic interests since he has attended the meetings; and requested that the Council officially nominate Mayor Pro Tem Martinez and Councilor Silva.

Discussion was held on formally designating Mr. Silva as an additional alternate.

A motion was made by Councilor Mendoza to officially nominate Mayor Pro Tem Martinez and Councilor Silva and adopt Resolution No. 18-06, seconded by Councilor Rosales; unanimously approved (5 ayes).

DEPARTMENT REPORTS AND INFORMATIONAL ITEMS

1. Code Enforcement & Police Department
 - a) Monthly Report

Chief of Police Andreotti summarized the report for the police department including that staff has been busy covering shifts as a result of vacation schedules; the positive relationship with the Fresno County Sheriff's Office; the Coffee with a Cop and Councilmember event that was held; the department's participation in the Annual Christmas Parade; that calls for service have gone down; and he thanked Councilor Mendoza for attending the event the Coffee with a Cop and Councilmember event.

Chief of Police Andreotti summarized the report for the code enforcement department including that that the house at 902 Riofrio Circle had been sold and was being rehabilitated; the possibility of the county's public administrator's office becoming involved with a property on 7th street between Marie and Lolita Streets; and the officer dedicating herself to addressing nuisance properties and reports of violations.

Discussion was held on the amount of hours that the code enforcement officer works; whether the departments would benefit from having additional work hours or staff; the possibility of increasing the officers work hours; revisiting the issue in the future to determine whether the budget would allow for additional work hours and personnel; the impact that the code enforcement department has on the community; and the possibility of holding a workshop to analyze the budget in the future.

2. Economic Development
 - a) Monthly Report

Economic Development Manager Flood reported that United Way would be holding free tax services; stated that he will be providing Council with information regarding the grand-opening and ribbon cutting of Taco Bell in the future; that he has been taking a survey of local businesses on credit and debit card usage in the hopes that the results will attract a bank; and reminded staff and Council that FCI-Mendota's Community Relations Board meeting will be on January 10th at 9 am.

Discussion was held on the holiday decorating contest, and on the status of the walkway on Black Street.

3. City Attorney
 - a) Update

Nothing to report.

4. City Manager

City Manager DiMaggio stated that the Robert Silva Plaza dedication ceremony would be held on January 23rd; that he has had communication with Assemblymember Arambula's office regarding holding a health fair in April; and that the police department and city hall offices would be closed on January 15th in observance of the Martin Luther King Jr. holiday.

Council thanked Mr. DiMaggio and staff for their hard work, and thanked the members of the public who attended the meeting.

MAYOR AND COUNCIL REPORTS AND INFORMATIONAL ITEMS

1. Council Member(s)

Councilor Mendoza requested that staff prepare a letter for Council to sign that will be sent to the City's congressional representatives regarding TPS and DACA, and thanked staff and the public.

Mayor Pro Tem Martinez encouraged members of the public to attend future City Council meetings.

2. Mayor

Mayor Castro thanked staff for their work.

ADJOURNMENT

With no more business to be brought before the Council, a motion for adjournment was made at 7:20 p.m. by Councilor Rosales, seconded by Mayor Pro Tem Martinez; unanimously approved (5 ayes).

Rolando Castro, Mayor

ATTEST:

Matt Flood, City Clerk

**CITY OF MENDOTA
CASH DISBURSEMENTS
1/9/2018 - 1/17/2018
Check # 043461 - 043507**

Date	Check #	Amount	Vendor	Department	Description
January 9, 2018	43461	\$89,012.00	WESTAMERICA BANK	GENERAL	PAYROLL TRANSFER 12/25/2017 - 1/7/2018
January 16, 2018	43462	\$1,200.00	LORIE ANN ADAMS	HOME LOAN	PORTFOLIO MANAGEMENT - NOVEMBER AND DECEMBER 2017
January 16, 2018	43463	\$2,975.00	ADMINISTRATIVE SOLUTIONS, INC.	GENERAL	(5) HRA ADMINISTRATION JANUARY 2018-HRA ANNUAL FEE - PD, (20) JANUARY MONTHLY MEDICAL ADMINISTRATION FEE, MEDICAL CHECK RUN
January 16, 2018	43464	\$271.84	ADT SECURITY SERVICES	GENERAL-WATER-SEWER	SECURITY SERVICES 1/11/18 - 2/12/18 EDD, DMV, CITY HALL
January 16, 2018	43465	\$30.72	AIRGAS USA, LLC	WATER	(1) RENT CYL IND SMALL CARBON DIOXIDE DEC 2017
January 16, 2018	43466	\$600.00	ALL VALLEY ADMINISTRATORS, LLC	GENERAL-WATER-SEWER	1ST QUARTER 2018 RETIREMENT PLAN ADMINISTRATION, RETIREMENT PLAN DISTRIBUTIONS
January 16, 2018	43467	\$649.44	AMERITAS GROUP	GENERAL	VISION INSURANCE FOR FEBRUARY 2018
January 16, 2018	43468	\$271.57	AMERIPRIDE SERVICES INC.	GENERAL-WATER-SEWER	PUBLIC WORKS UNIFORM WEEK 12/7/2017, 12/14/2017, 12/21/17, & 12/28/17
January 16, 2018	43469	\$20.52	GREGG ANDREOTTI	GENERAL	EXPENSE REIMBURSEMENT - (4) BINS FOR STORAGE - PD
January 16, 2018	43470	\$753.28	AT&T	GENERAL-WATER-SEWER	CITYWIDE TELEPHONE SERVICES 11/25/17 - 12/24/17
January 16, 2018	43471	\$21.04	AUTOZONE, INC.	GENERAL	(1) SILVERSTAR CAPSU BULB - PD
January 16, 2018	43472	\$1,137.20	BSK ASSOCIATES	WATER-SEWER	MONTHLY WASTEWATER (WEEK2-5), SOURCE WATER MONITORING PROFILE-EDT WEEKLY WATER SYSTEM, GENERAL EDT-WEEKLY TREATMENT
January 16, 2018	43473	\$75.00	BULLDOG TOWING BULLDOG SQUARE, INC.	GENERAL	M-88 TOW FRESNO TO CITY YARD- PD
January 16, 2018	43474	\$1,325.92	COMCAST	GENERAL-WATER-SEWER	CITYWIDE XFINITY SERVICES FOR 1/6/18-2/8/18
January 16, 2018	43475	\$767.18	COOK'S COMMUNICATIONS CORP.	GENERAL	(2) FIBROUS SHT, (1) FRONT CASE, (1) KENWOOD ANTENNA AND VEH#88 - REPLACE SPOTLIGHT & FEDERAL SIGNAL MAPLIGHT- PD
January 16, 2018	43476	\$800.00	D&D DISPOSAL, INC.	GENERAL	ANIMAL DISPOSAL - DECEMBER 2017
January 16, 2018	43477	\$245.69	DATAMATIC, INC.	WATER	MONTHLY SOFTWARE LICENSE & SERVICE MAINTENANCE FEE JANUARY 2018
January 16, 2018	43478	\$10,833.33	FIREBAUGH POLICE DEPARTMENT	GENERAL	DISPATCH SERVICES FOR PD 12/1/17 - 12/31/17
January 16, 2018	43479	\$11.82	FRESNO DISTRIBUTING CO.	GENERAL	(1) TOTO THU 4995 - PD
January 16, 2018	43480	\$137.99	FRESNO COUNTY SHERIFF	GENERAL	RMS JMS ACCESS FEE FOR DECEMBER 2017 - PD
January 16, 2018	43481	\$90,225.77	FRESNO COUNTY FIRE PROTECTION DISTRICT	GENERAL	CONTRACT SERVICES FY 17/18 FIRE PROTECT JULY 2017 - DECEMBER 2017
January 16, 2018	43482	\$14.88	JENNIFER LEKUMBERRY	GENERAL	EXPENSE REIMBURSEMENT FOR OFFICE VGI TO HDMI CABLE FOR COMPUTER MONITOR
January 16, 2018	43483	\$958.00	LOS BANOS VETERINARY CLINIC	GENERAL	(19) EUTHANASIA - ANIMAL CONTROL
January 16, 2018	43484	\$1,628.49	MENDOTA SMOG & REPAIR	GENERAL-WATER-SEWER-STREETS	(4) MOTOR OIL CHANGE PARTS & LABOR, (3) STARTER PARTS & LABOR, (1) SPOTLIGHT FIXTURE, (1) REPAIR ELECTRICAL SHORTAGE, (2) SMOG CHECK
January 16, 2018	43485	\$54,396.14	MID VALLEY DISPOSAL, INC.	REFUSE-STREETS	SANITATION CONTRACT SERVICES FOR DECEMBER 2017, ROLL OFF BIN 40Y EXCHANGE, (2) ROLL OFF BIN 10Y EXCHANGE

**CITY OF MENDOTA
CASH DISBURSEMENTS
1/9/2018 - 1/17/2018
Check # 043461 - 043507**

January 16, 2018	43486	\$1,901.35	MUNICIPAL CODE	GENERAL-WATER-SEWER	(92) SUPPLEMENT PAGES, BLANK SUPPLEMENT PAGES, IMAGES, GRAPHS, TUBULAR MATTER, AND UPDATING ELETRONIC DATABASE
January 16, 2018	43487	\$1,006.28	MUNICIPAL MAINTENANCE EQUIPMENT	STREETS	(1) MOTOR FOR STREET SWEEPER GUTTER BROOM
January 16, 2018	43488	\$1,781.75	NORTHSTAR CHEMICAL	WATER	(160.89 GAL) SODIUM BISULFITE - 25%, (520 GAL) SODIUM HYPOCHLORITE - 12.5%
January 16, 2018	43489	\$777.79	OFFICE DEPOT	GENERAL-WATER-SEWER	MULTIPLE DEPARTMENT OFFICE SUPPLIES
January 16, 2018	43490	\$212.66	AT&T	GENERAL-WATER-SEWER	MONTHLY SERVICE CHARGE 559-266-6456 12/26/17- 01/25/18
January 16, 2018	43491	\$8,387.19	PG&E	GENERAL-WATER-STREETS	WATER DEPARTMENT UTILITIES - 12/13/17 - 1/10/18
January 16, 2018	43492	VOID			
January 16, 2018	43493	\$260.30	PROVOST & PRITCHARD	GENERAL	TAX CREDIT ALLOCATION MENDOTA VILLAGE APARTMENTS -PASSTHRU
January 16, 2018	43494	\$2,560.86	R&B COMPANY	WATER	(1) HYDRANT METER - 1-4 -1/2 PENT- DRAIN HOLES & STARGRIP 400 ON GUILLEN PARKWAY
January 16, 2018	43495	\$202.01	R.G. EQUIPMENT COMPANY	GENERAL	PARTS FOR MOWER - BELT, FILTER & LINE
January 16, 2018	43496	\$272.11	RAMON'S TIRE	STREETS	(1) RADIAL TUBE - FIRESTONE FARM TUBE - DISC #7, (1) REAR TIRE REPAIR (RIGHT0 FARM TUBE NEW BACKHOE
January 16, 2018	43497	\$150.00	HENRY SANCHEZ	WATER-SEWER	EXPENSE REIMBURSEMENT - DOT EXAM MEDICAL
January 16, 2018	43498	\$1,261.71	SORENSEN MACHINE WORKS	GENERAL-WATER-SEWER-STREETS	MULTIPLE DEPARTMENT SUPPLIES FOR DECEMBER 2017
January 16, 2018	43499	\$449.21	STATE OF CALIFORNIA	STREETS	SIGNALS & LIGHTING BILLING OCTOBER - DECEMBER 2017
January 16, 2018	43500	\$194.85	TCM INVESTMENTS	GENERAL	MPC3503 LEASE PAYMENT - POLICE DEPARTMENT COPY MACHINE
January 16, 2018	43501	\$2,040.50	THE BANK OF NEW YORK MELLON	SEWER	MENDOTA JPFA 2010 - CERTIFICATE OF PARTICIPATION WASTEWATER SYSTEM 1/1/18 - 12/31/18, ADMINISTRATIVE FEE FOR WASTE WATER
January 16, 2018	43502	\$213.38	USA BLUEBOOK	WATER	(2) WALCHEM 5-PIN REVERSE KEY CONNECTOR- WTP, (1) POLYPROP SHUT-OFF VALVE- (2) POLYPROP UNION CONNECTOR
January 16, 2018	43503	\$190.00	VERIZON WIRELESS-GPS	GENERAL-WATER-SEWER	(10) MONTHLY FLEET GPS SRVICES FOR OCTOBER 2017
January 16, 2018	43504	\$214.65	VULCAN MATERIALS COMPANY	STREETS	HOT MIX ST 1/2 HMA TYPE A - 9TH STREET & PEREZ STREET
January 17, 2018	43505	\$760.08	AFLAC INSURANCE	GENERAL	AFLAC INSURANCE FOR JANUARY 2018
January 17, 2018	43506	\$8,955.00	PRICE, PAIGE, & COMPANY	GENERAL-WATER-SEWER-STREETS-REFUSE	RPROFESSIONAL SERVICES: COMPLETION OF AUDIT OF THE CITY'S FIANNCIAL STATEMENTS ENDING 6/30/2017
January 17, 2018	43507	\$317.59	UNION PACIFIC RAILROAD COMPANY	STREETS	PUBLIC ENCROACHMENT FOR FEB 2017- 10TH & MARIE ST, MARIE ST, AND BELMONT AVE
		\$290,472.09			



CITY OF MENDOTA

"Cantaloupe Center Of The World"

January 23, 2018

Senator Dianne Feinstein
United States Senate
2500 Tulare Street, Suite 4290
Fresno, CA 93721

The Honorable Dianne Feinstein,

Over the course of the last five months, the Trump administration has taken dramatic steps on immigration that will have a demonstrably negative impact on the City of Mendota.

On September 4, 2017, the Trump administration terminated the Deferred Action for Childhood Arrivals (DACA) program. The DACA program affects tens of thousands of undocumented immigrants who were brought to the United States as minors by their parents and have lived, worked, and attended schools in the United States since their arrival.

On January 8, 2018, the Trump administration ended "temporary protected status" (TPS) for immigrants from El Salvador (and other countries), and announcing that in September, 2019, those immigrants with TPS status will be deported.

Taken together, these two moves represent an unprecedented attack on the immigrant community. For Mendota, these actions will have a potentially devastating impact on families, the local economy, and the neighboring agricultural workforce. Mendota's population is 97% Hispanic – with nationalities primarily from Mexico and El Salvador. Indeed, Mendota has the largest Salvadoran population in Fresno County. There is no doubt that several thousand residents of Mendota are covered by either the DACA program or have TPS status.

To suddenly sweep away these protections with the stroke of a pen, without first working productively with Congress on comprehensive immigration reform or providing some type of program to give both TPS and DACA residents continued legal residency is tantamount to punitive measures against a population that the United States took affirmative steps in the past to protect.

If both of these actions by the Trump administrative go unchallenged or uncorrected by Congress, the population of small towns like Mendota could shrink by 25% or more in just a period of months, with immeasurably negative impacts on families and devastating local economies.

The City Council of the City of Mendota, in the strongest terms possible, urges you to find legislative solutions that will protect the TPS and DACA populations and head off the destructive impacts to families and local economies that the Trump administration's policies will bring about.

Sincerely,

Rolando Castro
Mayor

Victor Martinez
Mayor Pro Tem

Robert Silva
Councilmember

Oscar Rosales
Councilmember

Jesse Mendoza
Councilmember



CITY OF MENDOTA

“Cantaloupe Center Of The World”

January 23, 2018

Senator Kamala Harris
United States Senate
2500 Tulare Street, Suite 5290
Fresno, CA 93721

The Honorable Kamala Harris,

Over the course of the last five months, the Trump administration has taken dramatic steps on immigration that will have a demonstrably negative impact on the City of Mendota.

On September 4, 2017, the Trump administration terminated the Deferred Action for Childhood Arrivals (DACA) program. The DACA program affects tens of thousands of undocumented immigrants who were brought to the United States as minors by their parents and have lived, worked, and attended schools in the United States since their arrival.

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Victor Martinez
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Robert Silva
Councilmember

Oscar Rosales
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Jesse Mendoza
Councilmember



CITY OF MENDOTA

“Cantaloupe Center Of The World”

January 23, 2018

Congressman David Valadao
United States House of Representatives
101 North Irwin Street, Suite 110 B
Hanford, CA 93230

The Honorable David Valadao,

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Sincerely,

Rolando Castro
Mayor

Victor Martinez
Mayor Pro Tem

Robert Silva
Councilmember

Oscar Rosales
Councilmember

Jesse Mendoza
Councilmember

AGENDA ITEM – STAFF REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS
FROM: CRISTIAN GONZALEZ, DIRECTOR OF PUBLIC WORKS AND PLANNING
VIA: VINCE DIMAGGIO, CITY MANAGER
SUBJECT: APPROVAL OF AMENDMENT I TO CDBG AGREEMENT 17-113
DATE: JANUARY 23, 2018

ISSUE

Should the City Council approve resolution number 18-07, approving the CDBG Agreement 17-113 Amendment I, that would increase CDBG's funding for the 7th and Derrick Project from \$304,726 to \$713,660 and authorizing the City Manager to sign all necessary documents?

BACKGROUND

On March 28, 2017 the Mendota City Council and the County of Fresno entered into agreement 17-113, whereby \$304,726 in CDBG funds were made available to the City for the 7th and Derrick Reconstruction Project. Since the City will not be participating with the County CDBG program in 2018-19, there is a balance of \$408,934 that can only be used on an existing CDBG project.

ANALYSIS

Staff has worked with the County to identify options to assure the available funds would not be lost. At this stage the only project that is eligible is the 7th and Derrick Project.

FISCAL IMPACT

This additional funding will help offset the increased cost of the project and will lessen the City's local financial contribution.

RECOMMENDATION

Staff recommends that the City Council adopt the attached resolution approving Amendment I to CDBG Agreement 17-113 and authorizing the City Manager to sign all necessary documents.

1 AMENDMENT I TO AGREEMENT

2 THIS AMENDMENT I TO AGREEMENT, hereinafter referred to as Amendment I, is made
3 this ____ day of _____, 2018, by and between the COUNTY OF FRESNO, a political
4 subdivision of the State of California, hereinafter referred to as the "County", and the CITY OF
5 MENDOTA, hereinafter referred to as the "City".

6 WITNESSETH

7 WHEREAS, the County has been designated as the sponsoring agency to administer and
8 implement the Community Development Block Grant (CDBG) Program activities of the County,
9 and its participating cities, in accordance with the provisions of Title I of the Housing and
10 Community Development Act of 1974, as amended, and the laws of the State of California; and

11 WHEREAS, on March 28, 2017, the County and the City entered into Agreement 17-113,
12 hereinafter referred to as the "Agreement", whereby \$304,726 in CDBG funds were made available
13 to the City for the Mendota 7th & Derrick Reconstruction, Project No. 15473, hereinafter referred to
14 as the "Project"; and

15 WHEREAS, the City informed the County that the total estimated cost of the Project has
16 increased from \$882,119 to \$1,141,006 due to increased construction costs; and

17 WHEREAS, the City informed the County that it wished to use its available balance of
18 CDBG funds to offset the increased construction costs and to reduce its local financial contribution
19 to the Project; and

20 WHEREAS, the City now has an additional \$408,934 from its allocation of CDBG funds
21 that may be made available to the Project due to the cancellation of another project; and

22 WHEREAS, the City has requested these additional CDBG funds in the amount of
23 \$408,934 be made available to the Project for the purposes of this Agreement; and

24 WHEREAS, the use of such additional CDBG funds in the amount of \$408,934 for the
25 Project will reduce the City's local financial contribution to the Project from \$577,393 to the amount
26 of \$427,346.

27 NOW THEREFORE, in consideration of their mutual promises as hereinafter set forth, the
28 City and the County agree to amend the Agreement as follows:

1 1. That the text on Page 1, Lines 14 through 19 be amended to read:

2 "WHEREAS, the total cost of the Project is estimated to be \$1,141,006 and the City has
3 committed local funds to the Project in the amount of \$427,346 and is in need of \$713,660 in CDBG
4 funding to complete the Project; and

5 WHEREAS, the County can make available \$713,660 in CDBG funds needed for the
6 Project consisting of \$300,200 from the City's 2015-2016 CDBG allocation, \$400,866 from the
7 City's 2017-2018 CDBG allocation, and additional CDBG funding in the amount of \$12,594 that
8 may be used by the City for this Project; and"

9 2. That the proposed Project budget on Page 2, Lines 22 through 24 be amended to
10 read:

"Construction	\$ 977,021
Design & Construction Engineering	98,600
Contingency, Permits & Misc.	<u>65,385</u>
Total	\$1,141,006"

14 3. That the proposed funding summary on Page 3, Lines 3 and 4 be amended to read:

"CDBG	\$ 713,660
Local Financial Contribution	<u>427,346</u>
Total	\$1,141,006"

17 4. That the dollar figure set forth on Page 2, Line 27, Page 3, Line 17, and Page 4,
18 Line 20, be amended in each such place to read "\$713,660".

19 All remaining provisions, terms, covenants, conditions, and promises contained in said
20 Agreement dated March 28, 2017, shall remain in full force and effect.

21 ///
22 ///
23 ///
24 ///
25 ///
26 ///
27 ///
28 ///

1 IN WITNESS WHEREOF, the parties have executed this Amendment I on the date set
2 forth on page one of this Amendment I.

3
4 CITY OF MENDOTA

COUNTY OF FRESNO

5
6 By: _____
City Manager

Sal Quintero, Chairman of the
Board of Supervisors of the
County of Fresno

7
8 Date: _____

Date: _____

9
10 ATTEST:

ATTEST:
Bernice E. Seidel
Clerk to the Board of Supervisors
County of Fresno, State of California

11
12
13 _____
City Clerk, City of Mendota

By: _____

14
15 APPROVED AS TO LEGAL FORM:

16
17 _____
18 City Attorney

19
20
21 REMIT TO:

22 FUND NO: 0001
SUBCLASS NO: 10000
ORG NO: 7205
23 ACCOUNT NO: 7885
PROJECT NO: N15473
24 ACTIVITY CODE: 7219

City of Mendota
Attn: Vincent DiMaggio, City Manager
643 Quince Street
Mendota, CA 93640

Telephone: (559) 655-3291

**BEFORE THE CITY COUNCIL
OF THE
CITY OF MENDOTA, COUNTY OF FRESNO**

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MENDOTA AUTHORIZING
THE CITY MANAGER TO EXECUTE THE
AMENDMENT I TO CDBG AGREEMENT
17-113 FOR THE 7TH AND DERRICK
RECONSTRUCTION PROJECT**

RESOLUTION NO. 18-07

WHEREAS, on March 28, 2017 the City of Mendota and Fresno County entered into Agreement 17-113, whereby \$304,726 in Community Development Block Grant (“CDBG”) funds were made available to the City for the 7th and Derrick Reconstruction Project No. 15473, herein referred to as the "Project"; and

WHEREAS, the City informed the County that the total estimated cost of the Project has increased from \$882,119 to \$1,141,006 due to increased construction costs; and

WHEREAS, the County informed the City that there is a CDBG balance of \$408,934 available to use on a current CDBG project; and

WHEREAS, the City informed the County that it requests the use of available balance of CDBG funds to offset the increased construction costs and to reduce the City's local contribution to the Project; and

WHEREAS, the City has requested these additional CDBG funds in the amount of \$408,934 be made available to the Project; and

NOW, THEREFORE, BE IT RESOLVED, the City Council of the City of Mendota hereby approves Amendment I for CDBG Agreement 17-113 (“Amendment”), attached hereto as Exhibit “A” and incorporated herein by reference.

BE IT FURTHER RESOLVED, the City Council of the City of Mendota hereby authorizes the City Manager to take all necessary and appropriate action to effectuate the Amendment.

Rolando Castro, Mayor

ATTEST:

I, Matt Flood, City Clerk of the City of Mendota, do hereby certify that the foregoing resolution was duly adopted and passed by the City Council at a regular meeting of said Council, held at the Mendota City Hall on the 23rd day of January, 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Matt Flood, City Clerk

**BEFORE THE CITY COUNCIL
OF THE
CITY OF MENDOTA, COUNTY OF FRESNO**

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MENDOTA
ACKNOWLEDGING RECEIPT OF THE
ANNUAL AUDIT OF CITY FUNDS**

RESOLUTION NO. 18-08

WHEREAS, each year the City conducts a formal audit of all of its financial accounts; and

WHEREAS, an audit of all financial accounts for fiscal year 2016-2017 has been conducted by Price, Paige, and Company; and

WHEREAS, the auditors have found that city management has complied in all material respects with the types of compliance requirements described in the Office of Managements and Budget Circular A-133 and complies with all applicable standards contained in *Government Auditing Standards* for fiscal year 2016-2017; and

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Mendota that the City Council hereby formally acknowledges receipt of the report for the financial audit of the City of Mendota for fiscal year 2016-2017.

Rolando Castro, Mayor

ATTEST:

I, Matt Flood, City Clerk of the City of Mendota, do hereby certify that the foregoing resolution was duly adopted and passed by the City Council at a regular meeting of said Council, held at the Mendota City Hall on the 23th day of January, 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Matt Flood, City Clerk

AGENDA ITEM – STAFF REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS
FROM: VINCE DIMAGGIO, CITY MANAGER
SUBJECT: CONSIDERATION OF A DEVELOPMENT AGREEMENT FOR CANNA-HUB
DATE: JANUARY 23, 2018

ISSUE

Should the City Council approve a Development Agreement for the indoor cultivation of cannabis at 1269 Marie Street as proposed by Canna Hub?

BACKGROUND

California Government Code § 65865 allows cities to enter into development agreements in order to provide a degree of certainty in the development process for both the city and the applicant. Development agreements are used in cases where the uniqueness of the land use may result in certain special circumstances not specifically addressed by a city’s zoning ordinance and/or development standards.

In September, 2017, the City Council adopted Ordinance No. 17-13, establishing a Cannabis Overlay District. The District sets forth a specific area of the City that indoor cannabis cultivation is permissible. The ordinance requires that prior to considering the Conditional Use Permit (the required land use entitlement for a proposed cannabis cultivation project), a development agreement be approved.

Earlier in the fall of 2017, Canna Hub negotiated a purchase agreement with the owners of the Mendota Cold Storage facility located at 1269 Marie Street. The facility is located within the new Cannabis Overlay District. Canna Hub has submitted an application for a Conditional Use Permit, as required by the ordinance, to develop 100,000 square feet of indoor cannabis cultivation as Phase I of their eventual build out. They anticipate adding another 100,000 square feet and numerous other buildings in the future as part of Phase II. This development agreement, if approved by Council, would be applicable to all development on the site, now and in the future.

ANALYSIS

Following the adoption of Ordinance 17-13, the Council appointed a “cannabis subcommittee” comprised of Councilmembers Silva and Mendoza, along with the City Manager and City Attorney. The subcommittee held one formal meeting with Canna Hub representatives in which

the key points of interest from the City’s perspective were outlined. Additional discussions have occurred between staff and Canna Hub to try and reach agreement on these points. The City Manager met separately with the Council subcommittee members to update them on the progress and receive additional direction. The subcommittee’s direction was represented in additional discussions with Canna Hub. The DA before the Council now is the result of the series of discussions that have been held with Canna Hub.

Overall, the Development Agreement is a highly technical document containing numerous provisions for protecting the City’s and the Developer’s interest as well as setting forth the performance expectations for both parties.

The principal points of the Development Agreement are as follows:

1. Developer shall pay a “City Tax” of \$8.00 per square foot of building space.
2. The City Tax is payable in quarterly installments of \$200,000, with the exception of the Initial Tax Payment of which \$100,000 is required within 90 days of the Effective Date of the Development Agreement or by the first business day of operations, whichever comes first. The second \$100,000 that comprises the first quarter payment is due on the first business day of the third month of business.
3. Developer shall use “best efforts” to promote the business and hire local residents.
4. The Development Agreement includes a formula based on the CPI for the increase of the City Tax beginning in the 6th year of operation.
5. All lessees within the facility are required to obtain a separate business license.

One of the issues that the Council subcommittee asked to be represented was a desire to receive an “excise tax” in addition to the “per square foot tax.” The “excise tax” is essentially a percentage of gross annual business revenue. An informal analysis of other California cities showed a split on the issue – some cities have incorporated such a tax, others have not.

In the negotiations with Canna Hub, the subject of an excise tax became a proverbial “bone of contention.” However, staff believes the issue has been mitigated to the satisfaction of both parties by a doubling of the “per square foot” tax from \$4.00 per square foot as called out by the City’s ordinance, to \$8.00 per square foot, and eliminating the excise tax requirement (which is not mentioned in the City’s cannabis ordinance).

FISCAL IMPACT

The primary benefit of the Canna Hub proposal is the revenue generating potential of the operation. Staff is cautiously optimistic that the revenue as envisioned by this Agreement will actually materialize.

The two main revenue elements generated by the project are the City Tax of \$8.00 per square foot of building area and the business license tax required for all independent cannabis growers leasing space in the facility.

Canna Hub expects a first phase of 100,000 square feet of cultivation to come on line after some tenant improvements to the existing facilities are completed. Once the first phase is fully leased, the annual General Fund revenue contemplated by the Development Agreement would be \$800,000. If tenant improvements proceed along the timeline presented by Canna Hub, it is possible that the 2018-2019 Fiscal Year will benefit from enhanced revenues brought about by this first phase of the project. The Development Agreement requires the Developer to prepay \$100,000 of the first quarter City Tax and, if paid in accordance with the DA's requirements, that prepayment will have been received by the City in time to factor in to FY 2018-2019 budget preparation.

Canna Hub's second phase of an additional, newly constructed 100,000 square feet of cultivation area will require a second Conditional Use Permit, environmental review, and construction. However, the taxing requirements, and other provisions of the DA will apply to the second phase as well. It is reasonable to assume that even pursuing an aggressive schedule, this second phase would take at least 18 months to complete from planning through construction. If carried out, the total square footage under cannabis cultivation would be 200,000 square feet, generating \$1.6 million in additional annual General Fund revenue. Current annual General Fund revenue has hovered around \$2.2 million for the last two years. An additional \$1.6 million would bring total General Fund annual revenues to \$3.8 million. This would represent a 70% increase in General Fund revenue.

It is quite clear that if this project evolves as represented by Canna Hub and with implementation of the Development Agreement, the City will realize a substantial enhancement of revenues sufficient to address a host of crucial issues currently confronting the City.

CONCLUSION

The legalization of recreational marijuana in California and the provisions for allowing its cultivation have opened up a new avenue of entrepreneurialism. Canna Hub has chosen Mendota (along with other locations) in attempt to control a percentage of the business "space."

It is advisable to view this project with cautious optimism, as opposed to a revenue panacea. There are many rivers yet to cross before the City will realize the full revenue potential of the proposal. At this stage, the Development Agreement before you puts the City in the best position to both be legally protected and to realize significant new revenues if the project is developed as proposed.

While not a guarantee, it is reassuring that Canna Hub has actually developed similar facilities before in other states – facilities that remain in active operation several years after the initial development. This is in contrast to the plethora of newer companies that have arisen comprised of a loose confederation of individuals from diverse backgrounds looking to capitalize on this new business frontier.

In sum, the combination of the City's ordinance requirements, this Development Agreement, and the fact that the applicant has previous experience in developing similar facilities, provides sufficient confidence that justifies moving forward with the current proposal.

RECOMMENDATION

Staff recommends that the City Council adopt the attached resolution approving the Development Agreement for Canna Hub.

**BEFORE THE CITY COUNCIL
OF THE
CITY OF MENDOTA, COUNTY OF FRESNO**

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MENDOTA APPROVING
DEVELOPMENT AGREEMENT WITH MARIE
STREET DEVELOPMENT, LLC**

RESOLUTION NO. 18-09

WHEREAS, to strengthen the public planning process, encourage private participation in comprehensive planning and reduce the economic risk of development, the Legislature of the State of California adopted Government Code Sections, 65864 *et seq.* (the "Development Agreement Statute"), which authorizes cities to enter into agreements for the development of real property with any person having a legal or equitable interest in such property in order to establish certain development rights in such property; and

WHEREAS, Marie Street Development, LLC ("Developer") seeks to use an existing facility located at 1269 Marie Street (the "Subject Property") to operate a Cannabis Business (the "Project") in compliance with the Medical Cannabis Regulation and Safety Act ("MCRSA"); Proposition 64, the Control, Regulate and Tax Adult Use of Marijuana Act, also known as the Adult Use of Marijuana Act ("AUMA"); and the Medicinal and Adult- Use Cannabis Regulation and Safety Act ("MAUCRSA"); and

WHEREAS, Developer seeks to carry out the Project consistent with the City's General Plan; the applicable provisions of the Mendota Municipal Code; and a proposed Development Agreement attached hereto as Exhibit "A"; and

WHEREAS, the Development Agreement will assure the City and its residents and the Developer that the Project will proceed as proposed and that the public improvements and other amenities and funding obligations, will be accomplished as proposed; and

WHEREAS, Developer is currently in escrow to purchase the Subject Property, but does not yet hold fee title to the Subject Property; and

WHEREAS, pursuant to Section 65867 of the Government Code, the City Council, on January 23, 2018, held a duly noticed public hearing on the Development Agreement, during which public hearing, the City Council received comments from interested parties.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Mendota, that the facts contained in the recitals above are true and correct, and that the City Council approves the Development Agreement in the substantial form presented as Exhibit "A," and directs City Manager Vince DiMaggio to execute the Development Agreement after, and contingent upon Developer's receipt of fee title to the Subject

Property, which shall occur not more than ninety (90) days after the date of this Resolution, subject to such reasonable modifications, revisions, additions and deletions as he may approve prior to execution, said execution to provide conclusive evidence of such approval;

BE IT FURTHER RESOLVED THAT the City Council makes the following findings in support of its approval of the Development Agreement:

1. This Development Agreement is adopted under the authority of Section 65864, *et seq.* of the Government Code, and
2. The Development Agreement is consistent with the objectives, policies, general land uses and programs specified in the City's General Plan;
3. The Development Agreement is compatible with the uses authorized in, and the regulations prescribed for, the general plan designations which will apply to the Subject Property;
4. The Development Agreement is in conformity with public convenience, general welfare and good land use practice;
5. The Development Agreement will not be detrimental to the public health, safety and general welfare; and
6. The Development Agreement will not adversely affect the orderly development of property within the City.

BE IT FURTHER RESOLVED THAT the City Clerk is hereby directed to cause one copy of the signed, adopted agreement to be recorded with the County Recorder no later than ten (10) days after the City enters into the Development Agreement pursuant to the requirements of Section 65868.5 of the Government Code.

Rolando Castro, Mayor

ATTEST:

I, Matt Flood, City Clerk of the City of Mendota, do hereby certify that the foregoing resolution was duly adopted and passed by the City Council at a regular meeting of said Council, held at the Mendota City Hall on the 23th day of January 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Matt Flood, City Clerk

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL
TO:**

City of Mendota

Attention: _____

SPACE ABOVE THIS LINE FOR RECORDER'S USE
Recording Fee Exempt per Government Code §6103

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT ("Agreement") is made and entered into this _____ (_____) day of _____, 2018, by and between the **CITY OF MENDOTA**, a municipal corporation of the State of California ("City"), and **MARIE STREET DEVELOPMENT, LLC**, a California limited liability company ("Developer"). City or Developer may be referred to herein individually as a "Party" or collectively as the "Parties." There are no other parties to this Agreement.

RECITALS

A. On October 9, 2015, Governor Jerry Brown signed three bills into law (Assembly Bill 266, Assembly Bill 243, and Senate Bill 643) which are collectively referred to as the Medical Cannabis Regulation and Safety Act ("MCRSA"). MCRSA establishes a statewide regulatory system for the cultivation, processing, transportation, testing, manufacturing, and distribution of medical marijuana to qualified patients and their primary caregivers.

B. On November 8, 2016, California voters enacted Proposition 64, the Control, Regulate and Tax Adult Use of Marijuana Act, also known as the Adult Use of Marijuana Act ("AUMA"), which establishes a comprehensive system to legalize, control, and regulate the cultivation, processing, manufacture, distribution, testing, and sale of nonmedical cannabis, including cannabis products, for use by adults 21 years and older, and to tax the growth and retail sale of cannabis for nonmedical use.

C. On June 27, 2017, Governor Jerry Brown signed into law the Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), which creates a single regulatory scheme for both medicinal and adult-use cannabis businesses. MAUCRSA retains the provisions in MCRSA and AUMA that granted local jurisdictions control over whether businesses engaged in Commercial Cannabis Activity, as defined in Section 1.4 of this Agreement, may operate in a particular jurisdiction.

D. Developer proposes to improve, develop, and use real property to be used in the operation of a Cannabis Business for cultivation, manufacturing, distribution and testing of

Cannabis and Cannabis Products, as defined in Section 1.4 of this Agreement, in strict accordance with California Cannabis Laws, as defined in Section 1.4 of this Agreement, as they may be amended from time to time, and the Municipal Code of the City of Mendota as it existed on the Effective Date (the “Project”). The Project includes 100,000 square feet of buildings for Commercial Cannabis Activity.

E. To strengthen the public planning process, encourage private participation in comprehensive planning, and reduce the economic risk of development, the California Legislature adopted Government Code section 65864 *et seq.* (the “Development Agreement Statute”), which authorizes City and an individual with an interest in real property to enter into a development agreement that establishes certain development rights in real property that is subject to a development agreement application.

F. Developer has submitted a request to the City for consideration of a development agreement.

G. Government Code section 65865 requires an applicant for a development agreement to hold a legal or equitable interest in the real property that is the subject of the development agreement. Developer is the fee simple owner or has an equitable interest in the real property located at 1269 Marie Street, in the City of Mendota, County of Fresno, State of California, Assessor’s Parcel Number 013-280-15 (the “Site”), more particularly described in the legal description attached hereto as **Exhibit A** and the Site Map attached hereto as **Exhibit B**.

H. On September 12, 2017, the City Council of Mendota (“City Council”) adopted Ordinance No. 17-13 establishing zoning limitations and requirements for all cannabis businesses, including the proposed cannabis facility to be located at the Site.

I. Government Code section 65867.5 requires the Planning Commission to hold a public hearing to review an application for a development agreement.

J. On [REDACTED], 2018, the City Council, in a duly noticed and conducted public hearing, considered Developer’s application for this Agreement.

K. Pursuant to Government Code section 65867.5, on [REDACTED], 2018, the City Council reviewed, considered, adopted, and entered into this Agreement pursuant to Ordinance No. 18-[REDACTED].

L. This Agreement is entered into pursuant to the Development Agreement Statute and the Mendota Municipal Code.

M. City and Developer desire to enter into this Agreement to: (i) facilitate the orderly development of the Site in general and specifically to ensure that such development is consistent with Title 17 of the Mendota Municipal Code; (ii) create a physical environment that is consistent with, complements, and promotes the purposes and intent of the Commercial Cannabis Overlay District and the regulations adopted therewith; (iii) protect natural resources from adverse impacts; and (vi) reduce the economic risk of development of the Site to both City and Developer.

N. The Parties intend through this Agreement to allow Developer to develop and

manage the Project in accordance with the terms of this Agreement.

O. The City Council has determined that this Agreement is consistent with City’s General Plan and have conducted all necessary proceedings in accordance with City’s Municipal Code for the approval of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

AGREEMENT

ARTICLE 1

GENERAL PROVISIONS

Section 1.1. Findings. City hereby finds and determines that entering into this Agreement furthers the public health, safety, and general welfare and is consistent with City’s General Plan, including all text and maps in the General Plan.

Section 1.2. Recitals. The Recitals above are true and correct and are hereby incorporated into and made a part of this Agreement. In the event of any inconsistency between the Recitals and the provisions of Articles 1 through 10 of this Agreement, the provisions of Articles 1 through 10 shall prevail.

Section 1.3. Exhibits. The following “Exhibits” are attached to and incorporated into this Agreement:

<u>Designation</u>	<u>Description</u>
Exhibit A	Legal Description
Exhibit B	Site Map
Exhibit C	Notice of Non-performance Penalty
Exhibit D	Notice of Termination
Exhibit E	Assignment and Assumption Agreement

Section 1.4. Definitions. In this Agreement, unless the context otherwise requires, the terms below have the following meaning:

- (a) “Additional Insureds” has the meaning set forth in Section 6.1.
- (b) “Additional License” means a state license to operate a cannabis business pursuant to the California Cannabis Laws that is not an Authorized License.
- (c) “Adult-Use Cannabis” means a product containing cannabis, including, but not limited to, concentrates and extractions, intended for use by adults 21 years of age or over in California pursuant to the California Cannabis Laws.

(d) “Agreement” means this Development Agreement, inclusive of all Exhibits attached hereto.

(e) “Application” means the application for a development agreement submitted by Developer to the City.

(f) “Assignment and Assumption Agreement” has the meaning set forth in Section 10.1.

(g) “AUMA” means the Adult Use of Marijuana Act (Proposition 64) approved by California voters on November 8, 2016.

(h) “Authorized License” has the meaning set forth in Section 2.3.

(i) “Bureau” means the Bureau of Cannabis Control within the Department of Consumer Affairs, formerly named the Bureau of Marijuana Control, the Bureau of Medical Cannabis Regulation, and the Bureau of Medical Marijuana Regulation.

(j) “California Building Standards Codes” means the California Building Code, as amended from time to time, in Part 2, Volumes 1 and 2, as part of Title 24 of the California Code of Regulations, as may be adopted by the Mendota Municipal Code.

(k) “California Cannabis Laws” includes AUMA, MAUCRSA, CUA, the Medical Marijuana Program Act of 2004 codified as Health and Safety Code sections 11362.7 through 11.62.83, and any other applicable state laws that may be enacted or approved.

(l) “Cannabis” means all parts of the plant Cannabis sativa Linnaeus, Cannabis indica, or Cannabis ruderalis, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. “Cannabis” also means the separated resin, whether crude or purified, obtained from cannabis. “Cannabis” does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination. For the purpose of this division, “cannabis” does not mean “industrial hemp” as defined by Section 11018.5 of the Health and Safety Code. Cannabis and the term “marijuana” may be used interchangeably.

(m) “Cannabis Business” means a cannabis business operating pursuant to an Authorized License.

(n) “Cannabis product” means cannabis that has undergone a process whereby the plant material has been transformed into a concentrate, including, but not limited to, concentrated cannabis, or an edible or topical product containing cannabis or concentrated cannabis and other ingredients.

(o) “CEQA” means the California Environmental Quality Act, as set forth in Division

13 (Commencing with Section 21000) of the California Public Resources Code, and the CEQA Guidelines as set forth in Title 14 (Commencing with Section 15000) of the California Code of Regulations.

(p) “City” means the City of Mendota, a municipal corporation having general police powers.

(q) “City Council” means the City of Mendota City Council.

(r) “City Manager” means the City Manager of the City of Mendota, or his or her designee.

(s) “Charged Party” has the meaning set forth in Section 8.1.

(t) “Charging Party” has the meaning set forth in Section 8.1.

(u) “Commercial Cannabis Activity” means to cultivate, manufacture, distribute, or test a cannabis product provided for by Division 10 (commencing with Section 26000) of the Business and Professions Code.

(v) “Conditional Use Permit” means a conditional use permit for the Project issued by the City pursuant to Mendota Municipal Code Chapter 17.08.050.

(w) “CUA” means the Compassionate Use Act (Proposition 215) approved by California voters on November 5, 1996.

(x) “Developer” means Canna Hub. Developer also has the meaning set forth in Section 6.1.

(y) “Development Agreement Statute” has the meaning set forth in Recital E.

(z) “Exhibits” has the meaning set forth in Section 1.3.

(aa) “Major Amendment” means an amendment that shall have a material effect on the terms of the Agreement. Major Amendments shall require approval by the City Council.

(bb) “Marijuana” has the same meaning as cannabis and those terms may be used interchangeably.

(cc) “MAUCRSA” means the Medicinal and Adult-Use Cannabis Regulation and Safety Act, codified as Business and Professions Code section 26000 *et seq.*

(dd) “MCRSA” has the meaning set forth in Recital A.

(ee) “Ministerial Fee” or “Ministerial Fees” has the meanings set forth in Section 4.1.

(ff) “Minor Amendment” means a clerical amendment to the Agreement that shall not materially affect the terms of the Agreement (i.e., change of notice address) and any amendment

described as minor herein.

- (gg) “Mortgage” has the meaning set forth in Article 7.
- (hh) “Non-Performance Penalty” has the meaning set forth in Section 4.3.
- (ii) “Notice of Non-Performance Penalty” has the meaning set forth in Section 4.3.
- (jj) “Notice of Termination” has the meaning set forth in Section 9.1.
- (kk) “Processing Costs” has the meaning set forth in Section 1.11.
- (ll) “Project” has the meaning set forth in Recital D.
- (mm) “Project Litigation” has the meaning set forth in Section 10.7.
- (nn) “Public Benefit” has the meaning set forth in Section 4.2.
- (oo) “Public Benefit Amount” has the meaning set forth in Section 4.2.
- (pp) “Site” has the meaning set forth in Recital G.
- (qq) “State Cannabis Manufacturing Regulations” means the regulations related to cannabis manufacturing issued by a State Licensing Authority in accordance with Chapter 13 (commencing with Section 26130) of Division 10 of the Business and Professions Code, which may be amended from time to time.
- (rr) “State Licensing Authority” means the state agency responsible for the issuance, renewal, or reinstatement of a state cannabis license, or the state agency authorized to take disciplinary action against a business licensed under the California Cannabis Laws.
- (ss) “State Taxing Authority” has the meaning set forth in Section 4.2.
- (tt) “Subsequent City Approvals” has the meaning set forth in Section 3.1.
- (uu) “Term” has the meaning described in Section 1.7.

Section 1.5. Project is a Private Undertaking. The Parties agree that the Project is a private development and that City has no interest therein, except as authorized in the exercise of its governmental functions. City shall not for any purpose be considered an agent, partner, or joint venturer of Developer or the Project.

Section 1.6. Effective Date of Agreement. This Agreement shall become effective upon the date that the ordinance approving this Agreement becomes effective and title to the Site is vested in the Developer (the “Effective Date”).

Section 1.7. Term. The “Term” of this Agreement is twenty (20) years from the Effective Date, unless terminated or extended earlier, as set forth in this Agreement.

(a) **Government Tolling or Termination.** City may provide written notice to Developer to cease all Commercial Cannabis Activity, upon which Developer shall immediately comply, if City is specifically required to comply with federal or state law and such federal or state law requires cessation of Cannabis Cultivation Activities. If City temporarily halts this Agreement to comply with federal or state law, this Agreement shall be tolled for an equivalent period of time (the “Tolling Period”). Developer shall not accrue or be liable to City for any Ministerial Fees or Public Benefit Amount during the Tolling Period. Developer shall resume paying any applicable fees after the Tolling Period ends. City and Developer shall discuss in good faith the termination of this Agreement if the Tolling Period exceeds one (1) calendar year.

(b) **Developer Tolling or Termination.** Developer may not temporarily halt or suspend this Agreement for any purpose without causing a default of this Agreement, except as otherwise allowed by this Agreement.

(c) **Developer Termination.** Developer may provide written notice to City of intent to cease all Commercial Cannabis Activity, if Developer is required, directed, or believes, in its sole and absolute discretion, it must temporarily halt or terminate Commercial Cannabis Activity. In such an event, Developer obligations under this Agreement shall terminate. Any resumption of Commercial Cannabis Activity shall be subject to approval by the City Manager.

Section 1.8. Priority of Enactment. In the event of conflict between the various land use documents referenced in this Agreement, the Parties agree that the following sequence of approvals establishes the relative priority of the approvals, each approval superior to the approvals listed thereafter: (a) General Plan, (b) Agreement, (d) Conditional Use Permit, and (e) Subsequent City Approvals, as defined in Section 3.1 of this Agreement.

Section 1.9. Amendment of Agreement. This Agreement shall be amended only by mutual consent of the Parties. All amendments shall be in writing. The City Council hereby expressly authorizes the City Manager to approve a Minor Amendment to this Agreement, upon notification of the City Council. A Major Amendment to this Agreement shall be approved by the City Council. The City Manager shall, on behalf of City, have sole discretion for City to determine if an amendment is a Minor Amendment or a Major Amendment. Nothing in this Agreement shall be construed as requiring a noticed public hearing, unless required by law.

Section 1.10. Recordation of Development Agreement. The City Clerk shall cause a copy of this Agreement to be recorded against the title of the Site within ten (10) business days of the Effective Date.

Section 1.11. Funding Agreement for Processing Costs. Developer has deposited fifteen thousand dollars (\$15,000) with City to pay for the Application, all actual fees and expenses incurred by City that are related to the preparation, processing and annual review of this Agreement, including recording fees, publishing fees, staff time, consultant and attorney fees and costs (collectively, “Processing Costs”). The Processing Costs are refundable solely to the extent of non-expended Processing Costs. Developer shall be entitled to a refund of available Processing Costs only after City determines all financial obligations associated with the Project have been

received and paid by City.

(a) **Apportionment of Processing Costs.** If the amount deposited for purposes of Processing Costs is insufficient to cover all Processing Costs, City shall provide notice to Developer, and Developer shall deposit with City such additional funds necessary to pay for all Processing Costs within thirty (30) calendar days. The failure to timely pay any such additional amounts requested by City shall be considered a material default of this Agreement and City may immediately terminate this Agreement.

(b) **Accounting.** Developer may request, and City shall issue within a reasonable time, an accounting and written acknowledgement of Processing Costs paid to City.

**ARTICLE 2
DEVELOPMENT OF PROPERTY**

Section 2.1. Vested Right of Developer. During the Term, in developing the Site consistent with the Project described herein, Developer is assured that the development rights, obligation terms, and conditions specified in this Agreement, including, without limitation, the terms, conditions, and limitations set forth in the Exhibits, are fully vested in Developer and may not be modified or terminated by City except as set forth in this Agreement or with Developer’s written consent.

Section 2.2. Vested Right to Develop. In accordance with Section 2.1, Developer shall have the vested right to develop and use the Project consistent with this Agreement, the existing City regulations and codes, the Conditional Use Permit, and Subsequent City Approvals.

Section 2.3. Permitted Uses and Development Standards. Developer shall be authorized to develop, construct, and use the Site for Commercial Cannabis Activity consistent with the following license types (the “Authorized License”):

License Description	State License Type(s)
Cultivation Indoor	1A/2A/3A
Cultivation Mixed Light	1B/2B/3B
Cultivation Nursery	4
Manufacturing 1	6
Manufacturing 2	7
Laboratory Testing	8
Distribution	11
Transportation	12

Developer or its tenants or assignees shall be permitted to use the Site consistent with the Authorized License for the Term of this Agreement and during the time Developer is applying for the Authorized License with the applicable State Licensing Authority. Notwithstanding the foregoing, Developer is required to apply for and obtain the Authorized License from the State of California. If the State Licensing Authority does not grant the Authorized License to Developer, Developer shall immediately cease Commercial Cannabis Activity on the Site. Developer shall also, within ten (10) calendar days of receiving notice from the State Licensing Authority, notify

City of the State Licensing Authority's denial or rejection of any license. If the Authorized License is not granted by the State of California, Developer shall immediately cease operations. In this situation, this Agreement shall terminate immediately. The Parties intend for this Agreement and the Conditional Use Permit to serve as the definitive and controlling documents for all subsequent actions, discretionary or ministerial, relating to development of the Site and Project.

Section 2.4. Major Amendment to Permitted Uses. Developer may request to add to the Authorized License one or more of the license types then authorized by the California Cannabis Laws. If City Council allows any Additional Licenses, City Council shall make a finding of whether Developer's Additional Licenses will have any additional impact on City neighborhoods, infrastructure, or services. Developer shall be required to compensate City for all additional impacts on City infrastructure or services associated with any Additional Licenses and the Public Benefit Amount shall be revised accordingly. This process shall be a Major Amendment to this Agreement.

Section 2.5. Development Permit. Prior to commencing operation of any Commercial Cannabis Activity on the Site, Developer shall obtain a Conditional Use Permit and any applicable Subsequent City Approvals. Developer shall be required to comply with all provisions of the Mendota Municipal Code and any other City rules and administrative guidelines associated with implementation of the Commercial Cannabis Overlay District. Nothing in this Agreement shall be construed as limiting the ability of City to amend the Mendota Municipal Code or issue rules or administrative guidelines associated with implementation of the Commercial Cannabis Overlay District or Developer's obligation to strictly comply with the same.

Section 2.6. Subsequent Entitlements, Approvals, and Permits. Successful implementation of the Project shall require Developer to obtain additional approvals and permits from City and other local and state agencies. City shall comply with CEQA in the administration of all Subsequent City Approvals. In acting upon any Subsequent City Approvals, City's exercise of discretion and permit authority shall conform to this Agreement. Notwithstanding the foregoing, in the course of taking action on the Subsequent City Approvals, City will exercise discretion in adopting mitigation measures as part of the Conditional Use Permit. The exercise of this discretion is not prohibited by this Agreement, but the exercise of that discretion must be reasonable and consistent with this Agreement. Nothing in this Agreement shall preclude the evaluation of impacts or consideration of mitigation measures or alternatives, as required by CEQA.

Section 2.7. Initiatives and Referenda. If any City ordinance, rule or regulation, or addition to the Mendota Municipal Code is enacted or imposed by a citizen-sponsored initiative or referendum after the Effective Date that would conflict with this Agreement, an associated Conditional Use Permit, Subsequent City Approvals, or reduce the development rights or assurances provided to Developer in this Agreement, such Mendota Municipal Code changes shall not be applied to the Site or Project; provided, however, the Parties acknowledge that City's approval of this Agreement is a legislative action subject to referendum. City shall cooperate with Developer and shall undertake such reasonable actions as may be appropriate to ensure this Agreement remains in full force and effect and is implemented in accordance with its terms to the fullest extent permitted by state or federal law.

Section 2.8. Regulation by Other Government Entities. Developer acknowledges that City does

not have authority or jurisdiction over any other government entities' ability to grant governmental approvals or permits or to impose a moratorium or other limitations that may negatively affect the Project or the ability of City to issue a permit to Developer or comply with the terms of this Agreement. Any moratorium imposed by another government entity, including the State Licensing Authority, on City shall not cause City to be in breach of this Agreement.

Section 2.9. Developer's Right to Rebuild. Developer may renovate portions of the Site any time within the Term of this Agreement consistent with the Mendota Municipal Code. Any such renovation or rebuild shall be subject to all design, building code, and other requirements imposed on the Project by this Agreement.

Section 2.10. Changes in California Building Standards Codes. Notwithstanding any provision of this Agreement to the contrary, development of the Project shall be subject to changes occurring from time to time to the California Building Standards Codes.

Section 2.11. Changes Mandated by Federal or State Law. The Site and Project shall be subject to subsequently enacted state or federal laws or regulations that may preempt the Mendota Municipal Code, or mandate the adoption or amendment of local regulations, or are in conflict with this Agreement or local rules or guidelines associated with the Commercial Cannabis Overlay District. As provided in Section 65869.5 of the Development Agreement Statute, in the event state or federal laws or regulations enacted after the Effective Date prevent or preclude compliance with one or more provisions of this Agreement, such provisions shall be modified or suspended as may be necessary to comply with such state or federal laws or regulations. Upon discovery of a subsequently enacted federal or state law meeting the requirements of this Section, City or Developer shall provide the other Party with written notice of the state or federal law or regulation, and a written statement of the conflicts thereby raised with the provisions of the Mendota Municipal Code or this Agreement. Promptly thereafter, City and Developer shall meet and confer in good faith in a reasonable attempt to modify this Agreement, as necessary, to comply with such federal or state law or regulation provided City shall not be obligated to agree to any modification materially increasing its obligations or materially adversely affecting its rights and benefits hereunder. In such discussions, City and Developer will attempt to preserve the terms of this Agreement and the rights of Developer derived from this Agreement to the maximum feasible extent while resolving the conflict. If City, in its judgment, determines it necessary to modify this Agreement to address such conflict, City shall have the right and responsibility to do so, and shall not have any liability to Developer for doing so or be considered in breach or default of this Agreement. City also agrees to process, in accordance with the provisions of this Agreement, Developer's proposed changes to the Project that are necessary to comply with such federal or state law and that such proposed changes shall be conclusively deemed to be consistent with this Agreement without further need for any amendment to this Agreement.

Section 2.12. Health and Safety Emergencies. In the event that any future public health and safety emergencies arise with respect to the development contemplated by this Agreement, City agrees that it shall attempt, if reasonably possible as determined by City in its discretion, to address such emergency in a way that does not have a material adverse impact on the Project. If City determines, in its discretion, that it is not reasonably possible to so address such health and safety emergency, to select that option for addressing the situation which, in City's discretion, minimizes, so far as reasonably possible, the impact on development and use of the Project in accordance with

this Agreement, while still addressing such health and safety emergency in a manner acceptable to City.

ARTICLE 3 ENTITLEMENT AND PERMIT PROCESSING, INSPECTIONS

Section 3.1. Subsequent City Approvals. City shall permit the development, construction, and conditionally permitted use contemplated in this Agreement. City agrees to timely grant, pursuant to the terms of this Agreement, the Mendota Municipal Code as it existed on the Effective Date, and any Subsequent City Approvals reasonably necessary to complete the goals, objectives, policies, standards, and plans described in this Agreement. The Subsequent City Approvals shall include any applications, permits, and approvals required to complete the improvements necessary to develop the Site, in general accordance with this Agreement (“Subsequent City Approvals”). Nothing herein shall require City to provide Developer with Subsequent City Approvals prior to, or without complying with, all of the requirements in this Agreement, the Mendota Municipal Code as it existed on the Effective Date, and any applicable state law.

Section 3.2. Timely Processing. City shall use its reasonable best efforts to process and approve, within a reasonable time, any Subsequent City Approvals or environmental review requested by Developer during the Term of this Agreement.

Section 3.3. Cooperation between City and Developer. Consistent with the terms set forth herein, City agrees to cooperate with Developer, on a timely basis, in securing all permits or licenses that may be required by City or any other government entity with permitting or licensing jurisdiction over the Project.

Section 3.4. Further Consistent Discretionary Actions. The exercise of City’s authority and independent judgment is recognized under this Agreement, and nothing in this Agreement shall be interpreted as limiting City’s discretion or obligation to hold legally required public hearings. Except as otherwise set forth herein, such discretion and action taken by City shall, however, be consistent with the terms of this Agreement and not prevent, hinder or compromise development or use of the Site as contemplated by the Parties in this Agreement.

ARTICLE 4 PUBLIC BENEFIT, PROCESSING, AND OVERSIGHT

Section 4.1. Processing Fees and Charges. Developer shall pay to City those processing, inspection, plan checking, and monitoring fees and charges required by City which are in force and effect at the time those fees and charges are incurred (including any post-Effective Date increases in such fees and charges) for processing applications and requests for building permits, inspections, other permits, approvals and actions, and monitoring compliance with any permits issued or approvals granted or the performance of any conditions (each a “Ministerial Fee” and collectively, the “Ministerial Fees”).

Section 4.2. Public Benefit.

(a) The Parties acknowledge and agree that this Agreement confers substantial private benefits upon Developer that will place burdens upon City infrastructure, services, and

neighborhoods. Accordingly, the Parties intend to provide consideration to City to offset these impacts that is commensurate with the private benefits conferred on Developer (the “Public Benefit”). Developer acknowledges that the Public Benefit Fees provided for herein are greater than the annual fee provided for in Mendota Municipal Code section 17.99.070 and, despite this fact, voluntarily agrees to pay the fees acknowledging that the private benefits conferred are of equal or greater consideration to the fees, and waives any right to challenge said fees as a violation of any law. In consideration of the foregoing, Developer shall remit to City \$8.00 per square foot (the “Square Foot Charge”) of the Development (currently approximately 100,000 square feet) as follows:

Within ninety (90) days of the Effective Date, or First (1st) Business Day of 1st Month in which Developer commences Commercial Cannabis Activity, whichever occurs first.	\$100,000 (“ <u>Prepaid Fee</u> ”).
First (1st) Business Day, of 3 rd Month in which Developer commences Commercial Cannabis Activity.	\$100,000 (“ <u>First Quarter Balance</u> ”).
First (1st) Business Day, of Every 3 rd month after payment of the First Quarter Balance.	\$200,000 per quarter (“ <u>Quarterly Payments</u> ”).

(b) Collectively, these amounts shall be known as the “Public Benefit Amount”. Developer shall be provided with a Five Hundred and No/100 Dollars (\$500.00) annual credit towards the Public Benefit Amount due to compensate for any out of pocket costs incurred by Developer in collecting and submitting payments to the City.

(c) Developer shall remit the Prepaid Fee, First Quarter Balance, and Quarterly Payments as applicable, to City on as described in subdivision (a). Failure to remit the Prepaid Fee, First Quarter Balance, and Quarterly Payments, as applicable, is a material breach of this Agreement.

(d) The Square Foot Charge (and the Quarterly Payments) referred to in Section 4.2(a) of this Agreement shall be subject to adjustment at the commencement of the sixth (6th) year of the term and each year thereafter (the “adjustment date”) as follows:

(1) *Computation Instructions.* All adjustments shall be computed using the Consumer Price Index for the Fresno/Clovis metropolitan area (All Consumers) published by the United States Department of Labor, Bureau of Labor and Statistics (“Index”). The base for computing the initial adjustment at the commencement of the sixth (6th) year of the term is the Index published on the most recent date prior to the Effective Date (“Initial Beginning Index”). The base for computing each subsequent adjustment is the Extension Index used in the adjustment

computation for the immediately preceding adjustment date (“Beginning Index”). The Index published on the most recent date prior to the adjustment date in question (“Extension Index”) is to be used in determining the amount of the adjustment.

(2) *Computation Formula.* If the Extension Index has increased over the Beginning Index (or the Initial Beginning Index for the initial adjustment), the Square Foot Charge for the following one year period (until the next adjustment) shall be set by multiplying the Square Foot Charge in effect immediately prior to the adjustment date in question by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index (or the Initial Beginning Index for the initial adjustment).

(3) *Limitations on Adjustments.* In no event shall the Square Foot Charge as adjusted on any adjustment date be less than the Square Foot Charge in effect immediately prior to the adjustment date in question.

(4) *Notification.* On adjustment of the Square Foot Charge as provided in this Agreement, City shall notify Developer in writing of the amount of the new Square Foot Charge and Quarterly Payments in effect until the next adjustment date.

(5) *Substitute Index.* If the Index is changed so that the base year differs from that in effect when the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced or which is substantially similar to it shall be used in order to obtain essentially the same result as would be obtained if the Index had not been discontinued or revised.

Section 4.3. Reporting. Developer shall provide City with copies of any reports provided to a State Licensing Authority or a State Taxing Authority within forty-five (45) calendar days of that submission. Failure or refusal of Developer to (a) provide any such report to City, State Licensing Authority, or the State Taxing Authority within the time required by that entity, or (b) pay the Public Benefit Amount or amount due to a State Licensing Authority or State Taxing Authority when the same are due and payable, shall constitute full and sufficient grounds for the revocation or suspension of the Conditional Use Permit.

Section 4.4. Records. Subsequent tenant(s) shall keep records of all Commercial Cannabis Activity in accordance with Chapter 16 (commencing with Section 26160) of Division 10 of the Business and Professions Code and the State Retail Cannabis Regulations. All records required by this Article 4 shall be maintained and made available for City’s examination and duplication (physical or electronic) at the Site or at an alternate facility as approved in writing by the City Manager or his or her designee. Upon request, Developer shall make all records relating to this Article 4 available to City within three (3) calendar days.

Section 4.5. Penalty. Developer acknowledges that to ensure proper compliance with the terms of this Agreement and any applicable laws, City must engage in costly compliance review,

inspections, and, if necessary, enforcement actions to protect the health, safety, and welfare of its residents. Penalty and interest provisions are necessary to assist City in compliance review and enforcement actions. If Developer fails to make any payment when due as required by this Agreement, including the Public Benefit Amount, City may impose a “Non-Performance Penalty.” A Non- Performance Penalty of one percent (1%) shall be applied to all past due payments. City shall deliver to Developer a “Notice of Non-Performance Penalty,” attached hereto as **Exhibit C.** Payment of the Non-Performance Penalty shall be in a single installment due on or before a date fifteen (15) calendar days following delivery of the Notice of Non-Performance Penalty.

Section 4.6. Interest on Unpaid Non-Performance Penalty. If Developer fails to pay the Non-Performance Penalty after City has delivered the Notice of Non-Performance Penalty, then, in addition to the principal amount of the Non-performance Penalty, Developer shall pay City interest at the rate of eighteen percent (18%) per annum, computed on the principal amount of the Non-Performance Penalty, from a date fifteen (15) calendar days following delivery of the Notice of Non-performance Penalty.

Section 4.7. Exempt from City Tax. For the Term of this Agreement, Developer shall be exempt from any City tax on commercial cannabis businesses. Notwithstanding the foregoing, Developer and Project shall be subject to any and all taxes, assessments, or similar charges or fees of general applicability enacted by the federal government, state government, or County of Fresno, including any tax applicable to an area greater than the City limits to which City may be a party (i.e., county tax sharing agreement). In the event that the City applies a new tax on commercial cannabis businesses, the City shall refund or credit the amount owed as Public Benefit by an equal amount up to the amount of Public Benefit owed to the Developer and any assuming owner proportional to the percentage ownership share of the gross land area of the Site.

Section 4.8. Employing City Residents. Developer agrees to use its best efforts to promote the hiring and employment of local City residents to construct, if necessary, and operate the business(es) within the Project. As part of such efforts, Developer agrees to include in any lease, license or other conveyance of any right to use the Project such language that any transferee of such interest shall use its best efforts to hire and employ local City residents for its business.

ARTICLE 5 PUBLIC FACILITIES, SERVICES, AND UTILITIES

City shall use the Public Benefit Amount to pay for the impact on and maintenance or improvement of City neighborhoods, for the general welfare of the residents of Mendota, and the existing level of service of City infrastructure and services to accommodate for the Project.

ARTICLE 6 INSURANCE AND INDEMNITY

Section 6.1. Insurance. Developer shall require all persons doing work on the Project, including its contractors and subcontractors (collectively, “Developer” for purposes of this Article 6 only), to obtain and maintain insurance of the types and in the amounts described in this Article with carriers reasonably satisfactory to City.

- (a) **General Liability Insurance.** Developer shall maintain commercial general

liability insurance or equivalent form with a limit of not less than Two Million Dollars (\$2,000,000) (or as otherwise approved, in writing, by City) per claim and Two Million Dollars (\$2,000,000) each occurrence. Such insurance shall also:

(i) Name City, its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives as “Additional Insureds” by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insured.

(ii) Be primary with respect to any insurance or self-insurance programs covering City, its officials, employees, agents, and representatives.

(iii) Contain standard separation of insured provisions.

(b) **Automotive Liability Insurance.** Developer shall maintain business automobile liability insurance or equivalent form with a limit of not less than One Million Dollars (\$1,000,000) for each accident. Such insurance shall include coverage for owned, hired, and non-owned automobiles. Such insurance shall also:

(i) Name City, its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives as Additional Insureds by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed Additional Insureds.

(ii) Be primary with respect to any insurance or self-insurance programs covering City, its officials, employees, agents, and representatives.

(iii) Contain standard separation of insured provisions.

(c) **Workers’ Compensation Insurance.** Developer shall take out and maintain during the Term of this Agreement, workers’ compensation insurance for all of Developer’s employees employed at or on the Project, and in the case any of the work is subcontracted, Developer shall require any general contractor or subcontractor similarly to provide workers’ compensation insurance for such contractor’s or subcontractor’s employees, unless such employees are covered by the protection afforded by Developer. In case any class of employee engaged in work on the Project is not protected under any workers’ compensation law, Developer shall provide and shall cause each contractor and subcontractor to provide adequate insurance for the protection of employees not otherwise protected. Developer hereby indemnifies City for any damage resulting from failure of Developer, its agents, employees, contractors, or subcontractors to take out or maintain such insurance. Workers’ compensation insurance with statutory limits and employer’s liability insurance with limits of not less than One Million Dollars (\$1,000,000) for each accident shall be maintained.

Section 6.2. Other Insurance Requirements. Developer shall do all of the following:

(a) Prior to taking any actions under this Agreement, furnish City with properly executed certificates of insurance that clearly evidence all insurance required in this Article, including evidence that such insurance will not be canceled, allowed to expire, or be materially

reduced in coverage without thirty (30) days prior written notice to City. Provide to City, upon request, and within seven (7) calendar days of said request, certified copies of endorsements and policies, and properly executed certificates of insurance evidencing the insurance required herein.

(b) Replace or require the replacement of certificates, policies, and endorsements for any insurance required herein expiring prior the termination of this Agreement.

(c) Maintain all insurance required herein from the Effective Date of this Agreement to the earlier of the expiration of the Term or the mutual written termination of this Agreement.

(d) Place all insurance required herein with insurers licensed to do business in California with a current Best's Key Rating Guide reasonably acceptable to City.

Section 6.3. Indemnity. To the fullest extent permitted by law, Developer shall defend, indemnify, and hold harmless City and its agents, elected and appointed officials, officers, employees, consultants, and volunteers (collectively, "City's Agents") from any and all liability arising out of a claim, action, or proceeding against City, or City's Agents, to attack, set aside, void, or annul an approval concerning the Project, this Agreement, any applicable Conditional Use Permit, or Subsequent City Approvals.

Upon receiving notice of a claim, action, or proceeding, Developer shall assume the defense of the claim, action, or proceeding through the prompt payment of all attorneys' fees and costs, incurred in good faith and in the exercise of reasonable discretion, of City's counsel in defending such an action. City shall have the absolute and sole authority to control the litigation and make litigation decisions, including, but not limited to, selecting counsel to defend City and settlement or other disposition of the matter. The City's remedies are limited to that portion of the Project that is in breach of this Section 6.3.

Section 6.4. Failure to Indemnify; Waiver. Failure to indemnify City, when required by this Agreement, shall constitute a material breach of this Agreement and of any applicable Conditional Use Permit and Subsequent City Approvals, which shall entitle City to all remedies available under law, including, but not limited to, specific performance and damages. Failure to indemnify shall constitute grounds upon which City may rescind its approval of any applicable Conditional Use Permit. Developer's failure to indemnify City shall be a waiver by Developer of any right to proceed with the Project, or any portion thereof, and a waiver of Developer's right to file a claim, action or proceeding against City or City's Agents based on City's rescission or revocation of any Conditional Use Permit, Subsequent City Approvals, or City's failure to defend any claim, action, or proceeding based on Developer's failure to indemnify City.

Section 6.5. Waiver of Damages. Notwithstanding anything in this Agreement to the contrary, the Parties acknowledge that City would not have entered into this Agreement had it been exposed to liability for damages from Developer and, therefore, Developer hereby waives all claims for damages against City for breach of this Agreement. Developer further acknowledges that under the Development Agreement Statute, land use approvals (including development agreements) must be approved by the City Council and that, under law, the City Council's discretion to vote in any particular way may not be constrained by contract. Developer therefore waives all claims for damages against City in the event that this Agreement or any Project approval is: (1) not approved by the City Council or (2) is approved by the City Council, but with new changes, amendments,

conditions, or deletions to which Developer is opposed. Developer further acknowledges that, as an instrument which must be approved by ordinance, a development agreement is subject to referendum; and that, under law, the City Council's discretion to avoid a referendum by rescinding its approval of the underlying ordinance may not be constrained by contract, and Developer waives all claims for damages against City in this regard.

ARTICLE 7 MORTGAGEE PROTECTION

This Agreement, once executed and recorded, shall be superior and senior to any lien placed upon the Site or any portion thereof following recording of this Agreement, including the lien of any deed of trust or mortgage ("Mortgage"). Notwithstanding the foregoing, no breach hereof shall defeat, render invalid, diminish, or impair the lien of any Mortgage made in good faith and for value. This Agreement shall immediately be deemed in default and immediately terminate upon the foreclosure or transfer of any interest in the Site or Project, whether by operation of law or any other method of interest change or transfer, unless the City Manager has authorized such change or transfer in advance, in writing.

ARTICLE 8 DEFAULT

Section 8.1. General Provisions.

(a) Subject only to any extensions of time by mutual consent in writing, or as otherwise provided herein, the failure or delay by any Party to perform in accordance with the terms and provisions of this Agreement shall constitute a default. Any Party alleging a default or breach of this Agreement ("Charging Party") shall give the other Party ("Charged Party") not less than ten (10) calendar days written notice, which shall specify the nature of the alleged default and the manner in which the default may be cured. During any such ten (10) calendar day period, the Charged Party shall not be considered in default for purposes of termination of this Agreement or institution of legal proceedings for the breach of this Agreement.

(b) After expiration of the ten (10) calendar day period, if such default has not been cured or is not in the process of being diligently cured in the manner set forth in the notice, or if the breach cannot reasonably be cured within ten (10) calendar days, the Charging Party may, at its option, institute legal proceedings pursuant to this Agreement or give notice of its intent to terminate this Agreement pursuant to Government Code section 65868. In the event City is the Charging Party, City may, in its sole discretion, give notice, as required by law, to the Charged Party of its intent to revoke or rescind any operable Conditional Use Permit related to or concerning the Project.

(c) Prior to the Charging Party giving notice to the Charged Party of its intent to terminate, or prior to instituting legal proceedings, the matter shall be scheduled for consideration and review by City in the manner set forth in Government Code sections 65865, 65867, and 65868 or the comparable provisions of the Mendota Municipal Code within thirty (30) calendar days from the expiration of the ten (10) day notice period.

(d) Following consideration of the evidence presented and said review before City, and after providing the Charged Party an additional five (5) calendar day period to cure, the Charging Party may institute legal proceedings against the Charged Party or may give written notice of termination of this Agreement to the Charged Party.

(e) Evidence of default may arise in the course of a regularly scheduled periodic review of this Agreement pursuant to Government Code section 65865.1, as set forth in Section 8.2. If any Party determines that another Party is in default following the completion of the normally scheduled periodic review, without reference to the procedures specified in Section 8.1(c), said Party may give written notice of termination of this Agreement, specifying in the notice the alleged nature of the default and potential actions to cure said default where appropriate. If the alleged default is not cured in ten (10) calendar days or within such longer period specified in the notice or the defaulting Party is not diligently pursuing a cure or if the breach cannot reasonably be cured within the period or the defaulting party waives its right to cure such alleged default, this Agreement may be terminated by the non-defaulting Party by giving written notice.

(f) In the event Developer is in default under the terms and conditions of this Agreement, no permit application shall be accepted by City nor will any permit be issued to Developer until the default is cured, or the Agreement is terminated.

Section 8.2. Annual Review. City shall, at least every twelve (12) months during the Term of this Agreement, review the extent of good faith, substantial compliance of Developer and City with the terms of this Agreement. Such periodic review by City shall be limited in scope to compliance with the terms of this Agreement pursuant to California Government Code section 65865.1. City shall deposit in the mail or fax to Developer a copy of all staff reports and, to the extent practical, related exhibits concerning this Agreement or the Project's performance, at least seven (7) calendar days prior to such periodic review. Developer shall be entitled to appeal a determination of City or City Manager to the City Council. Any appeal must be filed within ten (10) calendar days of the decision of City or the City Manager, respectively. Developer shall be permitted an opportunity to be heard orally or in writing regarding its performance under this Agreement before City, the City Manager, or City Council, as applicable.

Section 8.3. Estoppel Certificates. City shall, with at least twenty (20) calendar days prior written notice, execute, acknowledge, and deliver to Developer, Developer's lender, potential investors, or assignees an Estoppel Certificate in writing which certifies that this Agreement is in full force and effect, that there are no breaches or defaults under the Agreement, and that the Agreement has not been modified or terminated and is enforceable in accordance with its terms and conditions.

(a) At Developer's option, City's failure to deliver such Estoppel Certificate within the stated time period shall be conclusive evidence that the Agreement is in full force and effect, that there are no uncured breaches or defaults in Developer's performance of the Agreement or violation of any City ordinances, regulations, and policies regulating the use and development of the Site or the Project subject to this Agreement.

Section 8.4. Default by City. In the event City does not accept, review, approve, or issue any permits or approvals in a timely fashion, as defined by this Agreement, or if City otherwise defaults under the terms of this Agreement, City agrees that Developer shall not be obligated to

proceed with or complete the Project, and shall constitute grounds for termination or cancellation of this Agreement by Developer.

Section 8.5. Cumulative Remedies of Parties. In addition to any other rights or remedies, City or Developer may institute legal or equitable proceedings to cure, correct, or remedy any default, enforce any covenant, or enjoin any threatened or attempted violation of the provisions of this Agreement, so long as any such action conforms to section 9.1(c) of this Agreement.

Section 8.6. Enforced Delay, Extension of Times of Performance. Delays in performance, by either Party, shall not be deemed a default if such delays or defaults are due to war, insurrection, strikes, walkouts, riots, floods, earthquakes, fires, casualties, acts of God, governmental restrictions imposed where mandated by governmental entities other than City, enactment of conflicting state or federal laws or regulations, new or supplementary environmental regulations enacted by the state or federal government, litigation, or other force majeure events. An extension of time for such cause shall be in effect for the period of forced delay or longer, as may be mutually agreed upon.

ARTICLE 9 TERMINATION

Section 9.1. Termination Upon Completion of Development. This Agreement shall terminate upon the expiration of the Term, unless it is terminated earlier pursuant to the terms of this Agreement. Upon termination of this Agreement, City shall record a notice of such termination in substantial conformance with the “Notice of Termination” attached hereto as **Exhibit D**, and this Agreement shall be of no further force or effect except as otherwise set forth in this Agreement.

Section 9.2. Effect of Termination on Developer’ Obligations. Termination of this Agreement shall eliminate any further obligation of Developer to comply with this Agreement, or some portion thereof, if such termination relates to only part of the Site or Project. Termination of this Agreement, in whole or in part, shall not, however, eliminate the rights of Developer to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

Section 9.3. Effect of Termination on City’s Obligations. Termination of this Agreement shall eliminate any further obligation of City to comply with this Agreement, or some portion thereof. Termination of this Agreement shall not, however, eliminate the rights of City to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

Section 9.4. Survival After Termination. The rights and obligations of the Parties set forth in this Section 9.4, Section 2.8, Section 6.3, Section 10.3, Section 10.4, Section 10.5, Section 10.7, and any right or obligation of the Parties in this Agreement which, by its express terms or nature and context is intended to survive termination of this Agreement, will survive any such termination.

ARTICLE 10 OTHER GENERAL PROVISIONS

Section 10.1. Assignment and Assumption. Developer shall not have the right to sell, assign, or transfer all or any part of its rights, title, and interests in all or a portion of Site, or Project, subject to or a part of this Agreement, to any person, firm, corporation, or entity during the Term of this

Agreement without the advance written consent of the City Manager, such consent shall not be unreasonably withheld or conditioned. Any assignment or transfer prohibited by this Agreement will be considered an immediate breach of this Agreement and City may elect to immediately terminate this Agreement as it applies to the assumed property. If the City Manager approves an assignment or transfer of any interest detailed in this Section 10.1, City and Developer shall execute an “Assignment and Assumption Agreement” in the form attached hereto as **Exhibit E**. Nothing in this Section 10.1 applies to the Developer’s capitalization or ownership provisions.

Section 10.2. Covenants Running with the Land. All of the provisions contained in this Agreement shall be binding upon the Parties and their respective heirs, successors and assigns, representatives, lessees, and all other persons acquiring all or a portion of interest in the Site or Project, whether by operation of law or in any manner whatsoever. All of the provisions contained in this Agreement shall be enforceable as equitable servitudes and shall constitute covenants running with the land pursuant to California law, including California Civil Code Section 1468. Each covenant herein to act or refrain from acting is for the benefit of or a burden upon the Project, as appropriate, runs with the Site, and is binding upon Developer.

Section 10.3. Notices. Any notice or communication required hereunder between City and Developer must be in writing, and may be given either personally, by facsimile (with

original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express, UPS or other similar couriers providing overnight delivery. If personally delivered, a notice shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by facsimile transmission, a notice or communication shall be deemed to have been given and received upon actual physical receipt of the entire document by the receiving Party's facsimile machine. Notices transmitted by facsimile after 5:00 p.m. on a normal business day, or on a Saturday, Sunday, or holiday shall be deemed to have been given and received on the next normal business day. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered, as shown on a receipt issued by the courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to City: City of Mendota
643 Quince Street
Mendota, CA 93640
Attention: City Manager

And to: Wanger Jones Helsley PC
265 E. River Park Circle, Suite 310
Fresno, California 93720
Attention: John P. Kinsey, Esq.

If to Developer: Cana-Hub
2443 Fillmore Street #380-3336
San Francisco, CA 94115
Attn: Mr. Jonathan Charak

And to: Abbott & Kindermann, Inc.
2100 21st Street
Sacramento, CA 95818
Attention: Mr. William Abbott, Esq.

Section 10.4. Governing Law and Binding Arbitration. The validity, interpretation, and performance of this Agreement shall be controlled by and construed pursuant to the laws of the State of California. Any dispute, claim, or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation, or validity thereof, including the determination of the scope or applicability of this Agreement to arbitrate, shall be determined by binding arbitration in Fresno, California, before one arbitrator. The arbitration shall proceed pursuant to the Comprehensive Arbitration Rules and Proceedings of the Judicial Arbitration and

Mediation Services. Judgment on the award may be entered in any court having jurisdiction thereof.

Section 10.5. Invalidity of Agreement/Severability. If this Agreement in its entirety is determined by a court to be invalid or unenforceable, this Agreement shall automatically terminate as of the date of final entry of judgment. If any term or provision of this Agreement shall be determined by a court to be invalid and unenforceable, or if any term or provision of this Agreement is rendered invalid or unenforceable according to the terms of any federal or state statute, any provisions that are not invalid or unenforceable shall continue in full force and effect and shall be construed to give effect to the intent of this Agreement. The Parties expressly agree that each Party is strictly prohibited from failing to perform any and all obligations under this Agreement on the basis that this Agreement is invalid, unenforceable, or illegal. By entering into this Agreement, each Party disclaims any right to tender an affirmative defense in any arbitration or court of competent jurisdiction, that performance under this Agreement is not required because the Agreement is invalid, unenforceable, or illegal.

Section 10.6. Cumulative Remedies. In addition to any other rights or remedies, City and Developer may institute legal or equitable proceedings to cure, correct, or remedy any default, to specifically enforce any covenant or agreement herein, or to enjoin any threatened or attempted violation of the provisions of this Agreement. The prevailing party in any such action shall be entitled to reasonable attorneys' fees and costs. Notwithstanding the foregoing or any other provision of this Agreement, in the event of City default under this Agreement, Developer agrees that Developer may not seek, and shall forever waive any right to, monetary damages against City, but excluding therefrom the right to recover any fees or charges paid by Developer in excess of those permitted hereunder.

Section 10.7. Third Party Legal Challenge. In the event any legal action or special proceeding is commenced by any person or entity challenging this Agreement or any associated entitlement, permit, or approval granted by City to Developer for the Project (collectively, "Project Litigation"), the Parties agree to cooperate with each other as set forth herein. City may elect to tender the defense of any lawsuit filed and related in whole or in part to Project Litigation with legal counsel selected by City. Developer will indemnify, hold City harmless from, and defend City from all costs and expenses incurred in the defense of such lawsuit, including, but not limited to, damages, attorneys' fees, and expenses of litigation awarded to the prevailing party or parties in such litigation. Developer shall pay all litigation fees to City, within thirty (30) days of receiving a written request and accounting of such fees and expenses, from City. Notwithstanding the aforementioned, City may request, and Developer will provide to City within seven (7) days of any such request, a deposit to cover City's reasonably anticipated Project Litigation fees and costs.

Section 10.8. Constructive Notice and Acceptance. Every person who after the Effective Date and recording of this Agreement owns or acquires any right, title, or interest to any portion of the Site is and shall be conclusively deemed to have consented and agreed to every provision contained herein, whether or not any reference to this Agreement is contained in the instrument by which such person acquired an interest in the Site, and all rights and interests of such person in the Site shall be subject to the terms, requirements, and provisions of this Agreement.

Section 10.9. Statute of Limitations and Laches. City and Developer agree that each Party will

undergo a change in position in detrimental reliance upon this Agreement from the time of its execution and subsequently. The Parties agree that section 65009(c)(1)(D) of the California Government Code, which provides for a ninety (90) day statute of limitations to challenge the adoption of this Agreement, is applicable to this Agreement. In addition, any person who may challenge the validity of this Agreement is hereby put on notice that, should the legality or validity of this Agreement be challenged by any third party in litigation, which is filed and served more than ninety (90) days after the execution of this Agreement, City and Developer shall each assert the affirmative defense of laches with respect to such challenge, in addition to all other available defenses. This Section in no way limits the right of a Party, claiming that the other Party breached the terms of this Agreement, to bring a claim against the other Party within the four (4) year statute of limitations set forth in Section 337 of the California Civil Code.

Section 10.10. Change in State Regulations. In no event shall Developer operate the Project in violation of the Agreement, or any applicable regulations issued pursuant to the California Cannabis Laws, as may be amended from time to time.

Section 10.11. Standard Terms and Conditions.

(a) **Venue.** Venue for all legal proceedings shall be in the Superior Court of California in and for the County of Fresno.

(b) **Waiver.** A waiver by any Party of any breach of any term, covenant, or condition herein contained or a waiver of any right or remedy of such Party available hereunder, at law or in equity, shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition herein contained or of any continued or subsequent right to the same right or remedy. No Party shall be deemed to have made any such waiver unless it is in writing and signed by the Party so waiving.

(c) **Completeness of Instrument.** This Agreement, together with its specific references, attachments, and Exhibits, constitutes all of the agreements, understandings, representations, conditions, warranties, and covenants made by and between the Parties hereto. Unless set forth herein, no Party to this Agreement shall be liable for any representations made, express or implied.

(d) **Supersedes Prior Agreement.** It is the intention of the Parties hereto that this Agreement shall supersede any prior agreements, discussions, commitments, or representations, written, electronic, or oral, between the Parties hereto with respect to the Site and the Project.

(e) **Captions.** The captions of this Agreement are for convenience and reference only and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this Agreement.

(f) **Number and Gender.** In this Agreement, the neutral gender includes the feminine and masculine, and the singular includes the plural, and the word “person” includes corporations, partnerships, firms, or associations, wherever the context requires.

(g) **Mandatory and Permissive.** “Shall” and “will” and “agrees” are mandatory. “May” or “can” are permissive.

(h) **Term Includes Extensions.** All references to the Term of this Agreement shall include any extensions of such Term.

(i) **Counterparts.** This Agreement may be executed simultaneously and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

(j) **Other Documents.** The Parties agree that they shall cooperate in good faith to accomplish the objectives of this Agreement and, to that end, agree to execute and deliver such other instruments or documents as may be necessary and convenient to fulfill the purposes and intentions of this Agreement.

(k) **Time is of the Essence.** Time is of the essence in this Agreement in each covenant, term, and condition herein.

(l) **Authority.** All Parties to this Agreement warrant and represent that they have the power and authority to enter into this Agreement and the names, titles, and capacities herein stated on behalf of any entities, persons, states, or firms represented or purported to be represented by such entities, persons, states, or firms and that all former requirements necessary or required by state or federal law in order to enter into this Agreement had been fully complied with. Further, by entering into this Agreement, no Party hereto shall have breached the terms or conditions of any other contract or agreement to which such Party is obligated, which such breach would have a material effect hereon.

(m) **Document Preparation.** This Agreement will not be construed against the Party preparing it, but will be construed as if prepared by all Parties.

(n) **Advice of Legal Counsel.** Each Party acknowledges that it has reviewed this Agreement with its own legal counsel and, based upon the advice of that counsel, freely entered into this Agreement.

(o) **Attorney's Fees and Costs.** If any action at law or in equity, including action for declaratory relief, is brought to enforce or interpret provisions of this Agreement, the prevailing Party shall be entitled to reasonable attorney's fees and costs, which may be set by the court in the same action or in a separate action brought for that purpose, in addition to any other relief to which such Party may be entitled.

(p) **Calculation of Time Periods.** All time referenced in this Agreement shall be calendar days, unless the last day falls on a legal holiday, Saturday, or Sunday, in which case the last day shall be the next business day.

(q) **Confidentiality.** Both Parties agree to maintain the confidentiality of the other Party's "Confidential Information" under this Agreement and shall not disclose such information to third parties. "Confidential Information" shall include, but not be limited to, business plans, trade secrets, and industry knowledge. Confidential Information shall not apply to information that: (i) is in the public domain at the time of disclosures or (ii) is required to be disclosed pursuant to a court order, governmental authority, or existing state law.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, this Agreement has been entered into by and between Developer and City as of the Effective Date of the Agreement, as defined above.

“CITY”

“Developer”

Date: _____, 2018

Date: _____, 2018

CITY OF MENDOTA, CA
a California Municipal Corporation

MARIE STREET DEVELOPMENT, LLC, a

California Limited Liability

By: Vince DiMaggio
Its: City Manager

Company_____

Attest:

City Clerk

By:
Its:

Approved to as Form:

John P. Kinsey
City Attorney

California All-Purpose Acknowledgment

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

State of California)
)
County of _____)

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

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

Witness my hand and official seal.

(Signature)

(Seal)

California All-Purpose Acknowledgment

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

State of California)
)
County of _____)

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

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

Witness my hand and official seal.

(Signature)

(Seal)

AGENDA ITEM – STAFF REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS
FROM: VINCE DIMAGGIO, CITY MANAGER
SUBJECT: DIRECTION TO STAFF ON PROCEEDING WITH THE PLANNING OF A NEW POLICE STATION
DATE: JANUARY 23, 2018

ISSUE

Provide direction to staff on the planning, design, and construction of a new police station using \$950,000 provided by the State of California.

BACKGROUND

On February, 2016, State Senator Canella introduced SB 1307, a bill providing funding to Huron, Firebaugh, and Mendota for the construction, renovation, or relocation of police department facilities, applicable to either new construction or existing buildings. The bill moved through the Committee process before briefly stalling, and was later included in the state's budget for Fiscal Year 2016-2017, which was formally signed into law by the Governor last week.

This is an outright grant of funds. There is no matching requirement or other conditions, other than that the funds shall be used on police facilities.

In July, 2016, staff presented two options for the construction of a new police facility; one option was for a 6,000 square foot building to house only the new police department (police-only option); the second option showed a 14,400 square foot building which was a combined police department/city hall building (civic center option). Both options were analyzed and designed for the City-owned property on 7th Street and Riofrio.

Staff was directed at that time to continue to search for additional funding, as both options exceeded \$950,000 in cost.

In December, Mayor Castro asked staff to revisit this issue and, with the concurrence of the rest of the Council, to return to the Council with a report on the alternatives.

ANALYSIS

Two viable opportunities exist for the development of the 7th Street site. The first is to build a police station building. This option has the benefit of bringing the police department into the downtown and into closer proximity with the existing city hall. The second alternative is to build a combined civic center building. This has the added benefit of consolidating all city operations in one location, provides adequate internal additional square footage for expansion as the City grows, and solves the problem of lack of space at the current city hall.

Three architectural firms were consulted and provided rough estimates on the cost of the two options. From a developer's perspective, it's a commonly known maxim that while it is obvious that the larger civic center facility will cost more in real dollars, the cost per square foot of civic center facility is less than the cost per square foot of the police-only facility. Thus, a superior "economy of scale" is achieved through building the combined civic center facility than the police-only facility.

The analysis both in July 2016, and now, show that \$950,000 is insufficient by itself to build either option. Regardless of which option is selected, some type of financing will be necessary to carry out the project. Government-let contracts require that the contractor pay "prevailing wage," which typically adds at least 30% (and often substantially more) to the cost of any government project. This case is no different.

For the 6,000 square foot police-only option, the average total construction cost is estimated to be \$1.7 million, which equates to \$239 per square foot. For the 14,400 square foot combined civic center option, the average total construction cost is estimated to be \$2.7 million, equating to \$187 per square foot. While the combined civic center option is about \$1 million more in "real dollars," the end result is a building more than double the size of the police-only building, a smaller cost per square foot, consolidates all City services in one location, allows for future growth of city services, and frees up the existing City Hall for some type of alternate use, such as a community center. None of these benefits are realized from the police-only building option.

FISCAL IMPACT

Staff estimates that construction of a consolidated facility will cost approximately \$2.7 million. Of this cost, \$950,000 is being provided by the state, with the remaining \$1.7 million financed, with \$650,000 being financed through the use of existing rent payments being converted to debt service. This leaves approximately \$6,000 per month, proposed to come from the Enterprise Funds to finance the remaining debt. Enterprise Funds are permissible to use in this case because the administrative functions for the Enterprise Funds would be housed in a combined police department/city hall building.

The estimates for a standalone police facility are approximately \$1.7 million. Of this cost, \$950,000 again comes from the state, with the City financing \$650,000 through rent-to-debt service conversion, and the remaining \$250,000 to \$500,000 would be "new" General Fund debt

and would likely need to come from Community Facility District funds or other, yet-to-be-identified General Fund sources. Enterprise Funds could not be used for a standalone facility.

CONCLUSION

From a development, cost, and use perspective, the superior alternative is the civic center concept. The civic center concept will not only house the police department, but provide centralization of all city services and space within the building for additional staffing as the City continues to grow. Additionally, financing a civic center, which would include water and sewer administration, would allow the Enterprise Fund to contribute alongside the General Fund in paying for the asset's debt service. This is not the case with the smaller, police-only facility. Lastly, the civic center concept opens up the current City Hall to alternative uses, such as a community center.

RECOMMENDATION

Staff recommends that the City Council direct staff to develop a comprehensive financing plan for a combined city hall-police station building and return to Council within 90-days for consideration and approval of said financing plan.

ADMINISTRATIVE SERVICES DEPARTMENT REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS
FROM: JENNIFER LEKUMBERRY, DIRECTOR OF ADMINISTRATIVE SERVICES
VIA: CITY MANAGER
SUBJECT: MONTHLY REPORT
DATE: JANUARY 23, 2017

SPECIAL PROJECT MANAGEMENT

- I continued to conduct labor compliance employee interviews for the 7th and Derrick Project.

HUMAN RESOURCES

- **Employment Application**
 - I updated the employment application in compliance with AB 168 which prohibits all employers, including state and local governments, from seeking salary history information about an applicant for employment.

RISK MANAGEMENT

- **AB 1825/ AB 1661 Training**
 - AB 1825 requires employers to provide at least two hours of effective training, every two years, to all supervisory employees on the prevention of sexual harassment, discrimination and retaliation. AB 1661 requires local agency legislative body members and any elected local agency officials (collectively "local agency officials") who receive any kind of compensation, salary, or stipend in the performance of his or her duties, to receive sexual harassment prevention and education training. In compliance with AB1825 and AB1661, two training sessions were held at Mendota City Hall Council Chambers
 - December 8, 2017 10:00am – 12:00pm (Non-Management)
 - December 15, 2017 10:00am – 12:00pm (Management, elected officials and appointed officials)
- **Worker's Compensation**
 - There was one injury obtained in December, however the employee did not seek medical attention as the employee did not think it was necessary. This injury was considered first aid only and resulted in no lost time of work.
 - Year End Summary- In 2017, there was a total of four on the job injuries that required attention past first aid. Two of the four injuries resulted in a combined total of 169 days away from work.

SENIOR CENTER

- For the month of December, there was a daily average of eight attendees at the senior center.

PUBLIC WORKS REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS
FROM: CRISTIAN GONZALEZ, PUBLIC WORKS DIRECTOR
VIA: VINCE DIMAGGIO, CITY MANAGER
SUBJECT: PUBLIC WORKS MONTHLY REPORT
DATE: JANUARY 23, 2018

STREETS AND ROADS

- Street sweeping continues as usual.
- Construction on the 7th and Derrick Realignment Project is near completion,
- Construction on 8th Street is complete.

PARKS AND PUBLIC BUILDINGS

- Public Works continues to maintain the parks for the community.

DRINKING WATER

- Meter reads are complete.

WASTE WATER

- Monthly samples have been submitted.
- Firms submitted responses to the Request for Proposals sent out for the Waste Water Treatment Plant Project. Staff expects to bring an agenda item, for Council consideration, in a future meeting.

ANIMAL CONTROL

- Animals impounded: 15
- Animals euthanized: 3
- Pending adoption: 11

- Animals redeemed by owner: 1
- Graffiti abated: 3
- Citations issued: 0

ADULT OFFENDER WORK PROGRAM

- AOWP continue working on public right of ways and alley weed abatement.

BUILDING PERMITS ISSUED

- A list of new permits is attached to the report.

PLANNING

- The Planning Commission will consider a Conditional Use Permit for 1269 Marie, proposed renovation.

STAFFING FOR PUBLIC WORKS

- 13 full time employees
- 3 part time employees

FUEL STOCK

- Unleaded: 2,432 gallons
- Diesel: 4,501 gallons

Permits Issued

Report Date Range : 12/07/2017 to 01/17/2018

Permit #	Type of Permit	Date Issued	Job Address
20170273	434(a) SHOWER PAN INSTALLATION	12/11/2017	615 N Juanita St
20170274	434(a) (N) 125A MSP (N) 100A/2P MAIN CIRCUIT BREAKER	12/12/2017	997 PUCHEU ST
20170275	437(a) SIGN REBRAND VALERO TO 76 "LIKE FOR LIKE" ALSO LIGHTING FIXTURES PER APPROVED PLANS	12/13/2017	1243 OLLER ST
20170276	437(a) MODIFY THE FAÇADE BY INSTALLING NEW POLES AND NEW PARAPET STYLE FRONT SIGN WALL ON EXISTING 10000 SQFT RETAIL STORE	12/13/2017	610 Derrick Ave
20170277	101 NEW CONSTRUCTION SFR 1095 SQFT & 400 SQFT GARAGE PER APPROVED PLAN	12/13/2017	56 QUIROGA CT
20170278	101 NEW CONSTRUCTION SFR 1831 SQFT & 400 SQFT GARAGE PER APPROVED PLAN	12/13/2017	542 GONZALEZ ST
20170279	329(b) 4.5 KW PV SOLAR (ROOF TOP) PER APPROVED PLAN	12/14/2017	318 K St
20170280	329(b) 3.75KW PV SOLAR (ROOF TOP) PER APPROVED PLAN	12/14/2017	516 I St
20170281	101 NEW CONSTRUCTION SFR 1435 SQFT & 400 SQFT GARAGE PER APPROVED PLAN	12/14/2017	61 DIAZ ST
20170282	101 NEW CONSTRUCTION SFR 1435 SQFT & 400 SQFT GARAGE PER APPROVED PLAN	12/14/2017	27 SEGOVIA ST
20170283	434(a) NEW PATIO 140 SQFT PER APPROVED PLAN	12/20/2017	108 SEGOVIA ST
20170284	329(b) INSTALL SOLAR ON ROOF TOP 2.16KW COMP SHINGLE-MAIN PANEL UPGRADE	12/21/2017	261 Fleming Ave
20170285	434(a) (6) METER MAIN PANEL UPGRADE	12/21/2017	1171 7th St
20170286	101 NEW CONSTRUCTION SFR 1420 SQFT & 400 SQFT GARAGE PER APPROVED PLAN	12/28/2017	48 SEGOVIA ST

Permits Issued

Report Date Range : 12/07/2017 to 01/17/2018

Permit #	Type of Permit	Date Issued	Job Address
20170287	101 NEW CONSTRUCTION SFR 1420 SQFT & 400 SQFT GARAGE PER APPROVED PLAN	12/28/2017	30 SEGOVIA ST
20170288	101 NEW CONSTRUCTION SFR 1275 SQFT & 400 SQFT GARAGE PER APPROVED PLAN	12/28/2017	61 QUIROGA CT
20170289	329(b) 5.7 KW PV SOLAR (ROOFTOP)	12/28/2017	408 BANDONI CT
20180001	434(b) REPLACE FORCED AIR FURNACE PER APPROVED PLAN	1/2/2018	365 K St
20180002	434(b) REPLACE FORCED AIR FURNACE PER APPROVED PLAN	1/2/2018	613 4th St
20180003	329(b) ROOF MOUNTED SOLAR	1/9/2018	221 Holmes Ave
20180004	434(a) NEW PATIO 560 SQ FT PER APPROVED PLAN	1/9/2018	637 Gaxiola St
20180005	329(b) INSTALLING 16 MODULES	1/9/2018	347 MARTINEZ CT
20180006	437(a) UNWIRED BROADBAND PROPOSES TO INSTALL (1) 3' DISH ANTENNA ON AN EXISTING TOWER STRUCTURE	1/10/2018	1300 2ND ST
20180007	437(a) ROOF REPLACE WITH TRUSSES PER APPROVED PLAN	1/11/2018	1191 7th St
20180008	434(a) TEMP ELECTRIC PER APPROVED PLAN	1/11/2018	902 Rio Frio St
20180009	434(a) RE-ROOF OVERLAY 1500 SQ FT EXISTING: SHINGLES PROPOSING: SHINGLES 4/12 PITCH PER APPROVED PLAN	1/11/2018	902 RioFrio St
20180010	434(a) REROOF TEAR-OFF 2000 SQ FT EXISTING: SHINGLES PROPOSING: SHINGLES 4/12 PER APPROVED PLAN	1/11/2018	1829 Jenning St
20180011	434(a) REPLACE WATER HEATER	1/11/2018	240 Maldonado St

Total Number of Permits List 28