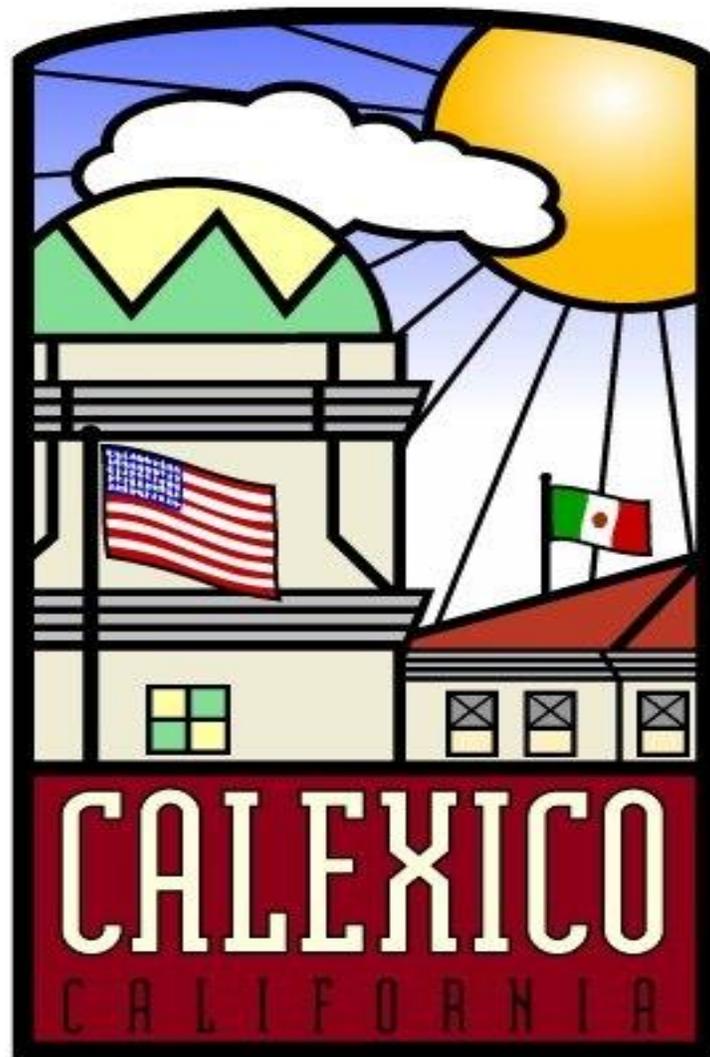


City of Calexico California



"Where California And Mexico Meet"

Proposed Annual Budget FY2015 - 2016

City of Calexico City Council



**Mayor Pro Tem
Luis Castro**



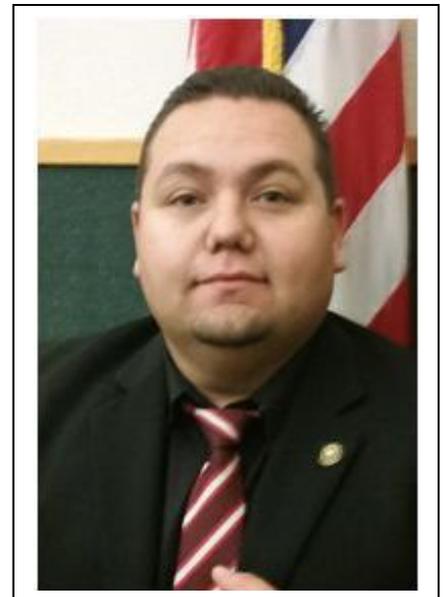
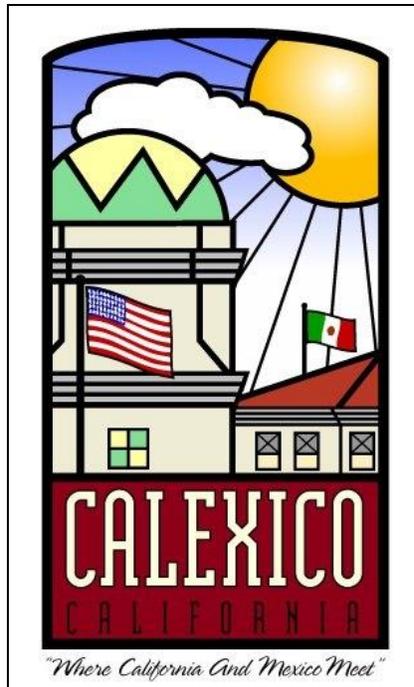
**Council Member
John Moreno**



**Mayor
Joong Kim**



**Council Member
Maritza Hurtado**



**Council Member
Armando Real**



EXECUTIVE SUMMARY AND CITY MANAGER FY2016 BUDGET MESSAGE

Introduction.

This budget is prepared in the context of one of the most difficult and challenging economic, financial and political environments since the Great Depression. The housing industry collapsed in 2007 and the local economy is still suffering from high unemployment, slow growth and the residual effects of the recession. State government has added to local government's stress by mandating unfunded City obligations, reducing state assistance and stealing local revenue sources, as epitomized by California's termination of Redevelopment Agencies on February 1, 2012.

Since the passage of Proposition 13 in 1978, there has been a trend toward increasing centralization of political power in Sacramento, decreasing financial control by city governments, and loss of home rule for cities and counties. These trends will continue in FY2016 and beyond.

Despite these financial and political difficulties, this budget will provide the same level of municipal services, hold down operating costs within projected revenues while completing critical infrastructure projects. Raids of City funds by the Governor and the State Legislature are a constant threat. The most recent attack came last in June 2014 with the adoption of the State Budget. The FY2015 State Budget, adopted on June 15, 2014, eliminated the City of Calexico's Enterprise Zone, which provided important tax incentives for hiring, business expansion and making capital purchases in economically distressed areas.

The Calexico FY2016 budget year will be challenging and difficult, but manageable if the public, staff, City Manager and City Council work together, exercise caution, good judgment and prudence in their spending.

Calexico has a bright future and unlimited potential. The City is an ethnically and culturally rich and diverse community, located on the border between California and Mexico. It can capitalize on the trade, commerce, culture and energy that comes with its unique status as an international gateway City. The staff, City Manager and City Council are committed to a clean, attractive, and safe community; to the delivery of excellent municipal services; to high quality facilities and infrastructure; to the creation of a prosperous local economy; and to provide a responsible open and transparent City government.



Strategic Planning, Implementation and Evaluation.

High performance organizations and successful businesses achieved their success by constantly planning, implementing and evaluating their operations. The City of Calexico is a complex, multi-million dollar corporation that incorporates modern corporate planning, execution and evaluation principles into its operations to provide high levels of municipal services to the people effectively, efficiently and transparently.

The FY2016 budget is prepared within the broad context of the Calexico Strategic Planning, Implementation and Evaluation Decision-Making Process approved by the City Council at its July 15, 2014, City council meeting. This decision-making process outlined in Section 1 of this budget document provides a framework for the City's strategic planning, executing and evaluating City operations, organizational structure, budgets, programs, service levels and capital projects.

Targets, Goals and Priorities.

The City Council establishes strategic targets, goals, objectives, priorities and action plans as part of the budgetary process. As part of this process, the City Council conducted a strategic planning workshop on March 23, 2015. This workshop included the staff and the City Council and accomplished the following:

1. Identified the organization's strengths, weaknesses, opportunities and threats (SWOT).
2. Established six major strategic targets and priorities.
 - Organizational Development.
 - Economic Development.
 - Image.
 - Parks and Recreation.
 - Revenues and Finance
 - Beautification.
3. Established 61 goals.
4. Prioritized goals across the targets and established 19 top-priority items.



These targets, goals, and priorities established by the City Council have been incorporated into the FY2016 budget in the following strategy areas:

1. Land-Use Development.
2. Economic Development.
3. Infrastructure Development.
 - Parks and Recreation.
 - Community Aesthetics and Beautification.
4. Community Services.
5. Organizational Development.
 - Image.
 - Training and Development of City Council and Staff.



- Customer Service.
6. Financial Stability and Sustainability.
- Financial Policies.
 - Revenues and Expenditures.



The FY2016 budget is the primary mechanism to deploy financial and personnel resources to achieve the community vision and meet the City Council's targets, goals, and priorities in a balanced way.

The FY2016 Budget.

The FY2016 Calexico budget is a financial plan, operations guide, policy document and a communications device. It conforms to the highest national budget standards published by the Government Finance Officers Association (GFOA) of the United States and Canada. Its pages contain goals for City departments, footnotes and detailed explanations of the City's past, present and future financial transactions and activities for review by the public and the City Council.

General Fund Revenues and Expenditures.

The General Fund budget is balanced. It will have revenues of \$17,952,129 and expenditures of \$17,952,129. Department expenditures include \$114,821 (1%) for the City Council, \$636,273 (3%) for Administration, \$852,227 (5%) for Financial Services, \$698,161 (4%) for Non-Departmental \$1,389,144 (8%) for Engineering and Development Services, \$1,970,855 (11%) for Public works, \$1,401,589 (8%) for Community Services, \$6,675,309 (37%) for the Police and \$4,213,750 (23%) for Fire. **The General Fund Unrestricted Fund Balance at the end of the fiscal year on June 30, 2015, is projected to be unchanged at \$3,893,721.** Please see Figure 1 and Figure 2.

Figure 1 shows that \$13,086,850 (73%) of the General Fund revenues come from taxes. Figure 3 shows a General Fund expenditure summary broken down by department and expenditure category. The chart shows that 78% of the General Fund expenditures are for personnel services.

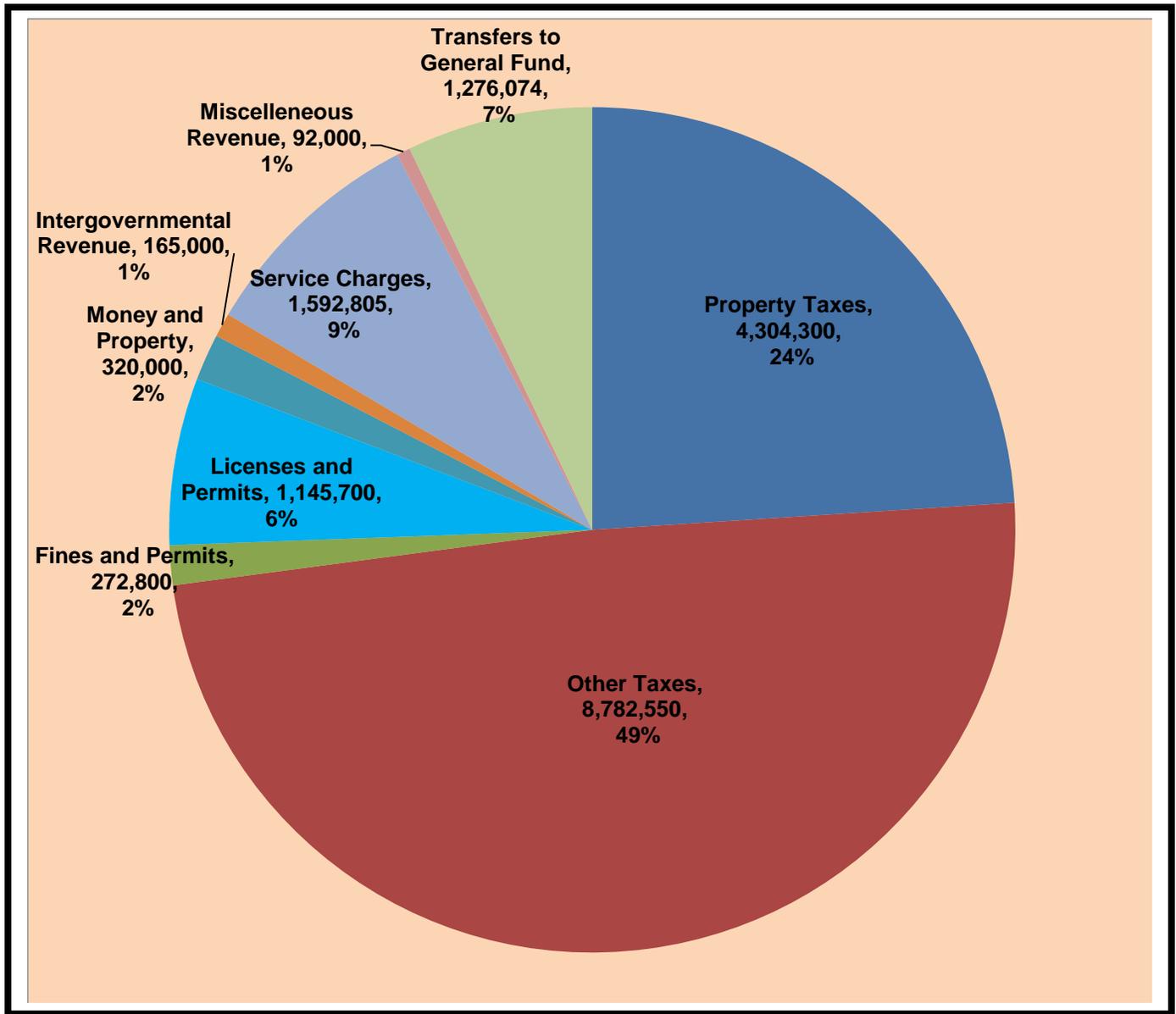
Total Revenues and Expenditures Across All Accounting Funds.

Expenditures across all Accounting Funds are projected to be \$70,394,372. Figure 4 is a revenue summary across all accounting funds broken down by revenue category. Figure 5 is an expenditure summary across all accounting funds broken down by expenditure category. During FY2016 expenditures across all accounting funds include \$17,362,466 (25%) for personnel services, \$12,681,763 (18%) for maintenance and operations expenses, \$35,123,935 (50%) for capital expenditures and \$5,226,208 for debt service expenses (See Figure 6 and Figure 7.)

Organizational Structure.

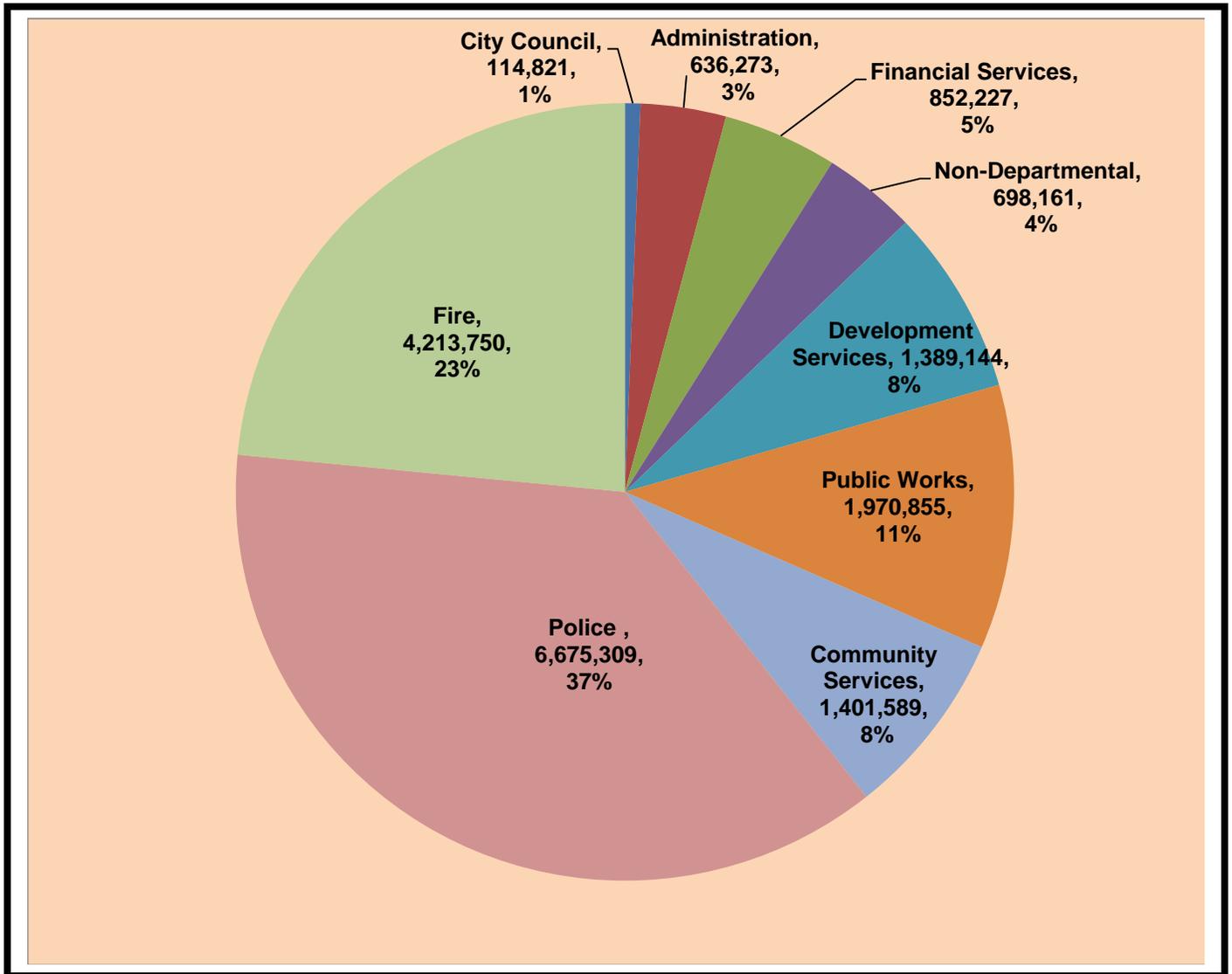
There are no layoffs or furloughs in the proposed FY2016 budget. However, the duties and responsibilities of employees may change to meet the changing needs of the City and provide higher levels of municipal services. All employees will have to do more with fewer resources and some functions and departments are going to be restructured so they function more efficiently. The City will also be deploying more technology solutions in an effort to be more transparent, achieve greater efficiencies and provide higher level of public services with fewer employees.

**Figure 1
General Fund Revenue Summary**



City Department	Budget	Percentage
Property Taxes	4,304,300	24%
Other Taxes	8,782,550	49%
Licenses and Permits	1,145,700	6%
Fines, Forfeitures and Permits	272,800	2%
Money and Property	320,000	2%
Intergovernmental Revenue	165,900	1%
Service Charges	1,592,805	9%
Miscellaneous Revenue	92,000	1%
Transfers to General Fund	1,276,074	7%
	17,952,129	100%

**Figure 2
General Fund Expenditure Summary**



City Department	Budget	Percentage
City Council Department	114,821	1%
Administration Department	636,273	3%
Financial Services Department	852,227	5%
Non-Departmental Department	698,161	4%
Development Services Department	1,389,144	8%
Public Works Department	1,970,855	11%
Community Services Department	1,401,589	8%
Police Department	6,675,309	37%
Fire Department	4,213,750	23%
	17,952,129	100%

**Figure 3
General Fund Expenditure Summary
By Expenditure Category**

Accounting Fund	Personnel Services	Maintenance and Operations	Capital Expenditures	Debt Service	Total
City Council Department	65,986	48,835	0	0	114,821
Administration Department	528,161	88,112	20,000	0	636,273
Financial Services Department	734,586	117,641	0	0	852,227
Non-Departmental Expenses Department	0	0			
General Non-Departmental	0	300,661	0	0	300,661
City Attorney	0	397,500	0	0	397,500
Engineering and Development Services Dept	0	0			
Engineering and Planning Expenditures	699,865	240,248	0	0	940,113
Building and Code Enforcement	281,393	167,638	0	0	449,031
Public Works Department	0	0			
Public Works Administration	410,590	40,700	0	0	451,290
Public Works Facilities	433,738	116,700	0	0	550,438
Public Works Streets	186,791	0	0	0	186,791
Public Works Park Maintenance	336,636	445,700	0	0	782,336
Community Services Department	0	0			
Library	408,596	262,920	0	0	671,516
Recreation and Cultural Arts	274,943	455,130	0	0	730,073
Police Department	0	0			
Police Operations	4,738,970	550,420	0	0	5,289,390
Police Support Services	903,553	0	0	0	903,553
Police Traffic Control Services	285,872	25,250	0	0	311,122
Police Animal Control	158,014	13,230	0	0	171,244
Fire Department	0	0			
Fire Protection Operations	3,598,179	587,071	0	0	4,185,250
Office of Emergency Services	0	28,500	0	0	28,500
Total	14,045,873	3,886,256	\$ 20,000	\$ 0	17,952,129

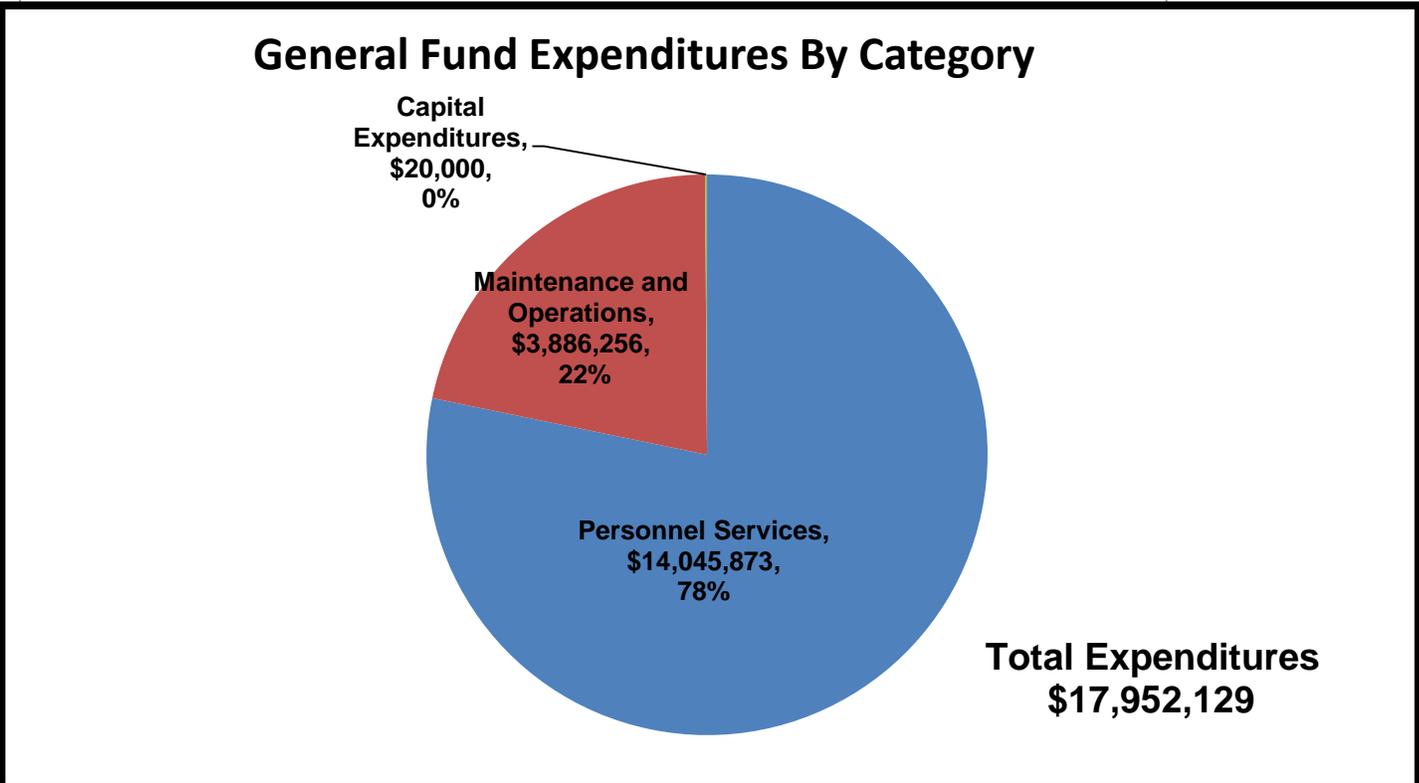
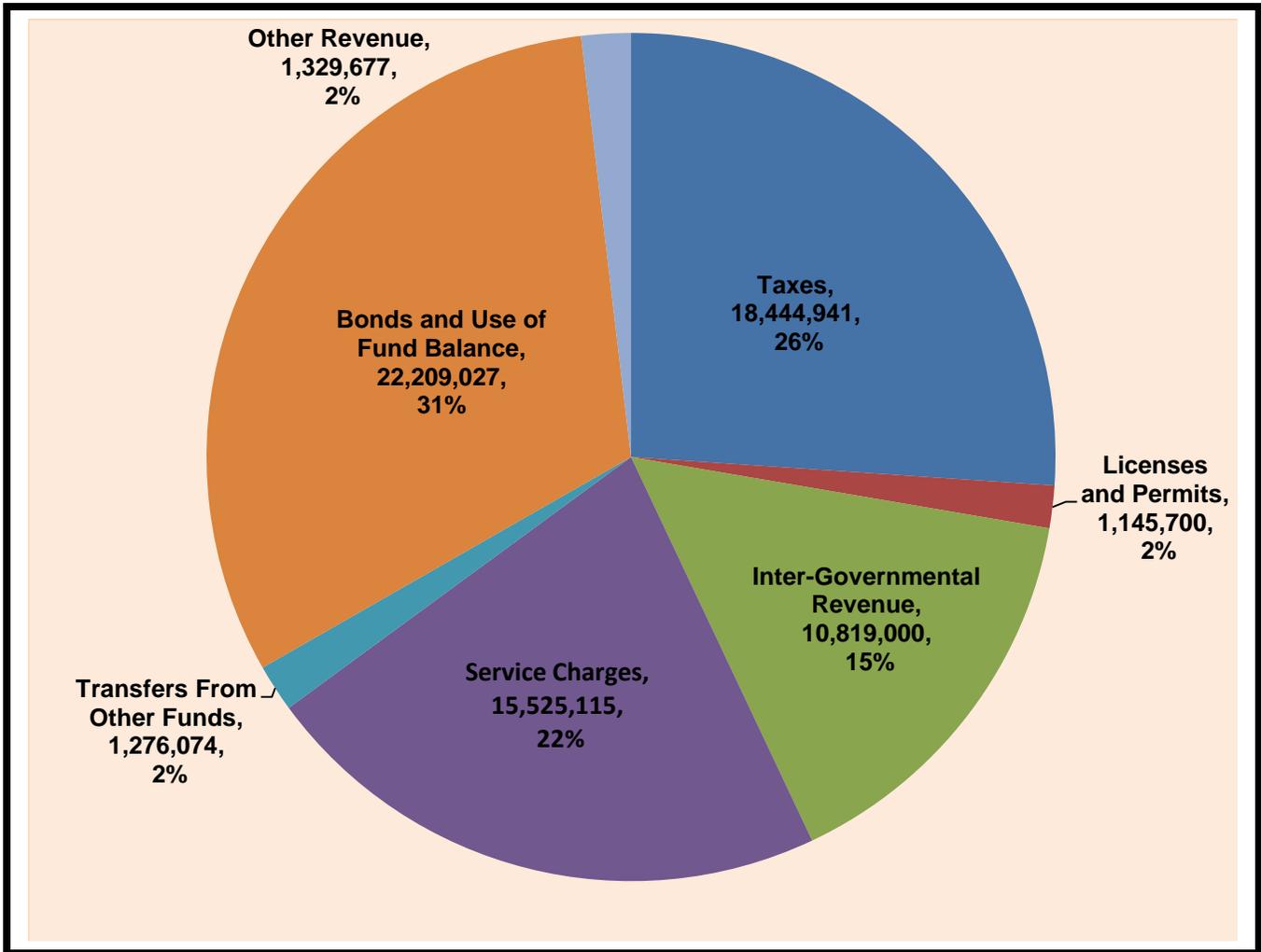


Figure 4
Total Revenue Summary
By Revenue Category
All Accounting Funds

Accounting Fund	Taxes	Licenses And Permits	Inter-Governmental Revenues	Service Charges	Transfers	Use of Fund Balance And Bonds	Other Revenue	Total
General Fund	13,086,850	1,145,700	165,000	1,592,805	1,276,074	0	684,800	17,951,229
Successor Agency To Former RDA	3,157,649	0	0	0	0	2,784,958	0	5,942,607
Proposition 172 Public Safety Fund	0	0	100,000	0	0	0	0	100,000
COPS Public Safety Grant Fund	0	0	100,000	0	0	0	0	100,000
Operation Stonegarden Fund	0	0	100,000	0	0	0	0	100,000
Asset Forfeiture Fund	0	0	569,800	0	0	0	0	569,800
General Capital Projects Fund	0	0	1,463,849	0	0	0	0	1,463,849
Measure D Bond Capital Projects Fund	0	0	0	0	0	5,531,146	0	5,531,146
Measure H Sales Tax Operations Fund	2,200,442	0	0	0	0	0	0	2,200,442
Measure H Sales Tax Bonds Fund	0	0	0	0	0	10,850,724	0	10,850,724
Sustainable Communities Grant	0	0	66,584	0	0	0	0	66,584
HUD HOME Grant #6476 Program	0	0	25,000	0	0	0	0	25,000
HUD HOME Grant #8612 Program	0	0	1,531,761	0	0	0	0	1,531,761
HUD HOME Grant #9072 Program	0	0	36,197	0	0	0	0	36,197
HCD CalHome Grant #6523 Program	0	0	90,910	0	0	0	0	90,910
HUD CDBG Grant Revolving Loan Fund	0	0	633,857	0	0	0	0	633,857
HUD HOME Revolving Loan Fund	0	0	115,976	0	0	0	0	115,976
HCD SRRP Revolving Loan Fund	0	0	80,140	0	0	0	0	80,140
HCD HELP Revolving Loan Fund	0	0	37,675	0	0	0	0	37,675
Highway Users Tax Allocation (HUTA) (Gas Tax) Fund	0	0	1,082,149	0	0	0	0	1,082,149
TDA Article 8(E) Fund	0	0	30,250	0	0	0	0	30,250

Accounting Fund	Taxes	Licenses And Permits	Inter-Governmental Revenues	Service Charges	Transfers	Use of Fund Balance And Bonds	Other Revenue	Total
Water Enterprise Fund	0	0	0	6,670,000	0	2,510,909	300,000	9,480,909
Wastewater Enterprise Fund	0	0	0	6,855,310	0	0	0	6,855,310
Airport Enterprise Fund	0	0	1,426,665	407,000	0	0	0	1,833,665
Caltrans DEMO-SAFETEA-LU New River Grant Fund	0	0	2,601,496	0	0	0	0	2,601,496
California Natural Resources Agency New River Grant	0	0	561,691	0	0	0	0	561,691
Parking In-Lieu Development Impact Fee Fund	0	0	0	0	0	0	60,000	60,000
General Government Development Impact Fee Fund	0	0	0	0	0	154,992	49,877	204,869
Fire Development Impact Fee Fund	0	0	0	0	0	0	55,000	55,000
Police Development Impact Fee Fund	0	0	0	0	0	0	40,000	40,000
Traffic Development Impact Fee Fund	0	0	0	0	0	0	100,000	100,000
Libraries Development Impact Fee	0	0	0	0	0	0	20,000	20,000
Park and Recreation Development Impact Fee Fund	0	0	0	0	0	376,298	20,000	396,298
	18,444,941	1,145,700	10,819,000	15,525,115	1,276,074	22,209,027	1,329,677	70,749,534

**Figure 5
Total Revenue Summary
By Revenue Category
All Accounting Funds**

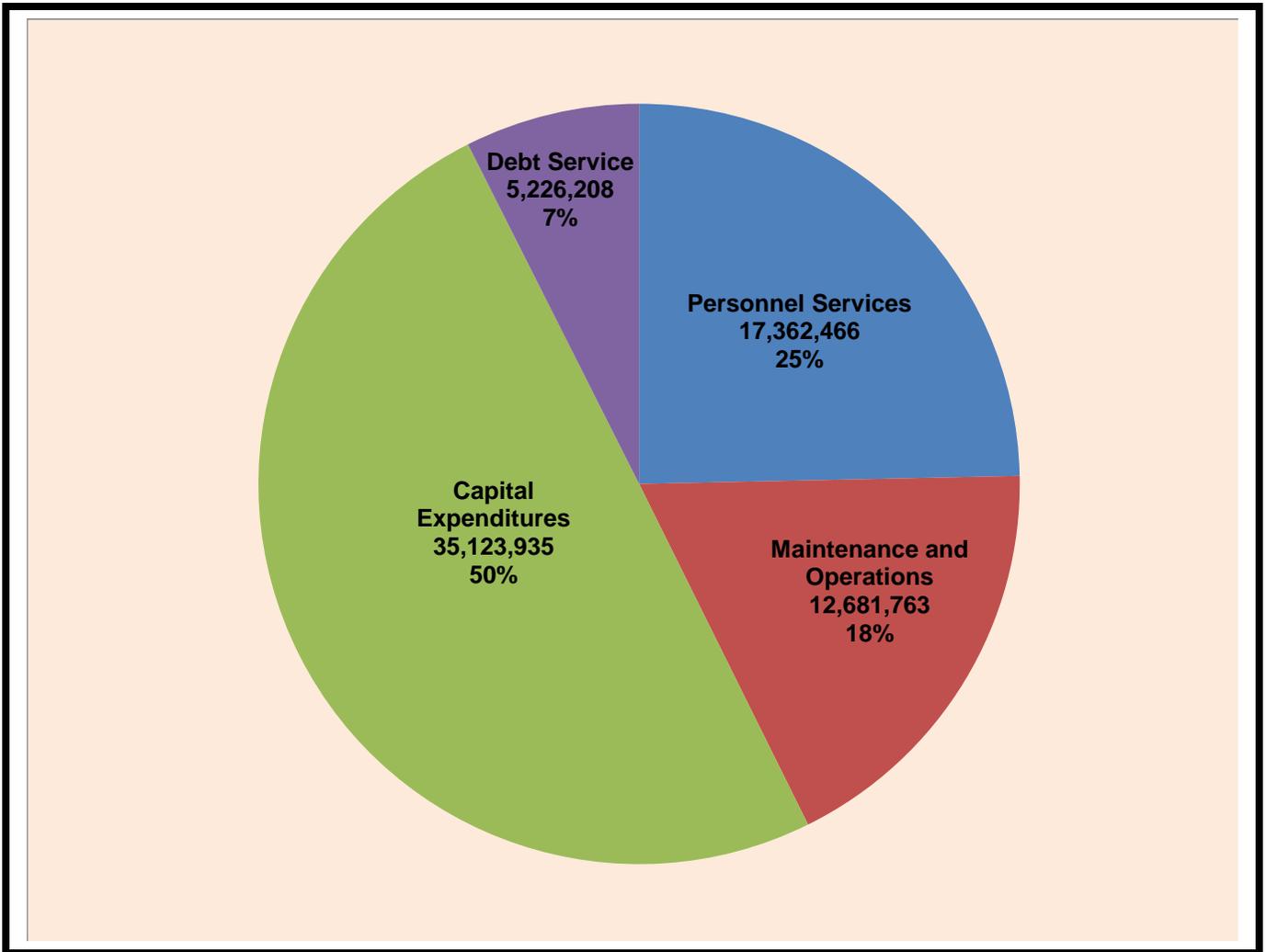


Revenue Source	Budget	Percentage
Taxes	18,444,941	26%
Licenses and Permits	1,145,700	2%
Inter-Governmental Revenue	10,819,000	15%
Service Charges	15,525,115	22%
Transfers from Other Funds	1,276,074	2%
Bonds and Use of Fund Balance	22,209,027	31%
Other Revenue	1,329,677	2%
Total	70,749,534	100%

**Figure 6
Total Expenditure Summary
By Expenditure Category**

Accounting Fund	Personnel Services	Maintenance and Operations	Capital Expenditures	Debt Service	Total
General Fund	14,045,873	3,886,256	20,000	0	17,952,129
Successor Agency Fund	0	279,800	2,784,958	2,877,849	5,942,607
Proposition 172 Public Safety Fund	100,000	0	0	0	100,000
COPS Public Safety Fund	100,000	0	0	0	100,000
Operation Stonegarden Fund	100,000	0	0	0	100,000
Asset Forfeiture Fund	0	0	569,800	0	569,800
General Capital Projects Fund	0	0	1,463,849	0	1,463,849
Measure H Sales Tax Operations Fund	0	145,000	1,069,342	986,100	2,200,442
Measure H Sales Tax Bond Capital Projects	0	0	10,850,724	0	10,850,724
Measure D Sales Tax Bond Capital Projects	0	0	5,531,146	0	5,531,146
Sustainable Communities Grant Fund	0	66,584	0	0	66,584
HUD HOME Grant #6476 Program Fund	46	24,954	0	0	25,000
HUD HOME Grant #8612 Program Fund	7,597	1,524,164	0	0	1,531,761
HUD HOME Grant #9072 Program Fund	23,075	13,122	0	0	36,197
HCD CalHome Grant #6523 Program Fund	2,098	88,812	0	0	90,910
HUD CDBG Revolving Loan Fund	22,128	611,729	0	0	633,857
HUD HOME Revolving Loan Fund	3,064	112,912	0	0	115,976
HCD SRRP Revolving Loan Fund	4,754	75,386	0	0	80,140
HCD HELP Revolving Loan Fund	19,173	18,502	0	0	37,675
Highway Users Tax Allocation (HUTA) Fund	83,871	998,278	0	0	1,082,149
Transportation Development Act Article 8(E)	0	30,250	0	0	30,250
Water Enterprise Fund	1,576,850	2,252,985	4,672,028	979,046	9,480,909
Wastewater Enterprise Fund	1,273,937	2,078,029	3,325,000	178,344	6,855,310
Airport Enterprise Fund	0	475,000	1,237,603	0	1,712,603
CalTrans DEMO-LSAFETEA-LU New River	0	0	2,601,496	0	2,601,496
Natural Resources Agency New River Grant	0	0	561,691	0	561,691
Parking In-Lieu Development Impact Fee	0	0	0	0	0
General Government Development Impact	0	0	0	204,869	204,869
Fire Development Impact Fee Fund	0	0	0	0	0
Police Development Impact Fee Fund	0	0	40,000	0	40,000
Traffic Development Impact Fee Fund	0	0	0	0	0
Libraries Development Impact Fee Fund	0	0	0	0	0
Parks and Recreation Impact Fee Fund	0	0	396,298	0	396,298
Total	17,362,466	12,681,763	35,123,935	5,226,208	70,394,372

**Figure 7
Total Expenditure Summary
By Expenditure Category
All Accounting Funds**



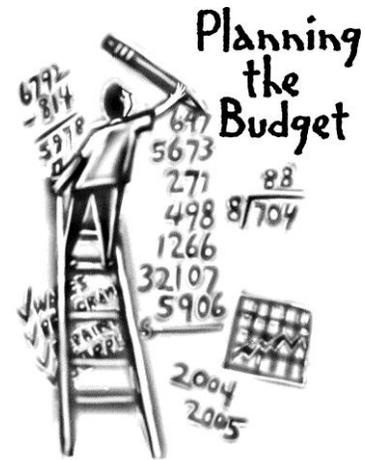
Revenue Source	Budget	Percentage
Personnel Services	17,362,466	25%
Maintenance and Operations	12,681,763	18%
Capital Expenditures	35,123,935	50%
Debt Service	5,226,208	7%
Total	70,394,372	100%

Due to changes made by me since my arrival on July 1, 2014, the organization structure is flatter, less bureaucratic and has fewer middle managers. This new organizational structure is outlined in the organization chart in Section 2 of the budget document. The chart also summarizes the primary responsibilities of each component of the City organization. Solid waste collection services will continue to be provided through Allied Waste Services and the Interim City Attorney through the law firm of Rutan and Tucker.

Personnel Costs.

Total personnel costs across all accounting funds during FY2015 will be \$17,362,466. The FY2016 budget contains adjustments to employee compensation agreed to by the City with employee collective bargaining units. The California Public Employees' Retirement System (CALPERS) has increased its FY2016 miscellaneous employer contribution rates from 14.54% to 15.97% of payroll. Employer contribution to police and firefighters increased from 36.95% to 38.48% of payroll.

In February 18, 2014, the California Public Employees' Retirement System (CalPERS) Board voted to retain its current long-term assumed rate-of-return at 7.5% and adopt new actuarial assumptions for the mortality of state and local employers. While the rate-of-return is not expected to influence employer or employee contribution rates, CalPERS estimates that the new mortality assumptions will cost local agencies an additional average of 9% of payroll for safety classifications and jump an additional 5% of payroll for miscellaneous employees by year five of the implementation plan. The phase in of these increases begin in FY2016.



Health insurance premiums will increase 11% in the coming fiscal year, increasing the City's cost for employee health insurance. The City has been self-insured for health insurance and pays the first \$75,000 of any employee or dependent health insurance claims before reinsurance assumes any costs. Staff believes that the work force may be too small and too old to have a self-insurance program and will be studying other alternatives in FY2016 to hold down costs and still provide high quality health insurance to City employees.

In addition to increases in health care costs, the General Fund has to absorb the costs associated with the end to Federal funding of four firefighter positions. The firefighter Federal grant is called "Staffing for Adequate Fire and Emergency Response (SAFER)." Firefighters hired under this grant are paid by federal funds for two years, after which the local government must pick up the costs for at least one year. Last fiscal year, the expiration of this grant cost the City's General Fund \$170,940. The additional FY2016 cost to the City's General Fund will be \$341,880.

Some additional costs are beyond the control of the City and some are self-inflicted. Overtime has been a major financial and management issue. During FY2015 the City Manager, Police Chief and Department Heads were able to reduce overtime by \$855,073. The City's Department heads and other managers will need to be vigilant in order to control overtime.

The City's liability and workers compensation claims and lawsuits history has had a major impact on the City's insurance premiums. Between FY2012 and FY2016 Callexico's liability insurance premium increased from \$822,887 in FY2012 to \$1,641,492 in FY2016. Its workers' compensation insurance premiums have increased from \$744,422 to \$1,717,729 over the same period.

Among those that are legitimately injured are the abusers and scammers of the system. Calexico's liability and workers compensation loss history has been so bad that the California Joint Powers Insurance Authority (JPIA), the City's insurance carrier, has placed the City under a Performance Improvement Plan and has threatened to cancel coverage. The City Council needs to be wise, thoughtful and prudent in how it proceeds on issues and heed the warnings of the JPIA to stay out of personnel issues.

We have formed a Workers Compensation Management Committee that includes representatives from City Departments, Human Resources Office, City Attorney's Office, City's workers compensation claims administrators and the California Joint Powers Insurance Authority (JPIA). Together we are meeting about every two to three weeks, and analyzing and working through each claim. All claims are now being aggressively managed by this group and steps are being taken to return people to work or separate those that do not want to work or cannot perform the essential functions of their job.

Capital Projects and Major Capital Equipment Purchases.

The City will make significant investments across all accounting funds for capital equipment and capital improvements during FY2016. Total capital expenditures for the fiscal year will be \$35,123,935. Revenues for these capital expenditures will come primarily from Measure D funds, Measure H funds, Enterprise funds, State and Federal grants, development impact fees and capital project appropriations. A list of these projects is contained in Figure 8. Section 9 of the budget document contains the FY2016 Capital Improvement Plan. This section lists each major capital expenditure and the funding sources for the project.

Parks and Recreation. The City recognizes the importance of park amenities and recreation programs to the development of Calexico and the quality of life in the community. The Public Works Department, Community Services Department, City Manager and City Council will be focusing additional time, effort and resources to improve the appearance and maintenance of City parks and construct additional park facilities. The day-to-day park maintenance has been taken over by City employees from a private contractor. The City has increased the number of park employees by hiring additional temporary employees and closing the City shop and transferring the employees to park maintenance. This increase in personnel is being done at approximately the same cost.

New park facilities will be constructed in FY2016. After many years of hard work by the City Council, School Board, the staffs of both agencies, and Senator Ben Hueso's successful effort to secure a \$2,717,000 appropriation from the State, the joint \$7.5 million City of Calexico and Calexico United School District swimming pool project will commence construction. The City of Calexico is committing \$3,000,000 in Measure H funds to the project. The School District is contributing \$400,000 from a Federal Emergency Management Agency (FEMA) grant and \$1,441,398 from 2011 Tax Allocation Bonds issued by the former Calexico Community Redevelopment Agency that are now being held by the Successor Agency. Plans have been prepared and approvals from the State have been obtained. A project manager has been selected and City staff have completed the environmental document and filed with the County. The project has gone out to bid and will shortly go to construction and will be finished by next summer.

The City will spend \$169,000 during FY2016 to demolish the National Guard Armory on 2.07 acres at 218 Sheridan Avenue, remove the Sheridan Street from Ollie Avenue to Harold Avenue and transfer title to the property to the City from the Successor Agency to the Calexico Community Redevelopment Agency. The land will be used to expand Heber Park.

The City will design and construct a skate park in Heber Park using \$656,750 in three Housing-Related Parks Grants from California Department of Housing and Community Development (HCD) and combining it with \$396,298 in Park and Recreation Development Impact Fees. Total expenditures for the skate

Figure 8
FY2016 City of Calexico
Summary of Major Capital Projects and Capital Purchases
(All Accounting Funds)

	Capital Project or Capital Purchase	Amount
1	Second Street Bridge Replacement Across New River	2,615,958
2	Measure D Street Improvements	1,960,472
3	Cesar Chavez Boulevard Street Widening and Improvements	2,383,999
2	Demolition of National Guard Armory, Removal of Sheridan Avenue to Expand Heber Park	169,000
3	Complete Calexico International Airport Runway Paving Project	1,234,103
4	Sustainable Communities Grant Funded Climate Change Action Plan & General Plan	66,584
5	Swimming Pool Construction with Calexico Unified School District	3,000,000
6	Recreation Field Lights Installation at Reisin Field	300,000
7	Recreation Field Lights Installation at Park at Fifth Street and Andrade Avenue	80,000
8	Adrian Cordova Park Design and Phase I Construction	1,480,724
9	New River Parkway Project	3,163,87
10	Skate Park in Heber Park	1,053,048
11	Police Department Purchase of Tasers and Body Cameras	56,592
12	Police City-Wide Security Surveillance System	413,320
13	Library Repairs and Improvements	69,342
14	Acquire land, Design and Construct New Fire Station	6,950,000
15	Compressed Natural Gas Station Installation at Public Works Yard	101,000
16	Bicycle Master Plan Update	85,000
17	Transit Needs Assessment	95,000
18	Bridge Seismic Evaluations	226,000
19	Second Street (East) Paving and Rehabilitation	320,000
20	Library Veterans and Literacy Grants	57,749
21	Automated Meter Reading System and Water Meter Replacement	3,131,028
22	Water System Master Plan	125,000
23	Urban Water Management Plan	75,000
24	THM Analyzer	55,000
25	Chlorine Analyzer	11,000
26	Water Treatment Plant Effluent Meter Replacement	75,000
27	Cesar Chavez and Fifth Street Water Main Replacement	1,200,000
28	New Boiler and Heat Exchanger for the Wastewater Treatment Plant	125,000
29	Wastewater Master Plan	125,000
30	Fire Department Sewer Line	30,000
31	Sewer Lift Station Replacement Pumps	45,000
32	Emergency Generator Replacement	300,000
33	Replacement of Dewatering Centrifuge Unit at the Wastewater Treatment Plant	600,000
34	UV Disinfection System Upgrade at the Wastewater Treatment Plant	50,000
35	Wastewater Treatment Plant Laboratory Equipment Replacement and Upgrade	70,000
36	Wastewater Treatment Plant Bar Screen Rehabilitation	100,000
37	Installation of Carter Sludge Pumps at Wastewater Treatment Plant	90,000
38	Sewer Manhole Rehabilitation	250,000
39	Alarm System Upgrade at Wastewater Treatment Plant	40,000
40	New Wastewater Treatment Design	1,500,000

board park in FY2016 will be \$1,053,048.

Two grants from the California Department of Transportation (\$2,601,496) and the California Natural Resources Agency (\$561,691) will allow the City to begin construction on the New River Parkway during FY2016. The grants will be used to construct a 2.4-mile Class 1 Bike path along the New River from Animal Shelter drive in the south to approximately 560 feet west of A.V. Thieleman Avenue.

The City will also use \$300,000 in Measure H bond funds to install recreation field lights at Reisin Field and use \$80,000 in Measure H bond funds to install recreation field lights at the park on the corner of Fifth Street and Andrade Street, \$1,480,724 is allocated to construct the first phase of the Adrian Cordova Park. (Please see Figure 9.)

Water System. The City proposes to increase revenues, cut cost, improve efficiency and provide higher levels of customer service by completely automating its meter reading function through automated (Advanced Meter Infrastructure) meter reading system. This system replaces old water meters with water meters containing a transmitter capable of transmitting meter readings to one of two tower base stations. These tower base stations transmit the meter readings to the Financial Services Department at City Hall each hour. Water bills are automatically calculated each month based on information collected from the tower base stations. Meter readers are no longer needed. Customers concerned about their bills can be shown usage each hour on any day of the month. In addition, the system has the capability of detecting customer leaks that the customer does not even know about. City staff can then contact the customer and investigate and fix customer leaks.

The automated meter reading system will not only reduce costs, but will increase water revenues. Water meters become less capable to detecting water flow over time. An analysis of the City's water meters shows that the average meter is only detecting 89.96% of the water flowing through it, resulting in an estimated revenue loss to the City of \$389,611 per year. The FY2016 budget proposes to spend \$3,131,028 to install the automated meter reading system and either upgrade or replace the old water meters.

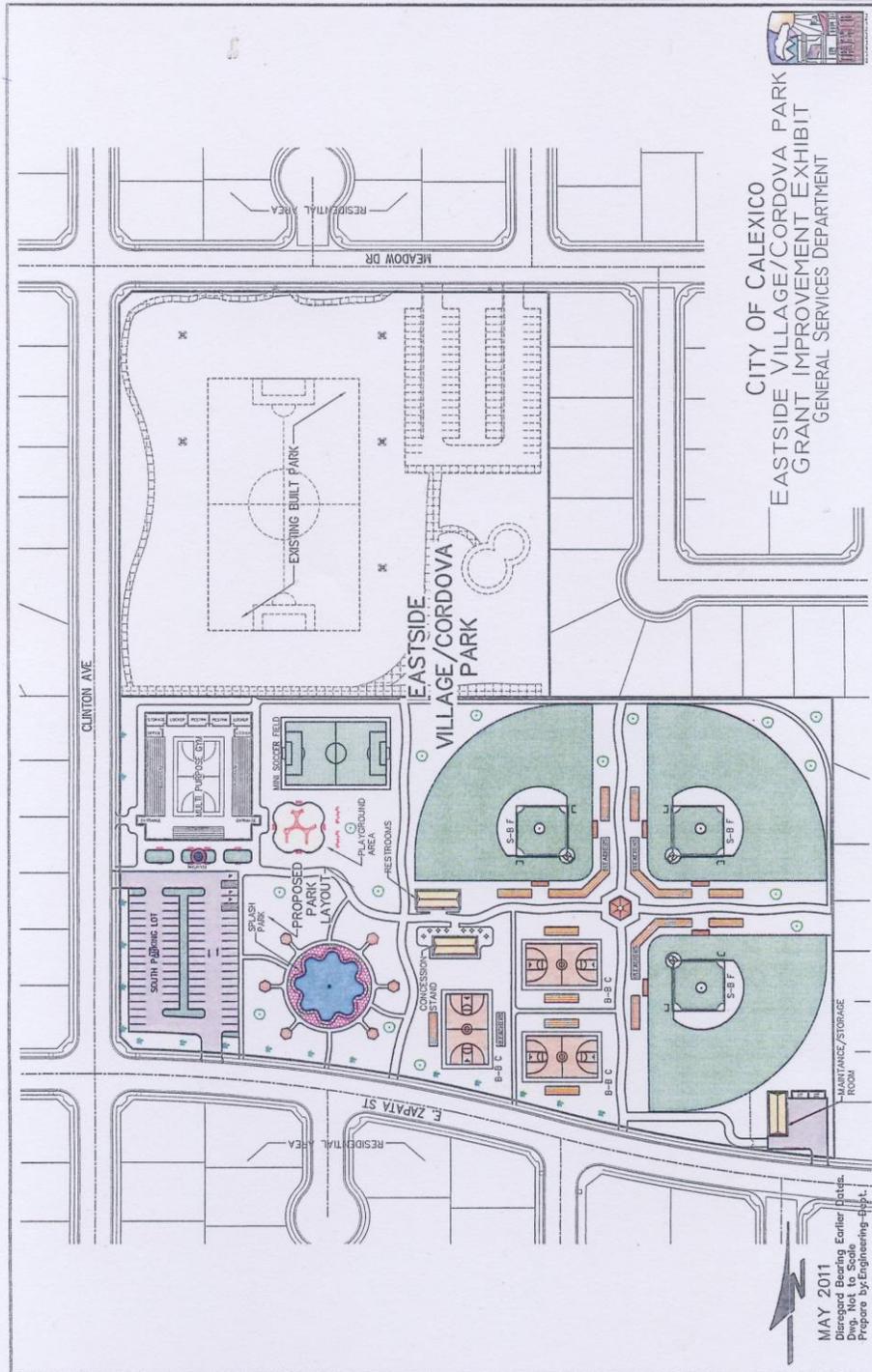
Other water system improvements include spending \$1,200,000 to replace the water main in conjunction with the Cesar Chavez Boulevard Street Improvement Project. Improvements at the Water Treatment Plant include the installation of a new chlorine analyzer (\$11,000), installation of a new TTHM analyzer (\$55,000), and the installation of a new effluent meter (\$75,000).

In addition to the automated meter reading system and water system improvements, the City is planning for the future. The FY2016 budget will spend \$75,000 to update its 2007 Urban Water Management Plan and \$125,000 for a new Water System Master Plan. A draft water system master plan was prepared in 2003, but was never completed or adopted.

Wastewater System. The FY2016 Calexico budget will address serious wastewater issues facing the community. On May 20, 2014, the City received a Notice of Violation (NOV) from the Imperial County Air Pollution Control District (ICAPCD) for emissions from the Wastewater Treatment Plant. The Notice of Violation (NOV) contained a fine of \$3,810,000. The City Council and staff were able to negotiate the fine down to \$38,000 provided the City completed an engineer's assessment of the Wastewater Treatment Plant and completed a number of capital improvements at the Wastewater Treatment Plant. During FY2015, the City spent \$569,499 to rehabilitate Digester #1, \$32,524 to rehabilitate Secondary Clarifier #2, \$78,598 to replace Compact Washer #2 and replaced the igniter to burn off emissions at the Wastewater Treatment Plant. **The City will spend \$125,000 during FY2016 for a new boiler and heat exchanger. These projects should bring the City into compliance with orders issued by the Imperial County Air Pollution Control District.**

Other Calexico Wastewater Treatment Plant improvements include upgrading the Ultra Violet (UV) Light Disinfection System (\$50,000), upgrading and replacing laboratory equipment (\$70,000), rehabilitating the

**Figure 9
Adrian Cordova Park Concept Plan**



plant bar screen (\$100,000) , installing Carter sludge pumps (\$90,000), and upgrading the alarm system at the plant (\$40,000). The proposed FY2016 City budget allocates \$1.5 million to complete the Environmental Impact Report (EIR), complete plans and specifications and obtain State approval for a new Wastewater Treatment Plant. Wastewater rates were raised several years ago by the City Council in anticipation of the need to construct a new plant.

Planning to meet the future wastewater needs of the community is critical. This budget contains \$125,000 to complete a new Wastewater System Master plan that will address future treatment and collection issues. The last Wastewater System Master Plan was done in 1991. Other wastewater projects and capital purchases include \$30,000 to replace the sewer line at the Fire Station, \$45,000 to replace sewer lift station pumps, and \$250,000 to rehabilitate City sewer manholes.

The Imperial County Air Pollution Control District (CAPCD) is requiring the City replace its emergency generators at the Water plant and the Wastewater Treatment Plant. The FY2016 budget contains \$300,000 to replace the emergency generator at the Wastewater Treatment Plant.

Streets, Roads, Sidewalk and Other Transportation Infrastructure. The repair, rehabilitation maintenance and improvement of the City’s street, curb, gutter, sidewalk and other transportation infrastructure has been an important goal of the City over the last several years. Figure 10 shows the streets that were paved in FY2014, Figure 11 shows the streets that were paved in FY2015 and Figure 12 shows streets will be paved in FY2016. These charts show that the City spent \$4,710,549 in FY2014, \$2,575,741 in FY2015 and will spend \$4,344,471 on street improvements in FY2016.

In addition to the street projects outlined in Figure 12, the City of Calexico has a number of other street and transportation projects that will be funded in FY2016.

The Calexico Land Port of Entry (LPOE) has received \$98 million in Federal funding to expand and modernize the facility as a result of existing capacity constraints. State Route 90(SR-98) and Cesar Chavez Boulevard currently lack the capacity, safety features and design elements to handle the traffic to and from the new Land Port of Entry (LPOE). The transportation agencies are completing the design phase and the right-of-way acquisition phase of both projects.

The City will spend \$2,383,999 in Measure D Bonds to widen Cesar Chavez Boulevard from Second Street to Lincoln Street into a five-lane primary road, with two northbound lanes and three southbound lanes. The remainder of Cesar Chavez Drive between Lincoln and State Route 98 (SR-98) would be improved to a four-lane primary road with a median allowing for turn pockets at intersections. Sidewalks, bicycle lanes, signage/signals, and lighting are also to be included. The funding plan for the Cesar Chavez Boulevard project is outlined below:

Cesar Chavez Boulevard Funding Plan

	TIGER VII	OMNIBUS	CBIP	LOCAL	TOTAL
PA&ED	0	0	0	1,065,013	1,065,013
PS&E	0	0	0	195,800	195,800
R/W Support	0	150,000	0	118,015	268,015
Construction Support	0	0	0	100,000	100,000
R/W Capital		1,700,000		84,870	1,784,870
Construction Capital	1,300,000	1,000,000	4,500,000	1,160,000	7,960,000
Total	1,300,000	2,850,000	4,500,000	2,723,698	11,373,698

Cesar Chavez Boulevard will go to construction in FY2016. State Route 98 (SR-98) currently has \$18 million available for the project, but is still short of adequate funding to complete the street improvements

**Figure 10
FY2014 Highway User Tax (HUTA), Federal
and State Grant and Measure D Street Projects**

Cost	Street Name	Street Work
\$3,009,509	Enterprise Blvd.	Street Rehabilitation and Overlay
	Portico Blvd.	Street Rehabilitation and Overlay
	Feldspar Avenue	Street Rehabilitation and Overlay
	Garnet Street	Street Rehabilitation and Overlay
	Jasmine Street	Street Rehabilitation and Overlay
	Margarita Street	Street Rehabilitation and Overlay
	Camila Street	Street Rehabilitation and Overlay
	Obeliscos Street	Street Rehabilitation and Overlay
	Amada Court	Street Rehabilitation and Overlay
	Dalila Court	Street Rehabilitation and Overlay
	Emil Hashem	Street Rehabilitation and Overlay
	Paseo Camino Real from Andrade to Paseo de Altelza	Street Rehabilitation and Overlay
	Sixth Street from Encinas Avenue to Dool Avenue	Street Rehabilitation and Overlay
	First Street from Paulin Avenue to Andrade Avenue	Street Rehabilitation and Overlay
	Second Street from Imperial Avenue to Mary Avenue	Street Rehabilitation and Overlay
	Giles Avenue from Second Street to Sherman	Street Rehabilitation and Overlay
	Grant Street from Kloke Ave to Cesar Chavez Blvd	Street Rehabilitation and Overlay
	M. Acuna Avenue	Street Rehabilitation and Overlay
	A.V. Thieleman Avenue	Street Rehabilitation and Overlay
	R&D Platero	Street Rehabilitation and Overlay
	Matallana Court	Street Rehabilitation and Overlay
W. Sherman Street	Street Rehabilitation and Overlay	
Linholm Avenue	Street Rehabilitation and Overlay	
Wozencraft Street	Street Rehabilitation and Overlay	
\$390,057	Fifth Street from Imperial Avenue to Heber Avenue	Fifth Street Repaving
\$695,696	Paulin Avenue from Second Street to Fifth Street	Downtown Repaving
	Heffernan Avenue from First Street to Fifth Street	
	Heber Avenue from First Street to Fourth Street	
\$615,287	Cole Road from SR 111 to M.L. King	Cole Road Repaving
Grand Total: \$4,710,549		

to accommodate the increased traffic caused by the construction of the new Land Port of Entry (LPOE).

Due to major development in the proximity of Second Street, some of which has already begun and some of which is imminently anticipated (i.e., Gran Plaza and the U.S. General Services Administration's (GSA) \$98 million expansion of the Land Port of Entry (LPOE) between Calexico and Mexicali, Mexico), an Environmental Impact Report (EIR) was prepared and found that certain mitigation measures were needed to contend with the traffic volume. The replacement of the Second Street bridge was one of the

mitigation items specified in the EIR. The balance of the mitigation items are being addressed through other means by third parties. The FY2016 budget for the replacement of the Second Street bridge is \$2,615,958. Funds for this project will come from the Successor Agency to the Calexico Community Redevelopment Agency.

The City has received a \$89,000 California Department of Transportation (Caltrans) Congestion Mitigation and Air Quality (CMAQ) grant for the installation of a Compressed Natural Gas (CNG) Fueling Station at the Public Works Yard. The Compressed Natural Gas (CNG) Fueling station will be used to fuel the City street sweepers and other natural gas vehicles. The total cost of the project is \$101,000. The City is required to contribute a local match of \$12,000. This local match will come from the Measure D Capital Projects Fund.

**Figure 11
FY2015 Highway User Tax (HUTA), Federal
and State Grant and Measure D Street Projects**

Cost	Street Name	Street Work
\$2,156,520	Fourth Street from Encinas Avenue to Andrade Ave.	Street Rehabilitation and Overlay
	Third Street from Encinas Avenue to Andrade Avenue	Street Rehabilitation and Overlay
	Bowker Road from State HWY 98 to Cole Road	Street Rehabilitation and Overlay
	Cabana Street	Street Rehabilitation and Overlay
	Descanso Drive	Street Rehabilitation and Overlay
	Enramada Drive	Street Rehabilitation and Overlay
	Banda Avenue	Street Rehabilitation and Overlay
	Coyote Avenue	Street Rehabilitation and Overlay
	Alameda Street	Street Rehabilitation and Overlay
	Granero Avenue from Alameda Street to E. Zapata	Street Rehabilitation and Overlay
	Santa Ana Street from Rancho Frontera to Coyote Ave	Street Rehabilitation and Overlay
	Brown Court	Street Rehabilitation and Overlay
	Jean Robinson Court	Street Rehabilitation and Overlay
	Harrington Street	Street Rehabilitation and Overlay
	Vereda Drive	Street Rehabilitation and Overlay
	Porton Drive	Street Rehabilitation and Overlay
	De Leon Avenue	Street Rehabilitation and Overlay
	Fiesta Avenue	Street Rehabilitation and Overlay
	Plata Drive	Street Rehabilitation and Overlay
	Bravo Drive	Street Rehabilitation and Overlay
	Colorado Drive	Street Rehabilitation and Overlay
	Santiago Drive	Street Rehabilitation and Overlay
	Holdridge Street	Street Rehabilitation and Overlay
Plaza Drive	Street Rehabilitation and Overlay	
Posada Court	Street Rehabilitation and Overlay	
Primavera Court	Street Rehabilitation and Overlay	
Rancho Frontera Drive	Street Rehabilitation and Overlay	
\$419,221	Second Street from Andrade Avenue to E. Rivera Ave	Second Street Rehabilitation and Paving
Grand Total: \$2,575,741		

**Figure 12
FY2015 Highway User Tax (HUTA), Federal
and State Grant and Measure D Street Projects**

Cost	Street Name	Street Work
\$1,960,472	Sherman Street from Harold Avenue to Railroad Track	Street Reconstruction
	Third Street from Heber Avenue to Encinas Avenue	Street Reconstruction and Widening
	Fourth Street from Blair Avenue to Encinas Avenue	Street Reconstruction and Widening
	Beach Street from Elmer Belcher Street to Fifth Street	Street Rehabilitation and Overlay
	Beach Street from Second Street to Fifth Street	Street Rehabilitation and Overlay
	Dool Avenue from Fifth Street to Elmer Belcher	Street Rehabilitation and Overlay
	Dool Avenue from Fifth Street to Second Street	Street Rehabilitation and Overlay
	Fifth Street from Heber Avenue to Andrade Avenue	Street Rehabilitation and Overlay
	Sixth Street from Dool Avenue to Andrade Avenue	Street Rehabilitation and Overlay
	Second Street from Andrade Avenue to Mary Avenue	Street Rehabilitation and Overlay
	\$2,383,999	Cesar Chavez Boulevard Improvements
Grand Total: \$4,344,471		

The FY2016 budget also plans for the future transportation and mobility needs of the citizens of Calexico. The City of Calexico was awarded a \$84,100 Caltrans Transportation Planning Grant to conduct a Transit Needs Assessment. There is a \$10,900 local match for this grant which will come from the City's Highway Users Tax Allocation (HUTA) (Gas Tax) Special Revenue Fund. The study will review and evaluate the current public transit system within the City of Calexico and identify the mobility needs of the community. The study will also help the City develop guidelines, standards and/or ordinances in order to regulate and provide sustainable solutions.

On April 24, 2015, the City was notified that it would receive a \$75,250 Sustainable Transportation Grant from the California Department of Transportation (Caltrans) to update the Calexico Bicycle Master Plan Update. The project will cost \$85,000. The City is required to contribute a local match of \$9,750. This local match will come from the Measure D Capital Projects Fund for a total project cost of \$85,000.

The City of Calexico received a grant from the California Department of Transportation (Caltrans) Surface Transportation Program in the amount of \$200,000 with a City match of \$26,000 for a Seismic Bridge Evaluation Study for eleven bridges within the City limits.

FY2016 will also see an increased effort toward downtown maintenance and graffiti removal. Two Public Works Department employees are now dedicated to cleanup downtown alleys, streets and restrooms. Another person will be dedicated to graffiti removal throughout the City.

The City Council awarded a contract on September 16, 2014 for the construction phase of the Runway Pavement Rehabilitation project at the Calexico International Airport. The total cost of this project is \$3,774,499. This project is funded by a grant from the Federal Aviation Administration (FAA) for \$3,403,335 (90%), State of California for \$185,582 (5%) and a City match of \$185,582 (5%) from Measure D funds. This construction project was started in FY2015 and will continue into FY2016. The City has budgeted \$1,234,103 this fiscal year to complete the project.

Long Term Debt and Loans and Notes Receivable.

No new long-term debt is planned for FY2016. The City and the Successor Agency to the Calexico Community Redevelopment Agency will make \$1,345,000 in principal payments and \$1,532,849 in interest payments on total long-term debt of \$83,682,317. Total Long Term debt of the City and the Successor Agency debt on June 30, 2016 will be \$80,384,919. (See Figure 13.)

**Figure 13
Total Long-Term Debt Summary**

No.	Description	Beginning Debt Balance July 1, 2015	FY2016 Debt Principal Payment	FY2016 Debt Interest Payment	Ending Debt Balance June 30, 2016
1	Fiduciary Funds Long-Term Debt	\$ 34,675,000	\$ 1,345,000	\$ 1,532,849	\$ 33,330,000
2	Proprietary Funds Long-Term Debt	14,000,879	547,536	609,854	13,453,343
3	General Long-Term Debt	35,006,438	1,404,862	1,410,706	33,601,576
	Total	\$ 83,682,317	\$ 3,297,398	\$ 3,553,409	\$ 80,384,919

Public borrowing through lease-purchase agreements, general obligation (GO) bonds, revenue bonds, certificates of participation (COP) or other legal debt instruments may be in the public interest. However, the City will pursue policies that will not saddle the public with excessive public debt and will carefully scrutinize any public borrowing proposals. **California currently has no constitutional or statutory debt limits for municipalities. Therefore, the City must use debt in a wise and judicious manner.**

The City and the Successor Agency to the Calexico Community Redevelopment Agency have loaned \$26,069,386 to third parties for a variety of purposes over the years. The City is projected to collect \$2,725 in principal payments and \$2,655 in interest payments during FY2016. The Finance Department will work with the City Housing Division analyze each loan and begin collection actions where appropriate.

Libraries, Recreation Programs, and Cultural Arts.

In addition to parks and recreation, the City Council recognizes the important role that libraries, recreation programs (especially senior programs and youth programs) and cultural arts play in the lives of the people of Calexico. This budget continues to make these important activities and programs a legislative priority in FY2016. The operating budget of the library will be \$671,516. Recreation and cultural arts programs will have a budget of 730,073. Total General Fund expenditures for the Community Services Department in FY2016 will be \$1,401,589.

In addition to the General Fund budget, the Community Services Department has received three grants totaling \$57,749 for veteran and adult and child literacy programs. \$69,342 has also been allocated from Measure H funds for library repairs and improvements.

Public Safety.

The City is committed to public safety and reform, transformation and change are taking place in the Calexico Police Department. FY2016 will be a total rebuild and remaking of the Police Department. After a year of difficult and demanding internal and external investigations, the Department has been provided

the tools; reports; evaluations and a roadmap forward. These milestones from FY2015 will create a professional; caring; service focused policing team, committed to public safety. The City of Calexico has been supported by local, state and federal agencies and are have received commitments to continue that assistance in FY2016 without charge to the City. The Department of Justice will be providing technical assistance; training and evaluations for three years as a result of a Memorandum of Understanding with the City and the Police Department. These tools will develop one the of finest police agencies in the state.

The U.S. Department of Justice (DOJ) has selected the Calexico Police Department to participate in a program design to assess law enforcement agencies that face significant challenges. This program is provided by the Department of Justice (DOJ), Office of Community Oriented Community Services (COPS), Collaborative Reform Initiative for Technical Assistance. Through subject-matter experts, interviews, direct observations, extensive research and analysis, the U.S. Department of Justice COPS Office develops and delivers findings, recommendations and assists law enforcement agencies with enhancing and improving their operations, policies and procedures, accountability systems, and training.

Police and fire services account for 60% of the total General Fund budget. In addition to the General Fund budget of \$6,675,309 for police operations, \$903,553 for police support services, \$311,122 for parking control and enforcement and \$171,244 for animal control services, the Police Department is also funded through Proposition 172 (\$50,000), the State AB 3229 COPS Grant Program (\$100,000), the Operation Stonegarden Grant Program (\$100,000), Measure H funds (\$600,000) and asset forfeiture funds (\$569,800).

On May 5, 2015, the Calexico City Council approved an agreement with Taser International to purchase new tasers and body cameras for all Calexico Police officers. The contract includes cloud-based software, 24 hour/365 day technical support and equipment replacement at no additional cost. This system is also designed to integrate the body cameras into the Police Department's Record Management System (RMS). This will allow the storage of camera video to be marked and tagged as evidence along with the crime reports. By purchasing these cameras the department will be able to phase out the in-dash cameras in the patrol cars. The agreement will also replace all cameras and tasers every 30 months with the latest updated technology and with new models. The FY2016 budget includes \$56,592 in asset forfeiture money from the United States Department of Justice (DOJ) for these new tasers and body cameras.

In addition to the new tasers and body cameras for the police officers, the City Council on June 2, 2015, approved \$722,515 for the installation of a City-Wide Security Surveillance System. This system will be installed over two fiscal years and will initially consist of 49 City cameras. The system also has the capability to integrate the Border Patrol cameras and the cameras of private businesses into this system. The system has the capability to record suspicious activity and will allow the Police Department and Fire Department to monitor critical incidents from remote locations.

In addition the footage captured through the City-Wide Surveillance System will act as a deterrent to criminals, create investigative leads and produce potential suspects. Video footage will also capture criminals committing crimes, aid in prosecutions and increase conviction rates. The City will spend \$373,320 during FY2016 in Asset Forfeiture funds to install the City-Wide Security Surveillance System.

The Fire Department's General Fund budget of \$4,213,750 is augmented by \$50,000 in Proposition 172 funds and \$400,000 in Measure H funds. In addition, General Government Development Impact Fees Fund will be used to a make a \$204,869 fire truck lease payment. The Measure H bond allocates \$6,950,000 to plan, design and construct a new fire station.

Housing Development and Rehabilitation.

The California Growth Council awarded the City of Calexico a \$259,700 Sustainable Communities Planning Grant in 2012 from the California Growth Council. The City will spend \$66,584 from the grant in FY2016 to develop and implement a Climate Action Plan (CAP) that outlines the policies and measures in transportation, energy efficiency, renewable energy, and solid waste management sectors that the City will implement or is implementing to achieve its greenhouse gas (GHG) emissions target. In the Climate Action Plan (CAP) will be used to complete a Targeted General Plan Update. The goal of the City of Calexico is to reduce its greenhouse gas (GHG) by 15% from 2005 levels.

The City will continue to use a wide variety of Federal and State housing grants and loans for the first-time home buyers program, mobile home rehabilitation and replacement program residential home rehabilitation program and tenant-based rental assistance programs.

Economic Development.

A central component of the City's planning efforts is economic development. **Economic development is the sustained creation of community wealth and the generation of tax revenues through the retention, expansion and development of diversified business opportunities that are compatible with the environment, community values and community vision.** The development of a strong City economy is essential to providing employment opportunities and tax revenues to underwrite the cost of municipal services. The City Council understands this and believes that the quality of life in Calexico will ultimately be determined by the level of community economic activity.

The City Manager established the Office of Economic Development during FY2015. The Office of Economic Development is located in the City Manager's Office and works directly under him. This office is a "one stop" liaison for current businesses and potential investors. The office provides guidance, site selection, and fast track approval to new and existing businesses. It maintains demographics and updates marketing materials on a regular basis to provide accurate information to potential investors.

The Office of Economic Development works closely with other agencies that promote economic development. The office is actively involved with several non-profit organizations and Economic Development Agencies. It identifies opportunities for additional exposure and increased return on marketing dollars by partnering with those agencies to participate in events and trade shows. Staff coordinates with the Calexico Chamber of Commerce downtown Business Improvement District (BID) and individual businesses to strengthen the business climate, encourage investment in the City and to provide joint presentations on information concerning local businesses. The Calexico Office of Economic Development provides staff support to the Imperial Valley Foreign Trade Zone (FTZ) and works with the State of California Development Block Grant (CDBG) office to be able to offer economic development loans over the counter (OTC). It also serves as Calexico's "One Stop Office" for workforce development assistance to our new and existing businesses.

The office coordinates the activities of the Economic Development Commission and develops and carries out plans, subject to the approval of the city council, for promoting and improving the economic climate of the Calexico area. It is also responsible for maintaining all City leases current and up to date.

Accountable, Ethical, Efficient and Effective City Government.

The citizens, businesses and stakeholders are entitled to fair, ethical and accountable City government which has earned the public's confidence for integrity and the efficient and effective delivery of municipal

services. Corruption, cronyism, favoritism, nepotism, waste and inefficiency have no place in the City of Calexico. In keeping with the City of Calexico's commitment to excellence, Section 2 contains the City's Code of Ethics for the City Council, City boards, commissions, committees and staff.

In addition to the Code of Ethics, the values, vision and philosophy held by management and workers affects the attitudes, morale, work environment, customer and the quality of municipal services. Section 2 contains a proposed employee operating statement that articulates the values, vision and philosophy governing the operation of the City and the conduct of City employees.

Budget is a Road Map to Make the Community Vision a Reality.

This annual budget is a conservative road map for the coming year and will require careful management to ensure spending is contained within the limits established by the City Council. The City Council, City Manager and staff are committed to providing the highest level of City services for the least cost.

The preparation of the annual budget is an arduous task. Appreciation is extended to John T. Quinn, Michael J. Bostic, Pete Mercado, Julia Osuna, Nick Servin, Nick Fenley, Erica Lacuesta, Sally Hernandez, Gabriela Garcia, Liliana Falamir and other staff members for their contributions. This budget is submitted for your careful review and to make any changes or alteration as you see appropriate to meet the goals and objectives of the City Council and the desires of the citizens of the community. We all look forward to serving you and the citizens of the City of Calexico in the coming year.

Respectfully submitted,

Richard N. Warne

City Manager





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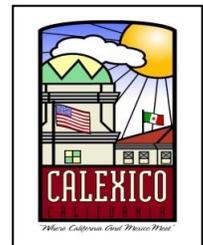


CITY MANAGER FY2016 BUDGET OVERVIEW

August 1, 2015

The Honorable Mayor, City Council and Members of the Public
608 Heber Avenue
Calexico, California 92231

Re: City Manager FY2016 Budget Overview.



Dear citizens and members of the Governing Body:

In accordance with the Calexico Municipal Code and sound municipal fiscal business practices, I hereby transmit the budget for the City of Calexico for the period ending June 30, 2016. This document is divided into eleven sections. They are:

1. Strategic Planning, Implementation and Evaluation Decision-Making Process

Section. This section outlines the broad context and strategic framework in which the budget is prepared, implemented and evaluated. The Calexico budget is not prepared in a vacuum. It is a document designed to achieve the long-term goals of the community based upon community values, community vision and sound long-term strategies adopted by the City Council. The annual budget provides the financial means to build a community based on a shared community vision.

2. City of Calexico Organization. This section provides information concerning the municipal organization created by the City Council and the City Manager to deliver municipal services, achieve community goals and implement the policies, goals and spending plan outlined in the FY2016 budget. The Organization Section has an organization chart that shows the organization structure and the service delivery functions assigned to each City department. It also contains a proposed operating Code of Ethics for the City Council and City boards, commissions and committees and staff. It also contains a proposed Employee Operating Statement that articulates the values and philosophy governing the operation of the City and the conduct of City employees.

3. Description of the Accounting and Financial Reporting System Section. This section contains a description of each of the City's major accounting funds by Governmental Fund Type, Proprietary Fund Type and Fiduciary Fund Type. These accounting funds are used to account and report the revenues, expenditures, assets and liabilities of the City of Calexico and the Successor Agency to the former Community Redevelopment Agency of the City of Calexico.

4. Accounting, Investment, Fixed Assets, Financial, Capital Improvement and Budget Policies Section. This section reviews the major City Council and City Manager policies that guide accounting, finance, investment, fixed assets, capital improvement, budgeting and protection and use of financial resources and assets.

5. Long-Term Debt and City Notes and Loans Receivable Section. This section of the budget document shows the long-term debt obligations incurred by the City of Calexico and the Successor Agency to the Calexico Community Redevelopment Agency (Successor Agency).

In addition to City and Successor Agency long-term debt, the City and the Successor Agency have loaned \$26,069,386 to third parties for a variety of purposes over the years. Schedules in this section outline each debt issue as well as principal and interest payments projected for FY2016. Beginning and ending principal balances are also included in this section of the budget document.

6. Budget Summaries Section. This section provides FY2016 budget summaries for all Governmental, Proprietary and Fiduciary Accounting Funds of the City. These summaries are broken down by accounting fund and by functional area such as personnel expenditures, maintenance and operations expenditures, capital expenditures and debt service expenditures.

7. General Fund Revenues and Department Budgets Section. This section contains the FY2016 line-item revenue budget for the General Fund and the line-item budget for each City Department along with their mission statements, department descriptions, organization charts, footnotes, goals, objectives, performance measures and other information. Revenue sources received by Departments outside the General Fund are identified and their budgets included with the Department budgets.

8. Special Revenue Fund, Fiduciary Fund and Capital Projects Fund Budgets Section. The budget document includes the accounting fund mission, accounting fund description and the goals, objectives and performance standards of the City's Special Revenue Funds, Fiduciary Funds and Capital Projects Funds.

9. Capital Improvements Plan Section. This section of the budget summarizes the FY2016 capital equipment purchases and capital improvement projects. It contains the funding source.

10. Statistical Information Section. This section presents information regarding the City's historical revenues, expenditures, infrastructure, demographics, bonded debt, building permits, fixed assets and other related financial information.

11. Glossary of Acronyms and Terms Section. This section lists the definitions of commonly used government accounting acronyms and terms.

The FY2016 Calexico budget is a financial plan, operations guide, policy document and a communications device. It conforms to the highest national budget standards published by the

Government Finance Officers Association (GFOA) of the United States and Canada. Its pages contain goals for City departments, footnotes with detailed explanations of the City's past, present and future financial transactions and activities for review by the public and the City Council.

Planning for the Future

The FY2016 budget is prepared within the broad context of the Calexico Strategic Planning, Implementation and Evaluation Decision-Making Process. This decision-making process outlined in Section 1 of this budget document provides the framework for the City's strategic planning, execution and evaluation of City operations, organizational structure, budgets, programs, services and capital projects. High performance organizations and successful businesses achieve their success by constantly planning, implementing and evaluation their operations. The City of Calexico is a multi-million dollar corporation and incorporates modern corporate planning, execution and evaluation principles into its operations to provide high levels of municipal serves to serve the people effectively and efficiently.

The City Council recognizes the importance of using modern principals of corporate governance and the important role that proper planning, execution and evaluation plays in setting the future course of our community. **These principles must be applied in order to achieve the community vision established by the City Council to become a distinctive, international border City where commerce, culture and opportunity come together in an ethnically and culturally diverse community.**

Strategic Targets, Goals and Priorities.

The City Council establishes strategic targets, goals, objectives, priorities and action plans as part of the budgetary process. As part of this process, the City Council conducted a strategic planning workshop on March 23, 2015. This workshop included the staff and the City Council and accomplished the following:

1. Identified the organization's strengths, weaknesses, opportunities and threats (SWOT).
2. Established six major strategic targets. They are:
 - Organizational Development.
 - Economic Development.
 - Image.
 - Parks and Recreation.
 - Revenues and Finance
 - Beautification.
3. Established 61 goals.
4. Prioritized goals across the targets and established 19 top-priority items.



These strategic targets, goals and priorities established by the City Council have been incorporated into the FY2016 budget in the following strategy areas:

1. Land-Use Development.
2. Economic Development.
3. Infrastructure Development.
 - Parks and Recreation.
 - Community Aesthetics and Beautification.
4. Community Services.
5. Organizational Development.
 - Image.
 - Training and Development of City Council and Staff.
 - Customer Service.
6. Financial Stability and Sustainability.
 - Financial Policies.
 - Revenues and Expenditures.



The FY2016 budget is the primary mechanism to deploy financial and personnel resources to achieve the community vision and meet the City Council’s strategic priorities, targets and goals in a balanced way.

Land Use Development

Sustainable Communities Planning Grant.

California has adopted a wide variety of laws and regulations aimed at reducing the State’s greenhouse gas (GHG) emissions, demonstrating California’s leadership in addressing the issue. The State’s goal is to reduce GHG emissions to 1990 levels by 2020 which are roughly equivalent to a 25% reduction in GHG emissions from current levels. California’s ultimate goal is to reduce emissions to 80% below 1990 levels by 2050. The goal for Calexico is to reduce greenhouse gas (GHG) emissions by 15% from the 2005 levels.

The California Strategic Growth Council awarded the City of Calexico a \$259,700 Sustainable Communities Planning Grant, funded through voter-approved Proposition 84 bond allocations. In 2006, California voters passed Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act, which authorized the State Legislature to appropriate funds to support urban greening projects and sustainable community planning. The Sustainable Communities Planning Grants fund climate action plans, infill development plans, sustainable community strategies, and other planning efforts, all specifically aimed at reducing greenhouse gas emissions (GHG) consistent with State’s climate goals.

Climate Action Plan (CAP).

The Climate Action Plan (CAP) will develop greenhouse gas emission (GHG) reduction strategies to reduce community-wide and municipal greenhouse gas emissions. The grant will enable the City to:

1. Conduct a baseline greenhouse gas (GHG) emissions inventory and forecast.
2. Adopt a GHG emissions reduction plan.
3. Develop a Climate Action Plan for reducing GHG emissions.



After the Climate Action Plan (CAP) is completed, the City Departments and other public and private entities will implement the GHG emissions reduction strategies. The City will also periodically monitor and verify results of the implementation actions taken. The purpose of the Targeted General Plan Update is to re-enforce the goals of the Climate Action Plan through land use and transportation planning strategies that will, for example, “promote public health,” “increase housing affordability,” “promote infill and compact development,” reduce automobile usage and fuel consumption,” and “strengthen the economy.”

The Climate Change Action Plan (CAP) outlines the policies and measures in transportation, energy efficiency, renewable energy, and solid waste management sectors that the City will implement and or is implementing to achieve its greenhouse gas (GHG) emissions target.

Agricultural Element.

Intent of the Agricultural Element of the General Plan is to re-enforce the Climate Action Plan (CAP) and Land Use Element of the General Plan by meeting the funding program objective to “protect natural resources and agricultural lands.”

Targeted General Plan Update.

With funding from Sustainable Communities Planning Grant, the Planning Commission, Planning Consultants and public-spirited citizens, the City embarked on the development of a new community vision through a new targeted, General Plan update. The General Plan update if properly done will become the primary strategic planning document used to guide the development of the community over the next 20 years. It is what the private sector would call the “business plan” for the community, and incorporates Calexico’ community values and vision for the future.¹

Calexico’ updated General Plan will establish the road map for the future. It is a long-term, comprehensive, framework to guide physical, social, and economic development within a community’s Planning Area. The City of Calexico’ General Plan is a long-range guide for attaining the City’s goals within its Sphere of Influence (SOI) and accommodating its population growth to the year 2035. It coordinates all components of the City’s physical development and sets objectives, policies, and standards, which guide future growth within the City’s Planning Area.

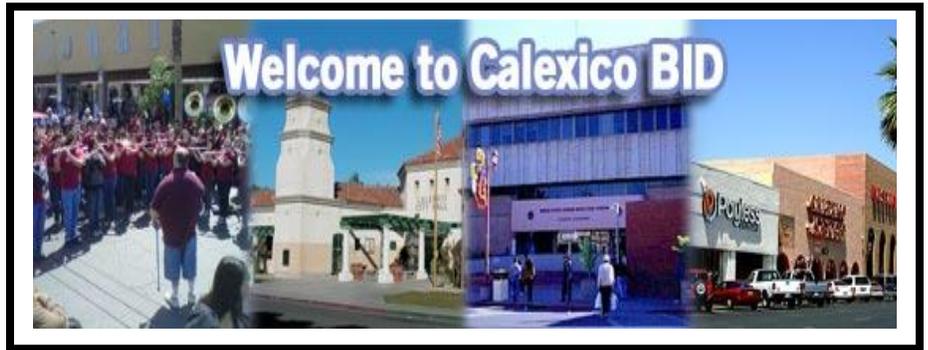
The City of Calexico is a unique community with a bright future and unlimited potential due to its international gateway status. The City limits encompass 8.39 square miles.

¹ California Government Code Section 653000 requires each city and county to adopt a General Plan “for the physical development of the county, or city and any land outside its boundaries which bears relations to its planning.” The General Plan is a policy document from which all local land use decisions must be derived. Many of the specific ways to achieve the goals of the General Plan are spelled out in other regulatory documents. In 1971, the State passed the “consistency law” and placed the General Plan at the top of the legal hierarchy of land use regulation within the city. All specific plans, the zoning ordinance, and every other land use regulation within a City must be consistent with the City’s General Plan and must be consistent with one another.

Through its pages, the General Plan outlines the goals and implementation policies that provide specific direction for decision making and formulation of public policy. The goals and policies of the General Plan are intended to provide a framework for decision makers to determine whether development proposals and projects are consistent with the community vision of the City. It covers land use, circulation, housing, conservation, open space, noise, safety, public facilities/services, parks and recreation and economic development.

Calexico Downtown Plan Implementation.

The City will begin implementing the Downtown Plan during FY2016. Downtown Calexico is busy, bustling, and full of people. Most buildings are one or two stories with frontage on the sidewalk and characteristics porticos to shade pedestrians from the hot southern California sun. Sidewalks are wide and accommodating. The border crossing located on First Street is a major source of pedestrian traffic into the center of the downtown. Though there are a few commercial vacancies, most store fronts have commercial businesses.



The Downtown Plan was completed in 2009 and envisions a multi-functional downtown district that is full of life, people, opportunities and thriving businesses. Downtown Calexico is a business district, but it is also a gathering place, and its stability and longevity are crucially important to the future of Calexico.

The Downtown Plan lays out the strategies to accomplish the downtown vision by the community. The following goals have been identified in the Calexico Downtown Plan:

- 1. Restore Commercial Prosperity to the Downtown Area.** Create a vibrant environment that provides for the shopping, eating and entertainment needs of the community.
- 2. Integrate Parks and Plazas into the Fabric of the Downtown.** Because downtown enjoy high foot traffic, provide pedestrians new and improved places to gather, places to play and places to sit awhile.
- 3. Enhance Transportation Options.** Create easy opportunities for bus, taxi, walking and automobile travel and create seamless connections between them.
- 4. Improve Circulation of Traffic into Downtown.** Provide signage and easy turns into the downtown from Imperial Avenue and new port-of-entry area.
- 5. Integrate Housing into and Around the Downtown Core.** Add residents downtown to keep it bustling during the day and into the evening.

The Calexico Downtown Plan is the result of the collaborative efforts of the community, business leaders and the City. It serves as a road map for the future and a guide for future infrastructure, beautification and marketing efforts. The downtown vision will not be realized without taking strategic steps to move it forward. Just as communities cannot longer rely on a single economic engine to propel their future,

neither can downtowns rely on a single project or initiative. Multiple efforts are required, including projects, programs and policies, all designed to “ready the environment for investment.” **The FY2016 dedicates more personnel and resources to maintaining and cleaning the downtown streets, parks, restrooms and public places. Street sweeping will be done daily in the downtown and two City employees will be assigned to clean up trash, remove graffiti, maintain City signs and maintain other infrastructure.**

Long-term success in Calexico depends on both commitment from the City leadership and the continued engagement of the community.

Residential Developments.

1. Estrella Subdivision. This proposed development is a 149.74 acre mixed use development of approximately 371 single family homes on 96.51 acres; 400 multi-family attached homes on 20.03 acres; a 12.94 acre school site; 6.05 acres of park. The project is located at the northwest corner of the Central Main Canal and the future of extension of Meadows Avenue.

2. Venezia. Venezia is a proposed 78.31 acre mixed use development of 249 single family homes on 6,000 square feet lots on 40.01 acres; 12.67 acres of commercial/retail; and 1.13 acres of commercial retention basins. The project is located east of Highway 98/Birch Street and south of the All American Canal.

3. La Jolla Palms. Pacific Century Homes – Hearthstone is proposing to develop a proposed 160 acre mixed use development of approximately 500 single family homes; and 22 acres of commercial. The project is located at the northwest corner of Cole Boulevard and Meadows Avenue.

4. River View Condominiums. This proposed development is a 24.5 acre mixed use development of approximately 352 condominium units; four (4) commercial lots; and large open space with swimming pool and tennis courts. The project is located at the southeast corner of State Highway 98/Birch Street and the All American Canal.

5. Remington Condominiums. Remington Condominiums is a proposed 20-acre development of 272 two-story condominiums with private gardens, assigned covered parking, a landscape retention basin park, swimming pool with cabana, tennis court, and a children’s play area. The project is located at the south of Highway 98/Birch Street and approximately 1,000 feet east of Kloke Avenue.

6. Las Palmas Mobile Home Park. This development is 324 acres of mix-use development of approximately 600 single-family homes ranging from 4,500 square feet to 7,000 square feet in size. In addition, there are 73 acres of mobile home park and/or a senior housing complex consisting of 115 units on 11 acres. The property is located at the northwest corner of Bowker Road and Cole Boulevard.

7. Palazzo Subdivision. Palazzo Subdivision is a proposed 153-acre mixed use development consisting of 182 single family homes on 30.91 acres, 934 multi-family homes on 65.48 acres, 1.33 acres of commercial, 21.33 acres for parks and 12.23 acres for retention basins. There will be approximately 117.89 acres of total residential area. The project is located north of the Central Main Canal, and east of Meadows Avenue.

Economic Development

A central component of the City's planning efforts is economic development. **Economic development is the sustained creation of community wealth and the generation of tax revenues through the retention, expansion and development of diversified business opportunities that are compatible with the environment, community values and community vision.** The development of a strong City economy is essential to providing employment opportunities and tax revenues to underwrite the cost of municipal services. The City Council understands this and believes that the quality of life in Calexico will ultimately be determined by the level of community economic activity.

Calexico is a key employment center of Imperial County, supporting approximately 14% of all jobs in the County. Business services constitute the majority of jobs in Calexico.

Calexico Office of Economic Development.

The City Manager established the Office of Economic Development during FY2015. The Office of Economic Development is located in the City Manager's Office and works directly under him. This office is a "one stop" liaison for current businesses and potential investors. The office provides guidance, site selection, and fast track approval to new and existing businesses. It maintains demographics and updates marketing materials on a regular basis to provide accurate information to potential investors.

The Office of Economic Development works closely with other agencies that promote economic development. The office is actively involved with several non-profit organizations and Economic Development Agencies. It identifies opportunities for additional exposure and increased return on marketing dollars by partnering with those agencies to participate in events and trade shows. Staff coordinates with the Calexico Chamber of Commerce downtown Business Improvement District (BID) and individual businesses to strengthen the business climate, encourage investment in the City and to provide joint presentations on information concerning local businesses. The Calexico Office of Economic Development provides staff support to the Imperial Valley Foreign Trade Zone (FTZ) and works with the State of California Development Block Grant (CDBG) office to be able to offer economic development loans over the counter (OTC). It also serves as Calexico's "One Stop Office" for workforce development assistance to our new and existing businesses.

The office coordinates the activities of the Economic Development Commission and develops and carries out plans, subject to the approval of the city council, for promoting and improving the economic climate of the Calexico area. It is also responsible for maintaining all City leases current and up to date.

Foreign Trade Zone.

The Foreign Trade Zones Act provides for the establishment of foreign-trade zones at ports of entry of the United States, to expedite and encourage foreign commerce. On October 9, 2003, Imperial County was awarded a Grant of Authority, from the Foreign-Trade Zones Board, for the establishment of the Imperial County Foreign Trade Zone #257. Pursuant to this authority, the County of Imperial, and the cities of Brawley, Calexico, Calipatria and El Centro have formed a joint powers authority known as the Imperial Valley Foreign Trade Zone Authority. A map of the Foreign Trade Zone areas is in Figure 14. The purpose of this Authority is to active, operate, market and manage the Imperial County Foreign Trade Zone.



A Foreign-Trade Zone (FTZ) is a secure, access-restricted, Customs and Border Protection privileged area in or near a United States port of entry where merchandise both foreign and domestic may be admitted, stored, exhibited, manipulated, temporarily removed, manufactured, or destroyed duty-free. Duties, certain user fees and taxes are only assessed on products that are transferred out of the Foreign Trade Zone (FTZ) and imported into the United States for consumption. Products that are transferred out of the Foreign Trade Zone (FTZ) and exported abroad are exempt from any duty, user fees or taxes. Some of the benefits of the Foreign Trade Zone are:

1. Duty Deferral. Duties are only paid when imported merchandise is entered into the United States customs territory.

2. Duty Avoidance. There are no duties paid on merchandise exported from a Foreign Trade Zone, transferred to another zone or destroyed. This eliminates the need to manage costly and time consuming Duty Drawback programs.

3. Weekly Entry. Customs allow for weekly entry processing, which benefits importers because they pay Merchandise Processing Fees capped at \$485 on a weekly basis, versus per shipment basis.



4. Fee Deferral. Harbor Maintenance fee is paid quarterly in a single payment.

5. Enhanced Security. By using a Foreign Trade Zone (FTZ), the “internal controls” requirements of Section 404 of the Sarbanes-Oxley Act are met and participants in the Customs Trade Partnership Against Terrorism (C-TPAT) program are eligible for additional benefits provided by Customs and Border Protection.

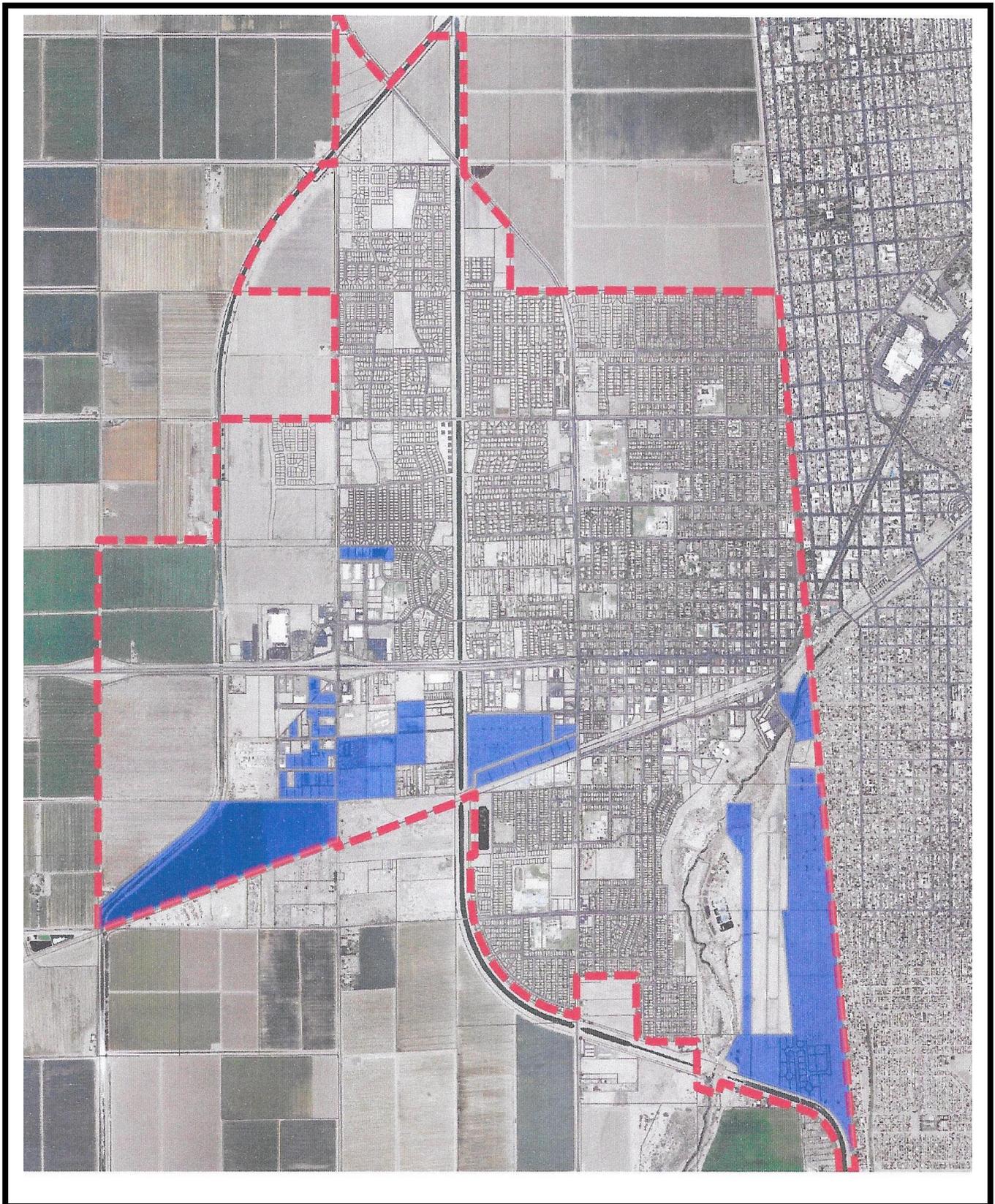
6. Expedited Logistics. Relocating CHB to a Foreign Trade Zone (FTZ) facility and expedite the delivery to the facility without customers clearance. The potential savings is up to two days.

7. Ease of Paperwork. Through automation of the Foreign Trade Zone receiving and the weekly entry program, paperwork is greatly diminished with all parties and the processes for approval are expedited dramatically.

8. Manipulation. All manipulations are authorized and completed without physical Customs supervision. Goods are allowed to enter the Foreign Trade Zone and have the following manipulations: clean, repair, fix, improve in value, amend, exhibit, pick & pack, and many other functions



Figure 14
Foreign Trade Zone (FTZ) Map



Calexico Land Port of Entry (LPOE) Modernization and Expansion.

The FY2015 Federal budget approved by Congress and signed by President Obama contained \$98,062,000 in funding for the first phase of the Calexico-West Land Port of Entry (LPOE) Modernization and Expansion project. This new Land Port of Entry (LPOE) will be constructed on 20 acres of property near the New River and Cesar Chavez Boulevard. The Calexico Land Port of Entry (LPOE) is the third busiest land port of entry in California with approximately 4 million north bound vehicles each year. Nearly, 4.8 million north-bound pedestrians cross each year, making this border crossing a critical economic engine for both Calexico and Mexicali.



The current facility is dedicated to the inspection of passenger occupied vehicles and pedestrians crossing the border. Commercial vehicle traffic is handled by Calexico-East Border Station, located 6.5 miles east of the Calexico-West Border Station. The Calexico-West Border Station is over 30 years old and cannot handle the current volume of border traffic safely and effectively. In a 2007 study, the Imperial County Transportation Commission estimated that delays due to border wait times cost California businesses an estimated \$436 million and 5,639 jobs.² The new port will increase border security and speed up the border wait times.

The new facility accommodates the future needs and overall operations for the U.S. Department of Homeland Security Customs and Border Protection, U.S. Immigration and Customs Enforcement,



Animal and Plant Health Inspection Services, Veterinary Services, General Services Administration, Public Buildings Service, Food and Drug Administration, U.S. Fish and Wildlife Service, U.S. Border Patrol, Department of Defense, Social Security Administration, Federal Protection Service, Federal Motor Carriage Safety Administration and the California Department of Transportation.

The new Land Port-of-Entry (LPOE) will expand to the west of the existing facility by adding a 100,000 square feet of canopies, covering both vehicle and pedestrian inspection facilities. It also includes new

pedestrian processing facilities and 16 northbound and five southbound traffic lanes, 32 secondary inspection stations and 340 parking spaces. (See Figure 15.) In addition, the project caters to an existing railroad that bisects the site and must remain operational at all times during construction. The current port of entry must operate fully during all phases of construction.

² Mario Conde, "Calexico West POE Phase I Expansion Receives Funding Approval," Imperial Valley Weekly Calexico Chronicle, July 24, 2014, p. 1.

Figure 15
Land Port of Entry (LPOE) Renderings





The project has two phases. The first phase will provide additional northbound and southbound vehicle entry. Ten new northbound inspection lanes and five new southbound inspection lanes will be developed. The southbound lanes developed during the first phase will be paved with asphalt. Permanent southbound inspection facilities such as inspection islands, booths, canopies will be deferred until phase two. Phase One also includes secondary inspection areas serving new northbound and southbound lanes, as well as a head house (command center) and a bridge carrying southbound traffic across the New River before entering Mexico.

The second phase will cost an estimated \$275 million and includes construction of the remaining northbound vehicle inspection lanes, additional secondary inspection areas, an administration building, a new pedestrian processing facility, an employee parking structure, a concrete southbound roadway (replacing the Phase One roadway asphalt) and permanent southbound vehicle inspection islands, booths, and canopies.

Construction of Phase 1 of the project requires the acquisition of approximately 3.372 acres of property and 0.308 acres of easements owned by the Successor Agency to the Community Redevelopment Agency of the City of Calexico. The General Services Administration offered to purchase the property for \$790,893. The Federal Government's proposed purchase price is based on an independent appraisal of the fair market value of the property. The property was appraised under the federal acquisition and appraisal guidelines. The cost, sales comparison, and income capitalization approaches were used to estimate the fair market value of the subject as of August 8, 2014.

The property is owned by the Successor Agency to the Community Redevelopment Agency of the City of Calexico. The Successor Agency hired Bender Rosenthal, Inc. to independently appraise the properties. Based on these appraisals, the City Council acting as the Board of Directors of the Successor Agency, voted on March 3, 2015, to accept the offer of the Federal Government and sell the property. The sale of the property has been approved by the Oversight Board of the Calexico Community Redevelopment Agency Successor Agency and the California Department of Finance (DOF).

The \$790,893 sale proceeds, less administrative costs to sell the property, will be distributed to all the taxing entities. The City of Calexico will receive approximately 27.66% of the proceeds.

Calexico Border Intermodal Transportation Center.

Once across the border, pedestrians face the challenge of locating public and private transportation services to their final destinations to shop, work, visit family and friends, make personal appointments, and take advantage of recreational and cultural opportunities. There are approximately 25 different transportation service providers operating in downtown Calexico from multiple locations. This does not include private automobiles circulating in downtown to pick-up or drop-off passengers near the Land Port of Entry (LPOE). The absence of a consolidated intermodal transportation center, with short pedestrian friendly access in downtown Calexico has negatively affected circulation and business development in the City of Calexico 's downtown business district and the broader Imperial Valley region.

Feasibility Study Purpose. In response to this situation the Imperial County Transportation Commission (ICTC), in partnership with the California Department of Transportation (CalTrans), the City of Calexico, and the Southern California Association of Governments (SCAG), studied the feasibility of a Calexico Border Intermodal Transportation Center (ITC) to accommodate the increased pedestrian traffic in the downtown expected from the Land Port of Entry (LPOE) expansion. The study was funded by a California Department of Transportation (Caltrans) grant.

This study was to determine if a proposed Intermodal Transportation Center (ITC) would facilitate pedestrian movement and consolidate connections among downtown transportation modes, increase transit ridership, minimize travel to station and increase customer convenience, implement a cost-effective transportation enhancement for downtown, improve downtown traffic and transit operations and activate and enhance downtown development.

Feasibility Study Objectives. The objectives of the Calexico Intermodal Transportation Center (ITC) Feasibility Study were to:

- Facilitate improved pedestrian mobility throughout Calexico and surrounding areas by providing a central location to access multiple alternative transportation options.
- Collaboratively and cooperatively determine the feasibility of locating and operating a new Intermodal Transportation Center (ITC) in Calexico, with proximity to the Land Port of Entry (LPOE) pedestrian crossing, and available to multiple transportation providers.
- Identify the multiple users of the potential Intermodal Transportation Center (ITC) facility and program design requirements to accommodate their unique needs. Those needs could include consolidated transportation information kiosks, restrooms, shelters, benches, light, fare ticket and pass sales, among other to be identified in the early stages of the study.

- Develop a facility design and location that complements and leverages investments in a new Land Port of Entry (LPOE) planned by the General Services Administration (GSA) and Department of Homeland Security.
- Survey transit customers to gather data in determining their transportation needs.
- Develop an implementation plan that includes financial feasibility, funding sources, and implementation schedule for the purpose of seeking capital funding for the facility.

Steering Committee.

A Steering Committee made up representatives of the Imperial Valley Transportation Commission, (ICTC), Southern California Association of Governments (SCAG), City of Calexico, California Department of Transportation (CalTrans) and the Imperial Valley Transit (IVT) was formed. The Steering Committee provided review of assumptions and technical products, and provided insight into local issues. The Steering Committee also provided review of study progress and came to consensus on project recommendations. The Steering Committee met approximately every three months throughout the study.

Study Alternatives and Evaluation Criteria.

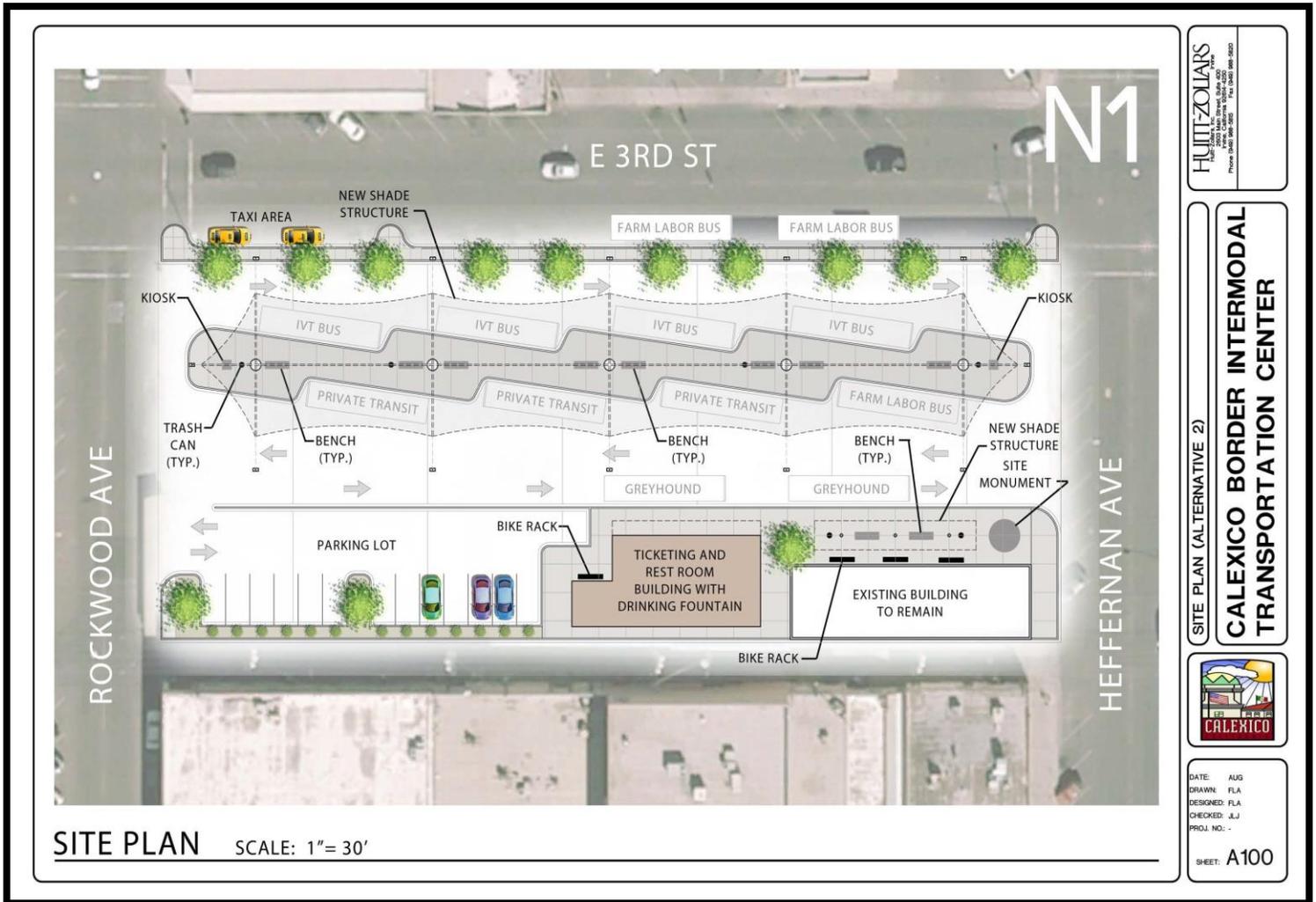
The Calexico Border Intermodal Transportation Center (ITC) Feasibility Study was done in two phases. The first phase of the study developed the need and for the Intermodal Transportation Center and the program elements using evaluation criteria developed by through public outreach efforts and the work of the Steering Committee. The general public, business leaders, elected officials, and transportation professionals all contributed to identification and definition of the study criteria and the development of alternative facility sites. Six potential locations were identified for the proposed Intermodal Transportation Center (ITC). They were:

- Alternative 1: Located on the southeast corner of Third Street and Paulin Avenue.
- Alternative 2: Located along Third Street, between Rockwood Avenue and Heffernan Avenue.
- Alternative 3: Located on the southwest corner of the intersection of Third Street and Heber Avenue.
- Alternative 4: Located on the northeast corner of the intersection of First Street and Heber Avenue.
- Alternative 5: Located along First Street, between Heber Avenue and Blair Avenue.
- Alternative 6: Located in the public space along the south half of First Street, between Paulin Avenue and Heber Avenue, and includes Heffernan Avenue south of First Street.

Each alternative was evaluated using the following Criteria:

- Walking distance and directness of route.
- Business displacement.

Figure 16
Intermodal Transportation Center (ITC)
Alternative 2 Conceptual Site Plan



- On-street and surface lot parking loss.
- Capital cost.
- Impact on existing transit lines and services.
- Size, relative to the list of uses and amenities.
- Traffic impact.
- Site circulation.
- Safety for pedestrian movements and passenger waiting area.
- Potential to encourage economic development.

The conclusion of Phase One resulted in the Steering Committee selection of Alternatives 2, 5, and 6 to be advanced to more detailed investigation and development of conceptual site plans.

Phase Two of the study developed conceptual plans for each alternative for final evaluation, resulting in Alternative 2 being selected as the most feasible and preferred alternative recommendation. (See Figure 16.) The draft final report was circulated for public comment starting September 8, 2014. The cost of the Intermodal Transportation Center (ITC) is estimated in Figure 17:

**Figure 17
Intermodal Transportation Center (ITC)
Cost Estimates**

Category	2014 Estimated Cost	2018 Estimated Cost
Property Acquisition	713,565	803,124
Design	557,274	627,216
Construction	6,965,919	7,840,204
Construction Management	766,251	862,422
Total	9,003,009	10,132,966

A public hearing was conducted at the City of Calexico’s City Council meeting on October 7, 2014. The City Council voted to approve the Calexico Border Intermodal Transportation Center Feasibility Study and select Alternative 2 at its October 21, 2014, City Council meeting.

During FY2016 the City will work with the Imperial County Transportation Commission (ICTC) to jointly apply for a Greenhouse Gas Reduction Fund Programs grant from the Air Resources Board to fund the construction of the Calexico Border Intermodal Transportation Center.

Gran Plaza Retail Center.

In 2004 the Charles Company purchased approximately 70 acres of property south of the Calexico International Airport to develop a retail center that would attract the people crossing the border between California and Mexico. In 2011 the City agreed to provide \$7 million in Redevelopment Agency funds for project infrastructure. However, when Redevelopment Agencies were eliminated by the State on February 1, 2012, the City agreed to assist the project through the creation of a Community Facilities District (CFD).

The City’s contribution to the project, through the Community Facilities District (CFD), comes in the form of a sales tax sharing agreement. Under this agreement the City agrees to contribute sales tax back to the developer for debt service on the CFD bonds, if the sales tax generated by Phase 1A of the



project exceeds \$300,000 per year. The City of Calexico has no liability or obligation to pay the debt service on the CFD bonds. Once principle and interest are paid on the CFD bonds, any additional sales tax generated are shared with the City and the developer are shared on a 50/50 basis until the CFD bonds are paid off. Once the CFD bonds are paid off, the City receives 100% of the sales tax from Phase 1A. The ultimate collateral that secures the bonds is the land and improvements of the Gran Plaza.

The developer is constructing this project in phases:

1. Phase 1A. Ground breaking for the first phase took place in April 2013 and this phase opened on November 15, 2013. There are 11 buildings comprising 285,000 square feet (“SF”). This phase is 86% leased, with another 12,400 square feet of leases currently in negotiations. To assist in leasing efforts, the owners have hired the WAS Group, a nationally recognized factory outlet mall leasing company with a proven track record for similar centers.

The developer has focused on making the food court a success by implementing several new ideas. The food court is now under one operator who will oversee the sub-food tenants and their operations. The food court is now being renovated to accommodate this new format that includes Mexican, Chinese, Hamburger/Hot Dog and other food formats, along with providing a bar serving alcohol.

The landlord has installed misters and awnings. Owners are analyzing different methods and cost factors to enclose and air condition the mall to make it more attractive and inviting for shopping during the summer months. Furniture for the common areas has been installed. The children’s playground area that features a water element splash zone is under construction and should be completed by next month. Several marketing events have been held for the center, including a Mexican Independence Day Fiesta.

The newest marketing effort is professionally trained and uniformed “greeters,” who are located at the center’s customer service booth at the main entrance from 11:00 a.m. to 8:00 p.m. The greeters act much like a concierge, answering questions and offering bottled water.

Two fast-foot restaurants on 7,000 square feet on Pad B have been approved and plans have gone through plan check. City is ready to issue building permits for this business.

Another 4,600 square-foot (SF) fast restaurant is proposed on 4.32 acres on Pad A adjacent to the retention basin and the New River along Second Street. The Planning Division will process a Conditional Use Permit (CUP) as well as a Negative Declaration to provide the necessary level of CEQA clearance.

2. Phase 1B. This is the second phase of the outlet mall that will consist of 9 buildings and 1 pad encompassing 276,650 square feet. Engineering for the off-site improvements and building construction shell plans have been submitted. The strongest negotiations for this phase presently is for a theater concept. Leasing has received preliminary interest from four different chains, which the developer believes would add an additional attraction to the project and reinforce the traffic for restaurant and food tenants at the center as well as provide an activity for those families who have some members who do not want to shop but have to come to the project as a family. It is the intent of the developer to fill the vacancies in Phase 1A prior to leasing spaces in Phase 1B unless a specific tenant’s requirements do not fit in Phase 1A.

3. Phase 2A. This is the first phase of the power center, which has enjoyed excellent leasing activity. Presently, it will comprise 9 buildings with approximately 277,000 square feet.

Phase 2A will be located within the easterly portion of the project site. Building shell construction plans and on-site and off-site improvement plans have been submitted to the City for plan check. The developer has started researching general contractors to bid the project. The anticipated schedule for construction is to begin grading the project area this summer and turning over spaces to tenants in June 2016. The anticipated opening of Phase 2A is June 2016.

The developer is in negotiations with a number of retailers. The developer's construction department and architect for the power center have been working closely with these different tenant representatives by providing plans and elevations for their premises.



4. Phase 2B. The balance of the power center will be approximately 792,400SF for 16 buildings. There is preliminary leasing activity for this phase.

Power Center (Phase 2) Project Entitlements. On June 22, 2015, the Calexico Planning Commission made the following recommendations to the City Council:

- **Certification of the Final Environmental Impact Report.** Blodgett/Baylosis Environmental Planning prepared the EIR in accordance with the provisions of the California Environmental Quality Act (CEQA0, Public Resources Code (PRC) Section 2100 et, seq., and the CEQA Guidelines Section 15000 et. seq.). Peer review was provided by City staff, Dudek Environmental Planners, Mark Austin and Jennifer Farell of law firm of Rutan and Tucker and Mike Hogan, consulting CEQA attorney.
- **General Plan Amendment.** The adopted General Plan Land Use Map designates the project site as Industrial (I). the objectives and policies associated with the industrial land use designation do not support commercial/retail uses except as a subordinate use to heavy industrial uses, and limited to 25% of the building floor area of a development. Therefore, to develop the project, a General Plan amendment to change the land use designation from industrial (I) to Commercial Highway (CH) is necessary.

- **Zone Change.** The project site currently contains parcels that are zoned Industrial (I). Therefore, to construct the project, the developer requested a rezoning of the Industrial (I) portions of the site to Commercial Highway (CH). Rezoning the total site to Commercial Highway (CH) would result in the logical extension of the existing Gran Plaza Outlets constructed in 2014.
- **Tentative Parcel Map.** A Tentative Parcel Map is required in order to divide the project site into multiple lots and to allow for the individual sale of parcels by the applicant pursuant to Section 16 (Subdivisions) of the Calexico Municipal Code (CMC) and Sections 66424 and 66227 of the California Subdivision Map Act (CSMA). Essentially, the Tentative Map proposes to create a 15 lot subdivision map for the commercial shopping center. Commercial subdivision maps are defined as “subdivisions” pursuant to Section 66463 of the California Subdivision Map Act (CSMA), therefore, this project requires both Planning Commission and City Council consideration and approval pursuant to the requirements of Section 16 (Subdivisions) of the Calexico Municipal Code (CMC). Additionally, since the buildings will be located on separate legal lots as defined by the Tentative Parcel Map, a Recorded Reciprocal Access and Parking Agreement will be required in order to allow for shared parking as well as ingress and egress from one parcel to another.
- **Development Review.** Due to the proposed commercial uses, development review approval is required (Section 17.01 of the Calexico Municipal Code). The development review process is established to meet certain community goals that encourage harmonious appearance of structures and property within the City to ensure that new development does not have an adverse impact on aesthetics, health, adjoining properties or the City in general.
- **Variance.** Building Height, Parking Lot Pole Height, Pylon Sign Height and Master Sign Program. The applicant requested an increase in overall building height to accommodate many of the mechanical design features of the building. For visibility purposes and due to the physical features of the site such as grade changes, a shift in the street grid, and topography, a variance to exceed certain sign code requirements will be necessary. A Master Sign Program has been submitted to the City describing the type and size of each sign requested pursuant Phase 2A will be located within the east to Article VI-Variance of the Calexico Municipal Code (CMC).

Land Swap. In order for Phase 1B and Phase 2A to be constructed the City must swap 20.31 acres of airport property for 24.52 acres of land owned by the developer of Gran Plaza. The City had an independent appraisal completed on both parcels and it was determined by the appraiser that the City will realize a gain of 4.21 acres with a net gain of \$195,000 in land value. The City has amended its Airport Land Plan (ALP) and submitted the required environmental document to the Federal Aviation Administration (FAA) for approval. **The land swap was approved by the City Council on April 15, 2015, but cannot be completed until the Federal Aviation Administration approves the environmental document.**

Gun Club Property Acquisition. The gun club property has been incorporated into the parking lot of Phase I. The developer has taken the responsibility to remove the lead and complete the environmental cleanup of the gun club property. The environmental cleanup has been completed and appropriate documents submitted to the California Department of Toxic Substance Control (DTSC). The City and the Gran Plaza developer are awaiting final approval of DTSC.

The benefits to the City of Calexico are not only sales tax dollars generated, but more importantly the jobs it will create for the local citizens. Phase 1A of the project is employing over 600 people. Each phase anticipates that the same amount of employees will be needed, which could equate to over 2,400 jobs. **A major goal of staff, City Manager and City Council is to work with the developer to acquire necessary entitlements so that construction can begin as expeditiously as possible.**

Calexico Mega Park II.

The Calexico Mega Park II is a proposed retail, commercial and industrial development on approximately 148 acres located on the

southeast quadrant of Highway III on Jasper Road. This project site is approximately three miles north of the border with the United States and Mexico and 4.5 miles south of Interstate 8 (I-8) freeway. The development, divided into 53 commercial lots and 56 industrial lots, will provide retail shops, fast food restaurants, office space and a grocery store in order to provide more shopping opportunities. It includes 720,000 square feet of commercial uses; 441,625 square feet of light industrial uses and roadway improvements; 2,265 parking spaces; and one central storm water detention basin. The environmental document has been completed and will be released once the developer has paid all his fees. On March 3, 2015, the City Council approved the following:



- Adopted a Resolution certifying and approving the final Environmental Impact Report (EIR) with Monitoring Plan, adoption of Findings of Fact and Statement of Overriding Considerations.
- Adopted a Resolution approving a General Plan Amendment to change the Land Use, Circulation and Noise Elements of the General Plan. The land use Element of the General Plan was changed to provide for Commercial Highway (CH) in the western one half of the site and a mixture of Industrial (I) and Business Park (BP) on the eastern one half of the site in order to accommodate the development of the proposed project.
- Approved first reading of an amendment to the zoning ordinance to expand the Commercial Highway (CH) Zone in the western portion of the site and replace the existing Residential (R-2) Zone with the Industrial (I) Zone in the eastern portion of the site.
- Approved the Conditional Use Permit (CUP) to allow a health services center to be located adjacent to the Dogwood and Central Main Canals in the southern part of the site.
- Approved the Conditional Use Permit (CUP) in the northern portion of the Highway Commercial zone adjacent to Jasper Road and Highway 111.
- Approved the Tentative Map for the proposed project site.
- Approved the Development Review Permit. The development review process is intended to encourage the orderly and harmonious appearance of structures and property within the City of Calexico, to assist public and private developments to be more cognizant of public concerns for

the aesthetics of development, and to ensure that new development does not have an adverse impact on the aesthetics or health of adjoining properties or the City of Calexico in general.

Downtown Calexico.

Three projects are underway in the downtown that will improve the area and provide additional retail opportunities. The old Western Auto building has been demolished, removing an eye sore in the community. The Melrose building is currently being renovated and will ultimately provide 7,500 square feet of retail space on three floors. Plans are also under review for a 19,000 square-foot commercial/retail shell building at the corner of Second Street and Heber Avenue.

Other Commercial Developments.

Aldi Discount Market. The Aldi will construct its first supermarket in the western part of the United States in Calexico. The CEO advised the City Manager that it liked to locate stores near Wal-Mart. The store will be 17,737 square feet with parking in the front. The company has purchased the property and is in the process of completing the demolition of the old structure. Once the demolition is completed and building permits are obtained, the company will start construction. The projected opening date is March 2016.

Aldi is a global discount supermarket chain with over 9,000 stores in 18 countries, including Europe, United Kingdom, Australia and the United States. Aldi also owns and operates the Trader Joes chain. Based in Germany, the chain was founded by Karl and Theo Albrecht in 1946 when they took over their father's store in Essen, Germany which had been in operation since 1913. Aldi is one of the world's largest privately owned companies in the world.

Aldi specializes in staple items, such as food, beverages, sanitary articles, and other inexpensive household items. Many of its products are own brands with the number of other brands usually limited to a maximum of two for a given item. This increases sales for each article, and lets Aldi shops be smaller than stores with more brand choice. This practice let Aldi avoid price tags, even before the introduction of bar code scanners. Aldi's, on many of its in-house brands will place, if feasible, multiple bar codes on products to speed the check-out process.

In addition to its standard assortment, Aldi has weekly special offers, some of them on more expensive products such as electronics, tools, appliances, or computers. Discount items can include clothing, toys, flowers, and gifts. Specials have strict limits on quantities, and are for one week.

Panda Express. Panda Express will be opening a restaurant at 2530 Rockwood Avenue in the Wal-Mart Super Center Development. The restaurant will occupy 2,593 square feet on 0.92 acres. Building plans have been approved by the City and construction will begin shortly.

McGraw Medical Center. This proposed development consists of a 9,061 square foot office building located at 401 Birth Street on approximately 1.22 acres of land.

Infrastructure Development

The City will make significant investments across all accounting funds for capital equipment and capital improvements during FY2016. Total capital expenditures for the fiscal year will be \$35,123,935. Revenues for these capital expenditures will come primarily from Measure D funds, Measure H funds, Enterprise funds, State and Federal grants, development impact fees and capital project appropriations. A list of these projects is contained in Figure 8. Section 9 of the budget document contains the FY2016 Capital Improvement Plan. This section lists each major capital expenditure and the funding sources for the project.

Water System.

Water Storage Tank Construction. In April 2010 a 7.2 magnitude earthquake centered 29 miles southeast of Mexicali, Mexico damaged the City's 1-million gallon water storage tank, 3-million gallon water storage tank and 4-million gallon storage tank at the City's Water Treatment Plant. After careful review by the City, Federal Emergency Management Agency (FEMA), the California Emergency Management Agency (CALEMA) and the California Joint Powers Insurance Authority (JPIA), it was decided to demolish the 1-million gallon water storage tank and 3-million gallon water storage tank and replace them with a new 6-million gallon tank.



Calexico Water Plant

Construction began on April 26, 2013 and was completed on January 21, 2015. The cost of the project was \$6,279,147. Funding for the project came from the following sources (Figure 18):

**Figure 18
Water Storage Tanks Funding**

SOURCE	AMOUNT
Federal Emergency Management Agency (FEMA)	2,952,132
California Emergency Agency (CALEMA)	821,274
California Joint Powers Insurance Authority (JPIA)	1,029,960
City of Calexico Water Enterprise Fund	1,475,781
TOTAL	6,279,147

Automated Meter Reading System. The City of Calexico can cut costs, increase efficiency and provide higher levels of customer service and transparency through the deployment of technology. One of the areas where technology can be deployed is in the City's water meter system.

The City currently has 8,456 water meters in its system, including 8,250 residential meters and 206 commercial and industrial meters. The City's current meter reading system is old, obsolete, labor intensive, inefficient and is not customer-friendly. All meters must be manually read each month by two meter readers and information must be manually checked by staff at City Hall before bills can be sent out. The current system has a high error rate, requiring numerous manual data checks, meter re-reads every month, and meetings with unhappy customers.

An analysis of the City's current mechanical meters shows that many of them were installed up to 20 or 30 years ago and are not accurately measuring the water flowing through them. This is because they are mechanical meters and their moving parts wear out, causing them to lose accuracy at about 1% per year. Therefore, a meter that has been in the ground for 20 years is only about 80% accurate, resulting in a substantial loss of revenue. A financial benefits analysis conducted by the City and Sensus conservatively estimated the average accuracy of the City's water meters is at 89.96%, resulting in a conservative loss in revenue of \$389,611 per year. This analysis did not take into consideration the revenue loss from water meters that have ceased to function and measure water. There are over 1,000 meters in the City's system that are no longer functioning and more that cease to function every month. City employees have been only replacing about 30 meters a month.

On January 6, 2015, the City Council approved the upgrade of the City's water meter reading system to the Sensus FlexNet Advanced Metering Infrastructure (AMI) System. This system will increase revenues, reduce customer complaints, reduce workers compensation claims and reduce labor costs from data collection and re-reads.

The City is paying for this project over two fiscal years. The FY2014-2015 Calexico City budget contained an appropriation of \$2,500,000 for the Advanced Metering Infrastructure (AMI) System. The FY2016 budget contains a line item for \$3,131,028 to complete the system. No debt is proposed for this project.

The Sensus FlexNet System consists of digital water meters with no moving parts to wear out or slow down, increasing accuracy of meter readings and increasing revenues. The digital meters can measure water down to an tenth of a gallon. Each digital meter conducts hourly meter readings and transmits these readings over a dedicated proprietary radio frequency four times a day to two Tower Gateway Base Stations (TGBs) in Calexico. The meter transmitter stores hourly readings. Each transmission from the water meter to the tower contains between 8-168 prior meter readings. This allows the system database to backfill any readings from transmissions that may have been missed. The water meters are powered by a battery that has a 20-year warranty. The meter transmitter electronics also has a 20-year warranty.

Once the meter readings are transmitted to the Tower Gateway Base Stations (TGBs), the readings are immediately sent to the back-end software at the Regional Network Interface (RNI) and the Meter Data Manager (MDM) at City Hall via any available Ethernet connection (wired, wireless, Wi-Fi, fiber, frame relay, analog modem).

The Regional Network Interface (RNI) consists of multiple servers, a Network Controller (NC) and a Utility Information Platform (UIP). The RNI monitors the health of the Tower Gateway Base Stations (TGBs) and stores at least 60 days of meter reading data on redundant hard drives.

The Meter Data Manager (MDM) acts as a middleware between the Customer Information System (CIS) and the Regional Network Interface (RNI). The Regional Network Interface (RNI) servers, in conjunction

with the Meter Data Manager (MDM) software, maintains a 13-month deep history of meter reading data. This data is available for review at any time via the Meter Data Manager (MDM). The Meter Data Manager (MDM) provides management reports for the data collected by the FlexNet System. The Meter Data Manager (MDM) System and management reports have the ability to identify all of the following (among others): all meters read, all unread meters, high/low meter usage, possible leak conditions as well as hourly, weekly, monthly, bi-annual and yearly consumption with selectable data ranges. The system is also capable of providing graphic displays.

Financial Services Department employees will have the ability to view (with a customer) the individual's meter readings in real time. Meter readings for the entire City will take place within a few minutes at City Hall, eliminating the need for meter readers.

Other Water System Improvements. Other water system improvements include spending \$1,200,000 to replace the water main in conjunction with the Cesar Chavez Boulevard Street Improvement Project. Improvements at the Water Treatment Plant include installation of a new chlorine analyzer (\$11,000), installation of a new TTHM analyzer (\$55,000), and the installation of a new effluent meter (\$75,000).

Water System Master Plan. In addition to the automated meter reading system and other water system improvements, the City is planning for the future. The FY2016 budget proposes to spend \$125,000 for a new Water System Master Plan. A draft water system master plan was prepared in 2003, but was never completed.

Urban Water Management Plan. The City has also budgeted \$75,000 to complete a new Urban Water Management Plan. The California Water Code, Division 6, Section 10610 et. seq. requires all urban water suppliers within the State to prepare Urban Water Management Plans (UWMP) and update them every five years. Such plans must satisfy the requirements of the Urban Water Management Planning Act (UWMPA) of 1983, including amendments to the Act. The code requires that an Urban Water Management Plan (UWMP) must include historic, current and future supplies and demands for water; address conservation measures, and describe potential supply deficiencies during drought conditions and the ability to mitigate these conditions; compare total projected water use and water supply sources in five-year increments, for a single dry water year and for multiple dry water years; and provision for recycled water use, demand management measures and a water shortage contingency plan.

Wastewater System.

The FY2016 Calexico budget will address serious wastewater issues facing the community. On May 20, 2014, the City received a Notice of Violation (NOV) from the Imperial County Air Pollution Control District (ICAPCD) for emissions from the Wastewater Treatment Plant. The Notice of Violation (NOV) contained a fine of \$3,810,000. The City Council and staff were able to negotiate the fine down to \$38,000 provided the City completed an engineer's assessment of the Wastewater Treatment Plant and completed a number of capital improvements at the Wastewater Treatment Plant. During FY2015, the City spent \$569,499 to rehabilitate Digester #1, \$32,524 to rehabilitate Secondary Clarifier #2, \$78,598 to replace Compact Washer #2 and replaced the igniter to burn off emissions at the Wastewater Treatment Plant. **The City will spend \$125,000 during FY2016 for a new boiler and heat exchanger. These projects should bring the City into compliance with orders issued by the Imperial County Air Pollution Control District.**

Other Calexico Wastewater Treatment Plant improvements include upgrading the Ultra Violet (UV) Light Disinfection System (\$50,000), upgrading and replacing laboratory equipment (\$70,000), rehabilitating the plant bar screen (\$100,000) , installing Carter sludge pumps (\$90,000), and upgrading the alarm system at

the plant (\$40,000). The proposed FY2016 City budget allocates \$1.5 million to complete the Environmental Impact Report (EIR), and complete plans and specifications and obtain State approval for a new wastewater treatment plant. Wastewater rates were raised several years ago by the City Council in anticipation of the need to construct a new plant.

Planning to meet the future wastewater needs of the community is critical. This budget contains \$125,000 to complete a new Wastewater System Master plan that will address future treatment and collection issues. The last Wastewater System Master Plan was done in 1991. Other wastewater projects and capital purchases include \$30,000 to replace the sewer line at the Fire Station, \$45,000 to replace sewer lift station pumps, and \$250,000 to rehabilitate City sewer manholes.



The Imperial County Air Pollution Control District (CAPCD) is requiring the City to replace its emergency generators at the water plant and the wastewater treatment plant. The FY2016 budget contains \$300,000 to replace the emergency generator at the Wastewater Treatment Plant.

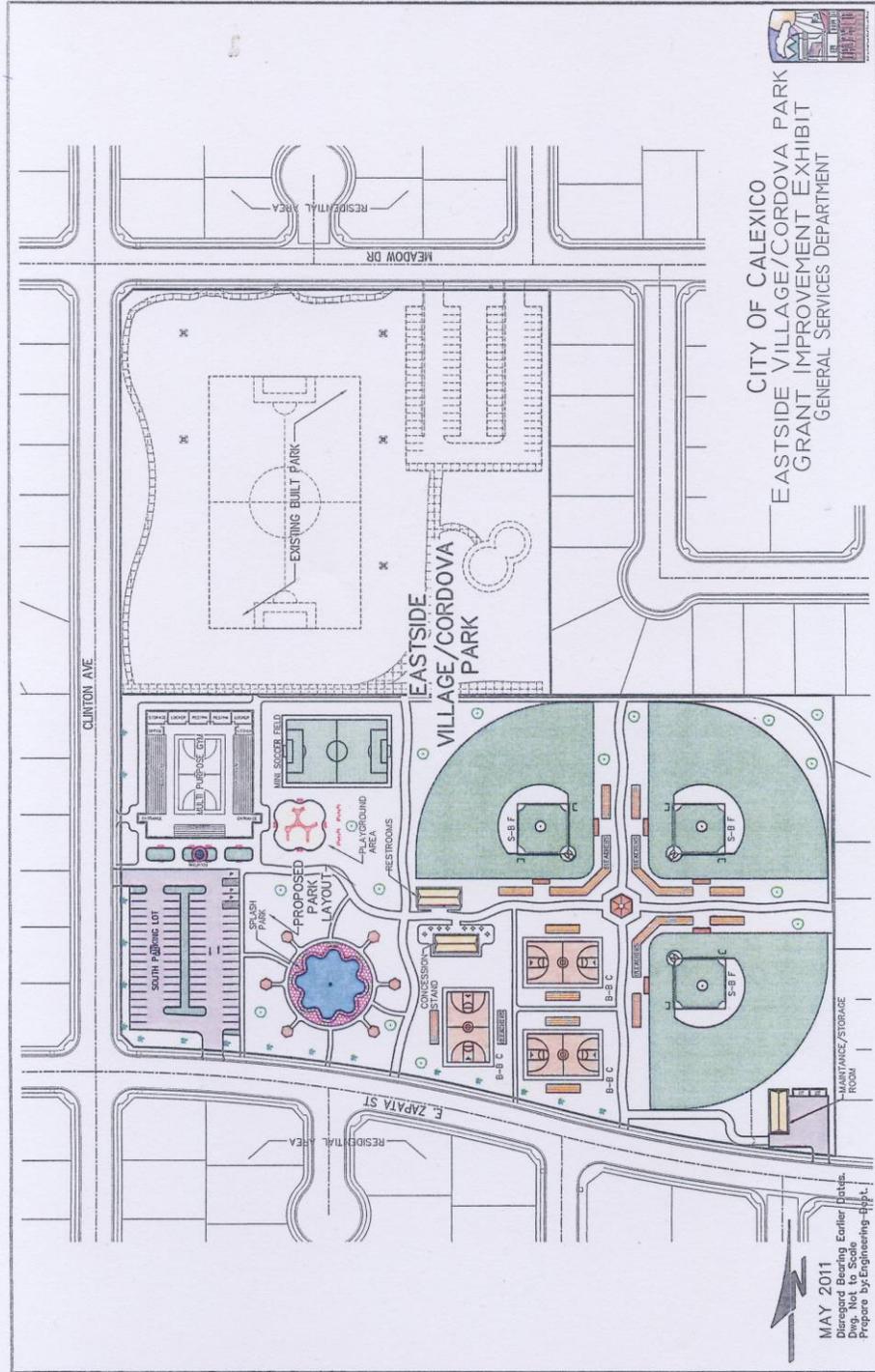
Calexico International Airport.

The City Council awarded a contract on September 16, 2014, for the construction phase of the Runway Pavement Rehabilitation project at the Calexico International Airport. The total cost of this project was \$3,774,499. This project is funded by a grant from the Federal Aviation Administration (FAA) for \$3,403,335 (90%), State of California for \$185,582 (5%) and a City match of \$185,582 (5%) from Measure D funds. The Runway Pavement Rehabilitation project consists of reconstructing the pavement of the runway with a completely new asphalt concrete pavement section, and other incidental improvements such as shoulder and infield grading, installation of drainage improvements, and adjustment to grade of existing airfield lights and signs and other miscellaneous items at the Calexico International Airport. **This construction project was started in FY2015 and will continue into FY2016. The City has budgeted \$1,234,103 this fiscal year to complete the project.**

Parks and Recreation Development.

The City recognizes the importance of park amenities and recreation programs to the development of Calexico and the quality of life in the community. The Public Works Department, Community Services Department, City Manager and City Council will be focusing additional time, effort and resources to improve the appearance and maintenance of City parks and construct additional park facilities. The day-to-day park maintenance has been taken over by City employees from a private contractor. The City has increased the number of park employees by hiring additional Hunter employees and closing the City shop and transferring the employees to park maintenance. This increase in personnel is being done at approximately the same cost.

Figure 19
Adrian Cordova Park Concept Plan



Swimming Pool Project. The swimming pool used by the Calexico Unified School District (“School District”) and the City of Calexico (“City”) was severely damaged in the April 2010 earthquake. Members of the City of Calexico City Council, Calexico Unified School District Board and the staffs of both entities have been working since the Spring 2012 in a joint effort to construct a new swimming pool facility. Over the last two years the efforts of these dedicated individuals have moved this project towards construction. The project will consist of a new competition swimming pool, new recreation and wading pool, new shower and locker building and a multi-purpose recreation building that will be used jointly by the City and School District for recreation and athletic programs.



The Calexico Unified School District has completed demolition of the old swimming pool and prepared plans and specifications that have been approved by the Division of the State Architect. The City completed the environmental document required under the California Environmental Quality Act (CEQA) and submitted it to Imperial County. The environmental protest period has passed and the environmental document is deemed by law to be approved. The project has been bid in accordance with Public Contract Code Section 20112. Senator Ben Hueso secured an appropriation of \$2,717,000 in the FY2014-2015 State Budget for the swimming pool project. Funding for the swimming pool will come from the following sources (Figure 20):

**Figure 20
Swimming Pool Funding**

SOURCE	AMOUNT
State Local Assistance Specified Grant	2,717,000
Calexico Unified School District – FEMA Grant	400,000
Calexico Unified School District RDA 2011 Bond	1,441,398
City of Calexico Measure H	1,000,000
City of Calexico Measure H Bond	2,000,000
TOTAL	7,558,398

The City will spend \$169,000 during FY2016 to demolish the National Guard Armory on 2.07 acres at 218 Sheridan Avenue, remove the Sheridan Street from Ollie Avenue to Harold Avenue and transfer title to the property to the City from the Successor Agency to the Calexico Community Redevelopment Agency.

The land will be used to expand Heber Park.

The City will design and construct a skate park in Heber Park using \$656,750 in three Housing-Related Parks Grants from California Department of Housing and Community Development (HCD) and combining it with \$396,298 in Park and Recreation Development Impact Fees. Total expenditures for the skate board park in FY2016 will be \$1,053,048.

Two grants from the California Department of Transportation (\$2,601,496) and the California Natural Resources Agency (\$561,691) will allow the City to begin construction on the New River Parkway during FY2016. The grants will be used to construct a 2.4-mile Class 1 Bike path along the New River from Animal Shelter drive in the south to approximately 560 feet west of A.V. Thieleman Avenue.

The City will also use \$300,000 in Measure H bond funds to install recreation field lights at Reisin Field and use \$80,000 in Measure H bond funds to install recreation field lights at the park on the corner of Fifth Street and Andrade Street, \$1,480,724 is allocated to construct the first phase of the Adrian Cordova Park. (Please see Figure 19.)

Libraries, Recreation Programs, and Cultural Arts.

In addition to parks and recreation, the City Council recognizes the important role that libraries, recreation programs (especially senior programs and youth programs) and cultural arts play in the lives of the people of Calexico. This budget continues to make these important activities and programs a legislative priority in FY2016. The operating budget of the library will be \$671,516. Recreation and cultural arts programs will have a budget of 730,073. Total General Fund expenditures for the Community Services Department in FY2016 will be \$1,401,589.



Recreation and cultural arts programs will have a budget of 730,073. Total General Fund expenditures for the Community Services Department in FY2016 will be \$1,401,589.

In addition to the General Fund budget, the Community Services Department has received

three grants totaling \$57,749 for veteran and adult and child literacy programs. \$69,342 has also been allocated from Measure H funds for library repairs and improvements.

Streets, Roads, Sidewalk and Other Transportation Infrastructure. The repair, rehabilitation maintenance and improvement of the City's street, curb, gutter, sidewalk and other transportation infrastructure has been an important goal of the City over the last several years. Figure 21 shows the streets that were paved in FY2014, Figure 22 shows the streets that were paved in FY2015 and Figure 23 shows streets will be paved in FY2016. These charts show that the City spent \$4,710,549 in FY2014, \$2,575,741 in FY2015 and will spend \$4,344,471 on street improvements in FY2016.

In addition to the street projects outlined in Figure 23, the City of Calexico has a number of other street and transportation projects that will be funded in FY2016.

The Calexico Land Port of Entry (LPOE) has received \$98 million in Federal funding to expand and modernize the facility as a result of existing capacity constraints. State Route 90(SR-98) and Cesar Chavez Boulevard currently lack the capacity, safety features and design elements to handle the traffic to and from the new Land Port of Entry (LPOE). The transportation agencies are completing the design phase and the right-of-way acquisition phase of both projects.

The City will spend \$2,383,999 in Measure D Bonds to widen Cesar Chavez Boulevard from Second Street to Lincoln Street into a five-lane primary road, with two northbound lanes and three southbound lanes. The remainder of Cesar Chavez Drive between Lincoln and State Route 98 (SR-98) would be improved to a four-lane primary road with a median allowing for turn pockets at intersections. Sidewalks, bicycle lanes, signage/signals, and lighting are also to be included. The funding plan for the Cesar Chavez Boulevard project is outlined below:

Cesar Chavez Boulevard Funding Plan

	TIGER VII	OMNIBUS	CBIP	LOCAL	TOTAL
PA&ED	0	0	0	1,065,013	1,065,013
PS&E	0	0	0	195,800	195,800
R/W Support	0	150,000	0	118,015	268,015
Construction Support	0	0	0	100,000	100,000
R/W Capital		1,700,000		84,870	1,784,870
Construction Capital	1,300,000	1,000,000	4,500,000	1,160,000	7,960,000
Total	1,300,000	2,850,000	4,500,000	2,723,698	11,373,698

Cesar Chavez Boulevard will go to construction in FY2016. State Route 98 (SR-98) currently has \$18 million available for the project, but is still short of adequate funding to complete the street improvements to accommodate the increased traffic caused by the construction of the new Land Port of Entry (LPOE).

Due to major development in the proximity of Second Street, some of which has already begun and some of which is imminently anticipated (i.e., Gran Plaza and the U.S. General Services Administration’s (GSA) \$98 million expansion of the Land Port of Entry (LPOE) between Calexico and Mexicali, Mexico), an Environmental Impact Report (EIR) was prepared and found that certain mitigation measures were needed to content with the traffic volume. The replacement of the Second Street bridge was one of the mitigation items specified in the EIR. The balance of the mitigation items are being addressed through other means by third parties. The FY2016 budget for the replacement of the Second Street bridge is \$2,615,958. Funds for this project will come from the Successor Agency to the Calexico Community Redevelopment Agency.

The City has received a \$89,000 California Department of Transportation (Caltrans) Congestion Mitigation and Air Quality (CMAQ) grant for the installation of a Compressed Natural Gas (CNG) Fueling Station at the Public Works Yard. The Compressed Natural Gas (CNG) Fueling station will be used to fuel the City street sweepers and other natural gas vehicles. The total cost of the project is \$101,000. The City is required to contribute a local match of \$12,000. This local match will come from the Measure D Capital Projects Fund.

The FY2016 budget also plans for the future transportation and mobility needs of the citizens of Calexico. The City of Calexico was awarded a \$84,100 Caltrans Transportation Planning Grant to conduct a transit

**Figure 21
FY2014 Highway User Tax (HUTA), Federal
and State Grant and Measure D Street Projects**

Cost	Street Name	Street Work
\$3,009,509	Enterprise Blvd.	Street Rehabilitation and Overlay
	Portico Blvd.	Street Rehabilitation and Overlay
	Feldspar Avenue	Street Rehabilitation and Overlay
	Garnet Street	Street Rehabilitation and Overlay
	Jasmine Street	Street Rehabilitation and Overlay
	Margarita Street	Street Rehabilitation and Overlay
	Camila Street	Street Rehabilitation and Overlay
	Obeliscos Street	Street Rehabilitation and Overlay
	Amada Court	Street Rehabilitation and Overlay
	Dalila Court	Street Rehabilitation and Overlay
	Emil Hashem	Street Rehabilitation and Overlay
	Paseo Camino Real from Andrade to Paseo de Altelza	Street Rehabilitation and Overlay
	Sixth Street from Encinas Avenue to Dool Avenue	Street Rehabilitation and Overlay
	First Street from Paulin Avenue to Andrade Avenue	Street Rehabilitation and Overlay
	Second Street from Imperial Avenue to Mary Avenue	Street Rehabilitation and Overlay
	Giles Avenue from Second Street to Sherman	Street Rehabilitation and Overlay
	Grant Street from Kloke Ave to Cesar Chavez Blvd	Street Rehabilitation and Overlay
	M. Acuna Avenue	Street Rehabilitation and Overlay
	A.V. Thieleman Avenue	Street Rehabilitation and Overlay
	R&D Platero	Street Rehabilitation and Overlay
	Matallana Court	Street Rehabilitation and Overlay
W. Sherman Street	Street Rehabilitation and Overlay	
Linholm Avenue	Street Rehabilitation and Overlay	
Wozencraft Street	Street Rehabilitation and Overlay	
\$390,057	Fifth Street from Imperial Avenue to Heber Avenue	Fifth Street Repaving
\$695,696	Paulin Avenue from Second Street to Fifth Street	Downtown Repaving
	Heffernan Avenue from First Street to Fifth Street	
	Heber Avenue from First Street to Fourth Street	
\$615,287	Cole Road from SR 111 to M.L. King	Cole Road Repaving
Grand Total: \$4,710,549		

needs assessment. There is a \$10,900 local match for this grant which will come from the City's Highway Users Tax Allocation (HUTA) (Gas Tax) Special Revenue Fund. The study will review and evaluate the current public transit system within the City of Calexico and identify the mobility needs of the community. The study will also help the City develop guidelines, standards and/or ordinances in order to regulate and provide sustainable solutions.

**Figure 22
FY2015 Highway User Tax (HUTA), Federal
and State Grant and Measure D Street Projects**

Cost	Street Name	Street Work
\$2,156,520	Fourth Street from Encinas Avenue to Andrade Ave.	Street Rehabilitation and Overlay
	Third Street from Encinas Avenue to Andrade Avenue	Street Rehabilitation and Overlay
	Bowker Road from State HWY 98 to Cole Road	Street Rehabilitation and Overlay
	Cabana Street	Street Rehabilitation and Overlay
	Descanso Drive	Street Rehabilitation and Overlay
	Enramada Drive	Street Rehabilitation and Overlay
	Banda Avenue	Street Rehabilitation and Overlay
	Coyote Avenue	Street Rehabilitation and Overlay
	Alameda Street	Street Rehabilitation and Overlay
	Granero Avenue from Alameda Street to E. Zapata	Street Rehabilitation and Overlay
	Santa Ana Street from Rancho Frontera to Coyote Ave	Street Rehabilitation and Overlay
	Brown Court	Street Rehabilitation and Overlay
	Jean Robinson Court	Street Rehabilitation and Overlay
	Harrington Street	Street Rehabilitation and Overlay
	Vereda Drive	Street Rehabilitation and Overlay
	Porton Drive	Street Rehabilitation and Overlay
	De Leon Avenue	Street Rehabilitation and Overlay
	Fiesta Avenue	Street Rehabilitation and Overlay
	Plata Drive	Street Rehabilitation and Overlay
	Bravo Drive	Street Rehabilitation and Overlay
	Colorado Drive	Street Rehabilitation and Overlay
	Santiago Drive	Street Rehabilitation and Overlay
Holdridge Street	Street Rehabilitation and Overlay	
Plaza Drive	Street Rehabilitation and Overlay	
Posada Court	Street Rehabilitation and Overlay	
Primavera Court	Street Rehabilitation and Overlay	
Rancho Frontera Drive	Street Rehabilitation and Overlay	
\$419,221	Second Street from Andrade Avenue to E. Rivera Ave	Second Street Rehabilitation and Paving
Grand Total: \$2,575,741		



**Figure 23
FY2015 Highway User Tax (HUTA), Federal
and State Grant and Measure D Street Projects**

Cost	Street Name	Street Work
\$1,960,472	Sherman Street from Harold Avenue to Railroad Track	Street Reconstruction
	Third Street from Heber Avenue to Encinas Avenue	Street Reconstruction and Widening
	Fourth Street from Blair Avenue to Encinas Avenue	Street Reconstruction and Widening
	Beach Street from Elmer Belcher Street to Fifth Street	Street Rehabilitation and Overlay
	Beach Street from Second Street to Fifth Street	Street Rehabilitation and Overlay
	Dool Avenue from Fifth Street to Elmer Belcher	Street Rehabilitation and Overlay
	Dool Avenue from Fifth Street to Second Street	Street Rehabilitation and Overlay
	Fifth Street from Heber Avenue to Andrade Avenue	Street Rehabilitation and Overlay
	Sixth Street from Dool Avenue to Andrade Avenue	Street Rehabilitation and Overlay
	Second Street from Andrade Avenue to Mary Avenue	Street Rehabilitation and Overlay
	\$2,383,999	Cesar Chavez Boulevard Improvements
Grand Total: \$4,344,471		

On April 24, 2015, the City was notified that it would receive a \$75,250 Sustainable Transportation Grant from the California Department of Transportation (Caltrans) to update the Calexico Bicycle Master Plan Update. The project will cost \$85,000. The City is required to contribute a local match of \$9,750. This local match will come from the Measure D Capital Projects Fund for a total project cost of \$85,000.

The City of Calexico received a grant from the California Department of Transportation (CalTrans) Surface Transportation Program in the amount of \$200,000 with a City match of \$26,000 for a Seismic Bridge Evaluation Study for eleven bridges within the City limits.

FY2016 will also see an increased effort toward downtown maintenance and graffiti removal. Two Public Works Department employees are now dedicated to cleanup downtown alleys, streets and restrooms. Another person will be dedicated to graffiti removal throughout the City.

Community Services

Public Safety.

The City is committed to public safety and reform, transformation and change are taking place in the Calexico Police Department. FY2016 will be a total rebuild and remaking of the Police Department. After a year of difficult and demanding internal and external investigations, the Department has been provided the tools; reports; evaluations and a roadmap forward. These milestones from FY2015 will create a professional; caring; service focused policing team, committed to public safety. The City of Calexico has been supported by local, state and federal agencies and are have received commitments to continue that assistance in FY2016 without charge to the City. The Department of Justice will be providing technical assistance; training and evaluations for three years as a result of a Memorandum of Understanding with the City and the Police Department. These tools will develop one the of finest police agencies in the

state.

The U.S. Department of Justice has selected the Calexico Police Department to participate in a program design to assess law enforcement agencies that face significant challenges. This program is provided by the Department of Justice (DOJ), Office of Community Oriented Community Services (COPS), Collaborative Reform Initiative for Technical Assistance. Through subject-matter experts, interviews, direct observations, extensive research and analysis, the U.S. Department of Justice COPS Office develops and delivers findings, recommendations and assists law enforcement agencies with enhancing and improving their operations, policies and procedures, accountability systems, and training.

Police and fire services account for 60% of the total General Fund budget. In addition to the General Fund budget of \$6,675,309 for police operations, \$903,553 for police support services, \$311,122 for parking control and enforcement and \$171,244 for animal control services, the Police Department is also funded through Proposition 172 (\$50,000), the State AB 3229 COPS Grant Program (\$100,000), the Operation Stonegarden Grant Program (\$100,000), Measure H funds (\$600,000) and asset forfeiture funds (\$569,800).

On May 5, 2015, the Calexico City Council approved an agreement with Taser International to purchase new tasers and body cameras for all Calexico Police officers. The contract includes cloud-based software, 24 hour/365 day technical support and equipment replacement at no additional cost. This system is also designed to integrate the body cameras into the Police Department’s Record Management System (RMS). This will allow the storage of camera video to be marked and tagged as evidence along with the crime reports. By purchasing these cameras the department will be able to phase out the in-dash cameras in the patrol cars. The agreement will also replace all cameras and tasers every 30 months with the latest updated technology and with new models. The FY2016 budget includes \$56,592 in asset forfeiture money from the United States Department of Justice (DOJ) for these new tasers and body cameras. (See Figure 24.)

**Figure 24
Five-Year Taser and Body Camera Costs**

SOURCE	AMOUNT
First Payment Officer Safety Plan (FY2015)	89,260
Second Payment Officer Safety Plan (FY2016)	56,592
Third Payment Officer Safety Plan (FY2017)	56,592
Fourth Payment Officer Safety Plan (FY2018)	56,592
No Payment Officer Safety Plan (FY2019)	0
Estimated Shipping and Handling	320
Estimated Tax	21,142
TOTAL	280,498

In addition to the new tasers and body cameras for the police officers, the City Council on June 2, 2015, approved \$722,515 for the installation of a City-Wide Security Surveillance System. This system will be installed over two fiscal years and will initially consist of 49 City cameras. The system also has the capability to integrate the Border Patrol cameras and the cameras of private businesses into this system. The system has the capability to record suspicious activity and will allow the Police Department and Fire Department to monitor critical incidents from remote locations.

In addition the footage captured through the City-Wide Surveillance System will act as a deterrent to criminals, create investigative leads and produce potential suspects. Video footage will also capture criminals committing crimes, aid in prosecutions and increase conviction rates. The City will spend \$373,320 during FY2016 in asset forfeiture funds to install the City-Wide Security Surveillance System.

The Fire Department's General Fund budget of \$4,213,750 is augmented by \$50,000 in Proposition 172 funds and \$400,000 in Measure H funds. In addition, General Government Development Impact Fees Fund will be used to make a \$204,869 fire truck lease payment. The Measure H bond allocates \$6,950,000 to plan, design and construct a new fire station.

Parking Meter and Permit Payment by I-Phone or Smart Phone.

During FY2015 the City of Calexico implemented technology that allows the payment of parking meters and permits using an I-phone, Smart Phone or tablet. Using the MobileNow! application that can be downloaded from the Apple Store or Google, shoppers in the downtown can pay for their parking by following the instructions on the parking meter or nearby sign. Shoppers can start and stop their parking sessions from their phone as well as update payment information and personal account information in real time. The convenience of mobile payments is part of the City's larger strategy to reduce congestion in historic downtown Calexico and modernize the area. In addition, the City cut costs by reducing the number of quarters that need to be collected, counted and deposited. More information can be obtained by visiting www.parkcalexico.com or www.mobile-now.com.

Housing Development and Rehabilitation.

The California Growth Council awarded the City of Calexico a \$259,700 Sustainable Communities Planning Grant in 2012 from the California Growth Council. The City will spend \$66,584 from the grant in FY2016 to develop and implement a Climate Action Plan (CAP) that outlines the policies and measures in transportation, energy efficiency, renewable energy, and solid waste management sectors that the City will implement or is implementing to achieve its greenhouse gas (GHG) emissions target. In the Climate Action Plan (CAP) will be used to complete a Targeted General Plan Update. The goal of the City of Calexico is to reduce its greenhouse gas (GHG) by 15% from 2005 levels.

The City continue to use a wide variety of federal and state housing grants and loans for the first-time home buyers program, mobile home rehabilitation and replacement program residential home rehabilitation program and tenant-based rental assistance programs.

Financial Stability and Sustainability

Federal Economic Impacts on Calexico

As you can see, Calexico is moving forward and has a bright future. However, the City is faced with many challenges brought on by events beyond Calexico's City limits and beyond the control of the City Manager and City Council. The national economy, state economy, as well as Federal and State governmental laws, court cases, regulations and State budget, will continue to have a huge influence on the City of Calexico.



Since the passage of Proposition 13 in 1978, there has been a trend toward increasing centralization of political power in Sacramento, decreasing financial control by city governments, and loss of home rule for cities and counties. These trends will continue in FY2016 and beyond.

Over the last decade, State government has added to local government's stress by mandating City obligations, reducing state assistance and stealing local revenue sources, epitomized by California's termination of Redevelopment Agencies on February 1, 2012.

National Economy.

1. Gross National Product (GDP). Across the U.S., increased business spending, rising incomes, cheaper oil prices, and low interest rates will all help push national gross domestic product (GDP) growth into the 3% range in 2015. However, the gross domestic product (GDP) -- the value of the production of goods and services in the United States, adjusted for price changes -- decreased at an annual rate of 0.7% in the first quarter of 2015, according to the "second" estimate released by the Bureau of Economic Analysis. In the fourth quarter, real GDP increased 2.2 %.

In a replay of last year, harsh winter weather that hindered housing starts and sapped consumer spending is largely to blame for the 0.7% contraction in the first quarter of 2015. Decreased exports because of the rise in the value of the dollar also factor in the sluggish showing, as does a decline in oilfield investment due to the drop in oil prices.

GDP: Over 4% in second half of 2015; 2.6% GDP growth for the year.	Inflation: 1% for 2015, up from 0.8% in 2014.
Interest Rates: 10- year Treasury Notes at 2.4% and Mortgages at 4.1% by the end of the year.	Unemployment: Falling to 5.1% by the end of 2015. 2.8 million jobs added by year-end.
Business Spending: Spending up 4% in 2015, down from 5% in 2014.	Energy: Oil trading from \$60 to \$65 per barrel by August 2015.
Trade Deficit: Increasing by 10% to \$555 billion during 2015 driven by stronger dollar	Retail Sales: Retail sales up 3.9% in 2015, excluding gasoline and autos
Housing Sales: New home sales increasing 20% during FY2015.	

The economy is sure to pick up steam in the coming months. Last year a slow start was followed by a strong rebound. A similar pattern is expected this year, with growth of more

than 4% in the second half of the year. Continuing job gains and growth in consumer incomes will spur purchases of homes, cars and other products and services. Lower gasoline prices are putting more money into consumers' pockets, helping to fuel consumer outlays in the months to come. The housing market is also in for a solid year, propelled by job and income gains plus an increase in household formations and pent-up demand.

Although the Federal Reserve has more or less promised to start raising interest rates this year—most likely in September—hikes are expected by most analysts to be modest.³

2. Employment. **The positive jobs gain of 280,000 in May — the strongest showing since December — shows an economy that is returning to full expansion mode, which will continue through the year and into 2016.** It also underscores that weather-plagued weakness earlier in the year was just a hiccup and not the foreshadowing of something more grim.



Several sectors that had slowed hiring in March and April came back strong in May: retail, leisure and hospitality, health care, professional and business services. Even government surprisingly added to payrolls. The energy sector is still lagging because of low oil prices, but we see more hiring there, too, as oil prices pick up going forward.

Moreover, the size of the labor force is increasing significantly. More people entered the labor force for the first time in May, and fewer people left. Also declining —

for third month in a row — is the number of unemployed people who are giving up looking for work. In addition, the number of discouraged workers (folks who have already stopped looking for jobs) dropped by a large amount in May to its lowest level since 2008. These trends spell an increasing optimism among American workers.

A total of 2.8 million jobs will be added to the economy in 2015. Eventually, job gains will slow to a more sustainable level as the unemployment nears 5% and reserve pools of labor are exhausted, but that will not happen until next year. The unemployment rate is projected to finish the year at 5.1%. It edged up to 5.5% in May, but that is a positive development, because it signals a higher labor participation rate. In other words, more people are staying in the labor force and looking for work.⁴

3. Inflation. **Any pickup in gasoline prices in the remainder of this year won't be enough to push up the inflation rate much.** Consumer prices will pick up only about 1% over the 12 months of 2015, compared with an exceptionally low 0.8% increase last year. The strong dollar will limit price increases of commodities, both because U.S. manufacturers are paying less for raw materials and because they are competing against lower-valued imports. (A rise in the dollar's value means foreign producers can lower the price of items they sell in the U.S. market and still make the same profit in their own currencies.) Finally, wage increases will continue to be moderate. We expect wages to rise an average of 2.5% this year, compared with 2.1% in 2014.

³ David Payne, [Kiplinger's Economic Outlooks](#), Kiplinger.com, May 29, 2015.

⁴ David Payne, [Kiplinger's Economic Outlooks](#), Kiplinger.com, June 5, 2015.

The first signs of price pressure will be seen in the prices of services. Medical services costs will go up about 3.5% this year. The cost of shelter will continue to rise at about a 3% rate because rents are climbing, a trend that will continue for at least a year until housing sales improve and demand for rental units levels off. And college tuition is likely to rise about 4%.

The core rate of inflation, which excludes food and energy prices, will rise by about 1.9% in 2015, December to December, also up slightly from the 1.6% rate in 2014. The core rate is typically seen as a more accurate gauge of underlying inflation because of the volatility of food and energy costs. Though total price inflation will stay below the 2% target into 2016, the Federal Reserve may use any pickup in core inflation as its justification for an interest rate hike this autumn.⁵

4. Interest Rates. Long-term interest rates will pick up in the coming months from 2.4% now as markets react to improving U.S. and European economic growth. But by year-end, with markets realizing that stronger growth will not fire up inflation, the 10-year Treasury will retreat to around where they are now, while the 30-year fix-rate mortgages will increase from 3.9% to day to 4.1% at the end of the year.

There are four reasons why long-term interest rates should stay relatively for the foreseeable future, regardless of what happens to short-term rates: First, consumer prices in the United States are unlikely to accelerate much anytime soon. Second, European interest rates will likely settle down as investors realize that the European Central Bank (ECB) will stay on its expansionary path despite improving European growth. The ECB intends to continue to buy 60 billion euros a month until September 2016, a substantial share of the eurobond market. Third, the Federal Reserve is not going to want to widen the gap between U.S. and European interest rates too much, and thus risk taking blame for an even bigger rise in the value of the dollar, which is already robust versus many other currencies, hurting U.S. exporters. Finally, growth in China is likely to continue to slow, ensuring that China's central bank will stay committed to expansionary policies.

With the U.S. economic expansion, the Federal Reserve will likely bump up short-term rates by one-quarter of a percentage point in September, before taking a wait-and-see approach to raising them further. Despite a 5.5% unemployment rate, Fed Chair Janet Yellen still sees slack in the labor market, noting there are more dangers associated with raising interest rates too quickly than with not quickly enough. She'll be sure to evaluate the impact of the September increase before moving on. Odds are, another increase wouldn't come until the Fed's meeting in December (skipping over the October meeting) and perhaps not until January.⁶

5. Business Spending. Despite improvement in April, business spending will expand by a lackluster 4% this year, compared with growth of 5% in 2014.

Investment weakness stems from multiple sources, including a still-strong dollar, which is hampering exports while making imports cheaper. Softer exports and growing imports put a damper on the production of goods in the U.S. The trade imbalance will persist at least until fall. Businesses also remain cautious about slow growth in both Europe and China. And though the slowdown in spending by energy firms is likely over, the impact of billions of dollars' worth of canceled investment projects will continue to ripple throughout the U.S. economy.

⁵ David Payne, [Kiplinger's Economic Outlooks](#), Kiplinger.com, May 22, 2015.

⁶ David Payne, [Kiplinger's Economic Outlooks](#), Kiplinger.com, May 22, 2015.

Figure 26
Changes in the Consumer Price Index (CPI)

CONSUMER PRICE INDEX

ALL URBAN CONSUMERS (1982-1984=100)
Source: U.S. Bureau of Labor Statistics

To figure the percentage increase between any two months: Subtract the index for the earlier month from that of the later month. Divide that number by the index for the earlier month. Then multiply by 100 by moving the decimal two places to the right.

Year	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Dec.-Dec. Increase
1985	105.5	106.0	106.4	106.9	107.3	107.6	107.8	108.0	108.3	108.7	109.0	109.3	3.8%
1986	109.6	109.3	108.8	108.6	108.9	109.5	109.5	109.7	110.2	110.3	110.4	110.5	1.1%
1987	111.2	111.6	112.1	112.7	113.1	113.5	113.8	114.4	115.0	115.3	115.4	115.4	4.4%
1988	115.7	116.0	116.5	117.1	117.5	118.0	118.5	119.0	119.8	120.2	120.3	120.5	4.4%
1989	121.1	121.6	122.3	123.1	123.8	124.1	124.4	124.6	125.0	125.6	125.9	126.1	4.6%
1990	127.4	128.0	128.7	128.9	129.2	129.9	130.4	131.6	132.7	133.5	133.8	133.8	6.1%
1991	134.6	134.8	135.0	135.2	135.6	136.0	136.2	136.6	137.2	137.4	137.8	137.9	3.1%
1992	138.1	138.6	139.3	139.5	139.7	140.2	140.5	140.9	141.3	141.8	142.0	141.9	2.9%
1993	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.8	2.7%
1994	146.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7	149.7	2.7%
1995	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7	153.6	153.5	2.5%
1996	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6	158.6	3.3%
1997	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3	1.7%
1998	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9	1.6%
1999	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3	2.7%
2000	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0	3.4%
2001	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7	1.6%
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.9	2.4%
2003	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185.0	184.5	184.3	1.9%
2004	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3	3.3%
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	3.4%
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8	2.5%
2007	202.4	203.499	205.352	206.686	207.949	208.352	208.299	207.917	208.490	208.936	210.177	210.036	4.1%
2008	211.080	211.693	213.528	214.823	216.632	218.815	219.964	219.086	218.783	216.573	212.425	210.228	0.1%
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834	215.969	216.177	216.330	215.949	2.7%
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	1.5%
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.230	225.672	3.0%
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	1.7%
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	1.5%
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	0.8%
2015	233.707	234.722											

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1100 13th St., NW, Washington DC 20005-4364
Phone 202-887-6462 Fax 202-778-8976
<http://www.kiplinger.com>

But there are also some positive factors that will coax firms into loosening their purse strings. Oil prices are showing renewed vigor and are expected to reach \$60-\$65 a barrel by August, providing incentive for energy companies to put more drilling rigs back into service and take some investment projects out of mothballs. Strong sales of new cars and light pickups will induce car companies to maintain or expand capacity and modernize equipment. Similarly, major producers of commercial aircraft have order backlogs large enough to keep their factories busy for years to come. Further, the housing sector is also rebounding after a soft, weather-plagued start to the year. That recovery is helping to hike demand for a wide range of long-lasting durable goods, including trucks, industrial machinery and tools.

New orders for machinery in April surged 3.1%, the best monthly gain in eight months. There was also more demand for primary metals and for fabricated metal products. So-called core capital goods orders, a category that includes nondefense products and excludes aircraft, gained 1% after a 1.5% rise in March. The April numbers do not point toward assembly lines humming this summer. But it was at least mildly reassuring to have back-to-back monthly gains in both new orders for capital goods and shipments out the factory door of completed products.⁷

6. Energy. Oil prices remain stuck in neutral, neither advancing nor declining much. At \$58 per barrel, West Texas Intermediate (WTI), the U.S. crude benchmark, is off about a dollar of the end of May. WTI has largely held steady at or just below \$60 per barrel in recent weeks, following the strong price rebound earlier this spring. Oil demand is healthy, but so is supply. Absent a big flare-up in the Middle East that threatens oil exports, prices will hold close to the current level in coming weeks.



Odds eventually favor a slight price gain for oil. By August, we see WTI trading from \$60 to \$65 per barrel as the economy perks up and oil demand gets a boost. Continued growth in domestic crude output should be enough to prevent a stronger price run-up.

Prices at the pump will not change much. At \$2.76 per gallon, the national average price of regular unleaded is up from the end of May, and probably will not rise much more in the near future. That's good news for motorists who were paying roughly a dollar per gallon more at this time last year. Diesel is also down, at a bit under \$2.90 per gallon on average. We do not see diesel rising much past \$3 per gallon this summer — a bargain for truckers compared with last year, when diesel often sold for \$4 per gallon.

Natural gas prices remain under downward pressure. At \$2.59 per million British thermal units (BTU), the benchmark gas price is down slightly from a week ago, and remains near our expected trading range of \$2.60 to \$2.90. Gas stockpiles are growing rapidly, thanks to high production and soft demand, and that trend should continue unless the weather turns hot. A surge in summer temperatures could increase air conditioning and the gas-fired power plants needed to keep them humming; but barring a major heat wave, a sustained price increase for gas looks unlikely.⁸

⁷Glenn Somerville, [Kiplinger's Economic Outlooks](#), Kiplinger.com, May 29, 2015.

⁸Jim Patterson, [Kiplinger's Economic Outlooks](#), Kiplinger.com, May 29, 2015.

7. Housing. The housing market seems to be improving, but various indicators continue to provide mixed signals. Real estate agents and builders both report more interest from buyers, boosting their expectations of solid spring home buying numbers. Demand has clearly increased as steady job growth, low mortgage rates and rising rental costs have pushed potential buyers into the market. The number of people signing contracts to buy a previously built home has risen for four consecutive months.

We expect existing-home sales to strengthen in coming months as pending home sales are finalized. Existing-home sales fell 3.3% in April, but remain 2% above last year's pace. Inventory of homes on the market remains low, despite a slight increase in recent months. As a result, buyers are finding strong competition for properties. Homes have been selling quickly, staying on the market for 39 days on average.

New-home sales will grow by 20% in 2015. They are averaging 515,000 a month so far this year — a healthy pace not seen since 2008 — and are up by 26% from March 2014.



Housing starts perked up significantly in April. They increased 20% from March to a seasonally adjusted annual rate of 1.1 million. This pace, while indicating positive momentum, is still well below what is needed to keep up with demand and stave off strong price appreciation.

But lending is not keeping pace. Loans for acquisition, development and construction have increased during the last two years, but remain far below past levels. Tight credit is a factor in holding back a stronger rebound in residential construction. Builders, though, are starting to see some improvement in construction-lending conditions, partly due to a wider array of

nonbank financial institutions making loans. **Prices will continue their steady, upward trend.** They jumped 4.1% in March from a year ago, and look to pick up pace a bit because of the combination of tight inventories and subdued new residential construction.⁹

8. Retail. Look for retail sales to rebound from a poor showing in April that was brought about, at least in part, by an early Easter, which fell on April 5 this year. The slow pace of retail spending growth mirrors similar April slowdowns in years when the holiday falls near the start of the month, despite seasonal adjustments by the Census Bureau. Retail sales had posted better results in March as many people did their Easter shopping ahead of the holiday, and as winter weather receded. April sales were unchanged from a 1.1% gain in March. Vendors of sports equipment, books and music saw sales rise 0.8% from March — an increase of 6.4% compared with April 2014. Health care stores and retailers selling online or through catalogs registered a 0.8% increase. For car dealers, a 0.4% increase in sales in April, on the heels of a 3% bump up the previous month.

Retail sales growth — excluding volatile autos and gasoline — is expected to increase 3.9% for the year, the same as in 2014. With more and more employers hanging out “help wanted” signs and incomes on the rise, expect consumers to loosen their purse strings in coming

⁹ Rodrigo Sermeno, *Kiplinger's Economic Outlooks*, Kiplinger.com, May 29, 2015.

months. Rising disposable incomes will prompt people to spend more on going out on the town, which will help boost sales at restaurants and bars 7% from last year. Online sellers and catalog shippers will see sales up more than 10%, while building materials sales will climb a solid 6%, fueled by construction of new homes and remodeling projects.¹⁰

8. Trade. A widening trade deficit is in store this year, driven partly by a stronger dollar, which makes U.S. exports more costly for foreign buyers. The dollar's higher value against the euro, Japanese yen and other currencies also drives down prices for imports to the United States.

Another factor in the growing trade gap: GDP growth will speed up in the remainder of 2015, making the U.S. market an even more attractive target for trade partners seeking to boost their own economies. The trade deficit will be about \$555 billion this year, 10% more than in 2014. In April, the trade deficit dropped by a surprisingly steep 19.2% to \$40.9 billion as exports of goods and services edged up 1% and imports fell by 3.3%. But that import dip was exaggerated because it followed a surge during March, when ships that had been waiting for weeks due to work stoppages at West Coast ports finally were able to unload. There's a chance that imports will be down again in May, but after that, the stronger dollar and faster growth will draw growing volumes of imports.

Exported goods posted a second straight monthly increase in April, primarily on increased sales of capital items and industrial supplies but they will come under increasing strain later this year as some buyers of U.S. machinery and other hard goods look for less-expensive alternatives. Services exports were moderately higher in April and are holding relatively steady on a month-to-month basis so far this year.

Trade was a drag on overall economic performance in last year's fourth quarter and again in the first three months of this year. (The GDP measure counts exports as a positive for economic growth, while imports are a negative). But trade will lift GDP in the second quarter if it turns out — as is anticipated — that imports stabilized or fell further in May. Later, trade will again become a modest drag on growth and remain one into 2016. Europe's growth will trail that of the U.S. this year and next, and China is slowing as well, so demand for U.S. exports is likely to soften.

One continuing bright spot: The cost of imported oil keeps dropping as the United States moves steadily closer to energy independence. The deficit on imported petroleum was down to \$6.8 billion — the lowest since March 2002 — and the price per barrel of imported crude, \$46.52, was less than half the \$95 price a year earlier. By the end of the decade, rising production from U.S. shale fields will make the United States not only fully independent in energy trade but also a net exporter.¹¹

Bank Closures.

The Bank Secrecy Act, U.S. Department of Justice's *Operation Chokepoint*, the Financial Crimes Enforcement Network (FinCEN) of the US Department of Treasury, and other regulations by federal agencies have placed ever-increasing reporting criteria, and liability for laundered funds on banks throughout the country—specifically targeting border communities.

¹⁰ Lisa Elaine Babb, [Kiplinger's Economic Outlooks](#), Kiplinger.com, May 22, 2015.

¹¹ Glenn Somerville, [Kiplinger's Economic Outlooks](#), Kiplinger.com, June 5, 2015.

These regulatory requirements, threaten enforcement actions and potential fines of these federal agencies are causing banking corporate decision-makers, far away from the border, to close heavy cash transaction and foreign account branches without regard to community impacts. The unintended consequences of federal banking regulations has assigned undue liability to banks for account activity, causing them to close in already underserved border and minority communities at a critical rate. The actions of these federal agencies and corporate decision-makers have caused Rabobank and Chase Bank to close in the past year. Bank of America closed their Calexico branch on June 16, 2015



Bank closures is not a local problem limited to Calexico, but is a regional problem affecting other border communities in California, Arizona and Texas and communities in other states. Calexico and other border communities survive on legal border trade and commerce that involve heavy cash transactions and rely on accounts held by foreign visitors. In addition, bank closures have not only made it more difficult for business owners to obtain necessary capital to run their businesses, but have also presented new obstacles for companies doing business in both the United States and Mexico. When banks move out, alternative financial services charging much higher fees move in and subprime and “fringe” lenders fill the void left by banks.

The decline of banks and the rise of alternative financial services in low-income and rural areas means that communities most in need of economic development have less access to capital and pay more for basic financial services. Banks are downtown anchors and promote, commerce, economic activity and jobs to the downtown area. A departing bank leaves behind a vacant building, hurting the local economy and diminishing community confidence.

The City of Calexico has more than 500 small businesses that rely on the financial services provided by local banks. It is a low to moderate income area and the bank closures significantly reduced economic activity, local spending, financial investments, tax revenues and community confidence while increasing unemployment. The City of Calexico currently has an unemployment rate of 23.2% and the financial impact of bank closures have created additional economic distress and job losses for the community.

City of Calexico residents, many of which contribute to our high unemployment rate and low income designation, are limited in opportunities and means of using technology for banking. In addition, a large number of City of Calexico residents, in particular our senior and minority population, conduct bank transactions in person and do not have reliable transportation to distant bank locations.

The closure of the Calexico banks (Chase, Rabobank, and Bank of America) only create hardship for our community and the 12-mile drive to the next branch will not deter criminal elements involved in money laundering and other criminal activity from making the trip, thereby rendering the closure of the banks ineffective and unnecessary in reaching the goals of Bank Secrecy Act, *Operation Chokepoint*, the Financial Crimes Enforcement Network (FinCEN) of the US Department of Treasury, and other regulations by federal agencies.

The City of Calexico is a border city that relies on the economic stimulus provided by the visiting foreigners and daily border crossers through shopping, banking, business transactions and tourism. Bank closures have created limited financial transaction options for Calexico small businesses and forces these business owners to drive 12 miles to do their banking, creating additional business costs in travel time, and creating susceptibility to robbery and theft.

Financial Stability and Sustainability

State Economic Impacts on Calexico

State Economy.

1. California Gross Domestic Product (GDP). California's economic expansion continued in 2014 and 2015 with improving labor market conditions, rising personal incomes, a strong housing sector recovery, and a balanced state budget. In January 2015, it was widely reported that California had become the world's seventh largest economy. Among the top ten economies the Golden State (with an estimated 2013 Gross Domestic Product of \$2.2 trillion) surpassed Brazil, Italy, and Russia and trailed only the United States, China, Japan, Germany, France and the United Kingdom. California's real Gross Domestic Product rose by 2.8% in 2014, faster than the overall U.S. rate of 2.4%. Although the U.S. Gross Domestic Product (GDP) contracted in the first quarter of 2015, California's economy has maintained strong momentum through the first few months of 2015, even though the State continues to be affected by a whole host of challenges ranging from the drought to work stoppages at its major ports. Despite these challenges, most measures of economic activity show that California's economy continues to charge ahead.¹²

2. Employment. California's economy has created over 1.5 million nonfarm jobs since February 2010, which was the "Great Recession" low for California employment. The State surpassed the pre-recession peak by 194,100 jobs in December 2014.¹³ California continues to lead the nation in job creation. Nonfarm employment rose by 54,200 jobs in May, marking the largest gain in the nation. Nonfarm employment has risen 3% over the past year, producing a net gain of 465,700 new jobs. Employment growth continues to be driven by gains in the technology sector, particularly industries tied to mobile computing, life sciences and social media. Construction, healthcare and tourism are other notable bright spots.

The only notable areas of labor market weakness are industries tied to energy production and agriculture, which have both cut jobs slightly in recent months. Employment in mining & logging, which is where many oil exploration and production jobs are found, fell by 700 jobs in May and is down 4.8% over the past year. Farm payrolls declined by 8,700 jobs in May and are down 0.7% on a year-over-year basis. Weakness in the farm sector is also likely contributing to some of the weakness in the nondurable goods sector, as manufacturers in food processing and packaging have been negatively impacted by the drought.

California's unemployment rate inched up 0.1% to 6.4% in May. The rise was due to a huge 0.4% increase in the civilian labor force during the month. The 71,800 person rise in the civilian labor force was easily the largest monthly gain seen since the recession ended six years ago. The average monthly gain in the labor force over the past year has been just 22,350 persons and the largest monthly gain in this cycle prior to May was 29,300 back in August 2014. The surge in the labor force overwhelmed another large gain in civilian employment, which increased by 59,100, resulting in the slight rise in the unemployment rate.¹⁴

¹² California Economic Outlook: June 2015, Wells Fargo Economics Group, June 3, 2015, p. 1.

¹³ California Regional Economic Outlook, Bank of the West: BNP Paribas Group, February 2015, p. 3.

¹⁴ California Employment Conditions: May 2015, Wells Fargo Economics Group, June 19, 2015, p. 1.

Stronger labor force growth may be a sign that many of the people that had given up looking for a job are finally returning to the labor market. If that is the case, then further declines in California's unemployment rate will likely prove a little more difficult.

Another issue to keep an eye on in California is any impact on job creation resulting from recent increases in the minimum wage. California's minimum wage rose from \$8 an hour to \$9 an hour in July 2014 and will rise to \$10 an hour on January 1, 2016. Even larger minimum wage increases were recently enacted in several municipalities in the Bay area and Los Angeles. Completely isolating the impact from the minimum wage will likely prove difficult in the monthly data, but a few areas to watch are employment in accommodations and food services, retail trade and administrative services. Hiring in the first of these three categories slowed abruptly during the past three months, following a surge in hiring earlier this year.

The San Diego-Carlsbad metropolitan area added 5,300 jobs in May and has added 17,000 jobs through the first five months of 2015. By comparison, the San Diego metro area added just 9,900 jobs during the first five months of 2014. On a year-to-year basis, nonfarm employment has risen 3.1%, producing a net gain of 43,100 net new jobs. Hiring has picked up across most industries, but has been particularly robust in four key areas: professional and technical services (which include life sciences and information technology), the leisure and hospitality sector, education and healthcare, and construction. The unemployment rate in the San Diego metropolitan area has tumbled 1.2% over the past year to 4.9%.¹⁵

3. Personal Income. Thanks to California's rapidly healing job market and growing wages, the median household income in the state is expected to grow 7.9% by 2016 from an estimated \$60,430 in 2014. We expect median home prices to increase another 6.3% in 2015, decelerating to a 4.8% increase in 2016 due to rising mortgage rates in the second half of 2015 and 2016, lower investor activity, and increases in new home construction and unsold inventory.¹⁶

4. Housing. The California all-transactions Federal Housing Finance Agency (FHFA) house price index has improved 31% since the market price bottomed in early 2012. As the state economy has recovered, single-family housing starts doubled as of the fourth quarter 2014. In April 2015, 100,000 annualized residential permits were issued in California. The year-to-date average of the total permits was 105,000, up 20.7% from the same period in 2014. April marked the third month in 2015 where the total number of permits exceeded 100,000 indicating solid growth in 2015 after annual permits were below 90,000 in both 2013 and 2014.¹⁷

The housing market continued to improve in April 2015. Home sales totaled 427,620 units at a seasonally adjusted annual rate—up 9.2% from March and 9.3% from April 2014. The statewide median home price in April 2015 was \$481,760—up 2.8% from March and 7.4% from April 2014. The median home price has been improving over the past three years. In April 2015, the median price was about 95% higher than at the trough of the recession in 2009, but still well below the 2007.¹⁸

¹⁵ California Employment Conditions: May 2015, Wells Fargo Economics Group, June 19, 2015, p. 2.

¹⁶ California Regional Economic Outlook, Bank of the West: BNP Paribas Group, February 2015, p. 2.

¹⁷ Finance Bulletin, California Department of Finance, June 2015, p. 1.

¹⁸ Finance Bulletin, California Department of Finance, June 2015, p. 1.

As California's economy grows faster than the nation and economic indicators improve, we expect home prices to improve 6.3% in 2015 and housing starts to jump 22.8%. Stronger job and income growth, and a low interest rate environment should allow primary home buyers and new households to slowly replace exiting institutional investors in the state. growth decelerated during the second half of 2013 and the first quarter of 2014, largely due to a slowdown in the services sectors.¹⁹

5. California Drought. The drought is one of the most serious challenges California has faced in decades. More than 400,000 acres of some of the world's most productive farmland have been fallowed in recent years, and new water use restrictions have been put in place around the state. The reduction in agricultural acreage has contributed to the loss of 20,000 jobs in 2014. Even more farmland likely will be taken out of production this year, resulting in additional job losses in the farm sector and supporting industries. The drought has also garnered considerable negative headlines around the country, increasing concerns from firms doing business in the State.

The state has taken aggressive steps to help mitigate the effects of the drought in ways that produce minimal economic disruptions. Much of the emphasis has been on conserving water in urban areas. Important investments in storage, water treatment facilities and recycling programs have also been enacted. The agricultural sector is also taking steps on its own to reduce water use and is deemphasizing lower value-added water-intensive crops. Much of the water used by farmers comes from groundwater, and years of drought have made tapping that water source more difficult and costly. The State Water Board also approved a program that allows riparian water rights holders in the Sacramento-San Joaquin River Delta to voluntarily reduce their water use by 25% in exchange for assurance they will not face deeper cutbacks during the June through September growing season.²⁰

6. Exports Fuel Growth. As California's economy continues firing on all cylinders, total exports from the State reached a record setting value of \$174.1 billion in 2014, up 3.6% from 2013. Computers and electronic components account for \$42.7 billion of California's total merchandise exports, or 24.5% of the total. Other major merchandise exports included transportation equipment, which totaled 418.7 billion; non-electrical machinery, \$14.9 billion; miscellaneous manufacturers, \$14.6 billion and chemicals, \$14.0 billion. California's agricultural exports totaled \$13.6 billion in 2014, a drop of 1.3%.²¹



According to the International Trade Administration (ITA) calculations exports through ports of California supported over 830,000 jobs in the State (5.4% of California nonfarm jobs) of which 692,000 jobs are in manufacturing. Top California exports by value in 2014 include computer and electronics, transportation equipment, machinery, medical and surgical instruments and chemicals.

¹⁹ California Regional Economic Outlook, Bank of the West: BNP Paribas Group, February 2015, p. 2.

²⁰ California Economic Outlook: June 2015, Wells Fargo Economics Group, June 3, 2015, p. 1-2.

²¹ California Economic Outlook: June 2015, Wells Fargo Economics Group, June 3, 2015, p. 2-3.

Exports directly and indirectly support many small and mid-size businesses in California. According to International Trade Administration (ITA) estimates, they sustain over 75,000 companies exporting from California, of which 96% are small and mid-size enterprise (SME). SME's share of State exports is 45% of the total.

California continues to grow its export markets. The State's biggest export destinations include Mexico, Canada, China, Japan and Korea, capturing about half of all California exports. In the past decade, California exports to countries with whom the U.S. has free trade agreements increased by 52% and now comprise 40% of the State's total exports.



California metropolitan areas with the largest share of exports by value, according to the include Los Angeles (41.3%), San Jose (12.7%), San Diego (9.7%), and Inland Empire (5.2%). Due to the strengthening dollar and weak demand from Europe and Asia, California export growth may slow this year; however, it may boost the growth of cheaper imports based on the exchange rate differential and stronger U.S. consumer. This will help insulate the State's vast transportation infrastructure to this trade

shock.²²

The port shutdown over President's Day weekend, and the slowdown that preceded it, took a toll on growth earlier this year. The volume of containers loaded through the San Pedro Port Complex was down 18.2% year over year on a year-to-date basis through February 2015. Fortunately, the labor dispute was resolved in February and container traffic through the Port of Los Angeles and Port of Long Beach rebounded sharply. Container traffic through the San Pedro Port Complex through the first four months of this year is now running just 3.1% below its year-ago pace, while this is still down from a year ago, it is much better than the 18.2% shortfall seen earlier this year. Port activity has also perked up at the Port of Oakland in recent months.

The rebound in port traffic has reverberated throughout port-related businesses, leading to a spurt in hiring in transportation and warehousing. The bulk of the impact has been felt in the Inland Empire, where many of the goods imported through southern California's ports are resorted and shipped. While the port stoppage is behind us, a smaller strike at independent trucking firms has slowed the processing of some items and kept the issue of labor disputes in the spotlight. Some shippers have opted to bypass West Coast ports entirely and are working to build out facilities at major East Coast ports, such as Savannah, Charleston and Jacksonville. All three ports are making major investments to position themselves to benefit from the expansion of the Panama Canal when it should be completed in 2016.²³



²² California Regional Economic Outlook, Bank of the West: BNP Paribas Group, February 2015, p. 4-5.

²³ California Economic Outlook: June 2015, Wells Fargo Economics Group, June 3, 2015, p. 2-3.

7. Agriculture. California's agriculture sector continues to struggle with drought, sluggish global economic growth and fluctuations in the value of the dollar. Farmers continue to be squeezed by higher operating costs and lower prices. Dairies are dealing with reduced demand from China and higher prices for hay and silage. Prices for feeder and fed cattle are down slightly from their recent highs. December's rains improved grazing conditions, benefiting cattle operators earlier this year. However, the drought remains in full force heading into the summer.



Fruit and nut producers are holding up reasonably well. There was relatively little freeze damage in the Central Valley this past year, but navel orange orchards in South Kern County and Madera County were hit hard by an early season freeze. Overall however, navel orange growers are in good shape longer term, as prices have firmed a bit from recent years because many orchards have been lost to development.

Almond and pistachio growers expect yields to decline this year as warmer weather caused trees to bloom earlier than usual and many orchards are only getting poor-quality well water, which will continue the recent trend of smaller-sized nuts. Pistachio and almond prices remain near record highs, however, which is encouraging even more planting. Almond prices may rise further if this year's crop comes in smaller than expected. Pistachio prices should also hold firm due to uncertainty surrounding the size of the Iranian crop. Walnuts are selling at some of their highest prices ever, but sales to China have slowed considerably and the stronger dollar may cut sales.

California's wine grape sector has seen a good harvest the past few years. The 2014 wine grape harvest was 3.9 million tons, about 8% below the record crop from the prior year. The large back-to-back harvests have put downward pressure on spot prices. The quality of the vintage is believed to be good to outstanding, however, depending on the region. Demand remains strong, with consumers continuing to trade up to higher-quality brands. Wineries have also been able to lock in long-term contracts with mass merchants, which provide growers some stability and security.²⁴

8. Tourism. Travel and leisure continues to show strong growth. Hotel occupancy and revenue per available room (RevPAR) increased across most major California markets, and occupancy rates are near historic highs in San Francisco and Los Angeles. Airline passenger traffic through major California airports continues to rise solidly. Domestic passenger traffic through LAX through the first four months of 2015 is running 3.7% ahead of its year-ago pace, and international traffic is up 4.7%. San Francisco International Airport has seen domestic travel increase 4.4% through the first four months of this year and international travel has risen 4%. Passenger traffic is also up solidly in San Diego, Orange County, Oakland and San Jose. Despite the growth in airline traffic and the gains in hotel occupancy and RevPAR, employment in the leisure and hospitality industry has actually grown more slowly in recent months. Earlier employment figures may also have been bolstered by some employers' efforts to reduce hours for full-time workers, which resulted in more part-time jobs being created in years past.²⁵

²⁴ California Economic Outlook: June 2015, Wells Fargo Economics Group, June 3, 2015, p. 7-8.

²⁵ California Economic Outlook: June 2015, Wells Fargo Economics Group, June 3, 2015, p. 7.

9. Film Production. On-location film production days in Greater Los Angeles fell 3.1% in the first quarter of 2015 to 8,707 Shoot Days (SD), down from 8,982 a year earlier, according to data compiled by FilmLA. The first-quarter report illustrates how much Los Angeles feature production levels are tied to the availability of California state film incentives. Regional feature production declined 15.4% to 926 SD in the first quarter of 2015 from the same quarter last year. Feature film projects that qualified for the California State Film & Tax Credit Program in 2014 generated 42 SD in the first quarter. On-location television production, which is also supported by state incentives, rose 1.7% in the first quarter. Growth in TV Drama and Reality TV, which increased 29.7% and 19.8%, respectively, offset declines in TV Pilots, which fell 19.4%; TV Sitcoms, which fell 14.8%; and Web-Based TV, which fell 12.2%. Despite the decline, employment in motion pictures and sound recording studios has held up better in California than it has nationwide.²⁶



10. Conclusion and Outlook. California's economy should continue to outperform the national average over the next couple of years, led by continued gains in the state's technology sector and stronger growth in residential and commercial construction. The Golden State will add close to a half million net new jobs this year, which is a pace 1.5 times that of the nation as whole. The stronger growth is creating some strains, however. About 20% of the state's new jobs have been created in the high-paying technology and life sciences industry. Hiring has also picked up in other higher-paying sectors, including construction, manufacturing, health care and logistics. But California has also added plenty of lower-paying jobs as well, and many of these jobs are being created in the same geographic areas where higher-paying jobs are being added, which has made finding affordable housing an even greater challenge than it usually has been.

The mix of jobs being created in the Golden State has also led for calls to raise the minimum wage. The State Senate recently passed a bill to raise the state minimum wage to \$13 an hour in 2017 and index the minimum wage to inflation after that. The bill was passed despite a law passed just two years ago that would raise the minimum wage from its current \$9 an hour to \$10 an hour in 2016. Several local municipalities, including San Francisco, Oakland and Los Angeles, have already pushed the minimum wage even higher. Governor Jerry Brown has also proposed to create an earned income credit that would mimic the national program. The hope is that workers currently eligible for the federal program that have not applied for the credit would be further encouraged to do so, bringing federal dollars back into the state.

The coming year will also likely see the Federal Reserve begin to raise the short-term interest rates. We expect the federal funds rate to be increased twice this year and to continue to slowly move higher in 2016. Modestly higher interest rates should not present that much of a direct challenge for the state, but with housing prices rising and mortgage markets far less flexible than in the past, home sales could quickly come under pressure if rates rise too quickly. Rising interest rates may also cause investors to become more cautious, taking some of the strength out of the private equity, venture capital and commercial real estate markets.²⁷

²⁶ California Economic Outlook: June 2015, Wells Fargo Economics Group, June 3, 2015, p. 7.

²⁷ California Economic Outlook: June 2015, Wells Fargo Economics Group, June 3, 2015, p.9.

Covered California State Obama Care Health Insurance

After two previous extensions, the open enrollment period for Covered California ends April 30. That deadline just might prove to be the tipping point for the state's two-year-old health insurance exchange. That is because this is the year Covered California is supposed to become completely self-sustaining.

Indeed, there's no more money coming from Washington after the state exhausts the \$1.1 billion it received from the federal government to get the Obamacare exchange up and running. And state law prohibits Sacramento from spending any money to keep the exchange afloat.



That presents an existential crisis for Covered California, which is facing a nearly \$80 budget deficit for its 2015-16 fiscal year. Although the exchange is setting aside \$200 million to cover its near-term deficit, Covered California Executive Director Peter Lee acknowledged in December that there are questions about the "long-term sustainability of the organization."

Mr. Lee's disquieting assessment actually jibed with a 2013 report by the state auditor, which stated that, until the state's health insurance exchange actually started enrolling Californians in health plans, its "future solvency" was "uncertain." Thus, Covered California was listed as a "high-risk" issue for the state. The state auditor's warning appeared prescient as of Feb. 15, which was supposed to be the close of open enrollment for 2015: Covered California had fallen 300,000 enrollees short of the goal set by Mr. Lee and the agency's board of directors.

Indeed, Covered California's enrollment growth for 2015 was a mere 1%, according to a study this month by Avalere Health. That was worst than all but two other state exchanges. Meanwhile, California's Obamacare exchange managed to retain only 65 percent of previous enrollees, the nation's fourth-lowest re-enrollment rate. But there's no getting around Covered California's balance sheet. If it continues to run yearly operating deficits, it will not long survive.

FY 2016 State Budget

Money cures many things, including issues in the State Capitol. **Stronger growth has led to a surge in tax revenue.** The May revisions to estimates for 2015 personal income tax (PIT) and corporate tax collections (CT) both show strong growth. Combined the revisions to the two taxes was almost \$4 billion above projections, with most of the upside surprise coming from personal income tax collection. The PIT ended May more than \$3.7 billion above the most recent administration projections, while the CT topped expectations by \$246 million. Increases in personal income tax withholdings were the main driver of growth, which suggests that employment, hours worked and wages have also risen solidly over the past

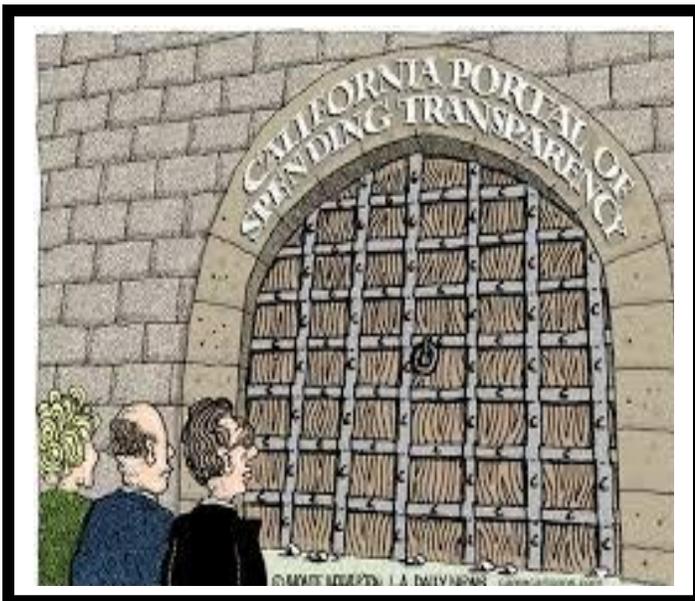


year. Payments on 2014 final returns were up 20.7% from last April, while 2014 extension payments exceeded \$5 billion, a 23% gain from the prior year. This year's large increase in final returns likely reflects increased capital gains, bonus and option income. Gains are being fueled by the strength in the state's technology and life sciences industries, the influx of venture capital and private equity and a strong stock market in general.²⁸

California's lawmakers passed a \$115.4 billion budget on June 19, 2015. The budget increases education funding, builds the rainy day fund and pays down State debt, leaving California better prepared for future economic uncertainties. The democratic legislature's enthusiasm for expenditure was curbed by Governor Jerry Brown, who persuaded legislators not to pass their preferred package—\$2.1 billion larger. Higher –than-expected tax revenues so far this year inspired California's legislators to test their governor's generosity.

The state's \$2.3 trillion economy appears strong enough. Unemployment is trending downwards, house prices are rising and incomes are booming. But there is a catch. In 1950, 10% of California's fiscal take came from income tax. However, by 2014 64% did. The Golden State depends too much on its fine crop of plutocrats, and its funds rise and fall with their fortunes. According to the Franchise Tax Board, the wealthiest 1% of Californians accounted for more than half of all income tax collected in 2012. Proposition 30, a ballot initiative passed that same year, only made matters worse. As well as imposing a sales tax increase until 2017, it raised income taxes for those making more than \$500,000 until 2019 (those in the top tier pay at the country's highest rate, 13.3%.) And as top tax rates on capital gains are the third highest among even rich countries, California jumps about with market movements more than many other states.

High Stock market share prices help explain why morale is high at present. The State collected \$6.7 billion more in tax revenues than had been predicted—most of which will go to finance schools and community colleges, as the state's constitution demands. The windfall is welcome in the wake of cuts since 2008 but, according to the Center on Budget and Policy Priorities, California still provides less money for primary and elementary schools than it did before the recession. And its spending per pupil is more measly than that of 28 other states. Students at the University of California have seen their tuition costs almost double in recent years, too—but Governor Brown at least struck a deal in the new budget to freeze them until 2017.



The rest of the extra tax revenues will be split between the state's rainy day fund and debt payments. Last November voters approved Proposition 2, to shore up the fund, tightening the rules for making deposits into it and drawing money out. The constitutional amendment means lawmakers must divert 1.5% of California's general fund, its current account, to the rainy day fund each year. On top of that, the State must set aside proceeds from the capital gains tax that exceed 8% of the general fund's own revenue.

Boom years (the theory goes) will no longer see unsustainable spending levels set if the money is safely tucked away. And

the new rules mean that future governors can raid the rainy day fund only if they have declared a

²⁸ California Economic Outlook: June 2015, Wells Fargo Economics Group, June 3, 2015, p. 2-3.

fiscal state of emergency. By June 30th 2016, \$3.5 billion should be waiting for them—much better than nothing, but still a modest sum with which to shore up State finances.

Preventing cycles of fat and thin fiscal years is vital. Reasonable spending levels in good times allow California consistently to provide services when times are bad. This, for Governor Brown, was a reason not to pay for some schemes lawmakers wanted. Although almost a third of California's 39 million residents rely on health coverage from the state's MediCal program, he refused to raise reimbursement rates for those providing care under it.

The juiciest bone in the new budget is a new tax credit for the working poor. When the cost of living and noncash benefits are considered, California has America's highest poverty rate. Almost a quarter of residents cannot pay for basic necessities. Grim districts on the outskirts of Los Angeles and dilapidated rural towns in the Central Valley suggest as much. The new credit should reach two million Californians, providing average payments of \$460 a year—about 85% of the equivalent federal credit at the moment. The new incentive will be available to families earning less than \$13,870, even if they make too little to pay state taxes. But as it will be calculated afresh each year, some worry that it will be cut as soon as finances get tight.

The Democrat budget plan includes \$226 million to grow service hours for unionized In-Home Supportive Services providers despite an existing legal settlement in which the reduction was agreed upon by all stakeholders.

The budget plan prioritizes \$211 million for salary and benefit increases for state workers even though California's public employees are among the highest paid in the nation and they continued to get salary increases throughout the state's fiscal crisis as other programs got cut.



The eye of California's next economic storm could be its still unfunded liabilities. According to a recent report from the Volcker Alliance, headed by a former chairman of the Federal Reserve, Paul Volcker, the State is saddled with \$195 billion in promises it can't afford to keep: retired public workers expect full pensions and reliable health coverage. The

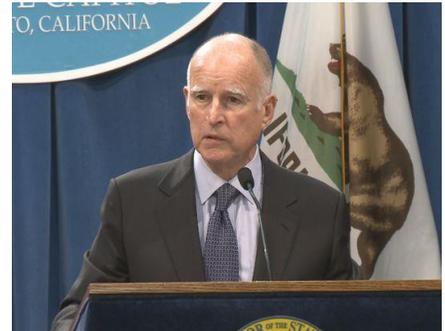
State's latest budget does little to assuage Mr. Volcker's worry that California tends "to overspend during boom years"—in spite of Governor Brown's best efforts. Broadening California's tax base would increase the stability of its budgets by decreasing its dependence on the fluctuating fortunes of the rich. But in a State that mostly votes Democratic and is bothered by income inequality, attempts to shift the fiscal burden away from its richest residents will inspire fierce resistance—despite the fact that its poorest ones may suffer most from violent fiscal swings in the future.²⁹

²⁹ California's Budget: Trouble Ahead, *The Economist*, p. 34.

The following budget and trailer bills outline the FY2016 State budget impact on cities and counties.

1. Main Budget Bill (AB 93) and (SB 97)—Committee on Budget and Fiscal Review.

Together, these two bills represent the main FY 2015-16 budget. The bills include appropriations for the items discussed in the budget bills below as well as the following items:



- \$20 million for local law enforcement grants to city police departments. This is down from \$40 million last year and comes with new transparency requirements regarding use of force resulting in hospitalization or death.
- \$6 million will be awarded to local law enforcement agencies in competitive grants for community relations.
- \$8 million in competitive grants to local governments to reduce community recidivism rates.
- \$1.5 million for the California Library Services Act, which creates networks that act together on lending policies, bulk purchases and joint training programs.
- \$5.8 million for California Library Literacy Services, \$1 million of which is for the Career Online High School Program.
- \$4 million for Library Broadband Services.
- Requires Caltrans to streamline the cooperative work agreement process related to project initiations document development and oversight to reduce costs to local agencies.
- Provides additional funding to reduce the timeframe for the Road Usage Charge Pilot Program.
- \$125 million for the Active Transportation Program.
- \$2.5 million for grants to local governments for boating safety and law enforcement through the Department of Parks and Recreation.

2. Health (SB75)—Committee on Budget and Fiscal Review.

- Provides Medi-Cal coverage to eligible children regardless of immigration status.
- Allows the Department of Public Health to purchase syringes and related supplies for syringe exchange program.

3. Education Omnibus Trailer Bill (AB104)—Committee on Budget and Fiscal Review.

- Makes various changes and appropriations to child care, early childhood education, and K-14 education.

4. Education Finance: Local Control Funding Formula (LCFF) (SB78)—Committee on Budget and Fiscal Review.

- Repeals and revises sections of law made obsolete by the Local Control Funding Formula (LCFF),

which replaces the prior revenue limit and categorical funding structure for K-12 education finance. Also includes appropriations necessary for purposes of the LCFF.

5. Human Services (SB79)—Committee on Budget and Fiscal Review.

- Makes various changes to programs and operations within the Department of Social Services including increasing the frequency of inspections of community care facilities, residential care facilities for elderly, child day care centers and family day care homes.
- Allows counties to continue to provide housing supports to a person who has been discontinued from CalWORKS due to income eligibility requirements.

6. Earned Income Tax Credit (SB80)—Committee on Budget and Fiscal Review.

- Creates a state Earned Income Tax Credit (EITC), similar to the federal program. The state EITC will focus on households with incomes less than \$6,580 if there are no dependents and up to \$13,870 if there are three or more dependents.

7. Post Secondary Education Budget (SB81)—Committee on Budget and Fiscal Review.

- Makes various changes to higher education including changes to CalGrants, the Middle Class Scholarship Program, community colleges, University of California and the California State University budgets.

8. Development Services (SB82)—Committee on Budget and Fiscal Review.

- Makes various changes to development services, including regional centers, secured facilities, out-of-state placements, and performance objectives.

9. Public Resources (SB83)—Committee on Budget and Fiscal Review.

- Establishes the Assistant Director for Environmental Justice in the California Environmental Protection Agency.
- Authorizes money in the Enhanced Fleet Modernization Subaccount to be available to the State Air Resources Board to implement and administer the enhanced fleet modernization program.
- Requires, on or after July 1, 2016, the SWRCB to adopt a fee schedule to be paid annually by each public water system to cover the board's drinking water program and enforcement costs.
- Requires the Division of Oil, Gas, and Geothermal Resources consult with the SWRCB and appropriate regional water quality boards regarding underground injection control.
- Establishes the Border Region Solid Waste Working Group to develop and coordinate long-term solutions to address the waste tire, solid waste, and excessive sedimentation along the California Mexico border.
- Allocates \$10 million from the funds reverted to the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 for local assistance programs, specifically outdoor education programs.

- Allows the State Fire Marshall to contract with a federally permitted hauler for disposal or storage of illegal and dangerous fireworks.
- Allows the Department of Toxic Substances Control to regulate and enforce actions related to metal recycling facilities.

10. State Government (SB84)—Committee on Budget and Fiscal Review

- Changes reporting requirements for local agencies regarding the certified access specialist program (CASp). Local agencies will now report only to the Division of the State Architect rather than to the Legislature. In addition, local agencies will now have to report on activities undertaken to increase CASp services and to facilitate compliance.
- Requires the Office of Emergency Services (OES) coordinate with response and recovery operations in each mutual aid region, and to develop and adopt a state fire service and rescue emergency mutual aid plan that would be an annex to the State Emergency Plan.
- Creates the Regional Railroad Accident Preparedness and Immediate Response Force within the OES to provide regional and onsite response capabilities for hazardous materials spills from railcars or accidents that involve railcars. Requires the Director of Emergency Services to set a fee schedule for the shipment of extremely hazardous materials by rail.
- Creates the Human Trafficking Victims Assistance Fund within the OES. The fund would provide grants to nonprofit organizations to provide services to victims of human trafficking.
- Requires the DOF, Secretary of State, and Legislative Analyst's Office to convene a workgroup to evaluate alternatives for funding elections-related state mandates.
- Establishes a position within the Governor's Office of Planning and Research to develop a report on programs and services that serve immigrants. The report is due no later than Jan.1, 2016, and then would be used to create an online clearinghouse of available services. The position would also monitor the implementation of statewide laws and regulations that serve immigrants.
- Authorizes the Department of Housing and Community Development to provide temporary assistance to people moving out of a housing unit due to a lack of potable water in connection with the drought.
- Allows the rental of the Office of Migrant Services centers to people who are homeless in connection with the drought.
- Recognizes that existence of the California Residential Mitigation Program (CRMP), an existing JPA, and allows the CRMP to provide grants and loans to residential property owners for seismic retrofit work. Excludes amounts received from an individual's gross income for tax purposes.
- Requires Cal-OSHA to prioritize accidents involving death or serious injury over non-serious violations.
- Suspends the fee for the annual and biennial inspections of conveyances by the Division of Occupational Safety and Health for the FY 2015-16. Allows the suspension to continue to reduce the balance of the Elevator Safety Account.

- Requires the Franchise Tax Board to collect unpaid tolls, toll evasion penalties, and related fees as if they were taxes.
- Makes various technical changes to the Prepaid Mobile Telephony Service Surcharge Collection Act, which was implemented this year. Among other things, the bill exempts sellers with less than \$15,000 in related sales from the requirements to collect the taxes and fees.
- Includes cleanup language for SB 556 (2014) regarding contractors vehicle and uniform logo requirements.
- Allows for a retired person to serve as an elected official without reinstatement or interruption of their pension benefits.

11. Public Safety (SB85)—Committee on Budget and Fiscal Review

- **Amnesty Program: Fines and Bail:** Requires counties to establish an amnesty program for fines and bail due and payable on or before Jan. 1, 2013, similar to the program required under existing law for fines and bail for infractions or misdemeanor violations of the Penal Code and Vehicle Code due and payable on or before Jan. 1, 2009.
- The program would accept payments of 50 percent the total amount due between Oct. 1, 2015 and March 31, 2017.
- Participants can receive an additional reduction if they certify under penalty of perjury that they receive public assistance, or that their monthly income is 125 percent or less of current poverty guidelines.
- **California Highway Patrol (CHP) Body Camera Program:** Requires the CHP to develop a plan for implementing a body-worn camera pilot program by Jan. 1, 2016.
- **Supplemental Law Enforcement Services Account (SLESA) Funding:** Continues payments of \$100,000 to each local law enforcement jurisdiction under SLESA.
- **California Community Incentive Grant Program:** Specifies schedule of incentive payments to counties for not returning offenders to prison under the California Community Incentive Grant Program.
- **Recidivism Reduction Fund:** Removes the sunset from the Recidivism Reduction Fund, and deletes language providing for reversion to the state General Fund one year after allocation of unencumbered monies not dedicated to a community recidivism and crime reduction service provider.

12. Water (SB 88)—Committee on Budget and Fiscal Review

- Authorizes the SWRCB to order consolidation with a receiving water system where a public water system, or a state small water system within a disadvantaged community, consistently fails to provide an adequate supply of safe drinking water. Requires, the SWRCB, prior to ordering consolidation or extension of service, to conduct an initial public meeting and a public hearing. Limits the liability of a consolidated water system, wholesaler, or any other agency in the chain of distribution that delivers water to a consolidated water system.

- Exempts from the *California Environmental Quality Act (CEQA)* certain groundwater replenishment projects until Jan. 1, 2017.
- Exempt from CEQA the development and approval of building standards by state agencies for recycled water systems until July 1, 2017.
- Exempt from CEQA the adoption of an ordinance to impose stricter conditions on the issuance of well permits or changes in the intensity of land use that would increase demand on groundwater until July 1, 2017.
- Requires, commencing Jan. 1, 2016, a person who diverts 10 acre-feet of water per year or more under a permit or license to install and maintain a device or employ a method capable of measuring the rate of direct diversion, rate of collection to storage, and rate of withdrawal or release from storage.
- Expand civil liability to any violation of any regulation adopted by the SWRCB. Provide that a court or public entity may hold a person civilly liable in an amount not to exceed \$10,000 for a violation of a water conservation program ordinance or resolution, or certain emergency regulations adopted by the SWRCB. Prohibit the civil liability assessed by a court or public entity for the first violation by a residential water user from exceeding \$1,000.
- Require the secretary to post information on the Natural Resources Agency's website on changes to project timelines and project spending, in order to facilitate oversight of Prop. 1 funding and projects.
- Appropriates \$10 million to the CalConserve Water Use Efficiency Revolving Fund for loans for water use efficiency projects. Local agencies may receive at or below market interest rate loans.

13. Public Resources (AB 88)—Committee on Budget and Fiscal Review

- Extends the CEQA streamlining process in the Jobs and Economic Improvement through Environmental Leadership Act of 2011 from Jan. 1, 2016 to Jan. 1, 2017.

14. Public Resources (AB 88)—Committee on Budget and Fiscal Review

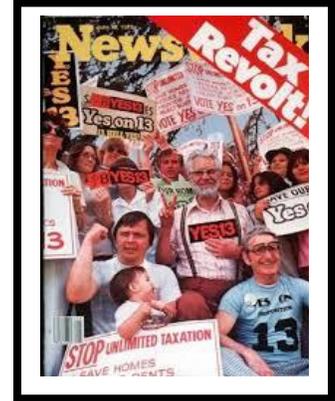
- Implements the Governor's proposal to start having the retiree health care system prefunded, similar to that of pensions. Applies only to State employees.

Financial Stability and Sustainability Limitations on Revenues and Appropriations on the City of Calexico

There are a number of provisions in the State Constitution and State law that limit the ability of the City to raise and expend revenues. Contained below is a description of some of these limitations.

Proposition 13 (California Constitution Article XIII A)

California voters on June 6, 1978, approved an amendment (commonly referred to as “Proposition 13” or the “Jarvis-Gann Initiative”) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or the appraised value of real property when purchased, new construction, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors.



Article XIII A further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in August 1986 by initiative that exempts from the 1% limitation any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property. On December 22, 1978, the California Supreme Court up the amendment over challenges on several State and Federal Constitution grounds. (*Amador Valley Joint Union School District v. State Board of Equalization*).



In the general election held on November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms “purchased” and “Change of ownership,” for the purposes of determine full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60

amended Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same County, to transfer the old residence’s assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” based in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in certain other minor or technical ways.

Proposition 13 (Article XIII A) Implementing Legislation.

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1978. Increases of assessed valuation resulting from reappraisals of property due to new construction change in ownership or from the two percent annual adjusted are allocated among the various jurisdictions in the “taxing area” based on their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value, which was expressed as \$4 per \$100 of assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value.

Challenges to Proposition 13 (Article XIII A).

California trial and appellate courts have upheld the constitutionality of Article XIII A’s assessment rules in three significant cases. The United States Supreme Court, in an appeal to one of these cases, helped the constitutionality of Proposition 13’s tax assessment system.

Proposition 4 (Article XIII B) Appropriations Limitations.

On November 6, 1979, California voters approved Proposition 4, called the Gann Initiative, which added Article XIII B to the California Constitution. Article XIII B limits the annual appropriations of the State and any City, County, School District, Authority or other political jurisdiction of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the government entity. The “base year” for establishing such appropriations limit is the 1978-79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Revenues received in excess of the appropriation limit must be returned by a revision of tax rates or fee schedules within the next subsequent fiscal years.

Proposition 218 (Article XIII C) and Proposition 26 (Article XIII D).

On November 5, 1996, California voters approved Proposition 218, “the Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the California Constitution, providing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments, and property-related fees and charges.

The general financial condition of the City may be affected by the provisions of Article XIII C and Article XIII D. In particular, provisions of Proposition 218 (Article XIII C) (i) require taxes for general governmental purposes to be approved by a majority vote and taxes for specific purposes, even if deposited into the General Fund, to be approved by two-thirds vote; (ii) require any general purpose tax which the City imposed, extended or increased, without voter approval, after December 31, 1994, to be approved by majority vote on November 5, 1998; and (iii) provide that all taxes, assessments, fees and charges to reduction or repeal at any time through the initiative process, subject to the overriding constitutional principles relating to the impairment of contracts. Provisions of Proposition 26 (Article XIII D) affect the ability of the City to fund certain services or programs by (i) adding notice, hearing, protest and, in some cases voter approval requirements to impose, increase or extend certain assessments, fees and charges; and (ii) adding stricter requirements for finding individualized benefits associated with such levies.



On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIII C of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution. As a result, Proposition 26 requires local government to obtain two-thirds voter approval for many fees, charges and levies that a local government was previously authorized to adopt by a majority vote of its legislative body. Specifically, Proposition 26 defines a “tax” as any levy, charge, or exaction of any kind imposed by a local government except those enumerated in seven specified exceptions as follows:

1. A charge imposed for a specific benefit conferred or privilege granted directly to the payer that is not provided to those not charged, and which does not exceed reasonable costs to the local government of conferring the benefit or granting the privilege.
2. A charge imposed for a specific government service or product provided directly to the payer that is not provided to those not charged, and which does not exceed the reasonable costs to the local government.
3. A charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof.
4. A charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property.
5. A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law.
6. A charge imposed as a condition of property development.
7. Assessments and property-related fees imposed in accordance with the provisions of Article XIII D of the California Constitution.

In the event that the City cannot properly impose a charge, which constitutes a “tax” pursuant to Article XIII of the California Constitution, the City would have to choose whether to reduce or eliminate the services financed by such tax or to finance such services from its General Fund.

Proposition 62.

On November 4, 1986, California voters adopted Proposition 62, which requires that (i) any local tax for general governmental purposes (a “general tax”) must be approved by a majority vote of the electorate; (ii) any local tax for specific purposes (a “special tax”) must be approved by two-thirds vote of the electorate; (iii) any general tax must be proposed for a vote by two-thirds of the legislative body, and (iv) proceeds of any tax imposed in violation of the vote requirements must be deducted from the local agency’s property tax allocation.

Most of the provisions of Proposition 62 were affirmed by the 1995 California Supreme Court decision in *Los Angeles County Local Transportation Authority v. Guardino*, which invalidated a special sales tax for transportation purposes because fewer than two-thirds of the voters voting on the measure had approved the tax. The City does not believe any of the taxes constituting City revenues are levied in violation of Proposition 62.

Unitary Property (AB 454).

AB 454 (Chapter 921), Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization (“Unitary Property”), commencing with the 1988-89 fiscal year, will be allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in the County.



Proposition 1A.

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State may not (i) reduce local sales tax rates or alter the method of allocation the revenue generate by such taxes, (ii) shift property taxes form local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature, or (iv) decrease Vehicle License Fees (VLF) revenue without providing local governments with equal replacement funding. Beginning in Fiscal Year 2008-09, the State may shift to school and community colleges limited amount of local

government property tax revenue if certain conditions are met, including (a) a proclamation by the Governor that a shift is needed due to a severe financial hardship of the State, and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does not allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within the County.



State Elections, New State Legislation, Regulations and Court Cases

November 2014 State Elections.

Democrats once again swept highest constitutional offices with Governor Jerry Brown leading the pack and garnering his fourth and final term with nearly 60% of the vote. The State legislation will continue to play out in the shadow of a State Legislature dominated by liberal democrats.



This election cycle completes the transition to sweeping changes made to California's political system over the last few years—primarily the adoption of new district lines and new primary rules providing for the top two vote-getters, regardless of party, to advance to the general election. The potential to gain the supermajority threshold in either house may largely be attributed to these changes. In particular, the top two system contributed to some of the nastiest and most expensive intra-party battles across the state and could possibly result in one incumbent losing to an opponent of the same party.

Absent any development in vacant Assembly seats, it remains unlikely that Democrats will recapture the supermajority (54) votes in the lower house. Four seats held by Democrats last legislative session were lost to Republican challengers in November, resulting in a full Assembly with 51 Democrats and 29 Republicans.

Following the general election, there was no change to the majority control of the California State Assembly. The Democrats currently control the chamber, but only by a slim margin that was decreased following the general election. Their seats decreased from 55 to 52, after the Republicans picked up four seats to increase their number from 24 to 28. In addition to the three seats the Republicans wrested from the Democrats, a vacant seat was filled.

There was no change to the majority control of the California State Senate. The Democrats currently control the chamber, but their hold on the chamber was diminished following the election. Their seats decreased from 27 to 25, as the Republicans picked up two seats to increase their number from 12 to 14. One seat remains vacant.

The following is a summary of new State legislation, new regulations, new court cases, and provisions of the Proposed FY2016 State Budget that will affect the City of Calexico during the coming fiscal year.

Ballot Measures.

1. Proposition 1: Water Bond. Funding for Water Quality, Supply, Treatment, and Storage Projects.

Yes: 66.8% (3,378,826 Votes)

No: 33.2% (1,681,733 Votes)

The Water Quality, Supply, and Infrastructure Improvement Act of 2014 authorizes \$7.12 billion in new general obligation bonds and the reallocation of \$425 million in existing bond

funds for state water supply infrastructure projects, such as public water system improvements, surface and groundwater storage, drinking water protection, water recycling and advanced water treatment technology, water supply management and conveyance, wastewater treatment, drought relief, emergency water supplies, and ecosystem and watershed protection and restoration.

Specific spending proposals in the proposition include:

- \$520 million to improve water quality for “beneficial use,” for reducing and preventing drinking water contaminants, disadvantaged communities, and the State Water Pollution Control Revolving Fund Small Community Grant Fund.
- \$1.495 billion for competitive grants for multi-benefit ecosystem and watershed protection and restoration projects.
- \$810 million for expenditures on, and competitive grants and loans to, integrated regional water management plan projects.
- \$2.7 billion for water storage projects, dams and reservoirs.
- \$725 million for water recycling and advanced water treatment technology projects.
- \$900 million for competitive grants and loans for projects to prevent or clean up the contamination of groundwater that serves as a source of drinking water.
- \$395 million for statewide flood management projects and activities.

2. Proposition 2: Rainy Day Budget Stabilization Fund Act.

Yes: 69.12% (4,831,045 Votes)

No: 30.88% (2,158,004 Votes)

The measure will alter the state’s existing requirements for the Budget Stabilization Account (BSA) (more commonly called the State Budget Rainey Day Fund), as established by Proposition 58. It will also establish a Public School System Stabilization Account (PSSSA) and provides for the dedication of additional funds to pay previously accrued state debts, payments owed on local mandates, and supplemental payments toward the State’s pension liabilities that will contribute to the improvement of the State’s overall financial picture.

- Require the director of finance to submit estimates of general fund revenues and expenditures for the ensuing fiscal year and the three fiscal years thereafter within 10 days following the submission of proposed adjustments to the Governor’s budget.
- Require the State Controller to deposit annually into the BSA: (A) 1.5% of the State General Fund revenues and (B) an amount equal to revenues derived from capital gains-related taxes in situations where such tax revenues are in excess of 8% of the State General Fund revenues. Deposits to the BSA are scheduled to begin by no later than October 1, 2015. Deposits will be made until the BSA balance reaches an amount equal to 10% of general fund revenues.

- Require that from the 2015-2016 fiscal year until the 2029-2030 fiscal year, 50% of the revenues that would have otherwise been deposited into the BSA must be used to pay for fiscal obligations, such as budgetary loans and unfunded state-level pension plans. Starting with the 2030-2031 fiscal year, up to 50% of revenues that would have otherwise been deposited into the BSA may be used to pay specified fiscal obligations.
- Permit the legislature to suspend or reduce deposits to the BSA and withdraw for appropriation from the BSA upon the governor declaring a budget emergency.
- Create a distinct budget stabilization fund known as the “Proposition 98 Reserve” or Public School System Stabilization Account (PSSSA). The PSSSA will be funded by a transfer of capital gains-related tax revenues in excess of 8% of General Fund revenues. Funds will be appropriated from the PSSSA when state support for K-14 education exceeds the allocation of General Fund revenues, allocated property taxes and other available resources.

3. Proposition 47: Reduced Penalties for Some Crimes Initiative.

Yes: 59.61% (4,238,156 Votes)

No: 40.39% (2,871,943 Votes)

The initiative reduces the classification of most "non-serious and nonviolent property and drug crimes" from a felony to a misdemeanor. Specifically, the initiative:

- Mandates misdemeanors instead of felonies for “non-serious, nonviolent crimes,” unless the defendant has prior convictions for murder, rape, certain sex offenses or certain gun crimes. A list of crimes that will be affected by the penalty reduction are listed below.
- Permits re-sentencing for anyone currently serving a prison sentence for any of the offenses that the initiative reduces to misdemeanors. About 10,000 inmates will be eligible for resentencing, according to Lenore Anderson of Californians for Safety and Justice.
- Requires a “thorough review” of criminal history and risk assessment of any individuals before re-sentencing to ensure that they do not pose a risk to the public.
- Creates a Safe Neighborhoods and Schools Fund. The fund will receive appropriations based on savings accrued by the state during the fiscal year, as compared to the previous fiscal year, due to the initiative’s implementation. Estimates range from \$150 million to \$250 million per year.
- Distributes funds from the Safe Neighborhoods and Schools Fund as follows: 25% to the Department of Education, 10% to the Victim Compensation and Government Claims Board and 65% to the Board of State and Community Correction.

The measure requires misdemeanor sentencing instead of felony for the following crimes:

- Shoplifting, where the value of property stolen does not exceed \$950.

- Grand theft, where the value of the stolen property does not exceed \$950.
- Receiving stolen property, where the value of the property does not exceed \$950.
- Forgery, where the value of forged check, bond or bill does not exceed \$950.
- Fraud, where the value of the fraudulent check, draft or order does not exceed \$950.
- Writing a bad check, where the value of the check does not exceed \$950.
- Personal use of most illegal drugs.

New State Laws.

Since taking office as the State's Governor in January 2011, Governor Brown has signed approximately 2,714 measures out of the 3,011 sent to his desk, or about 90%. As for vetoes, the Governor has only rejected 297 bills, or almost 10%. Some of the legislation that passed in 2014 and 2015 that affects cities and counties are listed below:

1. City Council Vacancies (AB 1795): This measure authorizes a resigning City Council Member to cast a vote for an appointee to fill their vacant seat. The bill applies to cities that elect City Council Members in a by-district system and have authorized vacant seats due to resignation to be filled by appointment. Specifically, the bill states a resigning City Council Member, for a period of two years, cannot:

- Cast a vote for an appoint if they are resigning due to an accusation or conviction for corruption or criminal behavior;
- Vote for a family member or someone where there is a relationship that could be a conflict of Interest.

If a resigning City Council Member casts a vote they cannot:

- Advocate on a measure before the City Council in which the City Council Member may have a personal benefit.
- Enter into a contract with the City or City vendor.
- Accept a position of employment with the City or City vendor.
- Apply for a permit requiring City Council approval.

2. Voter Registration and Recall Elections (AB 882): This measure provides that when information is missing on an affidavit of voter registration, an election official is permitted to obtain the missing information by mail on any document that is certified by the affiant, as determined by the elections official. Additionally, the bill provides that an elections official may use random sampling as specified to verify a petition for recalling a state officer, if the petition received 500 or more signatures.

3. Voter Registration of High School Pupils (AB 1817): This measure declares the last two weeks of April and September as “High School Voter Education Weeks.” During this timeframe, persons authorized by the County Elections Official can register high school students to vote. The bill authorizes the administrator of a high school to appoint students as outreach coordinators. Responsibilities could include coordinating election-related activities and voter registration drives.

4. Recall Elections and Voter Registration (AB 311): This measure establishes a process for filling a vacancy after a recall petition has been filed. The measure clarifies that a person, including a conservatee, is not disqualified from voting if they signed their affidavit of voter registration with a mark, cross, signature stamp, or with assistance from another person.

5. Ballot Processing (AB 2530): This measure permits an elections official to use signature verification technology when processing ballots and prohibits a ballot from being disqualified unless the Elections Official has visually confirmed the signature.

6. Elections (AB 2562): This measure clarifies that a person who signs a petition with an incorrect or incomplete apartment number of their address does not have their signature invalidated. The bill makes other technical changes for County Election Officials and special elections for school or community college boards.

7. Political Reform Act of 1974 (SB 27): This measure creates restrictions on the use of campaign funds for political candidates or elected officials. The bill prohibits campaign funds from being used to pay for fines or judgments that arise from misuse of campaign funds when the expenditure is related to a personal benefit to the candidate and not directly related to a political, legislative or governmental purpose.

8. Voter Requested Recounts (AB 2369): This measure permits a campaign or ballot measure committee to pay for an election recount that is made at the request of a voter.

9. Youth Athletic Programs (AB 230): This law requires, commencing January 1, 2016, a community youth athletic program to provide to the parent or guardian any youth participating in the program written notice that states whether or not the program obtains criminal background checks for hired or volunteer coaches, or both. This measure also defines a “community youth athletic program” as an organization that meets both the following requirements: (a) its primary purpose is the promotion or provision of athletic activities for youth under 18 years of age; and (b) it has adult employees who have supervisory or disciplinary power over a child.

10. Occupational Safety and Health Reporting (AB 326): This measure requires employers to make an immediate report by telephone or email of every case involving an employee’s serious injury, illness, or death to the Division of Occupational Safety and Health (DOSH) within the Department of Industrial Relations (DIR).

11. California Environmental Quality Act Exemption for Residential Infill Projects (SB 674): This measure modifies the CEQA exemption for urban infill housing projects by increasing the current limit on retail usage from 15% to the total floor area to 25%.

12. Minimum Wage (AB 10): AB 10 increases California’s current minimum wage (of \$8 per hour) in two \$1 increments: to \$9 per hour on July 1, 2014, and from \$9 per hour to \$10 per hour on Jan. 1, 2016. This is the first minimum wage increase in California in five years. Increasing the minimum wage will also increase the minimum salary amount employees must earn to qualify as “exempt” employees under California state law executive,

administrative, or professional exemptions. One of the requirements for employees to be exempt from overtime and other requirements for hourly-wage employees is that their monthly salary must be at least twice the state minimum wage for full-time employment. Under current law, the earnings threshold for exempt employees is \$2,773.34 per month. Under AB 10, the minimum monthly salary for exempt employees will increase to \$3,120 on July 1, 2014, and \$3,466.67 on January 1, 2016.

Some California cities and counties have already increased their minimum wage above the current \$8/hour. In San Francisco the minimum wage is \$10.55/hour, and in San Jose it is \$10/hour.

13. Solar Energy Permits (AB2188): This measure requires a City or County to adopt an ordinance, on or before September 30, 2015, that creates an expedited permitting process for residential rooftop solar energy systems of 10 kilowatts or less.

14. Drivers License for Illegal Aliens (AB 60): AB 60 requires the California Department of Motor Vehicles to issue a driver license to illegal aliens who can prove identity and California residency and meet all other licensing requirements, such as passing the written exams and driving tests. The DMV will design a special driver license that complies with the U.S. government's Real ID Act. AB 60 also makes it a violation of law to discriminate against anyone on the basis of having this new license, and the law explicitly prohibits using the new license for criminal investigation, arrest or detention based on immigration status. New law is fully effective on Jan. 1, 2015.

15. Property Assessed Clean Energy (PACE) Program (AB 2597): This measure modifies the California Alternative Energy and Advanced Transportation Financing Authority's underwriting standard for the Property Assess Clean Energy Program (PACE) by providing that financing cannot exceed 15% for the first \$700,000 of the value of the property and 10% for the remaining value of the property, and substitutes the term "Loan" with "financing" within various parts of the PACE program.

16. Organic Solid Waste (AB 1826): This measure phases in requirements for businesses, which are defined as commercial or public entities that generate a specific amount of organic waste per week or a multifamily residential dwelling of five units or more, to arrange for recycling services beginning January 1, 2016 through January 1, 2019. This measure also requires each local jurisdiction on and after January 1, 2016, to implement an organic waste recycling program to divert organic waste from the businesses subject to this act, except as specific with regard to rural jurisdictions, Further, this measure requires each local jurisdiction to report to the Department of Resources Recycling and Recovery on its program in implementing the organic waste recycling program.

17. Single-Use Carryout Bags (SB 270): This measure, beginning July 1, 2015, prohibits specified stores from distributing single-use plastic bags. This bill establishes requirements for reusable bags and prohibits stores from distributing reusable bags and recycled paper bags for less than \$0.10 per bag. Further, this measure grandfathers in all existing ordinances adopted before September 1, 2014. Additionally, cities and counties maintain full authority over regulating single-use carryout bags in at establishments not covered by the measure.

18. Groundwater Management (AB 1739): This measures part of a three bill package that regulates groundwater in a comprehensive manner for the first time in California. This measure, among other things, requires a groundwater sustainability agency to submit a

groundwater sustainability to plan the Department of Water Resources (DWR) for review upon adoption. Additionally, this measure requires DWR to review the plans at least every five years after initial submission.

19. Groundwater Management (AB 1168): This measure is part of a three bill package that regulates groundwater in a comprehensive manner for the first time in California. This bill, among other things, enacts the Sustainable Groundwater Management Act with the stated intent of empowering local groundwater agencies to sustainably manage groundwater basins through the development of ground water sustainability plans. This measure also requires the adoption of the sustainable groundwater sustainability plan by January 31, 2020 for all high or medium priority basins that are subject to critical conditions of overdraft and by January 31, 2022 for all other high and medium priority basins unless the basin is legally adjudicated or the local agency establishes that it is otherwise being sustainably managed.

20. Groundwater Management (SB 1319): This measure is part of a three bill package that regulates groundwater in a comprehensive manner for the first time in California. This measure authorizes the State Water Resources Control Board to designate certain high-and medium-priority basins as a probationary basin if, after January 31, 2025, prescribed criteria are met, including that the state board determines that the basin is in a condition where groundwater extractions result in significant depletions of interconnected surface water.

21. Urban Water Management Plans (AB 2067): This measure requires an urban retail water supplier and an urban wholesale water supplier to provide narratives describing the supplier's water demand management measures. This measure requires, for retail water suppliers, the narrative to address the nature and extent of each water demand management measure implement over the past five years and describe the water demand management measures that the supplier plans to implement to achievement its water use targets.

22. Urban Water Management Plans (SB 1420): This measure requires an urban water supplier to quantify and report distribution system water losses, beginning in 2015, in its Urban Water Management Plan. It also authorizes the Department of Water Resources (DWR) to require electronic filing of Urban Water Management Plans and directs DWR to develop guidance for estimating water savings from codes, standards, ordinances and sustainability plans.

23. Local Government Water Assessments, Fees and Charges (AB 2403): This measure modifies the definition of water, in the Proposition 218 Omnibus Implementation Act, to mean water from any source. This measure codifies the *Griffith v. Pajaro Valley Water Management Agency* appellate court ruling which held that a fee imposed by the Pajaro Valley Water Agency to fund a program that included storm water capture and treatment for the recharge of groundwater supply did not require voter approval. Thus, cities may use property-related water fees to pay for harvesting storm water to augment or treat water supplies.

24. Storm Water Resource Planning (SB 985): This measure requires a storm water resource plan to be submitted to any applicable regional water management group, to identify and prioritize storm water and dry weather runoff capture projects for implementation in a prescribed quantitative manner and to prioritize the use of lands or easements in public ownership for storm water and dry weather runoff projects.

25. Income Taxes Exclusion (AB 2434): This measure excludes from gross income, under both the personal income tax and corporation tax laws, amounts received as a rebate, voucher, or other financial incentive issued by a local water agency for participation in turf removal water

conservation program. The exclusion will be in effect for taxable years 2014 through 2018.

26. Salton Sea Restoration (AB 148): This measure revises language stating legislative intent regarding restoring the Salt Sea. This measure also eliminates the requirement that the Secretary of the Natural Resources Agency and the State Legislature have final approval for any proposed restoration plan.

27. Local Government Agricultural Land (AB 2241): This measure changes the rescission fee charged by a city or county when land under the Williamson Act contract or land designated as farmland security zone enters into a solar-use easement to 10% of the fair market value of the property. This measure also requires 50% of the rescission fees collected to be desposited in the state General Fund. This law expires on January 1, 2020.

28. Economic Development Subsidies (AB 562): This measure requires local agencies, as of January 1, 2014, to provide specific information to the public prior to approving any economic development subsidy of \$100,000 or more. It defines “economic development subsidy” as any expenditure of public funds or loss of revenue to a local agency intended to stimulate economic development, including but not limited to loans, loan guarantees, bonds, grants, enterprise zone or empowerment zone incentives, fee waivers, land price subsidies, matching funds, tax abatements, tax exemptions, and tax credits. This provision, however, does not apply to subsidies provided to low and moderate income housing. AB 562 requires that the public must be provided a description of the subsidy, its start and end dates, a statement of the public purposes of the subsidy, and a projection of the anticipated tax revenue the local agency will receive as a result of the subsidy. This measure further requires both a public hearing to be held and a report on each economic development subsidy to be issued during the term of the subsidy and no later than five years after it is granted. A final public hearing must be held upon the conclusion of each subsidy with a term of 10 years or more.

29. State Budget Trailer Bills (SB 861 and SB 871): These measures contained budget appropriations and various statutory changes necessary to enact the provisions of the FY2014-2015 State budget. Specifically some of the provisions these measures provided include:

- Provides necessary statutory authority to transfer the drinking water program from the California Department of Public Health (CDPH) to the State Water Resources Control Board including merging of loan programs.
- Transfers any residual funds from the California Department of Public Health for grants for public water systems to address drought-related drinking water emergencies or threatened emergencies to the State Water Board for the same purposes.
- Authorizes the Public Utilities Commission (PUC) to order electrical corporations to continue to administer the New Solar Homes Partnership Program, regardless of the source of funds for this program, until they \$400,000,000 funding limit is reached. It also allows the California Energy Commission to notify the California Public Utilities Commission when funding is low for the New Solar Homes Partnership.
- Increases fees that local building departments must charge (from \$10 to \$13 per \$100,000 on residential properties and from \$21 to \$28 per \$100,000 on commercial properties) for seismic-related mapping and other services. Local governments may retain five percent of these funds for data utilization and seismic education activities and damage assessment preparation if the above activities have been adequately funded.

The balance of the fees shall be transferred to the Strong-Motion Instrumentation and Seismic Hazards Mapping for the Alquist-Priolo seismic mapping program.

- Extends the property tax exemption for new active solar energy systems in a new construction from FY2015-2016 to FY2023-2024.

30. Redevelopment Successor Agency Housing Expenditures (SB 341): This measure is revises the rules governing the activities and expenditures of Housing Successor Agencies. Specifically, SB 341:

- Allows housing successors that have fulfilled any outstanding housing replacement and production requirements of the development agency to spend up to \$250,000 per year for homeless prevention and rapid re-housing services.
- Allows housing successors to expend available funds for the purpose of monitoring and preserving the long-term affordability of units in its portfolio and for administering its activities, up to annual cap of 2% if its portfolio value or an inflation-adjusted level starting at \$200,000, whichever is greater.
- Funds left after monitoring, administration and homeless prevention services are required to be used so that at least 30% is spent on rental housing for extremely-low income households and no more than 20% on households earning between 60-80% of the area median income.
- If a housing successor does not comply with the extremely low-income housing requirement, the successor must ensure that at least 50 percent of housing expenditures in each subsequent year support housing for this category until it is in compliance.
- If a housing successor exceeds the limit on expenditures for households between 60%-80% of the area median income, the housing successor may not spend funds for this category until it is in compliance.
- Changes the current housing limitation, allowing no more than 50% of the housing financed over a 10-year period to go towards seniors.
- Provides that program income a housing successor receives is not associated with a project area and may be expended outside of a project area without a finding of benefit to a project area.
- Allows housing successors to transfer funds among themselves for the purpose of developing units in transit priority projects, permanent supportive housing, farmworker housing, or special needs housing under specified conditions.
- Requires that a housing successor that has not expended the excess surplus within three year to transfer the surplus to Housing and Community Development (HCD) for the Multifamily Housing Program or the Joe Serna, Jr. Farmworker Housing Grant Program.

- Resets the 10-year clock on the development of properties purchased by the former Redevelopment Agency and eliminates the time limit on developing newly purchased properties.
- Eliminates the requirement for a housing successor to report annually to the State Controller as well as allows a housing successor to combine its annual independent financial audit with its host jurisdiction.

31. California Environmental Quality Act Exemption for Residential Infill Projects (SB 674): This measure modifies the California Environmental Quality Act exemption for urban infill housing projects by increasing the current limit on retail usage from 15% to the total floor area to 25%.

32. Microenterprise (AB 674): This measure expands the definition of microenterprise to also include limited liability company, increases the number of employees to five or fewer and requires that the entity generally lack sufficient access to loans, equity or other financial capital. This bill also deletes provisions in existing law that differentiates between small businesses and micro businesses.

33. Motion Pictures Income Taxes (AB 1839): This measure provides targeted support to California’s film and TV industry by extending State Film and Television Tax Credit program by five years, lifting the per film budget limitation on the credit, allowing larger films to qualify, and offering additional incentives for film and TV production activities. It will allocate \$1.5 billion in tax credits over five years. The bill also provides incentives for film and TV production, occurring outside the Los Angeles area by allowing for a 5% increase in the tax credit, for a maximum of 25%, for productions meeting the requirements. It also provides for a 5% increase in the credit, up to a maximum of 25%, for post-production activities that occur in California (film editing, music scoring, music track recording, and visual effects.)

34. Targeted Area Contract Preference Act (AB 2022): This measure makes changes to the Target Area Contract Preference Act by redefining what qualifies as an economically distressed area. A “distressed area” is in the top quartile of census tracts for having the highest unemployment and poverty in the State as determined by the Department of Finance (DOF).

35. Capital Investment Incentive Programs (AB 2389): This measure modifies the current property tax capital investment incentive program for local governments and allows a tax credit under the corporation tax law to a qualified taxpayer in an amount equal to 17.5% of qualified wages paid by the taxpayer during the taxable year to qualified full-time employees. This measure, until July 1, 2015, reduces the assessed value threshold for calculating the capital investment incentive amount from \$150 million to \$25 million and defines a “qualified manufacturing facility” to include facilities operated by certain businesses described in specified provisions of the North American Industry Classification System Manual. The measure also transfers the duties of the Business, Transportation and Housing Agency to the Governor’s Office of Business and Economic Development.

36. Property and Business Improvement Areas (AB 2618): This measure amends the Property and Business Improvement District Law of 1994 to conform several provisions to constitutional requirements established by Proposition 218. For example, the measure requires assessments levied on real property to be levied proportionally to the special benefit conferred on the real property, not to exceed the reasonable cost of the proportional benefit.

The measure also added requirements that must be included in a resolution adopted by a City council in order to form a property and business improvement district such as: a statement that the improvements, maintenance and activities conferred on the district will be funded by the levy of the assessments; a finding that in a property-based district, the property within the district will receive a special benefit, the total amount of all special benefits to be conferred on the properties; and the sum of any general benefit in a property-based district.

37. Enhanced Infrastructure Financing Districts (SB 628): This measure authorizes the creation of a new governmental entity called an Enhanced Infrastructure Financing District (EIFD). One or more of these districts may be created within a city or county and used to finance the construction or rehabilitation of a wide variety of public infrastructure and private facilities. An EIFD may fund these facilities and development with the property tax increment of those taxing agencies (cities, counties, special districts, but not schools) that consent. EIFD's are also authorized to combine tax increment funding with other permitted funding sources:

- Property tax revenue distributed to a city, county or special district after payment of a successor agency's debts.
- Revenues dedicated by a city or county to the EIFD from property tax corresponding to the increase in assessed valuation of taxable property attributed to those property gas shares received by a city or county pursuant to in lieu of the Vehicle License Fee (VLF).
- Fee or assessment revenues derived from one of 10 specified existing sources.
- Loans from a city, county or special district, that must be repaid at no more than the LAIF interest rate that is in effect on the date the loan is approved by the governing board of the city, county or special district making the loan.

38. Redevelopment and Successor Agencies (AB 471): This measure makes several changes affecting the redevelopment dissolution process and clarifies that infrastructure financing districts (IFD) can be established on territory with a former redevelopment project area. Specifically, this measure:

- Defines, for the period between July 1, 2014 to July 1, 2018, "housing entity administrative cost allowance" as an amount of up to 1% of the property tax, but not less than \$150,000, allocated to the Redevelopment Agency Retirement Fund on behalf of the Successor Agency for each applicable fiscal year.
- Provides that if a local housing authority assumed the housing functions of a former Redevelopment Agency, then the housing entity administrative cost allowance shall be listed on the Successor Agency's Recognized Obligation Payment Schedule (ROPS).
- Provides that if there are insufficient moneys in the Redevelopment Agency Retirement Fund to make the payment authorized by Section 34171, then the unfunded amount may be listed on each subsequent ROPS until paid in full.
- Broadens the term "redevelopment plan" to include projects listed in a community plan or five-year implementation plan to clarify parcels that may be transferred from a successor agency to a city or county pursuant to a Long-Range Property Management Plan.

- Makes a technical change to a the law to ensure that payments made to taxing entities from the Due Diligence Review (DDR) process are not double-counted in the calculation of the amount of the annual repayments for loans that were previously issued by a City or County to a Redevelopment Agency.
- Removes the existing restriction in the IFD law which prohibits an IFD from being located on territory included within a Redevelopment Agency Project Area. This change provides additional flexibility to the future use of IFDs.

39. Redevelopment Housing Successor Agency (AB 1793): This measure requires a housing successor agency to include in its annual report specified information on the inventory of homeownership units assisted by the Housing Successor Agency or the former Redevelopment Agency that are subject to covenants, restrictions, or an adopted program. The bill requires the following information: (a) number of units; (b) any funds returned to the Housing Successor Agency as part of an equity sharing or similar program; (c) whether the Housing Successor Agency has contracted with any entity for the management of the units was well as the name of the entity; and (d) number of units lost to the portfolio in the last fiscal year and the reason. For the first report under the requirement of this bill the number of units lost in the portfolio since February 1, 2012 will need to be reported and the reason for the losses.

40. Redevelopment (AB 1963): AB 1963 shifts the existing statutory deadline from January 1, 2015 to January 1, 2016 for the Department of Finance (DOF) to approve Long Range Property Management Plans. These plans are required to be approved within six months of DOF issuing a Successor Agency a finding of completion. This measure repeals the requirement of the State Controller to review assets that may be have been transferred after January 31, 2012, between a successor agency and city, county, or city and county that created the former Redevelopment Agency. The Controller's review of asset transfers is consider duplicative of previous similar oversight board and DOF reviews, so removing this additional requirement will avoid delays and allow communities to move forward.

41. Massage Therapy (AB 1147): Measure rewrites the existing statutes with regards to massage therapy regulation. This measure restores the authority of local jurisdictions to impose land use regulations on massage businesses. The bill also requires massage businesses to operate within locally imposed standards while clarifying that a city or county cannot prevent a certified massage therapist from engaging in the practice of massage for compensation. The measure specifically prohibits local governments from:

- Defining massage establishments as adult entertainment.
- Requiring a massage establishment to have widows or walls that do not extend from floor to ceiling.
- Imposing client draping requirements beyond the covering of genitalia and female breasts.
- Prohibiting a massage establishment from locking its external doors if the massage establishment is in a business entity owned by one individual with one or no employees or independent contractors.
- Requiring a massage establishment to post any notice that may be viewed by clients that contains explicit language describing sexual acts.

- Imposing a requirement that a person certified to take any test, medical exam, or background check beyond what is required in statute.
- Imposing a requirement that an individual (other than sole business provider) holding a certificate obtained by another license, permit certificate, or other authorization to provide massage for compensation.
- Imposing dress code requirement in excess of the requirements already imposed in statute.
- Prohibiting a person certified from performing massage for compensation on the gluteal muscles, prohibit massage techniques recognized by the California Massage Therapy Council, or other restrictions on professional practice beyond what is in the statute.

This bill requires a minimum of 500 hours of massage related education for a new certification and the passage of a massage and bodywork competency exam. Finally, this bill reconstitutes the California Massage Therapy Council as of September 15, 2015. The measure sunsets on January 1, 2017.

42. Prohibited Financial Interest—Aiding and Abetting (SB 952): This measure prohibits any individual from aiding or abetting a member of the Legislature, or a state, county, district, judicial district, or city officer or employee, in violating provisions of existing law that bar these officials from having a financial interest in any contract entered into by them in their official capacity, or by any governing or advisory body of which they are members.

43. Property Tax Postponement (AB 2231): This measure reinstates Senior Citizens and Disabled Citizens Property Tax Postponement Program to provide property tax deferment to seniors and the disabled, and prohibits participation in the program if the annual household income exceeds \$35,000.

44. Local Ballot Measures (AB 2551): This measure requires the statement provided to voters for a bond issue placed on the ballot by a City, County, District or other political subdivision to include the best estimate from official sources of the total debt service, including principal and interest to be repaid if all bonds issued are sold; information may be included about the estimate's underlying assumptions.

45. Public Contracts (AB 1650): AB 1650 requires that prior to obtaining, either orally or in writing, an on-site construction applicant's criminal conviction history, state contractors must first determine the applicants minimum qualifications. The bill provides some exemptions, including positions in which state or federal law requires a background check and where applicants are obtained from a hiring hall, pursuant to a bona fide collective bargaining agreement.

46. Public Contracts Payment (AB 1705): This measure extends the sunset date on the 5% cap on retention proceeds from January 1, 2016 to January 1, 2018. If a public agency deems a project to be substantially complex, the agency is required to describe the project and why it is unique.

47. Prevailing Wage Notice (SB 226): This measure revises the procedure for providing notice of completion or acceptance of a public work to the Labor Commissioner. In particular, the bill requires that a copy of the notice be mailed to the Labor Commissioner within 10 days of a request

or within 10 days after filing the notice.

48. Design-Build Projects (SB 785): This measure streamlines and extends the design-build authority for the California Department of Corrections, California Department of General Services, Counties, Cities and Special Districts. City design-build authority would be extended from January 1, 2016 to January 1, 2025. The bill enacts new labor requirements for design-build projects. Specifically, design-build entities would be restricted to those that have an enforceable agreement to use a skilled workforce, as defined.

49. Bikeways (AB 1193): This measure authorizes local governments to deviate from Caltrans-approved design standards for bikeways if approved by the governing body at a public meeting. It also requires Caltrans to develop minimum safety design criteria for cycle tracks, which are similar to bikeways, but have a separation between the track and vehicular traffic.

50. Recycling Waste Tire Projects for Public Works Projects (AB 1179): This measure clarifies that parklets and greenways, as defined, are eligible for grants for public works projects that use tire derived products and requires the Department of Resources Recycling and Recovery, when awarding grants for parklets and greenways, to give priority to projects located in disadvantaged communities.

51. Prepaid Mobile Telephony Services Surcharges and Fees (AB 1717): This measure establishes a point-of-sale system for the collection of state and local fees, surcharges, and taxes for prepaid mobile telephone services. For local jurisdictions, the bill creates statewide uniformity for local utility user taxes (UUT) on prepaid mobile telephone services by establishing specific rates that UUTs can be collected (0%, 1.5%, 2.5%, 3.5%, 4.5%, 5.5%, 6.5%, 7.5% and 9%). The bill sunsets on January 1, 2020.

New Court Cases.

1. California Fourth District Court of Appeals Ruled that Charging Higher Water Users Incrementally Higher Rates Violates Proposition 218 that Prohibits Government Agencies from Charging More than the Cost of Service. The California Fourth District Court of Appeals ruled in *Capistrano Taxpayers Association v. City of Capistrano* “that Proposition 218 requires public water agencies to calculate the actual costs of providing water at various levels of usage. Article XIII D, section 6, subdivision (b)(3) of the California Constitution, as interpreted by our Supreme Court in *Bighorn–Desert View Water Agency v. Verjil* (2006) 39 Cal.4th 205, 226 (Bighorn) provides that water rates must reflect the “cost of service attributable” to a given



parcel. While tiered, or inclined rates that go up progressively in relation to usage are perfectly consonant with article XIII D, section 6, subdivision (b)(3) and Bighorn, the tiers must still correspond to the actual cost of providing service at a given level of usage. The water agency here did not try to calculate the cost of actually providing water at its various tier levels. It merely allocated all its costs among the price tier levels, based not on costs, but on pre-determined usage budgets. Accordingly, the trial court correctly determined the agency had failed to carry the burden imposed on it by another part of Proposition 218 (art. XIII D, § 6, subd. (b)(5)) of showing it had complied with the requirement water fees not exceed the cost of service attributable to a parcel.”

2. United States Supreme Court Refused to Hear an Appeal of Lower-Court Actions that Shut Off Water to Farmers and Cities in 2007 and 2013 in Favor of Delta Smelt. On January 14, 2015, the U.S. Supreme Court refused to put a hook into an appeal of lower-court actions that shut off water to farmers and cities in 2007 and 2013 in favor of Delta smelt. The justices turned down appeals from several water agencies, including the Metropolitan Water District of Southern California, and from Central Valley farmers. In their appeal, the water agencies questioned whether limits on pumping water to the southern part of the state were required under the Endangered Species Act (ESA) and said the restrictions were particularly harmful to consumers, farmers and other water users during the drought.

The two cases were forwarded to the high court because the plaintiffs contended there was a conflict between prior rulings from the 4th and 9th U.S. Circuit Courts of Appeal regarding the implementation of the federal Endangered Species Act (ESA). At issue was whether the U.S. Department of the Interior and its sub-agency, the U.S. Fish and Wildlife Service, could consider the economic impact on farmers and cities when implementing provisions of the Endangered Species Act (ESA) to protect endangered species.



According to legal counsel for the Delta Stewardship Council, the suits did not intend to balance wildlife and restrictions on releases of water for farms and cities. (The Delta Stewardship Council is a semi-independent body under the California governor's office established under the Delta Reform Act of 2009.)

However, environmentalists claimed any balancing of wildlife protection and economic harm to farmers and cities would be at the expense of wildlife extinction and that farming and community impacts were exaggerated.

3. California Second District Court of Appeals Ruled that a 1% Surcharge it Added to Southern California Edison's Franchise Fee Agreement was Really "an Illegal Tax Masquerading as a Franchise Fee."

The City of Santa Barbara was dealt a significant setback by a Second District Court of Appeal decision in ***Jacks v. City of Santa Barbara***. The Court ruled that the 1% surcharge it added to Southern California Edison's franchise agreement was in reality "an illegal tax masquerading as a franchise fee." Under the terms of Proposition 218, any such tax needed to be approved by the voters first. The Santa Barbara City Council imposed the additional 1% fee on the electric company in 2005 — on top of the 1% it was already collecting — and has been using the additional \$600,000 to \$700,000 generated a year for general purposes.

In 2011, downtown hotel owner Rolland Jacks sued the City, charging the surcharge was an illegal tax and demanded a refund. The judicial panel ruled that if the revenues generated by the surcharge were used to compensate City Hall for installing poles and power lines on city-owned rights of way, it would have constituted a "franchise fee" and would have been acceptable. But because the money was used "for general spending purposes," the court deemed it a tax.

4. California Supreme Court Provides Guidance on the “Unusual Circumstances Exception” From Applying a Categorical Exemption under the California Environmental Quality Act (CEQA).”

On March 2, 2015, the California Supreme Court issued its opinion in *Berkeley Hillside Preservation v. City of Berkeley*, clarifying and providing guidance to cities on the use of categorical exemptions for projects under the California Environmental Quality Act (CEQA). The City of Berkeley, in approving a permit application to build a large single-family house, relied on two categorical exemptions from CEQA review for the project (Class 3 for constructing small structures, including a single-family residence, and Class 32 for an “in-fill development” project). The California Court of Appeal held the exemptions did not apply, invalidated the permit approval and ordered preparation of an environmental impact report, based on CEQA Guidelines section 15300.2(c) that states: “A categorical exemption shall not be used for an activity where there is a reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances.”



The Supreme Court reversed and remanded the case in a majority opinion. The decision confirms that cities should apply a two-part test for determining whether the “unusual circumstances exception” under section 15300.2(c) precludes a city from relying on a categorical exemption(s) for a project. First, the city must determine whether

there are any “unusual circumstances” present (subject to the deferential “substantial evidence” standard of review). If not, then the city may rely on a categorical exemption(s) and can look to the local conditions in evaluating unusual circumstances. However, if there are any unusual circumstances, the agency must then determine whether there is “a reasonable possibility” that the unusual circumstance will produce “a significant effect on the environment” (subject to the less deferential “fair argument” standard of review). If not, then the city may rely on the categorical exemption(s) for the project.

5. California Supreme Court Finds Sex Offender Residency Restrictions Under Jessica’s Law unconstitutional as under the State of California Constitution.

The California Supreme Court struck down residency restrictions under Proposition 83, also known as Jessica’s Law on March 2, 2015.

Jessica’s Law received 70% voter approval when it passed in 2006. Among many other provisions, it added Penal Code section 3003.5(b) to prohibit sex offenders from living within 2,000 feet of a school or park, and expressly allowed cities to increase that distance or include other prohibited locations by ordinance.

The intended purpose of Jessica’s Law was to protect children from sexual predators. The California Supreme Court found that residency restrictions unconstitutionally infringed upon the liberty and privacy interests of registered sex offender parolees in San Diego County, and failed to accomplish the intended purpose of Jessica’s Law as a whole.



Jessica Lunsford was abducted from her bed in Florida in 2005, raped and buried alive while clutching her stuffed dolphin by a sex offender living near her home.

The residency restrictions in Jessica's Law effectively banned registered sex offender parolees from 97% of available residential properties in San Diego County. According to the California Supreme Court, this hindered registered sex offender parolees from accessing rehabilitative services and often caused them to resort to homelessness and transiency, resulting in a greater, rather than a reduced, public safety risk.

Because the law hampered efforts to monitor, supervise, and rehabilitate parolees, the Court concluded it bore no rational relationship to advancing its stated purpose of protecting children from sexual predators. Therefore, Penal Code section 3003.5(b) was unconstitutional as applied. The Court noted, however, that the California Department of Corrections and Rehabilitation retains authority to impose individualized discretionary parole conditions, including residency restrictions, on a case-by-case basis.

6. California Supreme Court Denied Review of the Third District Court of Appeal's Decision in *City of Emeryville v. Cohen* Where City Reentered Redevelopment Agreements with the Successor Agency.

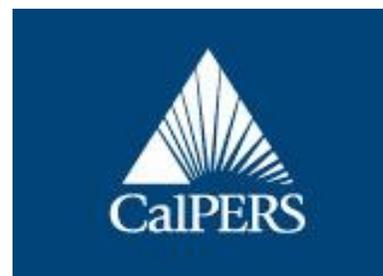
City of Emeryville v. Cohen involved various agreements between the city and its former Redevelopment Agency. After the Legislature dissolved redevelopment, the city re-entered into these agreements with its Successor Agency as permitted by the redevelopment dissolution statute, ABx1 26. The city then attempted to list these agreements on its recognized Obligation Payment Schedule (ROPS). The Department of Finance (DOF), however, rejected the agreements.

DOF advanced a number of arguments to justify its rejection of the agreements, all of which the Court rejected. The Court held that the plain language of ABx1 26 allowed the city and its Successor Agency, with the approval of the Oversight Board, to re-enter into agreements that were initially entered into by the city and its former redevelopment agency. DOF further argued that AB 1484, enacted after ABx1 26, applied retroactively to invalidate re-entered agreements. The Court rejected this argument finding that there was no legislative intent that AB 1484 apply retroactively to invalidate these agreements. In addition, it also rejected DOF's suggestion that the city acted with improper motives by rushing through these agreements with knowledge that AB 1484 was pending in the legislature. In rejecting this argument, the Court took the commonsense approach that it is not "necessarily sinister for [the city] to hasten to comply with a law before adverse changes occur."

New Regulations

1. CalPERS Rate of Return and New Mortality Assumptions.

On February 18, 2014, the California Public Employee Retirement Board voted to retain its current long-term assumed rate of return at 7.5% and adopt separate actuarial assumptions for the mortality of state and local employers. While the rate-of-return is not expected to influence employer or employee rates, CalPERS estimates that the new mortality assumptions will cost local agencies an average of up to 9% of payroll for safety classifications and jump to 5% of payroll for miscellaneous employees by year five of the phase in. The new mortality phase in will start in FY2016-17 and amortized over 20 years.



2. State Water Board Regulations Aimed at Reducing Urban Potable Water Usage.

On April 1, 2015, Governor Brown issued an Executive Order directing the State Water Resources Control Board (SWRCB) to impose regulations to achieve a 25% reduction in urban use of potable water by February 2016. On May 5, 2015, after several rounds of public comments, the Board adopted emergency regulations to do so. The new rules affect all local governments—not just water providers.

The regulations impose graduated mandatory conservation requirements on urban water suppliers. Starting June 1, 2015, all urban water suppliers—suppliers with more than 3,000 service connections—must reduce potable water use from 8% to 36%, depending on residential per capita water usage from July to September 2014. The SWRCB will evaluate compliance monthly, comparing usage for each month to the same month in 2013 as well as



cumulatively. The regulations require urban water suppliers to report water use to the State Water Resources Control Board (SWRCB). Urban water suppliers are also required to prepare and submit to the SWRCB by the 15th of each month a monitoring report detailing the amount of potable water the urban water supplier produced, including treated water provided by a wholesaler, in the preceding calendar month. The monitoring report shall also estimate the gallons of water per person per day used

by the person it serves. Agencies that fail to meet conservation targets may be subject to fines or SWRCB enforcement orders.

The SWRCB rejected other measures of conservation, relying on residential per capital water usage in the summer of 2014. Many agencies across the state commented on the proposed regulations, suggesting other ways to achieve the Governor's goal of 25% water use reduction while accounting for regional differences in water demand and climate. Several noted significant variation in evapotranspiration rates between drier and wetter areas that requires more water in hotter, drier areas to maintain the same area of landscaping, even for drought-tolerant, native species. The Board declined to account for climate variations in its regulations.

The emergency regulations prohibit certain water uses, in addition to rules the Board adopted in 2014. Irrigation of public street medians with potable water is prohibited. This does not prohibit irrigation with recycled water or watering to maintain street trees. Landscape irrigation outside newly constructed buildings is to be governed by new rules proposed for adoption in June 2015. The final SWRCB regulations are less clear on this issue than the draft had been. The draft prohibited irrigation with potable water for new construction other than by micro-spray or drip systems.

If these regulations prove ineffective, or if the drought worsens, the SWRCB can be expected to develop and implement further regulations.



Financial Sustainability

Calexico Revenues and Expenditure Trends

Private companies and City governments must operate within the parameters of their revenues in order to survive. Calexico's General Fund is operating in a time of fiscal stress. The recession, the reductions in City revenues caused by the economic downturn, and raids from the State, including the elimination of the Calexico Community Redevelopment Agency have taken its toll.

Assessed Valuation and Property Taxes.

Calexico assessed valuation grew 54% from \$1,066,622,425 in FY2005 to \$1,642,661,177 in FY2009. (See Figure 27). This increased in assessed valuation resulted in an increase in property taxes of \$1,431,306 from \$3,350,956 in FY2006 to \$4,782,262 in FY2009. When the real estate bubble popped, Calexico's assessed valuation fell 255,742,530 during the period from FY2009 to FY2014. In FY2014, Calexico's assessed was 1,386,919,247. In correlation to this decrease in assessed valuation, property taxes fell \$742,897 (15.53%) to \$4,039,365 in FY2014. (See Figure 28).

Figure 27
Net Taxable Assessed Value History
FY2005 to FY2015

Lien Year	Secured	Unsecured	SBE Non-Unitary	Net Total Assessed Value	% Change
2004/05	\$1,012,641,158	\$52,712,922	\$1,268,345	1,066,622,425	
2005/06	\$1,138,642,887	\$57,706,820	\$1,239,178	1,197,588,885	12.28%
2006/07	\$1,350,841,941	\$59,612,012	\$1,167,230	1,411,621,183	17.87%
2007/08	\$1,461,948,916	\$63,544,427	\$834,573	1,526,327,916	8.13%
2008/09	\$1,569,980,454	\$71,846,750	\$834,573	1,642,661,777	7.62%
2009/10	\$1,507,748,094	\$68,822,989	\$834,573	1,577,405,656	-3.97%
2010/11	\$1,460,019,414	\$61,233,565	\$834,573	1,522,087,552	-3.51%
2011/12	\$1,364,500,504	\$58,711,990	\$834,573	1,424,047,067	-6.44%
2012/13	\$1,351,203,363	\$55,250,324	\$820,125	1,407,273,812	-1.18%
2013/14	\$1,332,265,707	\$53,833,415	\$820,125	1,386,919,247	-1.45%
2014/15	\$1,367,101,722	\$61,679,637	\$820,115	1,429,601,474	3.08%

As shown in Figure 27, the City of Calexico experienced a net taxable value increase of 3.08% for the FY2014-2015 tax roll, which was slightly less than the increase experienced countywide at 4%. The assessed value increase between FY2013-2014 and FY2014-2015 was \$42.7 million. The change was

Figure 28
Property Tax Collections
10-Year History

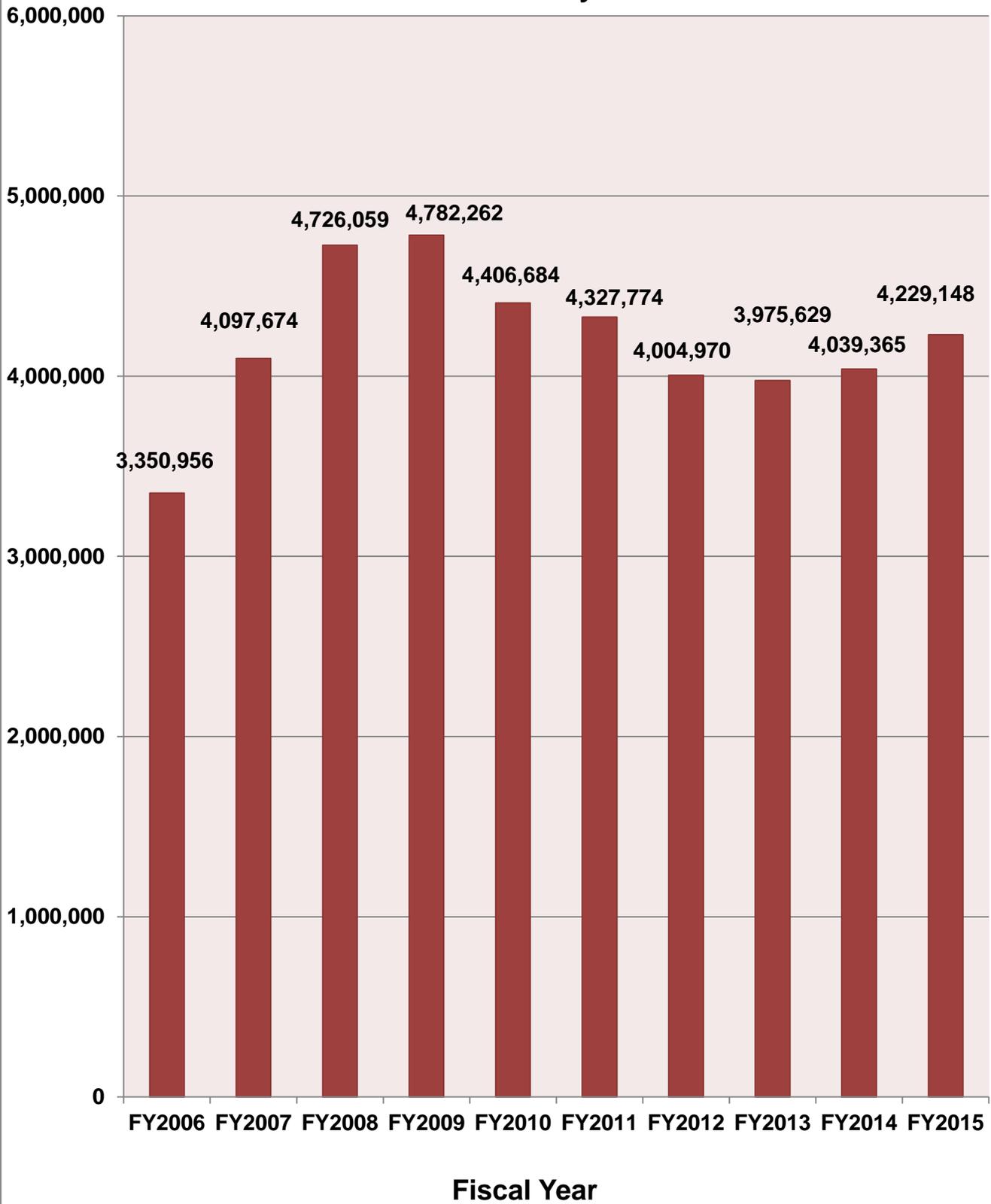


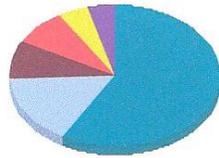
Figure 29 Property Tax Summary FY2014-FY2015

	2013/14	2014/15	Value Change
Total	1,386,919,247	1,429,601,484	42,682,237
Parcel Adds/Drops Net Change			200,336
Net Value Change from CPI 0.45% Growth			2,503,678
Unsecured Value Change			7,846,222
Prior Year Transfer of Ownership			4,072,014
Non-Residential New Construction			33,599,599
Prop. 8 - Recaptured Value - SFR			1,866,000
Prop. 8 - Recaptured Value - Non-SFR			1,627,847
Other Negative Changes*			-17,289,322
Other Positive Changes*			8,255,863
Total			42,682,237

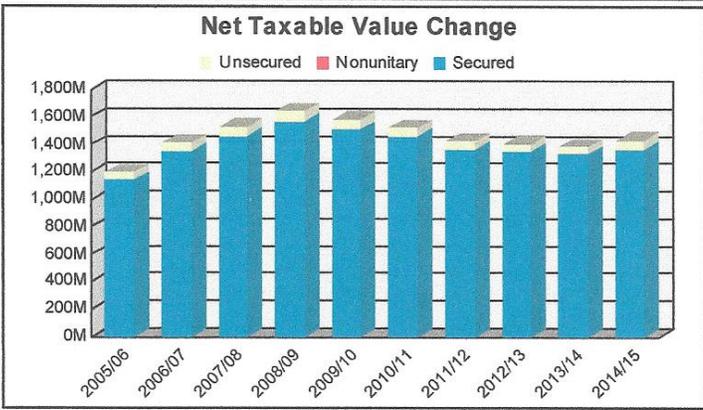
Year to Year Value Change by Use Category		
Category	\$ Change	% Change
Residential	\$10,197,667	1.12%
Commercial	\$29,132,820	11.09%
Industrial	-\$2,918,243	-4.44%
Govt. Owned	\$21,544	0.45%
Institutional	\$5,566	2.04%
Irrigated	\$215,379	1.34%
Miscellaneous	-\$17,398	-2.54%
Recreational	-\$2,634,234	-70.01%
Unknown	\$230,529	0.86%
Vacant	\$602,385	1.44%
SBE Nonunitary	\$0	0.00%
Unsecured	\$7,846,222	14.58%

Change by Component	Total	Personal Property
Entire City	3.08%	15.28%
Calexico General Fund	6.06%	29.69%
Successor Agency	-0.79%	2.61%
Countywide	4.05%	5.86%

Percentage of Assessed Value



Calexico General Fund (18158)	58.1%
Calexico RDA Amendment #2 (18198)	16.1%
Calexico RDA Residential (18178)	9.0%
Calexico RDA Business (18168)	8.0%
Calexico RDA Annex #1 (18188)	4.8%
Others	4.1%
Total:	100.0%



Notes:

- Commercial Property owned by Bordertown Investments LP at 275 E Anza Road reported the largest year to year increase of \$33.1 million. The increase is related to the new improvements added over the past year. This is the location of the Gran Plaza Outlets that opened in November 2013.
- Commercial property at 351 Birch Street owned by Apache Colonel Rogers II. This site saw the addition of new improvement values totaling \$2 million. It is the location of the Fresenius Medical Care Calexico and provides dialysis treatment.
- Commercial property at 351 Birch Street owned by Apache Colonel Rogers II. This site saw new improvement values totaling \$2 million. It is the location of the Fresenius Medical Care Calexico and provides dialysis treatment.
- Commercial property owned by Charles W. Davies at 221 Birch Street was also granted a reduction in value. Purchase of this location in 2007 at the peak of the real estate market. This is the Carl's Jr.
- CCPI 2015-16 1.998%.

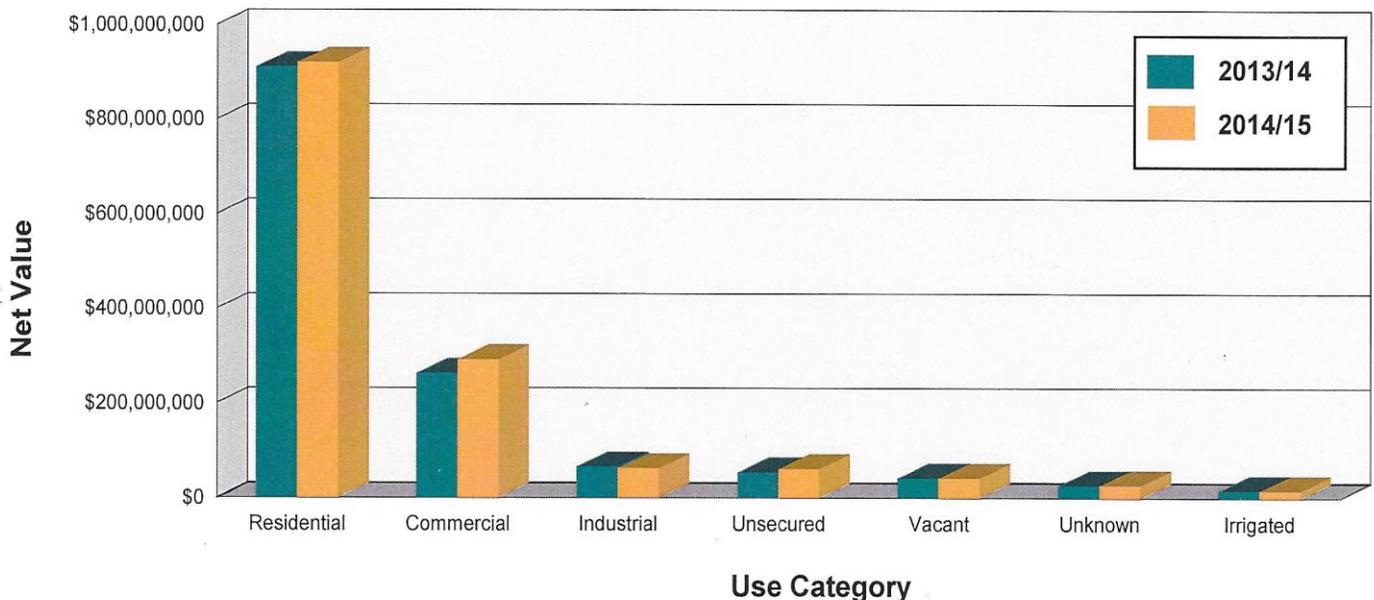
Top 10 Taxpayers Based on Net Values 2014/15	Rank	Top 10 Taxpayers Based on Net Values 2013/14
BORDERTOWN INVESTMENTS LP <i>New improvements--Gran Plaza</i>	1	HALLWOOD CALEXICO INVESTMENTS LLC
HALLWOOD CALEXICO INVESTMENTS LLC	2	WALMART REAL ESTATE BUSINESS TRUST
WALMART REAL ESTATE BUSINESS TRUST	3	P W I P LLC 17 50 INT ETAL
PWIP LLC	4	PCC-LA JOLLA PALMS LLC
PCC-LA JOLLA PALMS LLC	5	CALEXICO HOTEL GROUP 2 L P
CALEXICO HOTEL GROUP LP	6	CALEXICO MEGAPARK LLC
CALEXICO MEGAPARK LLC	7	SMITH'S FOOD AND DRUG CENTERS INC
C W AND ASSOCIATES LIMITED	8	C W AND ASSOCIATES LIMITED
ARELLANO LOO	9	ARELLANO LOO
SMITH'S FOOD AND DRUG CENTERS INC	10	TOWNCENTER PLAZA LLC #15 in 2014-15

**Figure 30
Property Tax Growth by Use Category
FY2014- to FY2015**

Category	2013/14 Net Taxable Value		2014/15 Net Taxable Value		\$ Change	% Change
Residential	7,284	\$909,903,591	7,304	\$920,101,258 (64.4%)	\$10,197,667	1.1%
Commercial	429	\$262,614,926	424	\$291,747,746 (20.4%)	\$29,132,820	11.1%
Industrial	91	\$65,663,146	95	\$62,744,903 (4.4%)	-\$2,918,243	-4.4%
Unsecured	[674]	\$53,833,415	[749]	\$61,679,637 (4.3%)	\$7,846,222	14.6%
Vacant	324	\$41,747,234	307	\$42,349,619 (3.0%)	\$602,385	1.4%
Unknown	7	\$26,855,214	9	\$27,085,743 (1.9%)	\$230,529	0.9%
Irrigated	16	\$16,014,613	16	\$16,229,992 (1.1%)	\$215,379	1.3%
Govt. Owned	2	\$4,745,857	2	\$4,767,401 (0.3%)	\$21,544	0.5%
Recreational	6	\$3,762,664	5	\$1,128,430 (0.1%)	-\$2,634,234	-70.0%
SBE Nonunitary	[5]	\$820,125	[5]	\$820,125 (0.1%)	\$0	0.0%
Miscellaneous	10	\$685,417	9	\$668,019 (0.0%)	-\$17,398	-2.5%
Institutional	29	\$273,045	31	\$278,611 (0.0%)	\$5,566	2.0%
Exempt	1	\$0	2	\$0 (0.0%)	\$0	0.0%
TOTALS	8,199	\$1,386,919,247	8,204	\$1,429,601,484 (100.0%)	\$42,682,237	3.1%

Numbers in blue are parcel/assessment counts

Assessed Value by Major Use Category



attributed to the 0.454% Proposition 13 inflation adjustment of \$2.5 million or 5.9% of all growth experienced in the City. Figure 29 and Figure 30 provide a breakdown of the changes in assessed value.

The largest value reduction was posted on commercial property owned by Smith's Food and Drug Centers, Inc. (Food 4 Less) at 1109 West Imperial Avenue. This owner was granted a reduction in land and improvement values likely due to an appeal for temporary value reduction. No relief was granted during the real estate downturn. The current reduction was \$2.1 million. Commercial property owned by Charles W. at 221 Birch Street was also granted a reduction in value after the purchase of this property in 2007 at the peak of the real estate market. This is the Carl's Jr. Restaurant at Birch and Ollie Avenue. This was a reduction of \$1.6 million, 62% of the previous year's value.

Figure 31 is a comparison of changes in net assessed value for the different taxing entities in Imperial County. **The City of Calexico had the largest increase in assessed value in the County last year due to Gran Plaza improvements.**

**Figure 31
Property Tax Growth Comparison
FY2014-FY2015**

City	2014/15 Net Value	Value Change	% Change
Imperial	894,492,060	42,277,411	4.961%
Calexico	1,429,601,484	42,682,237	3.077%
Brawley	1,085,894,774	24,015,372	2.262%
El Centro	2,231,694,093	17,873,665	0.807%
Holtville	181,380,736	929,829	0.515%
Calipatria	95,894,465	-1,076,169	-1.110%
Westmorland	42,452,547	-492,997	-1.148%

Housing. The housing market has continued to improve in 2014 although the pace of improvement has slowed due to increase of interest rates and tight inventories. In most areas, foreclosure levels are back at historical norms as seen in 2006, before the real estate recession. Median sale prices for real estate have continued to increase steadily, but at a slower pace than seen in 2013. The numbers of sale transactions have declined relative to 2013 statewide. Last year Calexico only had 51 homes sales compared to 182 in 2014. (See Figure 32). Figure 33 compares the number of homes sales in 2013 and 2014 and the increase in median sales price. The median price of a home sold in Calexico during this period increased from \$150,100 to \$175,000.

The median Sale price of s single family home in Calexico from January through March 2015 was \$193,000. This represents a \$17,500 (10%) increase in median sale price from 2014.

Recapturing Single Family Proposition 8 Assessed Values Reductions. In 1978 California voters approved Proposition 8 that (among other things) allows county assessors to reduce the value of properties below their Proposition 13 taxable values when the real estate market declines. Such reductions are to be recaptured as the real estate market improves. Now, after five years of declining real estate values, county assessors are beginning to restore values. Figure 34 below reflects the percentage in 2013-2014 of residential properties that have not changed ownership but have had their values restored to same level as prior to the recession. Assessors will not restore values to their trended

Figure 32
Single Family Home Sales Value History
FY2003-FY2015

Year	Full Value Sales	Average Price	Median Price	Median % Change
2003	136	\$150,468	\$145,500	
2004	298	\$192,171	\$181,750	24.91%
2005	142	\$252,814	\$261,500	43.88%
2006	149	\$271,224	\$275,000	5.16%
2007	126	\$275,444	\$265,000	-3.64%
2008	263	\$185,645	\$175,000	-33.96%
2009	422	\$138,423	\$137,750	-21.29%
2010	347	\$137,118	\$137,000	-0.54%
2011	356	\$133,094	\$135,000	-1.46%
2012	274	\$136,595	\$138,750	2.78%
2013	181	\$152,324	\$150,100	8.18%
2014	182	\$172,548	\$175,500	16.92%
2015	51	\$183,333	\$180,000	2.56%

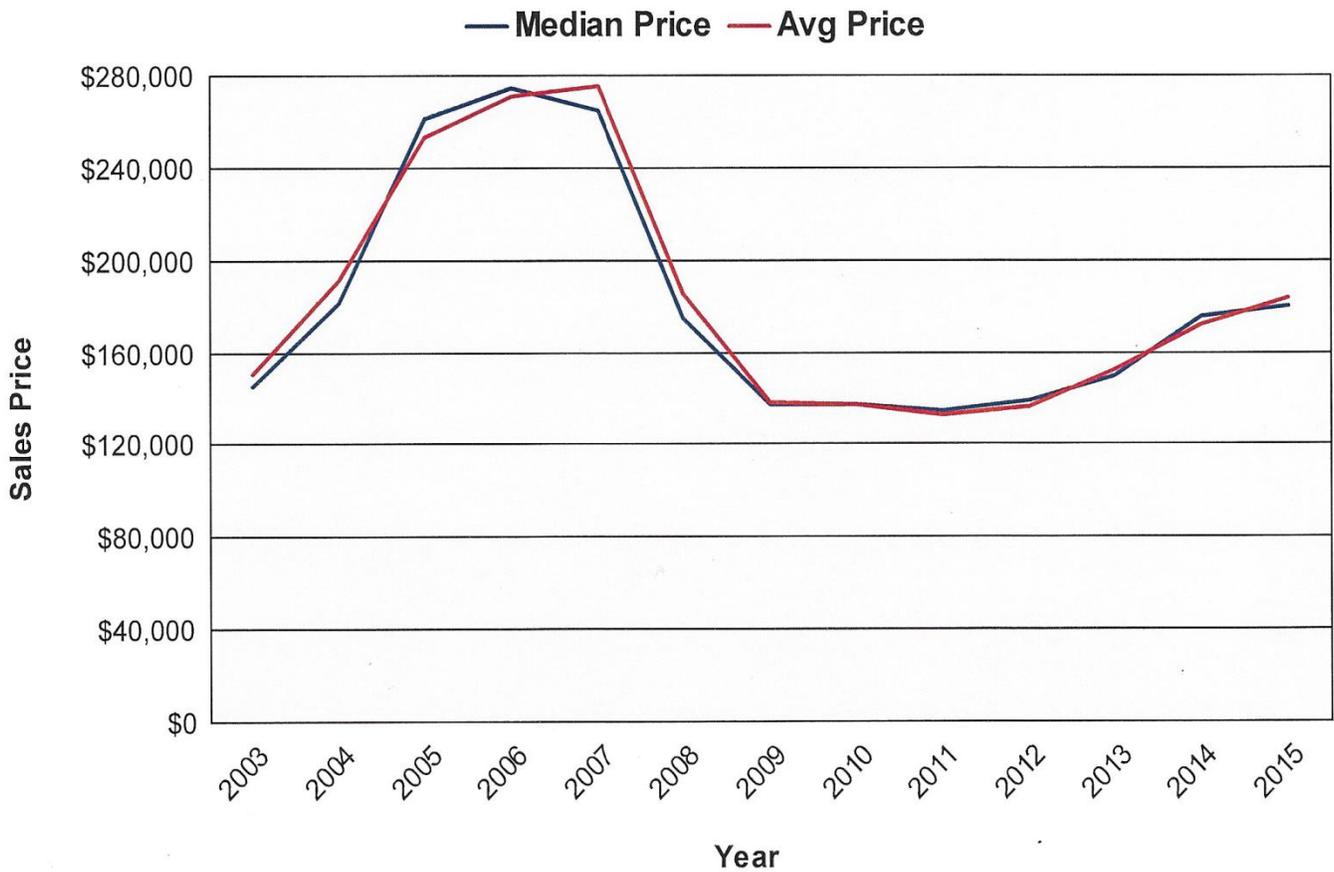
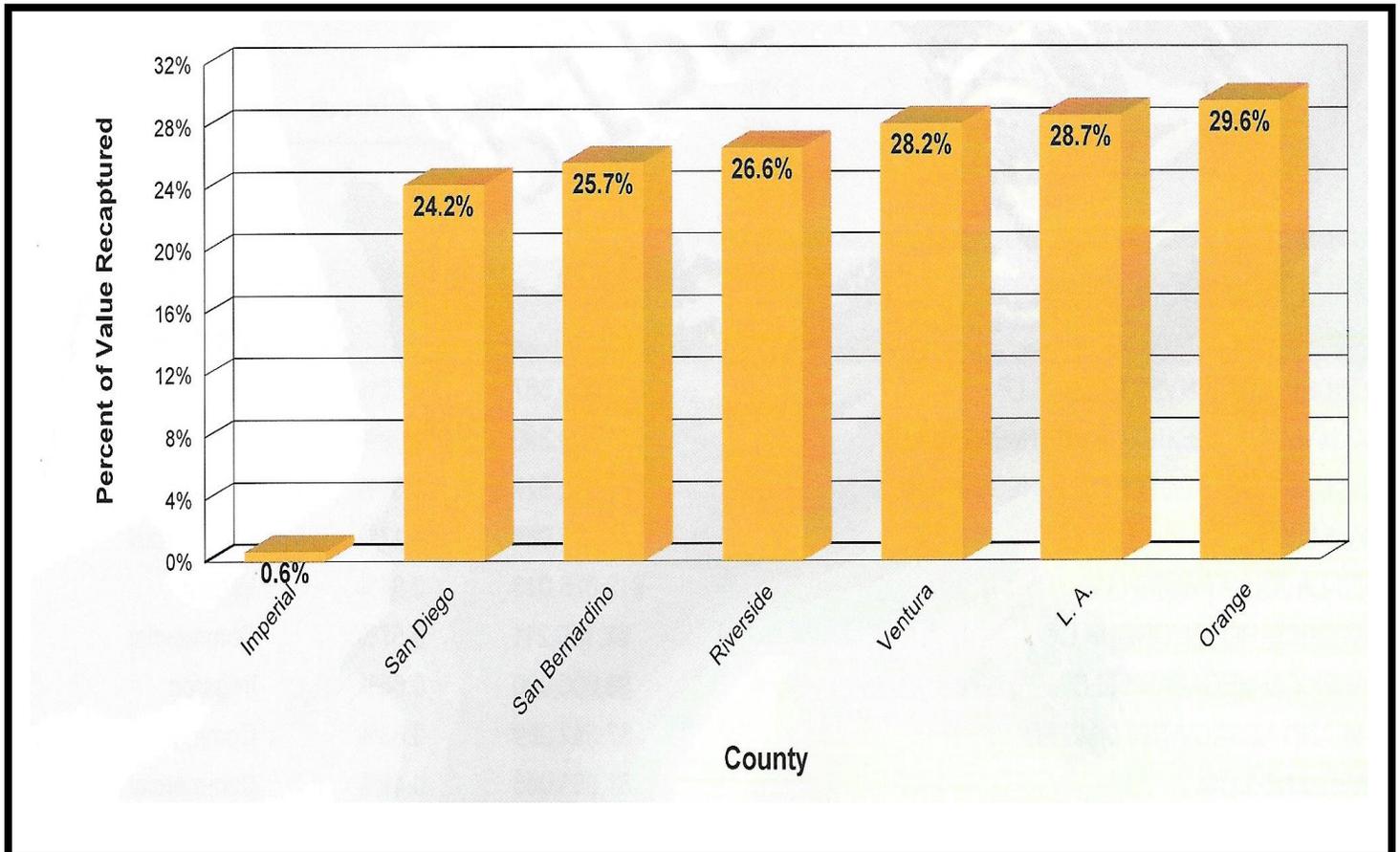


Figure 33
Single Family Home Sales by City

City	2013 Sale Count	2014 Sale Count	2013 Median Sales Price	2014 Median Sales Price	Median % Change
BRAWLEY	178	174	130,000	143,500	10.38
CALEXICO	181	182	150,100	175,500	16.92
CALIPATRIA	19	12	85,000	77,000	-9.41
EL CENTRO	271	261	138,000	165,000	19.57
HOLTVILLE	32	24	92,500	147,500	59.46
IMPERIAL	243	260	180,000	200,000	11.11
IMPERIAL COUNTY	245	219	79,000	95,000	20.25
WESTMORLAND	7	7	54,000	90,000	66.67
IMPERIAL * (Entire Region)	1,176	1,139	135,000	165,000	22.22

Figure 34
Single Family Home Proposition 8 Recapture Comparison



Proposition 13 values until the strength of the market recovery is proven. **In Calexico 69 out of 4,507 properties awaiting recapturing in 2013-2014 have been fully restated.**

Sales Taxes.

Sales tax collections have reacted to Calexico’s economic conditions. The FY2007 non-Measure H sales tax collections rose to a high of \$5,334,509 from \$4,290,137 in 2006. With the recession non-Measure H sales tax collections plunged \$2,671,102 (50.07%) to \$2,663,407 in FY2012. (See Figure 36.) Since that time non-Measure H sales tax revenues have increased 22.04% to \$3,281,331 in FY2015. On June 8, 2010, Measure H adding a half-cent sales tax was approved by the voters. The election results were that 2,031 (59.98%) voted for the measure and 1,335 (40.02%) voted against it.

Figure 36 shows that Measure H added an estimated \$2,635,459 non-Measure H City sales tax revenue of \$3,281,331 in FY2015. Total sales tax collections from Measure H and non-Measure H sales taxes are estimated to be \$5,916,790 in FY2015. A per capita sales tax comparison is shown in

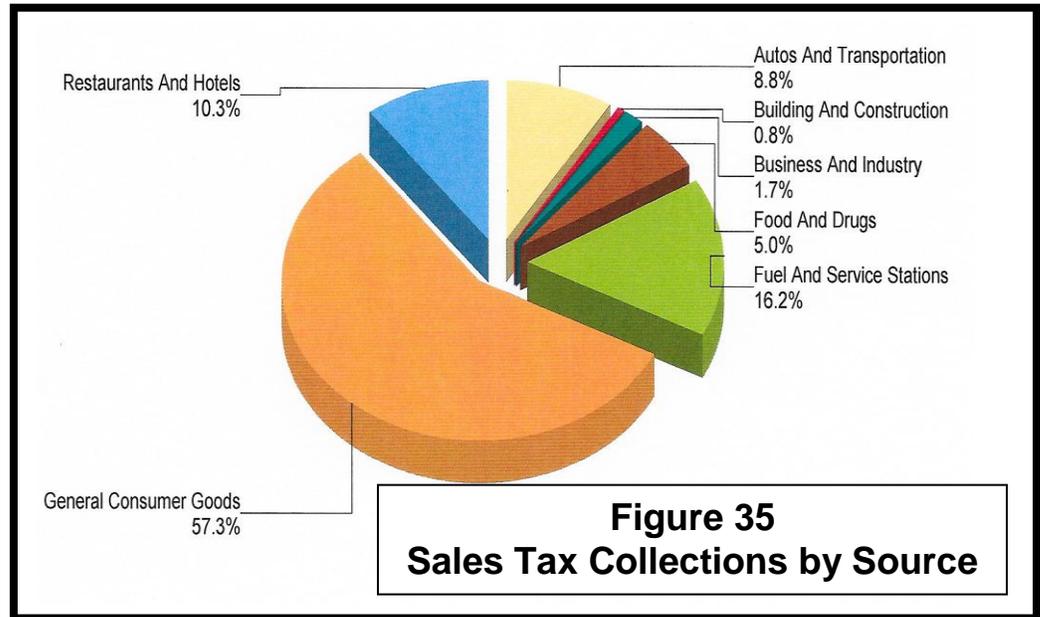


Figure 37. The City of Calexico collects \$110 per person in sales tax. Figure 38 compares sales tax collections by major industry groups.

Sales tax receipts for Calexico’s October through December 2014 sales were up 1.0% above 2013’s fourth quarter collections. Figure 35 shows the sources of Calexico sales tax collections. Sales activity for January through March 2015 increased 4.1% over the same period last year. Net of temporary accounting adjustments, revenues from voter-approved Measure H were up 4%. Adjusted for aberrations, taxable sales for all of Imperial County decreased 18% over the comparable time period, while the Southern California region as a whole was up 3.2%.

General consumer totals benefited from new business additions at Gran Plaza Outlets. This increase in sales activity was partially offset by reductions in sales tax collections from falling gasoline prices and weak sales of used cars and auto parts.

State Building Permit Fees.

SB 861 Budget Trailer Bill increased fees that local building departments must charge (from \$10 to \$13 per \$100,000 on residential properties and from \$21 to \$28 per \$100,000 on commercial properties) for seismic-related mapping and other services. Local governments may retain 5% of these funds for data utilization, seismic education activities, and damage assessment preparation if the above activities have

Sales Tax Revenue

Figure 36
Sales Tax 10-Year History (Including Measure H)

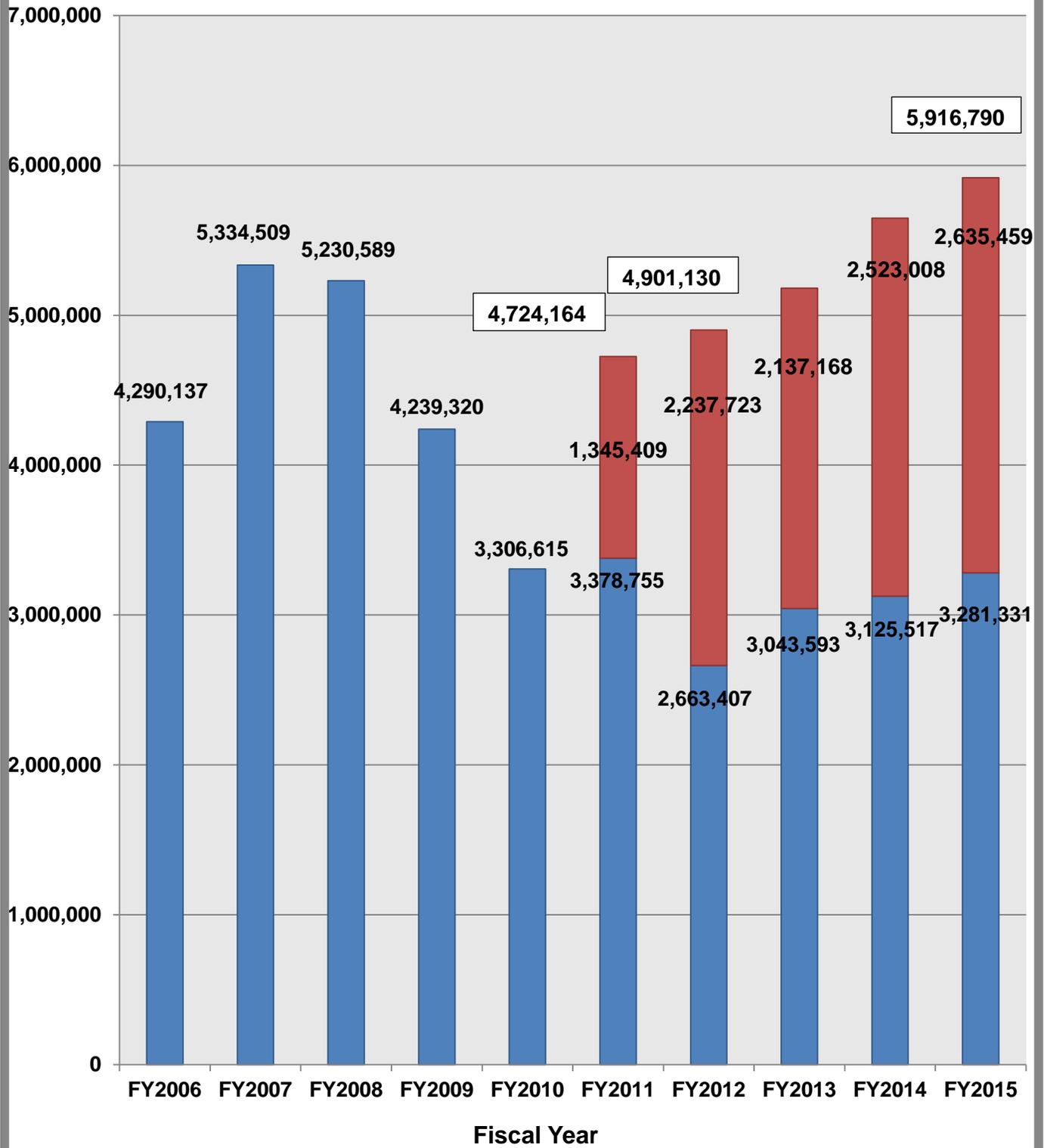


Figure 37
Per Capita Sales Tax Comparison
FY2012-FY2015

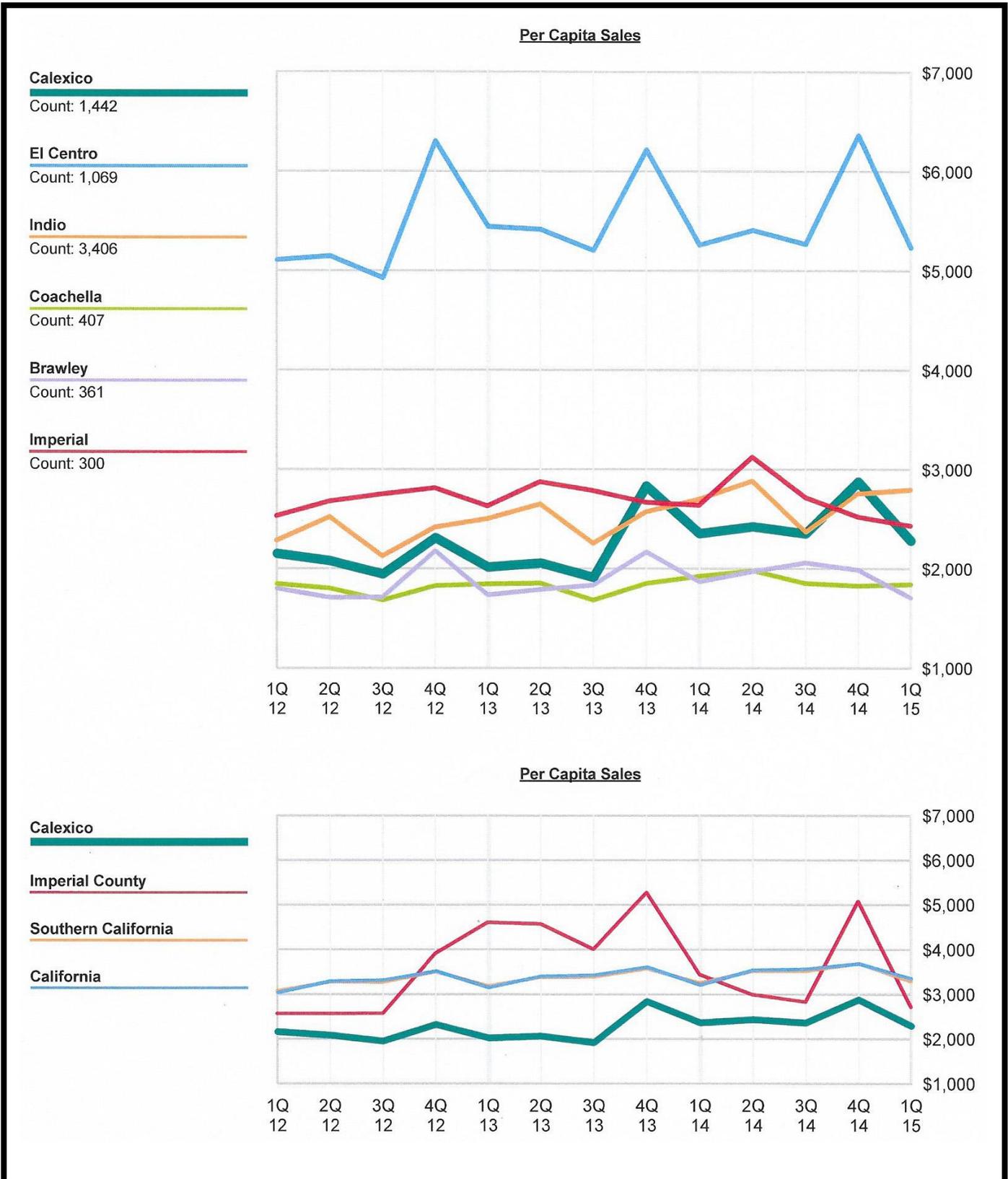
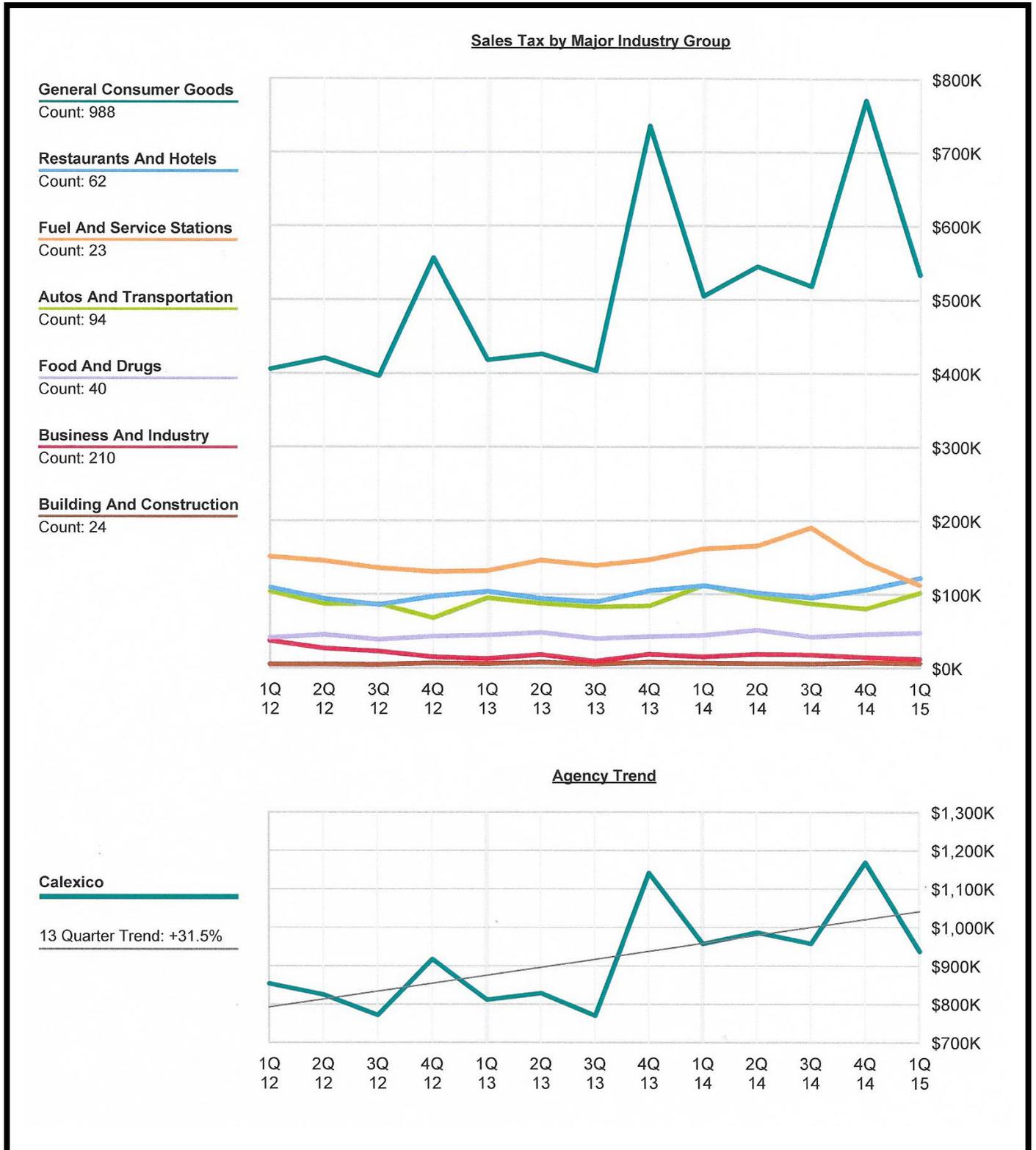


Figure 38
Major Industry Group Sales Tax Comparison
FY2012-FY2015



been adequately funded. The balance of the fees shall be transferred to the Strong-Motion Instrumentation and Seismic Hazards Mapping for the Alquist-Priolo seismic mapping program.

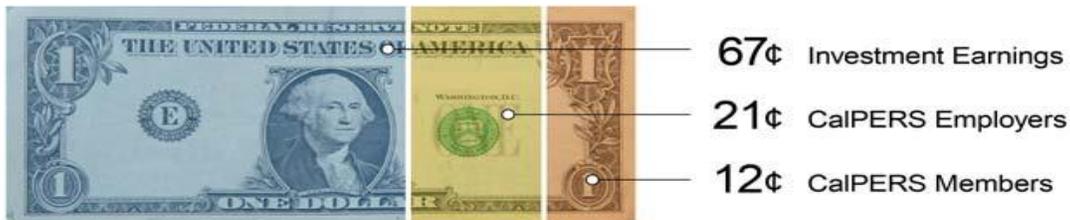
California Public Employees’ Retirement System (CALPERS).

The California Public Employees’ Retirement System (CALPERS) has increased its FY2016 miscellaneous employer contribution rates from 14.54% to 15.97% of payroll. Employer contribution to police and firefighters increased from 36.95% to 38.48%. Figure 39 shows the funding sources for public employee pensions. Figure 40 shows the increase in City public pension contribution rates from FY2010 to FY2016.

In February 18, 2014, the California Public Employees’ Retirement System (CalPERS) Board voted to retain its current long-term assumed rate of return at 7.5% and adopt new actuarial assumptions for the mortality of state and local employers. While the rate-of-return is not expected to influence employer or employee rates, CalPERS estimates that the new mortality assumptions will cost local agencies an average of 9% of payroll for safety classifications and jump to 5% of payroll for miscellaneous employees by year five. The phase in of these increases will begin in FY2016.



**Figure 39
California Public Employees Retirement System Revenue Sources**



Liability and Workers Compensation Premiums.

The City’s liability and workers compensation claims and lawsuits have been out of control. Between FY2012 and FY2016 Callexico’s liability insurance premium increased from \$822,887 to \$1,641,492. Its workers’ compensation insurance premiums have increased from \$744,422 to \$1,717,729 from FY2012 to FY2016. See Figure 41.

Among those that are legitimately injured are the abusers and scammers of the system. Callexico’s liability and workers compensation loss history has been so bad that the California Joint Powers Insurance Authority (JPIA), the City’s insurance carrier, placed the City under a performance improvement plan in September 2013 and has threatened to cancel coverage. The City Council needs to be wise, thoughtful and prudent in how it proceeds and to heed the warnings of the JPIA to stay out of personnel issues.

The City Manager has formed a Workers Compensation Management Committee that includes representatives from City Departments, Human Resources Office, City Attorney’s Office, City’s workers compensation claims administrators and the California Joint Powers Insurance Authority

Figure 40
California Public Employees' Retirement System
City Miscellaneous Employer Contributions
FY2010-FY2016

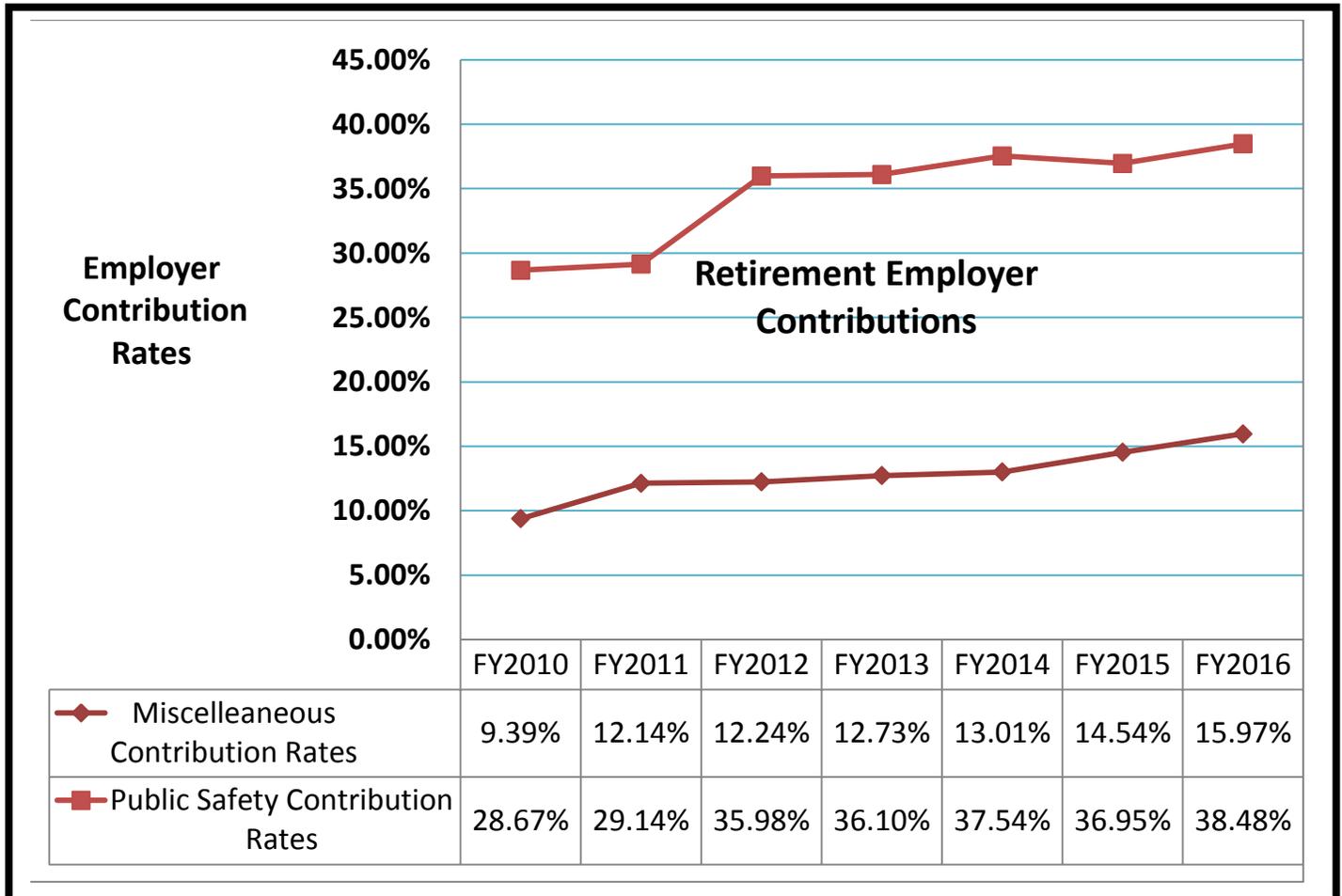


Figure 41
Calexico Insurance Premiums
(Across All Accounting Funds)

Insurance Program	FY2012	FY2013	FY2014	FY2015	FY2016
General Liability Program	\$ 822,887	\$ 851,538	\$ 1,105,571	\$ 1,421,676	\$ 1,641,492
Workers Compensation Program	744,422	799,863	1,025,243	1,245,414	1,717,729
Total	\$ 1,567,309	\$ 1,651,401	\$ 2,130,814	\$ 2,667,090	\$ 3,359,221

(JPJA). Together we are meeting about every two weeks, analyzing and working through each claim. All claims are now being aggressively managed by this group and steps are being taken to return people to work or separate those that do not want to work or cannot perform the essential functions of their job.

Employee Health Insurance Costs.

Health insurance premiums will increase 11% in the coming fiscal year, increasing the City's cost for employee health insurance. The City has been self-insured for health insurance and pays the first \$75,000 of any employee or dependent health insurance claims before reinsurance assumes any costs. Staff believes that the work force may be too small and too old to have a self-insurance program and will be studying other alternatives in FY2016 to hold down costs and still provide high quality health insurance to City employees.

Firefighter Federal Funding.

The General Fund will need to absorb the costs associated with the end to Federal funding of four firefighter positions. The firefighter Federal grant is called "Staffing for Adequate Fire and Emergency Response (SAFER)." Firefighters hired under this grant are paid by federal funds for two years, after which the local government must pick up the costs for at least one year. Last fiscal year, the expiration of this grant cost the City's General Fund \$170,940. The additional FY2016 cost to the City's General Fund will be \$341,880.



Long Term Debt, Loans and Notes Receivable.

No new long-term debt is planned for FY2016. The City and the Successor Agency to the Calexico Community Redevelopment Agency will make \$1,345,000 in principal payments and \$1,532,849 in interest payments on total long-term debt of \$883,682,317. Total Long Term debt of the City and the Successor Agency debt on June 30, 2016 will be \$80,681,091. (See Figure 42.)

During FY2015 the City completed the refunding of \$11,335,000 of the outstanding principal on the 2003A Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Refunding Bond and 2003C Residential Redevelopment Project Area Tax Allocation Bonds. The refunding of these bonds will generate an estimated total debt service savings of \$1,800,000 or about \$138,460 per year through 2028 for all taxing entities. Savings for the City is approximately \$500,000.

The City and the Successor Agency to the Calexico Community Redevelopment Agency have loaned \$26,069,386 to third parties for a variety of purposes over the years. The City is projected to collect \$2,725 in principal payments and \$2,655 in interest payments during FY2016. The Finance Department will work with the City Housing and Economic Development Department to analyze each loan and begin collection actions where appropriate.

Public borrowing through lease-purchase agreements, general obligation (GO) bonds, revenue bonds, certificates of participation (COP) or other legal debt instruments may be in the public interest. However, the City will pursue policies that will not saddle the public with excessive public debt and will carefully scrutinize any public

Figure 42 Total Long-Term Debt Summary

No.	Description	Beginning Debt Balance July 1, 2015	FY2016 Debt Principal Payment	FY2016 Debt Interest Payment	Ending Debt Balance June 30, 2016
1	Fiduciary Funds Long-Term Debt	\$ 34,675,000	\$ 1,345,000	\$ 1,532,849	\$ 33,330,000
2	Proprietary Funds Long-Term Debt	14,000,879	547,536	609,854	13,453,343
3	General Long-Term Debt	35,006,438	1,404,862	1,410,706	33,601,576
	Total	\$ 83,682,317	\$ 3,297,398	\$ 3,553,409	\$ 80,384,919

borrowing proposals. **California currently has no constitutional or statutory debt limits for municipalities. Therefore, the City must use debt in a wise and judicious manner.** Where public borrowing is considered appropriate by the City Council, it will be done in accordance with the following policies:

1. Debt is limited to equipment purchases and major capital projects. It is not used for General operating expenses. It is the policy of the City to maintain cash balances at a sufficient level for general operating costs (those items normally funded in the City's annual operating budget and having a useful life of less than one year). Short-term securities may be issued in cases where the City's normal cash flow has been disrupted as a result of natural disaster or unexpected delays in the receipt of federal or state revenues.
2. The maturity date for any debt does not exceed the reasonable expected useful life of the equipment or capital improvement being financed. Generally, the City will limit long-term debt to a term not to exceed 10-15 years.
3. When practical, the City will develop, authorize, and issue revenue, special fee or other self-supporting debt instruments instead of General Obligation (GO) Bonds.
4. Coverage for revenue bonds or special fee debt instruments shall be at least 120% of annual total debt service.
5. The City will maintain good communication regarding its financial condition.
6. It will regularly evaluate its adherence to its debt policies. The City promotes effective communications with bond rating agencies and others in the market place based on full disclosure.

Revenue and Expenditure Forecasting.

Forecasting as used in this budget document refers to estimating the future values of revenues and expenditures. It provides an estimate of how much revenue will be available and the resources required to meet current service levels and programs over the coming fiscal year, along with the understanding of how the total financial program will be affected by demographic and economic forecasts driving these forecasts. The value of forecasts is in estimating whether, given assumptions about City financial

policies and economic trends, the City will have sufficient resources to meet the resource requirements of ongoing, planned or mandated programs. In short, forecasting provides an estimate of the financial flexibility of the City, as well as insight into tax, revenue, and service options the City Council must address.

1. Revenue Forecasts. The City seeks to match revenue sources with the economic and/or demographic variables that most directly affect year-to-year changes in revenues. For example, City sales tax revenues will reflect forecasts related to taxable sales; whereas, revenue from building permits and plan checks will be tied to the expected trends in residential, commercial and industrial development. The City attempts to use as many revenue-related variables as possible in its forecasts to minimize the risks of overstating or understating revenues. The beginning point of revenue forecasts and projections will be the previous year's collections along with an analysis of the financial trends over the last several years.

Revenue estimates will strive for accuracy by coming as close as possible to the actual outcome. However, forecasting sharp turns in the national, state and local economies is problematic. In addition, attempting to predict what the Governor and State Legislature will do with designated City revenues in their attempt to deal with the on-going State budget crisis is almost impossible. Revenue forecasting is not an exact science and at times relies upon the best professional judgment of the forecaster.

2. Expenditure Forecasts. Expenditure growth is most closely linked to two major factors: inflation (including general inflation, adjustments to salaries and changes in benefit costs), and (2) financial policies related to the amount of new funding for new programs or for the expansion of existing programs. For certain expenditure categories (such as fuel and utilities), the City applies inflation factors that reflect the historical rate of price inflation in these categories to overall inflation.

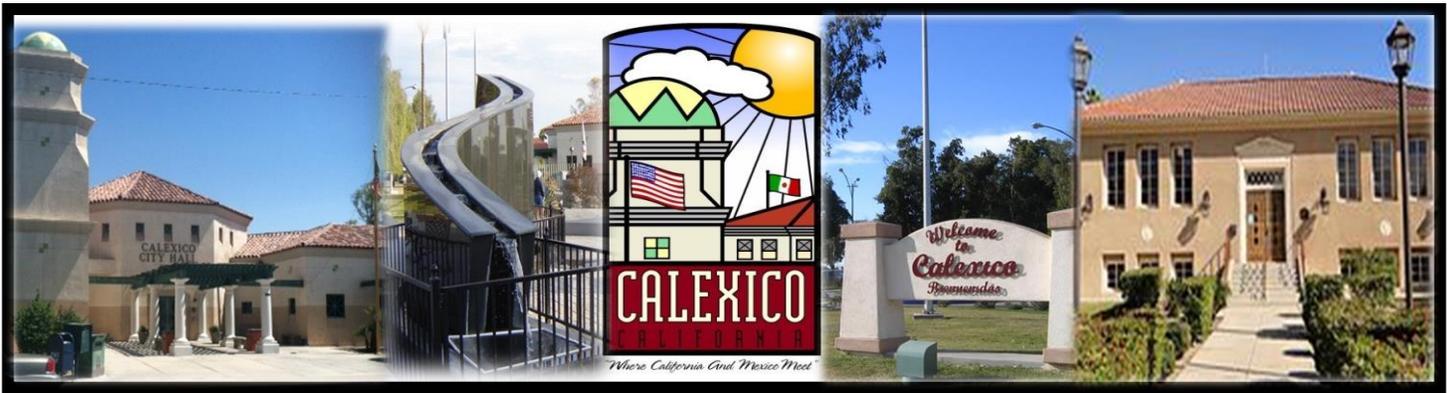
Budget is a Road Map to Make Community Vision a Reality.

This annual budget is a conservative road map for the coming year and will require careful management to ensure spending is contained within the limits established by the City Council. The City Council, City Manager and staff are committed to providing the highest level of City services for the least cost. The preparation of the annual budget is an arduous task. Appreciation is extended to John T. Quinn, Mike Bostic, Julia Osuna, Nick Servin, Nick Fenley, Erica Lacuesta, Sally Hernandez, Gabriela Garcia, Liliana Falamir and other staff members for their contributions. This budget is submitted for your careful review and to make any changes or alteration as you see appropriate to meet the goals and objectives of the City Council and the desires of the citizens of the community. We all look forward to serving you and the citizens of the City of Calexico in the coming year.

Respectfully submitted,

Richard N. Warne

City Manager



SECTION 1

STRATEGIC PLANNING, IMPLEMENTATION AND EVALUATION DECISION MAKING PROCESS

Second St. looking East, Calexico, Calif. , 1937



Historic Downtown Calexico, California

STRATEGIC PLANNING, IMPLEMENTATION AND EVALUATION DECISION MAKING



STRATEGIC PLANNING, IMPLEMENTATION AND EVALUATION DECISION MAKING PROCESS

Community Values Statements	Community Vision Statements
<p>Calexico is a community that:</p> <ol style="list-style-type: none"> 1. Recognizes that Calexico is an ethnically and culturally rich and diverse community, located on the border between California and Mexico. It capitalizes on the trade, commerce, culture and energy that comes with its unique status as an international gateway city. 2. Promotes the development of a wholesome and attractive city, resulting in orderly development and preservation of its historic, cultural roots and natural beauty. 3. Provides a clear and clean visual image of the community that reflects the highest standards of design for public and private commercial, residential, institutional and industrial development. 4. Fosters retail commercial, office and light industrial enterprises that will preserve the City's natural environment and capitalize on the City's border location, provide employment in a diverse economy and provides tax revenues to fund high levels of City services. 5. Promotes the development of building and public infrastructure that is practical, aesthetically pleasing and in harmony with the surrounding environment. 6. Promotes an atmosphere in which people can live in good health, move about the community (even at night) and feel confident that they and their property are protected from criminal harm, flood, fire and natural hazards. 7. Fosters a feeling of community spirit, community identity and promotes a sense of full citizen participation, guaranteeing an opportunity for everyone to share in the activities, duties, responsibilities and benefits of the City. 8. Promotes efficient and effective municipal services and makes adequate provisions for 	<p>Calexico will be a distinctive, international gateway, border community where commerce, culture, and opportunity come together in an ethnically and culturally diverse community. It encourages the involvement of responsible citizens. The City Council is committed to a clean, attractive, and safe community; to the provision of excellent City services, facilities and infrastructure; to the creation of a prosperous local economy; and to provide a responsive, open and transparent City government.</p> <ol style="list-style-type: none"> 1. Responsible Citizens. Our citizens will have educational opportunities to become part of a talented and creative workforce; be involved in the community and demonstrate a high degree of volunteerism; partner with the City government to share responsibility for the health, safety and welfare of the community; be informed and be civil in interactions with City officials and with each other. 2. Clean, Attractive and Safe City. Our City will have a safe and secure environment for all who live, work and visit; be clean and attractive with public art and cultural amenities; have structurally sound and well-maintained homes, businesses, and public buildings and public infrastructure; and will have a special identity of which the community can be proud. 3. Excellent City Services, Facilities, and Infrastructure. Our City will provide economic and efficient City services; be sensitive to customer satisfaction; have exceptional parks public facilities and cultural amenities; provide safe and convenient access within the City; have flood control facilities, sewer, water and power systems built to protect property and public health; provide necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings; and reflect sensitivity to resource conservation. 4. Prosperous Local Economy. Our City will offer a local economy vibrant in shopping experiences

<p>police, fire, emergency medical, roads, water, sewer, natural gas, power, storm water, schools, parks libraries and other public facilities and services.</p> <p>9. Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.</p> <p>10. Provides for cultural, recreational and contemplative opportunities for residents and visitors to Calexico.</p>	<p>and business opportunities; offer revitalized residential, commercial, industrial areas; be a visitor destination for Southern California, Mexico and other parts of Latin America; and will offer high quality employment opportunities within the community.</p> <p>5. Competent, Responsive and Transparent City Government. The City government will be competent, responsive, open, trustworthy, and transparent; maximize citizen participation in community decisions; minimize bureaucracy, emphasize efficiency and be accessible to all citizens; be fiscally responsible and financially stable; promote long-term goals of the City while addressing immediate needs and desires; operate in an ethical, customer-friendly, cost-conscious, collaborative and technologically advanced manner; create a challenging and supportive environment which treats employees fairly, promotes team work, and provides employee career development opportunities.</p>
	

The FY2014-2015 Calexico budget is prepared within the broad context of the City’s Strategic Planning, Implementation and Evaluation Decision-Making Process. This decision-making process provides the framework for planning, implementing and evaluating City operations, budgets, programs, service levels and capital improvements. This decision-making process is designed to:

1. Bring the City Council, community leaders, residents and special interest groups together to work toward the same objectives consistent with the community’s values and vision.
2. Involve the community in actively planning for the future and build support for programs, policies, revenue-raising measures, cost-cutting strategies and capital projects. By involving community leaders, residents and special interest groups, the Strategic Planning, Implementation and Evaluation Decision-Making Process helps the City communicate with its constituents.
3. Assist the City Council, staff and City committees to allocate time more efficiently. When priorities are clear, it is easier to allocate time to the most important things.
4. Provide a framework for resource allocation during the annual budget process. If the City knows what programs, issues and action plans have the highest priority, then staff will have a better idea of how to allocate funds when preparing the annual budget. The City Council will have a better idea on where to make adjustments when approving the final annual budget.
5. Enhance communication between the City Council, City Manager and staff. Without clearly defined directions, the City Manager and staff may have difficulty establishing priorities among requests from the City Council, special interest groups and residents.

6. Provide an evaluation tool for City activities. Carefully crafted community values, community vision, mission statement, Strategic Plan, City Council legislation, Five-Year Capital Improvements Plan and annual budget are a standard against which to measure employee and organizational performance.

Strategic Planning Phase

The strategic planning phase consists of the following components: community values, community vision, City mission statement, and Calexico Strategic Plan.

1. Community Values. Community values are the non-negotiable core principals or standards that the community's citizens wish to maintain. They must be acknowledged, constantly defended to ensure that change and development occur in accordance with these principles and standards. The community values held by the residents, community leaders and elected officials determine the City's character, urban design features and ultimately development of the City. Community values guide the community's vision, mission, as well as its goals, objectives, activities, capital projects, budgets and service levels. The following Community Values Statements represent the community's core values that form the basis for the Calexico Community Vision:

Calexico is a community that:

- A. Recognizes that Calexico is an ethnically and culturally rich and diverse community, located on the border between California and Mexico. It capitalizes on the trade, commerce, culture and energy that comes with its unique status as an international gateway city.
- B. Promotes the development of a wholesome and attractive city, resulting in orderly development and preservation of its historic, cultural roots and natural beauty.
- C. Provides a clear and clean visual image of the community that reflects the highest standards of design for public and private commercial, residential, institutional and industrial development.
- D. Fosters retail commercial, office and light industrial enterprises that will preserve the City's natural environment and capitalize on the City's border location, provide employment in a diverse economy and provides tax revenues to fund high levels of City services.
- E. Promotes the development of building and public infrastructure that is practical, aesthetically pleasing and in harmony with the surrounding environment.
- F. Promotes an atmosphere in which people can live in good health, move about the community (even at night) and feel confident that they and their property are protected from criminal harm, flood, fire and natural hazards.
- G. Fosters a feeling of community spirit, community identity and promotes a sense of full citizen participation, guaranteeing an opportunity for everyone to share in the activities, duties, responsibilities and benefits of the City.

H. Promotes efficient and effective municipal services and makes adequate provisions for police, fire, emergency medical, roads, water, sewer, natural gas, power, storm water, schools, parks libraries and other public facilities and services.

I. Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

J. Provides for cultural, recreational and contemplative opportunities for residents and visitors to Calexico.

2. Community Vision. The Community Vision articulates the type of City that Calexico will become as it changes and grows over the next several decades. This vision ultimately influences and shapes the goals, objectives, strategies, action plans and priorities of the Strategic Plan. It will also influence the development of City ordinances, regulations, policies, procedures and urban design standards. The Community Vision guides the preparation of the City's Five Years Capital Improvements Plan and annual budget.

The Community Vision for Calexico is:

Calexico will be a distinctive, international gateway, border community where commerce, culture, and opportunity come together in an ethically and culturally diverse community. It encourages the involvement of responsible citizens. The City Council is committed to a clean, attractive, and safe community; to the provision of excellent City services, facilities and infrastructure; to the creation of a prosperous local economy; and to provide a responsive, open and transparent City government.

A. Responsible Citizens. Our citizens will have educational opportunities to become part of a talented and creative workforce; be involved in the community and demonstrate a high degree of volunteerism; partner with the City government to share responsibility for the health, safety and welfare of the community; be informed and be civil in interactions with City officials and with each other.

B. Clean, Attractive and Safe City. Our City will have a safe and secure environment for all who live, work and visit; be clean and attractive with public art and cultural amenities; have structurally sound and well-maintained homes, businesses, and public buildings and public infrastructure; and will have a special identity of which the community can be proud.

C. Excellent City Services, Facilities, and Infrastructure. Our City will provide economic and efficient City services; be sensitive to customer satisfaction; have exceptional parks public facilities and cultural amenities; provide safe and convenient access within the City; have flood control facilities, sewer, water and power systems built to protect property and public health; provide necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings; and reflect sensitivity to resource conservation.

D. Prosperous Local Economy. Our City will offer a local economy vibrant in shopping experiences and business opportunities; offer revitalized residential, commercial, industrial areas; be a visitor destination for Southern California, Mexico and other parts of Latin America; and will offer high quality employment opportunities within the community.

E. Competent, Responsive and Transparent City Government. The City government will be competent, responsive, open, trustworthy, and transparent; maximize citizen participation in community decisions; minimize bureaucracy, emphasize efficiency and be accessible to all citizens; be fiscally responsible and financially stable; promote long-term goals of the City while addressing immediate needs and desires; operate in an ethical, customer-friendly, cost-conscious, collaborative and technologically advanced manner; create a challenging and supportive environment which treats employees fairly, promotes team work, and provides employee career development opportunities.

3. City Mission Statement. Together, we pledge to provide effective and efficient service in a courteous and respectful manner to improve the quality of life for all, in our unique border community.

4. Strategic Plan. The City Council adopts a Strategic Plan to carry out the mission of the City in accordance with the Calexico Community Values and Community Vision. The Strategic Plan may contain the following components:

- A. Description of Current Situation.
- B. Needs Assessment.
- C. Development of Strategy Areas.
- D. Determination of Goals.
- E. Determination of Policies.
- F. Development of Action Plans.
- G. Determine priority of Actions Plans.
- H. Development of time line to implement action plans.



5. Strategic Plan Development Sources. The City of Calexico uses citizen advisory committees, interviews with community leaders, input from special interest groups, public hearings, facilitators and consultants, City staff and community workshops or charettes to develop its Strategic Plan.

A. Citizen Advisory Committees. Calexico gives citizen input more weight and power by formally involving individual citizens in the Strategic Planning process through citizen advisory committees. Citizens serve on advisory boards because they have strong opinions and concerns about their community. They represent an important source of information and are removed from day-to-day administration, providing the elected officials with a fresh point of view on community issues. The participation of citizens in the strategic planning process gets them involved and develops advocates for changes that must be made.

B. Interviews with Community Leaders. Business, religious and civic leaders will have valuable insights in helping to develop the community's Strategic Plan. They are also crucial in shaping public opinion and developing consensus for City goals, objectives, strategies, action plans, activities, ordinances, policies and capital improvements that will

carry out the community's vision.

C. Input from Special Interest Groups. Special interest groups will have strong opinions about specific policy areas. If they are involved in the strategic planning process they can represent a very powerful tool for gaining support for City goals, strategies, action plans, activities, ordinances, policies and capital projects that will implement the community vision.

D. Public Hearings. The public hearing is the simplest approach to letting citizens be involved in the development of the City's Strategic Plan.

E. Facilitators and Consultants. The City may retain facilitators and consultants with expertise in specific areas to generate policy options, assist with the development of the City's Strategic Plan components, help develop goals and objectives, identify alternative approaches to community issues and provide options for action plans and ordinances.

F. City Staff. City employee participation is an essential component of a strategic planning process. Employees understand the community issues and know the workings of the City government. They will be responsible for implementing action plans and administering budgets to accomplish community goals. City staff involvement improves morale, encourages employee cooperation, makes them owners of the overall objectives of the City government and improves communication throughout the governmental structure.

G. Community Workshops or Charettes. Community workshops or charettes are an effective way to bring together community leaders, City employees, special interest group representatives and interested residents to "brain storm" and develop alternative solutions to community issues in an intensive work setting.

Implementation Phase

The implementation phase of the Strategic Planning, Implementation and Evaluation Decision-making Process consists of the following components: City Council legislation, organization development, Five-Year Capital Improvements Plan and annual budget.

1. City Council Legislation. Ordinances, resolutions, regulations, directives, development standards, urban design features, engineering standards and contracts consistent with the community vision are drafted to achieve the goals and objectives, and implement the strategies and action plans of the Strategic Plan. For example, the City adopts a zoning ordinance to carry out the Land Use Element of the General Plan. The adoption of an impact fee ordinance and the development of the City's sewer, storm drainage, fire facilities, and parks facilities master plans are other examples where ordinances are used to implement the City's Strategic Plan.

2. Organization Structure. The City Council and the City Manager create an organizational structure to achieve the goals of the Strategic Plan and implement the policies and actions plans within each of its strategy areas. This might include: (1) creation of citizen committees, and offices or positions within the City government or (2) changing job descriptions or (3) making specific assignments for specific programs or projects.

3. Five-Year Capital Improvements Plan. The City of Calexico's Five-Year Capital Improvements Plan is a multi-year guide to the construction of community improvements such as roads, bridges, storm drains, curb, gutters, sidewalks, sewer facilities, storm drainage facilities and

parks and recreation facilities. It is through this process that the long-range plan for the orderly maintenance and improvement of Calexico's physical assets can be accomplished. This document is intended to serve as a planning tool and is structured to present a meaningful long-range perspective of the community's long-range capital needs and goals.

4. Annual Budget. The annual budget conforms to the Strategic Plan and is the primary mechanism for achieving the Community vision through achieving the goals of the Strategic Plan, implementing its policies and executing its actions plans. The annual budget is a policy document, (2) operations guide, (3) financial plan and (4) communications device. It contains:

- A. Executive Summary
- B. City Manager's Budget Message.
- C. Presentation of Calexico's Government Organization.
- D. Description of the Accounting and Financial Reporting System.
- E. Presentation of Calexico's Accounting, Investment, Fixed Asset, Financial Capital Improvement and Budget Policies.
- F. Presentation of Budget Summaries.
- G. Presentation of Fund Budgets.
- H. Statistical Information.
- I. Glossary of Acronyms and Terms.

Evaluation Phase.

The Evaluation Phase of the Strategic Planning, Implementation and Evaluation Decision-Making process is concerned with the efficiency and effectiveness that the community vision is being achieved through the City's Strategic Plan.

The department heads, City Manager and City Council evaluate their activities at least once a year. This includes a Strategic Plan Evaluation, goals and objectives evaluation, action plans evaluation, Five-Year Capital Improvements Plan Evaluation, budgeting and financial resource evaluation and employee performance evaluations. Some of the following questions could be considered as department heads, City Manager, City Council evaluate the activities of the City's departments.

1. Questions Relating to Goals.

- A. Does the Strategic Plan have goals and strategies that will achieve the community vision?
- B. What are the goals of the City? Is there agreement from all groups on the goals of the Strategic Plan, Five-Year Capital Improvements Plan and the annual budget?
- C. Do the action plans contribute to the achievement of the goals of the Strategic Plan?

- D. Are the action plans of the Strategic Plan correctly prioritized?
- E. Is there steady progress toward the attainment of the goals of the Strategic Plan and achieving the community vision?
- F. What goals need to be modified or new goals established to reflect changes in the community values, community vision or Strategic Plan?
- G. Did City department activities lead to goal achievement and the kind of City reflected in the community values and community vision statements?

2. Questions Relating to the Organization.

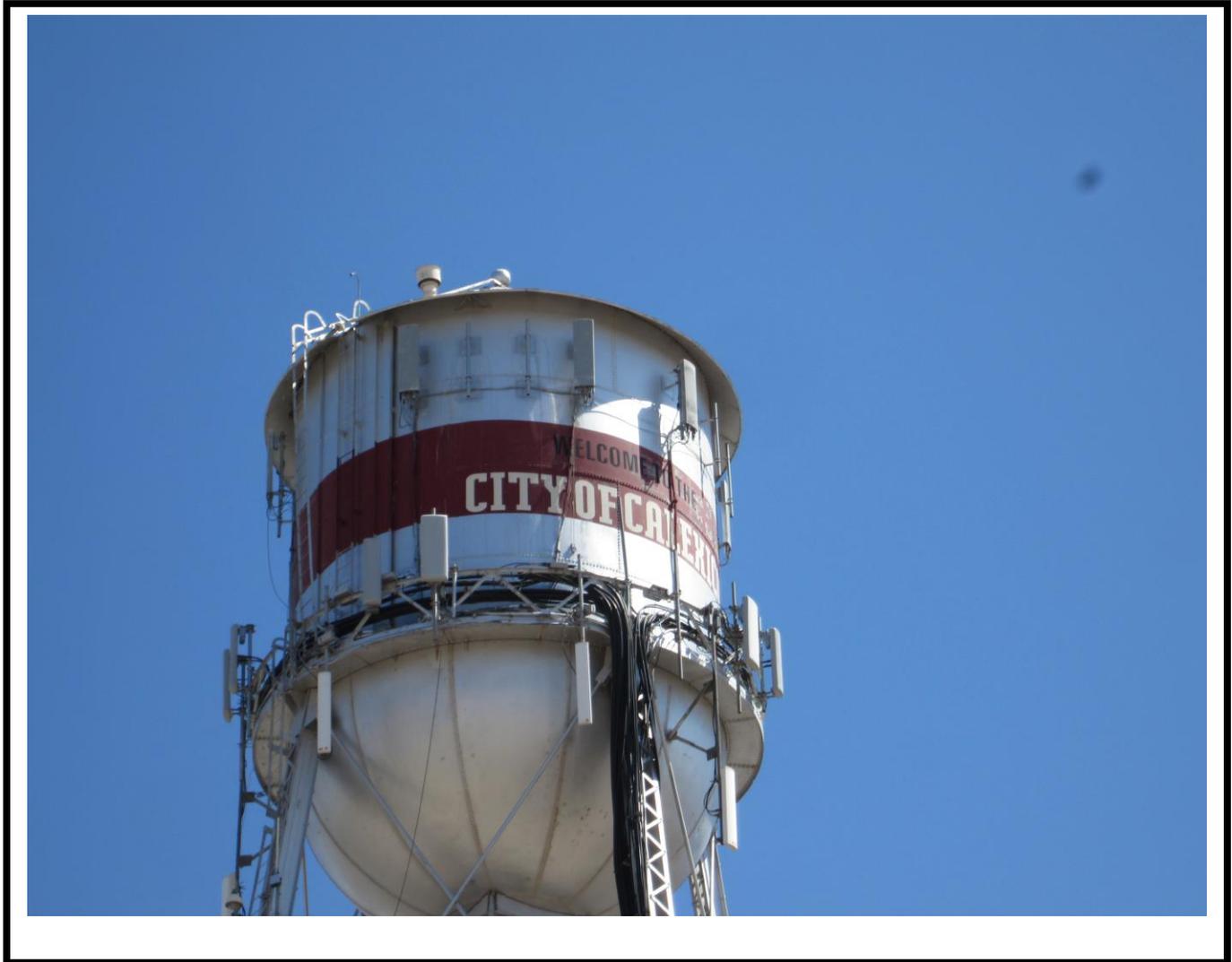
- A. How effective is the department in executing the action plans and achieving the goals of the Strategic Plan?
- B. Is the organization structured to meet the goals of the Strategic Plan, Five-Year Capital Improvements Plan and annual budget?
- C. Are responsibilities clearly defined and are mechanisms in place to ensure accountability of managers, supervisors and employees?
- D. Are reporting procedures and organizational relationships clearly defined?
- E. Is the staff using its time effectively in carrying out department activities and delivering municipal services?
- F. How effective is the organization in resolving citizen complaints and finding solutions to complex problems?
- G. What is the nature and frequency of complaints received by elected officials regarding employees, department activities, capital improvement projects or City services?
- H. What individuals or groups have been opposed to or been critical of certain City policies and activities in the past and why? Are their concerns legitimate?
- I. Are performance measures adequately measuring what is really taking place in City departments?
- J. What are the activities and service areas where the organization excels?
- K. What activities and service areas should the organization improve its performance?

3. Questions relating to budgeting, financing and resource allocation.

- A. How are time, money and personnel being allocated?
- B. What does staff perceive it needs? What problems are they experiencing?
- C. What are the financing sources for each City activity?

D. What kinds of equipment could be purchased to make municipal services more cost-efficient?

E. What types of revenue-raising or cost-cutting activities can be or should be implemented?



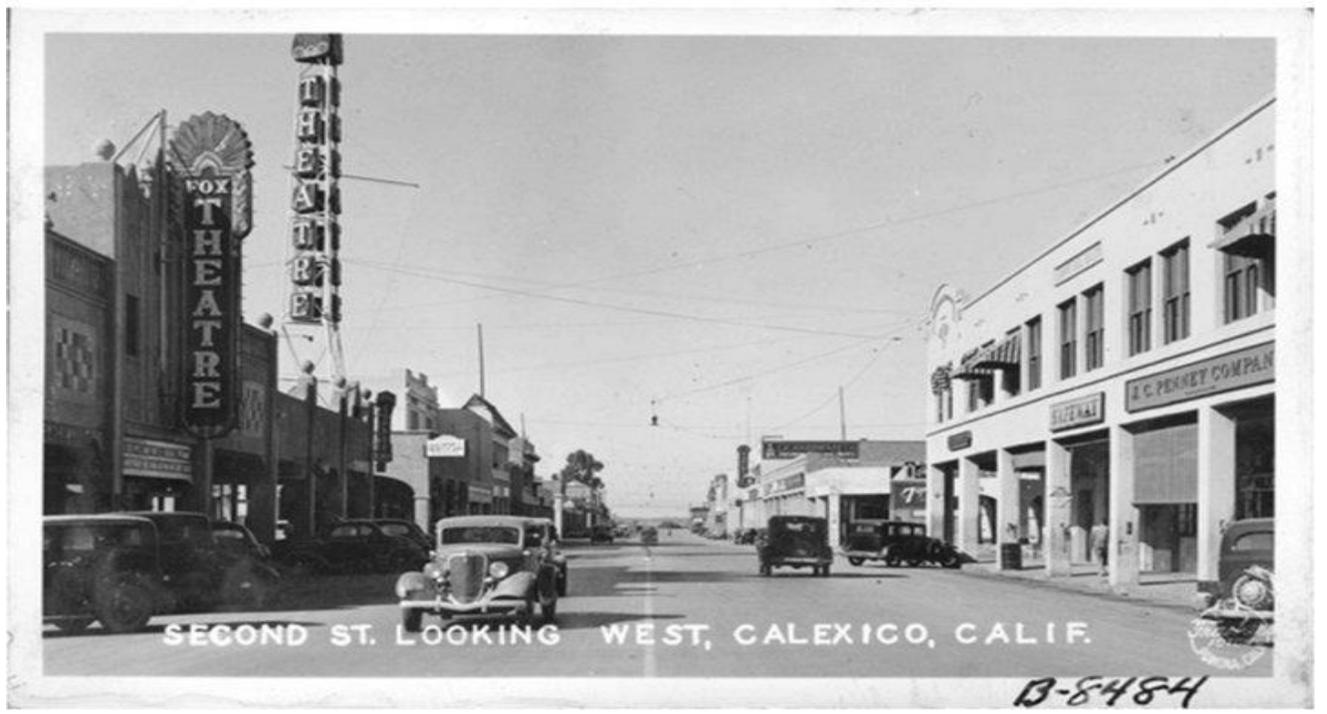
**Historical Water Tank
Calexico, California**



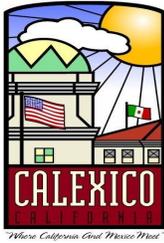
SECTION 2

CITY OF CALEXICO ORGANIZATION

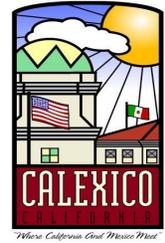
Second Street Looking West, Calexico, Calif. , 1937



Historic Downtown Calexico, California



CITY OF CALEXICO PRINCIPAL OFFICIALS



Calexico Elected Officials

Joong Kim
Luis Castro
Maritza Hurtado
John Moreno
Armando Real

Mayor
Mayor Pro Tem
Council Member
Council Member
Council Member

Calexico Appointed Officials

Richard N. Warne
Mark J. Austin
Gabriela T. Garcia
John T. Quinn
Michael J. Bostic
Peter Mercado
Nick Servin
Nick Fenley
Sandra Tauler
Julia Osuna

City Manager
Interim City Attorney
City Clerk
Finance Director
Interim Police Chief
Fire Chief
City Engineer
Public Works Manager
Community Services Director
Interim Housing Manager



Mayor Pro Tem
Luis J. Castro



Council Member
John Moreno



Mayor
Joong Kim

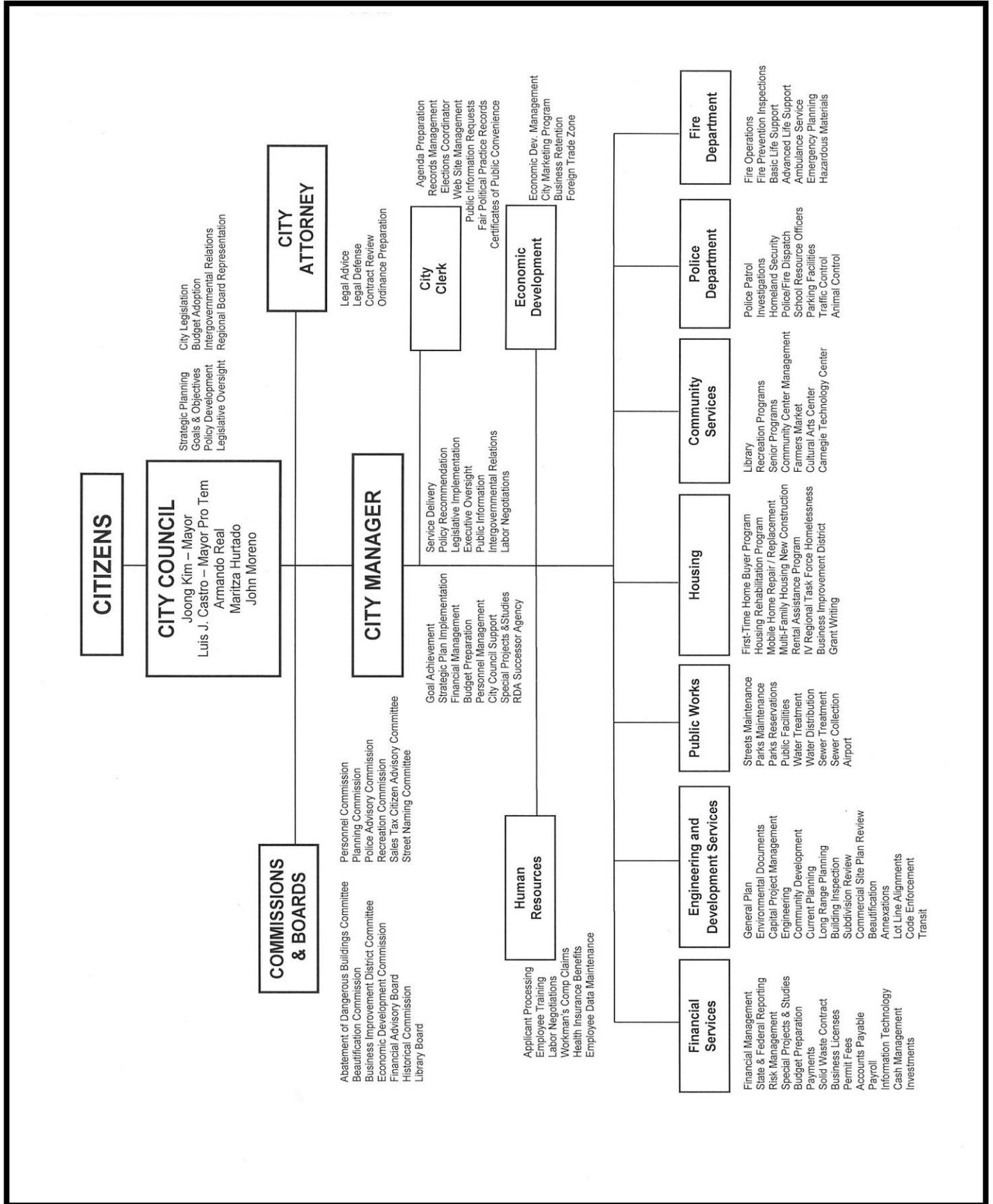


Council Member
Maritza Hurtado



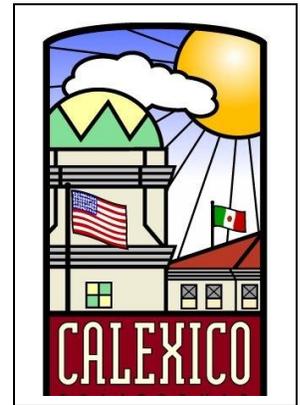
Council Member
Armando Real

CALEXICO CITY ORGANIZATION CHART



City of Calexico Organization

The City of Calexico was incorporated in April 1908, under the laws of the State of California. The City is a general law City and draws its authority from the California Constitution and the laws of the State of California enacted by the State Legislature. The City has a Council-Manager form of government. Under this municipal form of government, the citizens elect five members of the City Council for four-year overlapping terms. City Council members choose the Mayor and Mayor Pro Tem from among themselves each year. The Mayor presides at meetings of the City Council, signs documents, executes agreements and acts as the official representative of the City.



Regular meetings of the City Council are held at 6:30 p.m. on the first and third Tuesday of the month in the City Council Chambers. All meetings of the City Council are open to the public, except closed sessions as needed and allowed by State law.

The City Council is responsible for strategic planning, City legislation, policy development and legislative oversight over the City Manager. It provides policy direction for the City Manager and adopts the annual City budget and establishes goals, objectives, and performance measures for the City Manager. The goal of the City Council is to provide an unified well-informed and effective Council working and governing to produce the best City government, management, quality of life and services to Calexico residents.

The City Council takes the primary lead in intergovernmental relations and sit on regional boards, commissions and committees to advance and protect the interests of the City of Calexico. They represent the City at community ceremonies, meetings and other functions. The City Council attempts to be responsive to citizen concerns and enact legislation that reflects the needs, wishes and priorities of the residents of Calexico.

The City Manager is appointed by the five-member City Council by majority vote and serves at the "pleasure" of the governing body. He acts as the City's chief executive officer as well as its budget and financial officer. He is also the executive director of the Successor Agency to the Former Calexico Community Redevelopment Agency.

The City Manager implements the legislative policies of the City Council, manages the day-to-day operations of the City and is responsible for efficient and effective delivery of municipal services. In his capacity, he works with the City Council on strategic planning, policy development, ordinance preparation and goals and objectives for the organization. He implements the decisions of the City Council and is responsible for all aspects of the City's financial administration and personnel administration. The City Manager oversees the work of all staff members, consultants and City departments.

City services include administration, police, fire, emergency medical, community development, economic development, code enforcement, housing, water treatment and distribution, wastewater collection and treatment, storm water management, solid waste collection, street construction and maintenance, transit, airport, building inspection, animal control, library, cultural arts, senior programs, parks and recreation services to the citizens of Calexico.

As required by GAAP in the United States, the City's accounting and financial reporting system is responsible for the City and its component units and entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and either the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial

benefits to or impose specific requirements on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City.) In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete. The component unit for which the City is considered financially accountable is the Successor Agency to the Former Calexico Community Redevelopment Agency.

Successor Agency to the Former Calexico Community Redevelopment Agency. On December 29, 2011, the California Supreme Court ("Court") upheld the enforceability of legislation that provides for the dissolution of California Redevelopment Agencies, but struck down Assembly Bill X1 27 which would have provided a means for Redevelopment Agencies to continue to exist and operate by means of a Voluntary Alternative Program. The result of the Court ruling, the dissolution of California Redevelopment Agencies was effective on January 31, 2012.

Assembly Bill X1 26 signed into law as part of the State's budget package on June 29, 2011, requires each California Redevelopment Agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve assets, prepare for impending dissolution of the agency, and transfer all of its assets to a successor agency that is governed by an oversight board representing the various taxing jurisdictions in the community.

Assembly Bill X1 26 also required each agency to adopt an Enforceable Obligation Payment Schedule and draft a Recognized Obligation Payment Schedule prior to September 30, 2011. Enforceable obligations include bonds, loans and payments required by the federal or state government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill X1 26. Only the amount of tax revenues necessary to fund the payments reflected on the Recognized Obligation Payment Schedule will be allocated to the successor agencies.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between Redevelopment Agencies and other public bodies that occurred after January 1, 2011. If a public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designed as the successor agency as defined in Assembly Bill X1 26.

On January 24, 2012, the City affirmed its intent to retain the housing assets and functions previously performed by the dissolved Agency pursuant to Section 3417(a) (1) of the California Health and Safety Code. On January 31, 2012, the Agency had net assets of \$14,512,534. These assets were transferred from the Redevelopment Agency to the Successor Agency and all Successor Agency activities were reported in Fiduciary Funds.

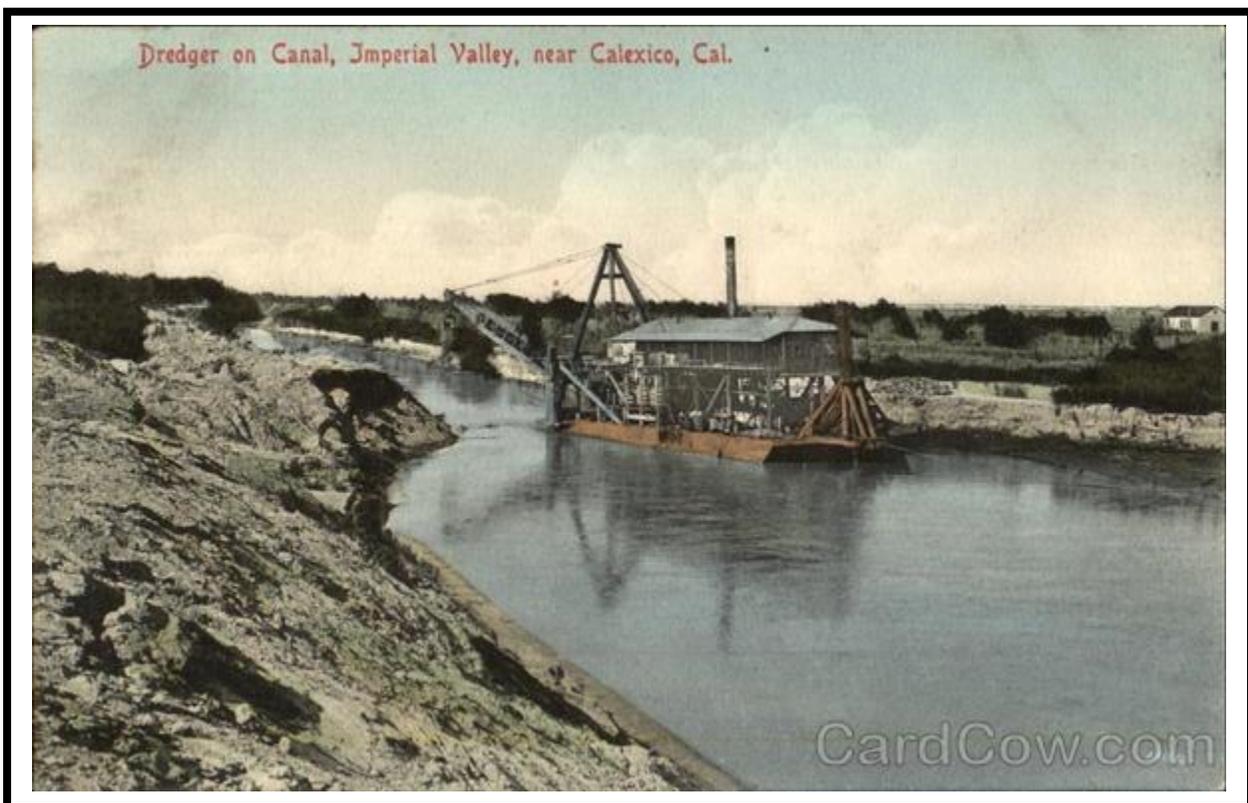
Since the City Council serves as the governing body for the Agency, it is considered a blended component unit. Blended component units, although legally separate entities, are in substance, part of the City's operations and their financial operations are accounted for in the City's financial system.

Calexico Public Financing Authority.

Calexico Public Financing Authority is a joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement, dated December 1, 1990, between the City of Calexico and Calexico Community Redevelopment Agency (now Successor Agency). Such agreement was entered into pursuant to the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title I of the California Government Code. The Authority was created for the purpose of assisting the financing or refinancing of certain capital facilities within the City. Under Act, the Authority may purchase bonds issued by any local agency at public or negotiated sale and may sell bonds to public or private purchaser at public or negotiated sale

The Authority is governed by a five-member board of directors, which consists of the members of the City Council of the City. The Mayor acts as the Chair of the Authority, the City Manager as its Executive Director, the City Clerk as the Secretary and the Finance Director as the Treasurer of the Authority.

The Authority, the City, and the Successor Agency are each separate and distinct legal entities and the debts and obligations of each such entity are not debts or obligations of the other entity. Under the provisions of State law, the Community Redevelopment agency of the City of Calexico was statutorily dissolved and succeeded by the Successor Agency with respect to the Joint Powers Agreement.



**Historic Post Card
Dredger on All-American Canal Near Calexico**

CITY OF CALEXICO STAFFING CENSUS

The City of Calexico currently has 172 elected officials and regular employees. In addition to the personnel listed below, the City contracts for its solid waste collection services and legal services. **The total number of authorized elected officials and employees will not increase during FY2016.**

Elected Officials

Position	FY2013	FY2014	FY2015	FY2016
Mayor	1	1	1	1
City Council Member	4	4	4	4
City Treasurer (Elected)	1	0	0	0
City Clerk (Elected)	1	0	0	0
Total	7	5	5	5

Administration

Position	FY2013	FY2014	FY2015	FY2016
City Manager	1	1	1	1
Executive Assistant to the City Manager	0	1	1	1
City Clerk (Appointed)	1	1	1	1
Human Resources Technicians	2	2	2	2
Administrative Analyst	1	0	0	0
Administrative Assistant	0	1	1	1
Financial Analyst (Economic Development)	0	0	1	1
Total	5	6	7	7

Financial Services

Position	FY2013	FY2014	FY2015	FY2016
Financial Services Director	1	1	1	1
Financial Services Manager	1	1	1	1
Accountant	1	1	1	1
Payroll Technician	1	1	1	1
Revenue Officer	1	1	1	1
Executive Assistant	1	1	1	1
Accounting Assistant II	2	0	0	0
Accounting Assistant I	2	1	1	1
Financial Analyst	0	1	0	0
Project Coordinator	0	1	1	1
Meter Readers (Part-Time)	0	2	2	2
Total	10	11	10	10

Housing

Position	FY2013	FY2014	FY2015	FY2016
Housing Manager	1	1	1	1
Grants Manager	0	1	1	1
Housing Rehabilitation Inspector	1	1	1	1
Housing Specialist	1	1	1	1
Total	3	4	4	4

Engineering and Development Services

Position	FY2013	FY2014	FY2015	FY2016
City Engineer	1	1	1	1
Building Manager	1	1	1	1
Building Inspector II	1	1	1	1
Code Enforcement Officers	2	2	2	2
Planner	1	1	1	1
Project Inspector	1	1	1	1
Executive Assistant	2	2	2	2
Total	9	9	9	9

Public Works (Streets, Facilities and Parks)

Position	FY2013	FY2014	FY2015	FY2016
Public Works Manager	1	1	1	1
Supervisor of Maintenance and Operations	1	1	1	1
Accounting Assistant II	1	1	1	1
Building Maintenance Worker	1	1	1	1
Mechanic II	1	1	1	1
Mechanic I	2	2	2	2
Street Maintenance Crew Leader	1	1	0	0
Heavy Equipment Operator	1	1	1	1
Laborer	2	2	2	2
Street Sweeper Operator	1	1	1	1
Parks Maintenance Crew Leader	1	1	1	1
Total	13	13	12	12

Public Works (Airport)

Position	FY2013	FY2014	FY2015	FY2016
Utilities Coordinator	1	1	1	1
Total	1	1	1	1

Public Works (Water Treatment)

Position	FY2013	FY2014	FY2015	FY2016
Chief Water Treatment Plant Operator	1	1	1	1
Water Treatment Plant Operator III	5	5	5	5
Water Treatment Plant Maintenance Worker	1	1	1	1
Laborer	1	1	1	1
Total	8	8	8	8

Public Works (Water Distribution)

Position	FY2013	FY2014	FY2015	FY2016
Chief Water Distribution Operator	1	1	1	1
Lead Distribution Maintenance Operator	1	1	0	0
Distribution Maintenance Worker	1	1	1	1
Water Distribution Operator	4	4	4	4
Total	7	7	6	6

Public Works (Wastewater Treatment)

Position	FY2013	FY2014	FY2015	FY2016
Chief Wastewater Treatment Operator	1	1	1	1
Wastewater Treatment Operator III	1	1	0	0
Wastewater Treatment Operator II	2	2	3	3
Laboratory Technician	1	1	1	1
Water Treatment Maintenance Worker	1	1	0	0
Laborer	2	1	1	1
Total	8	7	6	6

Public Works (Wastewater Collection)

Position	FY2013	FY2014	FY2015	FY2016
Chief Wastewater Collections Operator	1	1	1	1
Wastewater Collection Operator II	1	1	1	1
Wastewater Collection Operator III	2	2	1	1
Laborer	2	1	0	0
Electrician	1	1	1	1
Total	7	6	4	4

Community Services

Position	FY2013	FY2014	FY2015	FY2016
Community Services Director	1	1	1	1
Administrative Assistant	1	1	1	1
Reference Librarian	2	2	2	2
Library Assistant II	1	1	1	1
Library Technician	1	1	1	1
Community Sports Coordinator	1	1	1	1
Community Recreation Coordinator	1	1	1	1
Senior Citizens Program Coordinator	1	1	1	1
Total	9	9	9	9

Police

Position	FY2013	FY2014	FY2015	FY2016
Police Chief	1	1	1	1
Police Lieutenant	2	2	2	2
Police Sergeant	5	5	6	6
Police Officers	31	31	31	31
Executive Assistant	1	1	1	1
Community Services Officer	2	0	0	0
Public Safety Dispatch Supervisor	1	1	1	1
Public Safety Dispatchers	6	8	8	8
Records Assistant	2	2	3	3
Evidence Technicians	1	1	1	1
Parking Traffic Supervisor	1	1	1	1
Parking/Traffic Officers	2	2	2	2
Animal Control Officer	2	2	2	2
Total	57	57	58	58

Fire

Position	FY2013	FY2014	FY2015	FY2016
Fire Chief	1	1	1	1
Executive Assistant	1	1	1	1
Fire Captain	6	6	6	6
Fire Inspector	1	1	1	1
Fire Fighter Engineer	6	6	6	6
Fire Fighter Paramedic	18	18	18	18
Total	33	33	33	33

Position	FY2013	FY2014	FY2015	FY2016
Total	175	174	174	174

CITY OF CALEXICO

CODE OF ETHICS

On February 3, 2015, the City Council adopted a Code of Ethics. This Code of Ethics adopts standards of conduct for the City Council and its boards, committees and commissions.

Preamble.

The citizens and businesses of Calexico are entitled to have a fair, ethical and accountable local government which has earned the public's confidence for integrity. In keeping with the City of Calexico's commitment to excellence, the effective functioning of democratic government therefore requires that:

1. Public officials, both elected and appointed, comply with both the letter and spirit of the laws and policies affecting the operations of government;
2. Public officials be independent, impartial and fair in their judgment and actions;
3. Public deliberations and processes be conducted openly, unless legally confidential, in an atmosphere of respect and civility.

To this end, the Calexico City Council has adopted a Code of Ethics for members of the City Council and of the City's boards, commissions and committees to assure public confidence in the integrity of Calexico City government and its effective and fair operation.

Principles.

1. Act in the Public Interest. Recognizing that stewardship of the public interest must be their primary concern, members will work for the common good of the people of Calexico and not for any private or personal interest, and they will assure fair and equal treatment of all persons, claims and transactions coming before the Calexico City Council, boards, commissions and committees.

2. Comply with the Law. Members shall comply with the laws of the nation, the State of California and the City of Calexico in the performance of their public duties. These laws include, but are not limited to: the United States and California constitutions; laws pertaining to conflicts of interest, election campaigns, financial disclosures, employer responsibilities, and open processes of government; and City ordinances and policies.

3. Conduct of Members. The professional and personal conduct of members must be above reproach and avoid even the appearance of impropriety. Members shall refrain from abusive conduct, personal charges or verbal attacks upon the character or motives of other members of Council, boards, commissions, committees, the staff or public.

4. Respect for the Process. Members shall perform their duties in accordance with the processes and rules of order established by the City Council, boards, commissions and committees governing the deliberation of public policy issues, meaningful involvement of the public, and implementation of policy decisions of the City Council and by City staff.

5. Conduct of Public Meetings. Members shall prepare themselves for public issues; listen courteously and attentively to all public discussions before the body; and focus on the business at hand. They shall refrain from interrupting other speakers; making personal comments not germane to the business at hand, or otherwise interfering with the orderly conduct of meetings.

6. Decisions Based on Merit. Members shall base their decisions on the merits and substance of the matter at hand, rather than on unrelated considerations.

7. Communication. Members shall publicly share substantive information that is relevant to a matter under consideration by the City Council or boards and commissions, which they may have received from sources outside of the public decision-making process.

8. Conflict of Interest. In order to assure their independent and impartiality on behalf of the common good, members shall not use their official positions to influence government decisions in which they have a material financial interest or where they have an organizational responsibility or personal relationship, which may give the appearance of a conflict of interest. In accordance with the law, members shall disclose investments, interests in real property, sources of income, and gifts, and they shall abstain from participating in deliberations and decision-making where conflicts may exist.

9. Gifts and Favors. Members shall not take any special advantage of services or opportunities for personal gain, by virtue of their public office, that are not available to the public in general. They shall refrain from accepting any gifts, favors or promises of future benefits which might compromise their independence.

10. Confidential Information. Members shall respect the confidentiality of information concerning the property, personnel or affairs of the City. They shall neither disclose confidential information without proper legal authorization, nor use such information to advance their personal, financial or other private interests.

11. Use of Public Resources. Members shall not use public resources not available to the public in general such as City staff time, equipment, supplies or facilities for private gain or personal purposes.

12. Representation of Private Interests. In keeping with their role as stewards of the public interest members of the City Council shall not appear on behalf of the private interests of third parties before the Council or any board, commission or proceedings of the City, nor shall members of boards and commissions appear before their own bodies or before the Council on behalf of the private interests of third parties on matters related to the areas of service of their bodies.

13. Advocacy. Members shall represent the official policies or positions of the City Council, board or commission to the best of their ability when designated as delegates for this purpose. When presenting their individual actions and positions, members shall explicitly state they do not represent their body or the City of Calexico, nor shall they allow the inference that they do.

14. Policy Role of Members. Members shall respect and adhere to the council-manager form of City government. In this structure, the City Council determines the policies of the City with the advice, information and analysis provided by the public, boards and commissions, and City staff.

15. Independence of Boards and Commissions. Because of the value of the independent advance of boards and commissions to the public decision-making process, members of the City Council shall refrain from using their position to unduly influence the deliberations or outcomes of board and commission proceeding.

16. Positive Work Place Environment. Members shall support the maintenance of a positive and constructive work place environment for City employees and for citizens and businesses dealing with the City. Members shall recognize their special role in dealings with City employees to in no way create the perception of inappropriate direction to staff.

Implementation.

As an expression of the standards of conduct for members expected by the City, the Calexico Code of Ethics is intended to be self-enforcing. It therefore becomes most effective when members are thoroughly familiar with it and embrace its provisions. For this reason, ethical standards shall be included in regular orientations for candidates for City Council, applicants to boards and commissions, and newly elected and appointed officials. Members entering office shall sign a statement affirming they read and understand the City of Calexico Code of Ethics. In addition, the Code of Ethics shall be annually reviewed by the City Council, boards and commissions and the City Council shall consider recommendations from boards and commissions and update it as necessary.

Compliance and Enforcement.

The Calexico Code of Ethics expresses standards of ethical conduct expected for members of the Calexico City Council, boards and commissions. Members themselves have the primary responsibility to assure that the ethical standards are understood and met, and that the public can continue to have full confidence in the integrity of government.

The chairs and boards and commissions and the Mayor have the additional responsibility to intervene when actions of members that appear to be in violation of the Code of Ethics are brought to their attention.

The City Council may impose sanctions on members whose conduct does not comply with the City's ethical standards, such as reprimand, formal censure, or loss of committee assignments. The City Council also may remove members of boards and commissions from office.

A violation of this Code of Ethics shall not be considered a basis for challenging the validity of a Council, board or commission decision.

CITY OF CALEXICO

EMPLOYEE OPERATING STATEMENT

The values, vision and philosophy held by management and workers affects the attitudes, morale, work environment and the quality of municipal services. The Calexico Employee Operating Statement articulates the values and philosophy governing the operation of the City and the conduct of City employees.

Our Mission

We deliver customer-centered municipal services efficiently and effectively within the policy limits and financial constraints established by the City Council in accordance with the highest ethical and professional standards.

Our Vision

The City of Calexico will be a recognized leader in the delivery of public services; known for our responsiveness, reliability, customer service, good stewardship of fiscal and human resources, and caring attention given to the community.

Our Values

1. We learn, change and improve.
2. We are responsive to the community and provide excellent customer service.
3. We work as a team.
4. We work with integrity.
5. We are non-political.
6. We work with integrity.

Our Expectations

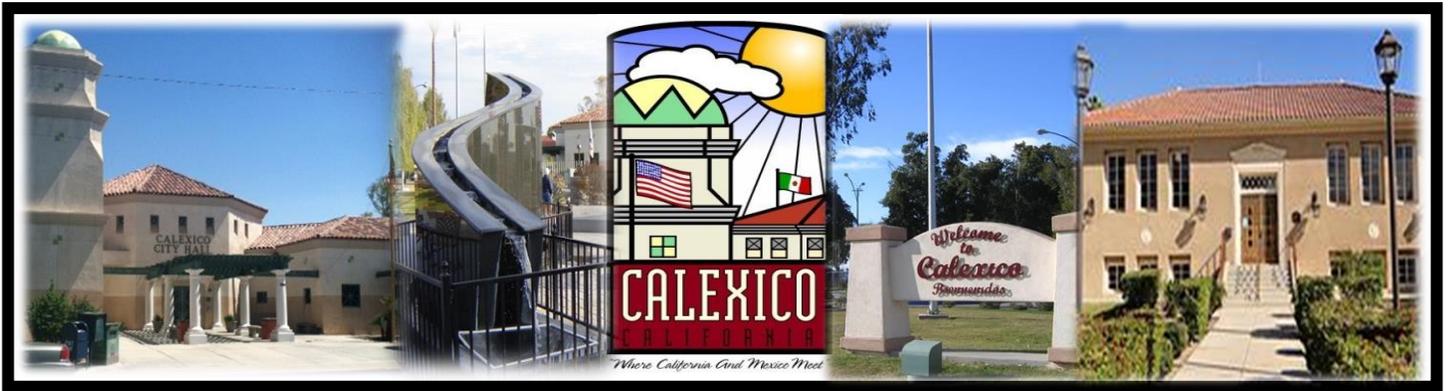
We expect the highest standards of professional conduct from those employed by the City of Calexico. Our employees will:

1. Be results-oriented, customer service centered individuals actively engaged in providing quality services, finding ways to improve City operations, and striving to lower the costs of these services.
2. Be competent, candid, honest, transparent and adhere to the highest standards of integrity.
3. Be loyal to City values and dedicated to using them to improve the delivery of municipal services.

4. Be innovative, creative and entrepreneurial in working for solutions to community issues.
5. Be open with elected officials, public and employees and welcome diverse opinions and ideas of others.
6. Respect the opinions of others regardless of whether they agree or disagree with those positions.
7. Expect to be held accountable and are willing to accept responsibility for their actions.
8. Complete staff work in a timely manner, paying particular attention to detail.
9. Take calculated “risks” in trying new approaches, ideas and understand that failure is to be learned from rather than feared.
10. Avoid last-minute surprises in work product.
11. Be recognized for competent performance as well as significant contributions.
12. Greet the public with a smile and a helpful attitude.

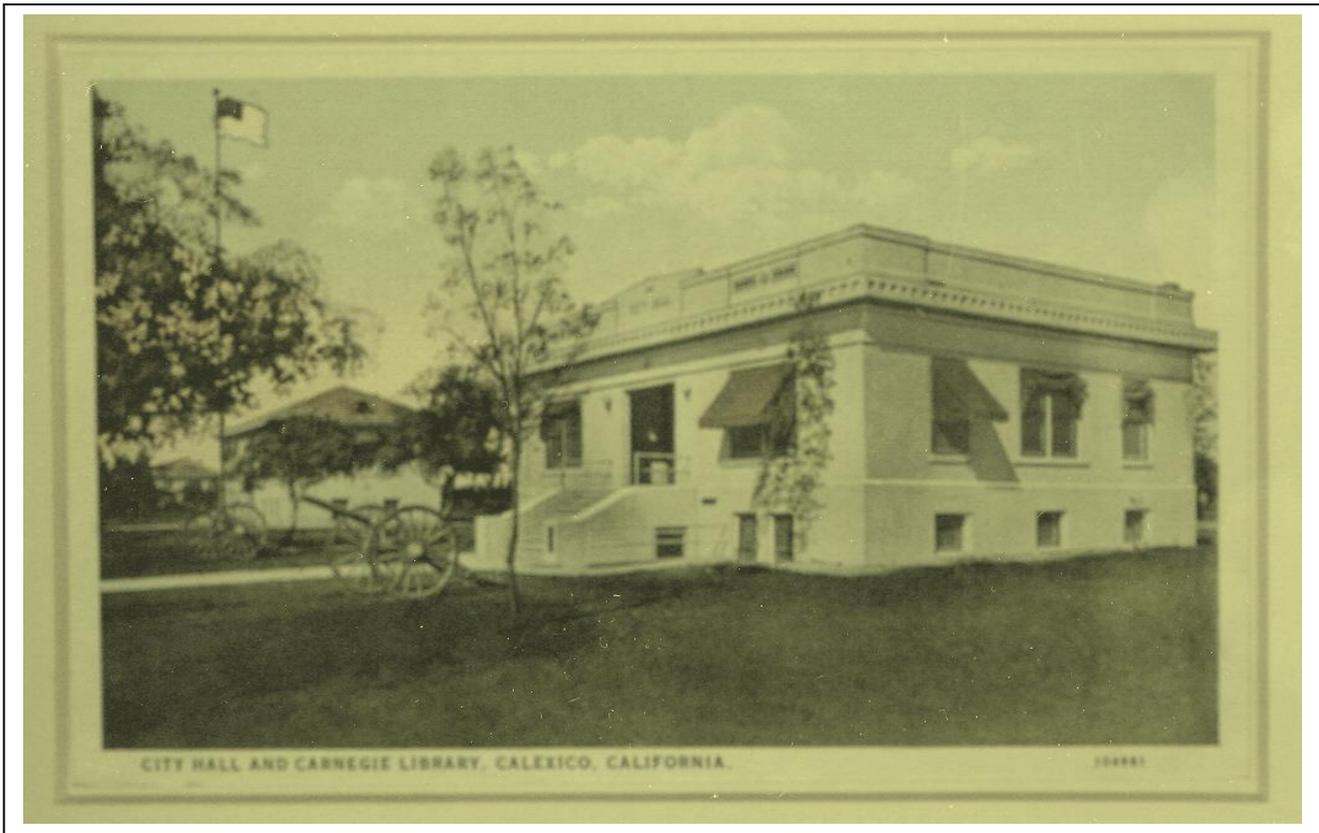


Historic Post Card of Downtown Calxico



SECTION 3

DESCRIPTION OF THE ACCOUNTING AND FINANCIAL REPORTING SYSTEM



Calexico City Hall and Carnegie Library

DESCRIPTION OF THE ACCOUNTING AND FINANCIAL REPORTING SYSTEM

Calexico's accounting system is organized on the basis of Accounting Funds, each of which is considered a separate government activity with its own accounting entity. The operations of each Accounting Fund are accounted for with a separate set of accounts that comprise its revenues, expenditures, assets, liabilities and fund equity or fund balance. From a private sector perspective, each Accounting Fund can be considered a wholly owned subsidiary of the City or a separate business which must support all of the direct and indirect costs of providing services to the public.

Government resources are allocated and accounted for in these individual Accounting funds based upon (1) the purpose for which they are to be spent, and (2) the means by which spending activities are controlled. This accounting system is used to aid the City Council, City Manager and department heads to demonstrate compliance with finance-related legal and contractual requirements. A minimum number of Accounting Funds are established consistent with legal and operating requirements "since unnecessary Funds result in inflexibility, undue complexity and inefficient financial administration."³⁰ **All City Accounting Funds are included in the annual budget and all revenues and other financing sources are appropriated by the City Council each year in the annual budget.**

The City of Calexico currently uses 32 Major Accounting Funds. These Accounting Funds are put into three broad categories called Accounting Fund Types. The three Accounting Fund Types operated by the City of Calexico are Governmental Fund Types for tax-supported activities, Proprietary Fund Types for business-type activities and Fiduciary Fund Types for governmental funds held in trust as Private Purpose Trust Funds or Agency Trust Funds. These Fund Types are broken down into the individual Accounting Funds described below:

Governmental Fund Types (Tax-Supported Activities)

The Governmental Fund Type is used to account for the acquisition of revenues, expenditures, assets and liabilities of tax-supported activities. In Calexico the Governmental Fund Type is divided into the General Fund, Special Revenue Funds, and Capital Projects Fund.

1. General Fund. The General Fund is the primary operating Fund of the City for the delivery of general municipal services. It is used to account for all financial transactions and resources of the general government, except those required by the General Accounting Standards Board (GASB) or federal, state or city law or regulation to be accounted for in another Fund. The City of Calexico operates only one General Fund and it is used to account for most tax-supported activities. Expenditures for such functions as administration, finance, human resources, police, fire, planning, economic development, code enforcement, parks, recreation, and some public works activities are financed by the General Fund.

2. Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific sources that are legally restricted to expenditures for specific purposes. It does not include accounting for financial resources in Fiduciary funds or major construction projects accounted for in the City's Development Impact Fee Capital Project Funds. These restrictions usually arise from state legislation or from federal, state and county grants. The City operates 17 Special Revenue Funds. They are:

³⁰ National Council on Governmental Accounting (NCGA) Statement No. 11.

A. Highway Users Tax Special Revenue Fund. This Accounting Fund is used to account for revenues and related expenditures limited to a variety of highway and transportation purposes. Revenues are derived from gasoline taxes collected under Sections 2105, 2106, 2107, 2107.5 of the California Streets and Highway Code. These revenues come from gasoline taxes placed on motor vehicle fuels. Allocations are generally distributed by population. Funds can only be used for construction and maintenance of City streets and roads.

B. Transportation Development Act (TDA) Special Revenue Fund. The City uses this Accounting Fund to account for all activities, revenues and expenditures related to Calexico's allocation of State Transportation Assistance Funds (STA) and the ¼ cent statewide sales tax set aside for transit, bike paths and pedestrian facilities and capital projects related to streets.

C. Transit Special Revenue Fund. This Accounting Fund is used to track all activities, revenues, expenditures, assets and liabilities to provide bus services for the residents of Calexico and to destinations in the surrounding area as well as dial-a-rid bus services within the City of Calexico.

D. Airport Special Revenue Fund. The mission of the Airport Special Revenue Fund is to account for all activities, revenues, expenditures, assets, liabilities to provide a general aviation airport to the residents of Calexico and the surrounding area. The Calexico International Airport is situated approximately one mile west of the central business district and in close proximity to the border between Mexico and the United States. The airport is owned by the City of Calexico and is administered and operated by the Calexico Department of Public Works. Calexico International Airport is contained in the National Plan of Integrated Airport Systems (NPIAS) and is classified as a general aviation (GA) airport which is defined as an airport that serves a community that does not receive scheduled commercial air service. The airport is also classified as a Community Airport in the California Aviation System Plan (CASP). This is a functional classification developed by the State to categorize airports based on an airport's function, services provided, and role in the aviation system. A Community Airport is one that provides access to other regions and states and is near small communities or in remote locations.

E. California Citizen Option for Public Safety Grant (COPS) Special Revenue Fund. This Special Revenue Fund accounts for all of the activities, revenues, expenses, assets and liabilities from grants obtained from the State of California to provide additional law enforcement resources under Assembly Bill 1913 are recognized and accounted for in this Accounting Fund. In order to be eligible for allocations under the COPS program, a local jurisdiction must (1) submit an annual expenditure report to the State Controller as required by current law and (2) fully expend its grant allocation within 24 hours of receipt. COPS funds cannot be used to replace existing funding for the Police Department. Each County has an oversight committee from the District Attorneys' Office that reviews COPS expenditures of each law enforcement agency.

F. HOME Investment Partnership Act Special Revenue Fund. The mission of the HOME Investment Partnership Special Revenue Fund is to account for all activities, revenues, expenditures, assets and liabilities to create, improve and retain the supply of affordable housing in the City of Calexico through federal grants issued by the U.S. Department of Housing and Urban Development (HUD). HOME funds may be used for housing rehabilitation, new construction, and acquisition and rehabilitation of single-family and multi-family projects.

G. Community Development Block Grant (CDBG) Program Special Revenue Fund.

The Community Development Block Grant (CDBG) Special Revenue Fund is used to account for all activities, revenues and expenditures related to the receipt of federal Community Development Block Grant (CDBG) from the Department of Housing and Urban Development (HUD). The purpose of these federal funds is to achieve “national objectives” that include (1) assisting low and moderate income people, (2) eliminating blight, or (3) to meet urgent needs.

H. Community Facilities District (CFD) Special Revenue Fund. This Accounting Fund is used to keep track of all activities, revenues, expenditures, assets and liabilities in providing police services, fire protection and suppression services, and park maintenance services within the corporate limits of Calexico. The Community Facilities Act of 1982 authorizes cities to form Community Facilities Districts (CFD) within a defined set of boundaries for the purpose of providing public facilities and services.

I. California Department of Housing and Community Development (HCD) CalHome Grant Program Special Revenue Fund. This Special Revenue Fund provides accounting and management of grants and program income under the HCD CalHome Program including its revenues, expenditures, assets and liabilities. The grant program operates under the authority of California Proposition 1C and the Housing and Emergency Shelter Trust Fund Act of 2006. CalHome provides grants to public agencies or nonprofit corporations for first-time homebuyer down payment assistance; home rehabilitation, including manufactured homes not on permanent foundations; home buyer counseling, self-help mortgage assistance programs or technical assistance for self-help home ownership.

J. California Department of Housing and Community Development (HCD) State Rehabilitation and Repair Program (SRRP) Special Revenue Fund. The mission of this Accounting Fund is to track all activities, revenues, expenditures, assets and liabilities relating to loans and grants for loans and rehabilitation for single-family and multi-family dwellings provided under this grant program. Funds can be used for electrical, plumbing, heating and air conditioning, roof repairs or other renovations and repairs for low and moderate income families.

K. California Department of Housing and Community Development (HCD) Housing Enabled by Local Partnership Program (HELP) Special Revenue Fund. This Special Revenue Fund accounts for all of the activities, revenues, expenses, assets and liabilities from grants obtained from the State of California to provide 3.5% interest rate loans that are deferred up to 10 years to local government housing agencies to assist them in meeting their unmet affordable housing needs and priorities in serving very-low to moderate-income households. Multifamily housing activities approved for funding under the program include rehabilitation and code enforcement programs, and revolving loan programs to assist with site acquisition, predevelopment and construction of projects or financing to support the development of a specific project.

L. Proposition 172 Special Revenue Fund. The Proposition 172 Special Revenue Fund is used to account for all activities, revenues, expenditures, assets and liabilities related to the receipt of Proposition 172 funds, approved by the California voters in November 1993. Proposition 172 permanently extended a one-half percent sales and use tax for public safety services as partial mitigation for the Education Revenue Augmentation Fund (ERAF) property tax shifts from cities and counties to the State. The revenue from this tax is allocated to each county based on their proportionate share of statewide taxable sales and is disbursed each month by the State Controller.

M. High Intensity Drug Trafficking Area (HIDTA) Grant Special Revenue Fund. This Accounting Fund is used to track all activities, revenues, expenditures, assets and liabilities relating to grants received for the Police Department's participation in High Intensity Drug Trafficking Area program (HIDTA). HIDTA is a drug-prohibition enforcement program operated by the United States Office of National Drug Control Policy. The mission of the program is to enhance and coordinate America's drug-control efforts among local, State and Federal law enforcement agencies in order to eliminate or reduce drug trafficking and its harmful consequences in critical regions of the United States.

N. Department of Homeland Security Operation Stonegarden Grant (OPSG) Special Revenue Fund. The mission of this Accounting Fund is to track all activities, revenues, expenditures, assets and liabilities relating to Operation Stonegarden. This grant program funds a range of preparedness activities, including planning, organization, purchase, training, exercises, and management and administration. The grant program provides funding to agencies in a joint mission to secure the United States borders along routes of ingress from international borders to include travel corridors in States bordering Mexico and Canada, as well as State and territories with International water borders.

O. Department of Justice Equitable Sharing Program (Asset Forfeiture) Special Revenue Fund. This Accounting Fund is used to track all activities, revenues, expenditures, assets and liabilities relating to the Department of Justice Equitable Sharing Program (Asset Forfeiture) program. Under the Comprehensive Crime Control Act of 1984, the Department of Justice administers the Asset Forfeiture Program. This program is a nationwide law enforcement initiative that removes the tools of crime from criminal organizations, deprives wrongdoers of the proceeds of their crimes, recovers property that may be used to compensate victims and deters crime. Federal law authorizes the Attorney General to share property in any case with State and local law enforcement agencies.

P. Traffic Safety Special Revenue Fund. The purpose of the Traffic Safety Special Revenue Fund is to account for the revenues relating to traffic violations in the City of Calexico and expenses to implement traffic safety measures within the community to reduce accidents. By law the funds cannot be used to fund police salaries or other compensation.

Q. Measure H Non-Bond Special Revenue Fund. The mission of the Measure H Non-Bond Special Revenue Fund to account for all of the assets, liabilities, revenues and expenditures related to approval of the voters of a half-cent sales tax for general government purposes on June 8, 2010. Section 7285.9 of the California Revenue and Taxation Code authorizes cities to levy a transactions and use tax ("sales tax" or "sales and use tax") to be expended for general purposes, which transactions and use tax is subject to the approval by two-thirds vote of all members of the City Council and by a majority of the qualified voters of the City voting in an election on the issue. On March 2, 2010, the City Council in Ordinance No. 1111 authorized a vote of the people to increase the sales tax by half a cent for 20 years for general government purposes. The ordinance also created a Citizen Oversight Advisory Committee comprised of an appointment by each member of the City Council whose term corresponds with the appointing Council Member's term of office. The Committee oversees, recommends and reports to the City Council on the expenditure of the proceeds of the tax created by the ordinance. On June 8, 2010, Measure H was approved by the voters. 2,031 (59.98%) voted "yes" and 1,335 (40.02%) voted "no."

3. Capital Projects Funds. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those required

to be financed by Proprietary Funds and Fiduciary Funds.) The primary purpose of Capital Projects Funds are to account for major construction projects, to enhance understanding of capital activities and avoid distortion of revenue and expenditure trend data in the General Fund or Special Revenue Funds. The City operates nine Capital Project Funds.

A. General Capital Projects Fund. The City uses a General Capital Projects Fund to account for revenues and expenditures related to the construction of major capital facilities and the purchase of vehicles or other major pieces of equipment, except as required by the Governmental Accounting Standards Board (GASB) to be recorded in another accounting fund. Construction projects can include roads, curbs and gutters, sidewalks, bridges, buildings, parks and other general infrastructure. Major pieces of equipment can include cars, trucks, graders, backhoes, lawnmowers, ball field groomers and other rolling stock. It can also include major capital purchases related to park play structures, radios, furniture, signs, hardware or software systems and other related capital expenditures.

In addition to general capital project funds that may be deposited into the General Capital Projects Fund, one-time or non-recurring monies, or state and federal grant funds can be deposited into this Accounting Fund. Unrestrictive one-time revenues may be transferred to other funds for capital projects or other one-time projects in other accounting funds.

B. Measure D Capital Projects Fund. The purpose of the Measure D Capital Projects Fund is to account for all activities, revenues, expenditures, assets and liabilities related to Calexico's allocation of Measure D one half cent retail transaction and use tax (sales tax) to construct, repair, rehabilitate and maintain City streets, roads, bridges, sidewalks, traffic control devices, sidewalks, bike lanes and other transportation facilities. Measure D Capital Project Funds are distributed by the Imperial County Transportation Commission (ICTC) and is based on an expenditure plan.

C. Measure H Bond Capital Projects Fund. The mission of the Measure H Non-Bond Special Revenue Fund to account for all of the assets, liabilities, revenues and expenditures related to approval of the voters of a half-cent sales tax for general government purposes on June 8, 2010. Section 7285.9 of the California Revenue and Taxation Code authorizes cities to levy a transactions and use tax ("sales tax" or "sales and use tax") to be expended for general purposes, which transactions and use tax is subject to the approval by two-thirds vote of all members of the City Council and by a majority of the qualified voters of the City voting in an election on the issue. On March 2, 2010, the City Council in Ordinance No. 1111 authorized a vote of the people to increase the sales tax by half a cent for 20 years for general government purposes. The ordinance also created a Citizen Oversight Advisory Committee comprised of an appointment by each member of the City Council whose term corresponds with the appointing Council Member's term of office. The Committee oversees, recommends and reports to the City Council on the expenditure of the proceeds of the tax created by the ordinance. On June 8, 2010, Measure H was approved by the voters. 2,031 (59.98%) voted "yes" and 1,335 (40.02%) voted "no." On July 2, 2013, the Calexico City Council authorized the issuance of \$11,200,000 in bonds to capitalize Measure H revenues to complete a fire station, swimming pool and park improvements.

D. Parks and Recreation Development Impact Fees Capital Projects Fund. The City of Calexico uses this Accounting Fund to record the activities, revenues, expenditures and to account for assets and liabilities of park and recreation development impact fees collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. Seq.) and Title 3 Chapter 32 of the Calexico Municipal Code. Expenditures

of park and recreation development impact fees can only be for the construction and improvement of public parks and facilities as well as the purchasing of park equipment needed for new development constructed in the City. Park and recreation development impact fees cannot be used to fund employee salaries and benefits or to pay for on-going maintenance and operations costs.

E. Libraries Development Impact Fees Capital Projects Fund. The mission of the Libraries Development Impact Fees Capital Projects Fund is to account for all of the activities, revenues, expenditures, assets and liabilities of the libraries development impact fees collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. seq.) and Title 3 Chapter 32 of the Calexico Municipal Code. Expenditures of libraries development impact fees can only be for the construction and improvement of public libraries and facilities as well as purchasing library equipment needed for new development constructed in the City. Libraries development impact fees cannot be used to fund employee salaries and benefits or to pay for on-going maintenance and operations costs.

F. Parking Facilities Development Impact Fees Capital Projects Fund. This Accounting Fund is used to track all of the activities, revenues, expenditures, assets, and liabilities of parking facilities development impact fees collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. seq.) and Title 3 Chapter 32 of the Calexico Municipal Code. Expenditures of parking facilities development impact fees can only be for the construction and improvement of parking facilities needed for new development constructed in the City. Parking facilities development impact fees cannot be used to fund employee salaries and benefits or to pay for on-going maintenance and operations expenses.

G. Corporate Facilities Development Impact Fees Capital Projects Fund. The mission of the Corporate Facilities Development Impact Fees Capital Projects Fund is to account for all of the activities, revenues, expenditures, assets and liabilities for the construction and improvement of new public buildings and facilities pursuant to the State Mitigation Fee Act (Government Code Section 6600 et. seq.) and Title 3 Chapter 32 of the Calexico Municipal Code. Expenditures of corporate facilities development impact fees can only be for the construction and improvement of corporate facilities needed for new development constructed in the City. Corporate facilities development impact fees cannot be used to fund employee salaries and benefits or to pay for on-going maintenance and operations expenses.

H. Police Development Impact Fees Capital Projects Fund. A Police Development Impact Fees Capital Project Fund is used to track all of the activities, revenues, expenditures, assets and liabilities pursuant to the State Mitigation Act (Government Code Section 66000 et. seq.) and Title 3 Chapter 32 of the Calexico Municipal Code. Expenditures of police development impact fees can only be for the construction of police buildings and facilities as well as purchase of capital equipment needed to provide law enforcement services to new developments built in the City. Police development impact fees cannot be used to fund employee salaries and benefits or to pay for on-going maintenance and operations expenses.

I. Fire Development Impact Fees Capital Projects Fund. A Fire Development Impact Fees Capital Project Fund is used to track all of the activities, revenues, expenditures, assets and liabilities pursuant to the State Mitigation Act (Government Code Section 66000 et. seq.) and Title 3 Chapter 32 of the Calexico Municipal Code. Expenditures of fire development impact fees can only be for the construction of fire and emergency medical buildings and facilities as well as purchase of capital equipment needed to provide fire and emergency medical services to new developments built in the City. Fire development impact fees cannot be used to fund

employee salaries and benefits or to pay for on-going maintenance and operations expenses.

J. Transportation Facilities Development Impact Fees Capital Projects Fund. This Accounting Fund is used to track all of the activities, revenues, expenditures, assets, and liabilities of transportation facilities development impact fees collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. seq.) and Title 3 Chapter 32 of the Calexico Municipal Code. Expenditures of transportation facilities development impact fees can only be for the construction and improvement of streets, roads, sidewalks, traffic signals and other transportation capital improvements needed for new development constructed in the City. Transportation facilities development impact fees cannot be used to fund employee salaries and benefits or to pay for on-going maintenance and operations expenses.

Proprietary Fund Types (Business-Type Activities)

Proprietary Funds are used to account for the resources collected and used for business-type activities of the City of Calexico. Proprietary Funds can be divided into Enterprise Funds and Internal Service Funds.

1. Enterprise Funds. Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to a private business enterprise where fees are charged to external users and the intended purpose of the City is either (1) that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; (2) or where the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. In accordance with Government Accounting Standards Board (GASB) Statement No. 20, the City has elected to apply only those applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, in accounting for enterprise operations. The City of Calexico operates five Enterprise Funds. They are:

A. Water Enterprise Fund. The Water Enterprise Fund is used to account for all the operating activities, revenues, expenditures, assets and liabilities in the purchase, transportation, treatment, and distribution of drinking water to the residents of Calexico. It also accounts for all the activities, revenues and expenditures, assets and liabilities in the construction, replacement, upgrade, and improvement of major water system capital facilities financed by water development impact fees, grants, and water rate payers.

B. Wastewater Enterprise Fund. The Wastewater Enterprise Fund is used to account for all the operating and maintenance activities, revenues and expenditures assets and liabilities in the collection, treatment of wastewater generated in the City of Calexico. It also accounts for all activities revenues and expenditures, assets and liabilities in the construction, replacement, upgrade, and improvement of the City's wastewater treatment facilities and wastewater collection system.

C. Sanitation Enterprise Fund. This Accounting Fund is used to account for all activities, revenues, expenditures, assets, and liabilities to provide refuse, solid waste, recycling and street sweeping services to the residents of the City.

D. Ambulance Enterprise Fund. The Ambulance Enterprise Fund is used to account for all activities, revenues, expenditures, assets and liabilities to provide ambulance service to the residents of the City of Calexico. Ambulance charges defray personnel, maintenance and operations and some capital costs of providing emergency medical services to the community..

Fiduciary Fund Types (Resources Held in Trust)

Fiduciary Funds are divided into Private Purpose Trust Funds and Agency Trust Funds.

1. Private Purpose Trust Funds. Private-Purpose Trust Funds are used to account for assets held by the City as a trustee or an agent on behalf of individuals, private organizations or other governments. Private Purpose Trust Funds cannot be used to support the government's own activities.

2. Agency Trust Funds. Agency Trust Funds are used to account for assets that the City holds for others in an agency capacity and do not present any results of operations. These Funds are used to account for situations where the role of the City is purely custodial. The City has one Agency Trust Fund.

A. Successor Agency Non-Housing Redevelopment Obligation Retirement Fund.

The mission of the Calexico Successor Agency to the Calexico Community Redevelopment Agency Non-Housing Redevelopment Obligation Retirement Fund is to account for all of the non-housing activities, revenues, expenditures, assets and liabilities for the purpose of winding down the affairs for the former Redevelopment Agency. Under AB1X 26 Redevelopment Agencies dissolved and were replaced with Successor Agencies responsible for the dissolving of the Redevelopment Agencies including disposing of their assets. The process outlined in ABX1 26 and in AB 1484 focuses on two goals: (1) ensuring existing financial obligations are honored and paid and (2) minimizing any additional redevelopment obligations so that more funds are available to the State.



Salton Sea



SECTION 4

ACCOUNTING, INVESTMENT, FIXED ASSET, FINANCIAL, CAPITAL IMPROVEMENT AND BUDGET POLICIES



Hotel De Anza, About 1930

ACCOUNTING, INVESTMENT, FIXED ASSET, FINANCIAL, CAPITAL IMPROVEMENT AND BUDGET POLICIES

Introduction

The City of Calexico has adopted accounting, investment, fixed asset, financial, capital improvement and budget policies to provide the framework for managing the City's financial resources. These policies are designed to:

1. Contribute to the confidence in the City operations and the commitment of the City Council, City Manager and staff to sound financial practices.
2. Save time and energy of the City Council and appointed officials. Once certain decisions are made at the policy level, those policies may be applied to individual situations and issues.
3. Direct attention of the City Council, City Manager, department heads and the public to the City's total financial condition and link day-to-day operations with long-range financial planning.
4. Contribute to the stability and expeditious handling of the City's financial affairs. The City Council, City Manager and department heads may change over time, but sound financial accounting policies will be in existence to guide whoever holds these positions.

Accounting Policies

Accounting Standards.

The annual budget and audited financial statements of the City of Calexico are prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applicable to government entities. Generally Accepted Accounting Principles (GAAP) are national accounting standards adopted by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is the nation-wide accepted standards body for establishing governmental accounting and financial reporting principles.

The City also complies with Financial Accounting Standard Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

Calexico' budget and audited financial statements present the financial position of the City government and its blended component units. Blended component units are entities for which the City is considered to be financially accountable. This includes the Calexico Redevelopment Agency and the Calexico

Public Finance Authority. These organizations are technically separate legal government entities, but are in substance part of the City of Calexico' government operations. The City Council acts as the board of directors for the Calexico Redevelopment Agency and the Calexico Public Financing Authority. City employees serve as the staff for all three of these governmental units. The budget and other financial information from these government entities are combined with the budget and financial data of the City of Calexico. The Calexico Redevelopment Agency and the Calexico Public Financing Authority have a June 30 date for the end of their fiscal years.

Measurement Focus.

The accounting and reporting treatment applied to a Fund is determined by its **measurement focus**. All Governmental Funds (General Fund, Special Revenue Funds and Debt Service Funds) are accounted for on a **flow of current financial resources measurement focus**. This means that only current assets and current liabilities are generally included on their balance sheets. Governmental Fund operating statements and budgets present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary Funds (Internal Service Funds and Enterprise Funds) and all Fiduciary Funds are accounted for on a **flow of economic resources measurement focus**. This means that all assets and all liabilities (whether current or non-current) associated with this activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary Funds operating statements present increases (revenues) and decreases (expenses) in net total assets.

Basis of Accounting.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the City's financial statements. The **Basis of Accounting** relates to the timing of revenue recognition in the City's financial statements regardless of Measurement Focus applied. The accounting basis in the City's annual budget is the same as accounting basis in the City's annual audited financial statements.

1. Governmental Fund Types (Tax-Supported Activities) The modified accrual basis of accounting is used by the City of Calexico to apply revenues and expenditures to its Governmental Funds. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available to pay for expenditures of the current period. "Measurable" means that the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to the accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City of Calexico considers all revenues available if they are collected within sixty (60) days after the end of the fiscal year. Revenues that are accrued include property taxes, franchise fees, interest revenue and charges for service. Sales taxes and motor vehicle license fees collected and held by the state at year end on behalf of the City are also recognized as revenue. Licenses, permits and fines are accrued when received as they are not measurable until received in cash. Investment earnings are recorded as earned. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports deferred revenue on its balance sheet. Deferred revenues arise when potential revenue meets the asset recognition criteria but does not meet both the “measurable” and “available” revenue criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, such as when grant monies are received prior to the incurring of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

2. Proprietary Fund Types (Business-Type Activities) and Fiduciary Fund Types (Resources Held in Trust). Expenditures are generally recognized in Enterprise Funds, Internal Service Funds, Private Purpose Trust Funds, and Agency Trust Funds under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due. Certain compensation absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Assets, Liabilities and Fund Equity

1. Cash and Investments. Cash and cash equivalents represent the City’s cash bank accounts including, but not limited to, certificates of deposit, money market funds and cash management pools for reporting purposes. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents.

The City maintains a cash and investment pool that is available for use by all Funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month-end cash balances in each fund. Cash is divided into three risk levels in accordance with standards that have been developed by the Governmental Accounting Standards Board (GASB) in Statement No. 3:

A. Category 1 Investments. Insured or collateralized investments with securities held by the City of Calexico or by its agent in the City’s name.

B. Category 2 Investments. Collateralized investments with securities held by the pledging financial institution’s trust department or agent in the City’s name.

C. Category 3 Investments. Uncollateralized investments. This includes

any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City of Calexico' name.

In accordance with Governmental Accounting Standards Board (GASB) 31, all City investments are stated at fair value. Fair value is based on the quoted market prices as of the valuation date. Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the General Fund to the extent cash and investments' balance exceeds the cumulative value of those investments subject to Governmental Accounting Standards Board (GASB) 31.

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

2. Internal Controls. The internal control structure of the City of Calexico is designed to ensure that the assets of the City are protected from loss, theft, or misuse. It is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls within the City of Calexico address the following issues:

A. Control of Collusion. Collusion occurs where two or more employees work in conjunction to defraud the City. The City has an organizational structure and operational policies and procedures that are designed to prevent collusion.

B. Separation of Transaction Authority from Accounting and Record Keeping. The City has segregated job duties so that the person who authorizes or performs the transactions is different from the person who records or otherwise accounts for the transaction. The City's Finance Department has divided duties and record keeping among employees with a Finance Director overseeing day-to-day operations.

C. Custodial Safekeeping. Funds collected by the City are deposited into the bank each day. Any small amounts of cash or checks held at the end of the day are placed in a safe in a locked room. Securities purchased from any bank or dealer (including appropriate collateral) for short-term or long-term cash investments are placed with an independent third party for custodial safe keeping.

D. Avoidance of Physical Delivery of Securities. The City avoids the physical delivery of securities. Book-entry securities are easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

E. Clear Delegation of Authority to Subordinate Staff Members. Staff members in the Finance Department have a clear understanding of their authority and responsibilities to avoid improper actions. Clear designation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

F. Written Confirmation of Transactions for Investments and Wire Transfers. Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions are supported by written communications and approved by the authorized supervisor. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.

G. Wire Transfer Agreement with Lead Bank. The City has a wire transfer agreement with its bank that addresses controls, security provisions and responsibilities of each party making and receiving wire transfers.

3. Accounts Receivable. Billed but unpaid services provided to individuals or non-government entities are recorded as “accounts receivable.” The Proprietary Funds include a year-end accrual for services through the end of the fiscal year, which have not yet been billed. Accounts receivable are reported net of an allowance for uncollectible accounts in the Enterprise Funds.

4. Compensated Absences. It is the City’s policy to permit employees to accumulate earned (but unused vacation), sick pay and compensatory time benefits up to the limits imposed in the City of Calexico Personnel Rules and Regulations. Vested or accumulated vacation, holiday and sick leave along with any compensatory time that is expected to be paid with expendable available financial resources is reported as an expenditure and fund liability in the Governmental Fund that will pay for it. Amounts not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. No expenditure is reported for these amounts. Vested leaves in Enterprise Funds are recorded as an expense and liability as the benefits accrue.

5. Long-Term Liabilities. The government reports long-term debt of Governmental Funds at face value. Long-term liabilities for all Governmental Funds and Fiduciary Funds do not affect net current assets and are not included on their respective balance sheets in previous years. Long-term liabilities of proprietary and non-expendable trust funds are accounted for in the respective funds.

6. Inventory. Inventory is valued at the cost that approximates market, using first-in, first-out (FIFO) method. The consumption method is used to account for the inventory of Governmental Funds including the General Fund, Special Revenue Funds and Capital Projects Funds. The value of the City’s office supply inventory is not considered material and as a result, no inventory value is shown in the City’s financial statements or in the annual budget.

7. Bond Discounts. In Governmental Funds, bond premiums, discounts, and issuance costs are recognized in the current period. Bond discounts are presented as a reduction of the face amount of the bonds payable. Issuance costs are reported as an expenditure of the period. For Proprietary Funds, bond premiums and discount, with issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

8. Called Developer Bonds. Revenues from called developer bonds arising from contract Defaults are deferred and recognized as revenues when the related costs to complete the project are incurred by the City.

9. Unappropriated Fund Balance and Unreserved Cash and Investments . The Unappropriated Fund Balance in Governmental Funds and Unreserved Cash and Investments balances in Proprietary Funds indicate that portion of Fund Equity which is available for appropriation in future periods. Restricted Fund Balances or Reserved Fund Equity indicates that a portion of Fund Balance or Fund Equity has been segregated for specific purposes or is not available for appropriation. Reservations of retained earnings are limited to outside third-party restrictions.

10. Contributed Capital. Contributed capital are non-cash assets recorded in Enterprise Funds and primarily represents infrastructure such as water lines, sewer lines or assets received from other funds, developers, or customers. Contributed capital designations in the Enterprise Funds cannot be spent for operating or capital needs.

Taxes and Other Significant Revenues.

1. Property Taxes. Imperial County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property tax is imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property (moveable property) located within the state. The California property tax is ad valorem, based on the value of the property rather than on a fixed amount or benefit to the property or persons. Intangible assets and rights are not subject to taxation except to the extent that they are necessary to put real property interests to beneficial or productive use. Taxable property includes land, improvements, and other properties that are accounted for on the property tax rolls, which are primarily maintained by the San Bernardino County Assessor. Tax rolls contain an entry for each parcel of land, including parcel number, owner's name and value.

The amount of the tax is based on an annually determined assessed valuation. The property tax is paid to the county tax collector and allocated to local taxing agencies. The property tax is guaranteed by placing a lien on the real property. For this reason, types of properties are distinguished as secured or unsecured.

Certain special exemptions to the standard assessment rules are provided in the State Constitution and state law. These exemptions include federal and state owned property, municipal owned property except property outside the legal boundaries of the agency, homeowners property tax exemption, property owned, irrevocably dedicated to religious, hospital, cemeteries and schools and the California Air Patrol; Williamson Act; disabled veterans; and other exemptions.

Property taxes are levied in equal installments on November 1 and February 1. They become delinquent respectively on December 10 and April 10. The lien date is March 1 of each year. Property taxes are accounted for in the City of Calexico General Fund. The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum of \$1.00 per \$100 of full cash value. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after the end of the fiscal year. Property tax on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year-end accrual. Taxes on individual pieces of property may be delinquent up to five years before the property is sold for delinquent taxes.

Under state statute, the County Treasurer, acting as a tax collector, must settle and disburse all current tax collections to all taxing units by the end of March following the taxing year. Delinquent taxes are collected throughout the year and dispersed to the taxing units on a routine basis.

The City receives property taxes under the "Teeter Plan." The Teeter Plan allows cities to collect 100% of assessed taxes each year in lieu of receiving only those taxes collected by the County. Imperial County receives the penalties and interest when delinquent taxes are collected in future years. The County benefits by charging interest substantially higher than market rates when the delinquent taxes are collected.¹¹⁰

2. Sales and Use Taxes. California sales tax is imposed on retailers for the privilege of selling tangible personal property. A portion of the tax is a state tax and a portion is locally imposed. The tax base for the sales tax is the retail price of tangible personal property. Tangible personal property is any material asset, such as household goods and business equipment which is readily moveable and not permanently attached to real property. Sales tax applies to a transaction if (1) the seller's registered place of business in California participates in the sale and (2) title to the goods passes to the customer within the state.

The use tax complements the sales tax. It is imposed on the storage or use, or other consumption in California of property purchased from a retailer in cases where the sales tax is not collected. While sales tax is imposed on the seller, the use tax is imposed on the purchaser and at the same rates as the sales tax. The use tax was first imposed in 1935, in order to discourage buying from out of state solely for the purpose of avoiding state sales tax, and thereby placing California retailers at a competitive disadvantage.

Sales and use taxes are collected by the State Board of Equalization and remitted to the City quarterly. Sales and use taxes are recorded as revenues when received by the State Board of Equalization.

3. Franchise Fees. Franchise fees collected by Southern California Edison and The Gas Company are remitted to the City each year on April 15. Cable television franchise fees from Time-Warner are sent to the City quarterly and franchise fees from Burtec Waste Recycling Services, LLC are remitted monthly to the City.

Financial Reports.

The City staff prepares appropriate monthly financial statements reflecting the operations of individual Funds for internal use by the City Council, City Manager, department heads and the general public. The City adheres to a policy of full and open public disclosure of all financial documents.

Independent Audits.

An independent audit of the City's financial statements is conducted each year by an independent Certified Public Accounting firm. The City also participates in a number of federal and state assisted grant programs, which are subject to annual financial, and compliance audits.

Investment Policies

Policy.

It is the policy of the City of Calexico to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the city and conforming to all state and local statutes governing investment of public funds.

Scope.

This investment policy applies to all financial assets of the City. These funds are accounted for in the City's Comprehensive Annual Financial Report (CAFR) and include:

1. General Fund.
2. Special Revenue Funds.
3. Debt Service Funds.
4. Capital Projects Funds.
5. Enterprise Funds
6. Fiduciary Funds.

This investment policy does not apply to Bond Proceeds or Deferred Compensation Funds. California Government Code Section 5922(d) authorizes bond, certificates of participation notes and other debt issue proceeds to be invested in accordance with related offering documentation. Likewise, Deferred Compensation Plans are covered elsewhere under California Government Code (CGC).

Prudent Person Rule.

Investments shall be made with judgment and care under circumstances then in effect which persons of prudence, discretion and Intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of "prudence" to be used by investment officials shall be the "prudent person" and/or "Prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

Objectives.

There are three objectives in the City's investment policy. They are:

1. Safety. Safety of principal is the foremost objective of the investment program. The City's investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the City will diversify its investments by investing funds among a variety of securities offering independence of returns and financial institutions.

2. Liquidity. The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

3. Yield on Investments. The City's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout the budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

Delegation of Authority.

Authority of manage the City's investment program is derived from Government Code Section 53646. Management responsibility for the investment program is hereby delegated to the City Treasurer who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, and their procedures in the absence of the City Treasurer.

The City Treasurer shall establish written investment policies and procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, PSA repurchase agreements, wire transfer agreements, banking served contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Treasurer.

Ethics and Conflicts of Interest.

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of investment program, or which would impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager any material financial interest in financial institutions that conduct business within their jurisdiction, and they shall further disclose any larger personal financial/investment positions that could be related to the fiscal performance of the City. All the City's employees who are listed on the City's Conflict-of-Interest Policy are required by the Fair Political Practices Commission (FPPC) to complete and file a Form 700 annually.

Authorized Financial Dealers and Institutions.

The Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintain for approval or security broker/dealers selected by the City

Treasurer and approved by the City Council for their credit worthiness that are authorized to provide investment services in the State of California. These may include "primary" dealers or regional dealers that qualify under the Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state laws. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the City Treasurer with the following information: audited financial statements, proof of National Association of Security Dealers certification, trading resolution, proof of state registration, completed broker/dealer questionnaire, certification of having read the City's investment and depository contracts.

An annual review of financial condition and registration of qualified bidders will be conducted by the City Treasurer. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the City invests.

Authorized and Suitable Investments.

The City is empowered by statute to invest in securities and instruments as described in this investment policy and any accompanying notes at the end of this policy statement.

Under the provisions of Government Code 53601.6, the City shall not invest any funds covered by mortgage pools or any investments that may result in a zero interest accrual if held to maturity. Also, the City shall not invest in Reverse Repurchased Agreements and Mortgage Pass-Through Securities.

Investment Pools/Mutual Funds.

A thorough investigation of the pool/funds is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

1. A description of eligible investment securities, and a written statement of investment policies and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program and what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

Collateralization.

Collateralization will be required on two types of investments: certificates of deposit and sweep checking accounts. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value of principal and accrued interest.

The City chooses to limit collateral to the following: certificates of deposit and sweep checking accounts held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained. The right of collateral substitution is granted.

Safekeeping and Custody.

All security transactions entered into by the City shall be conducted on delivery-versus payment (DVP) basis. Securities will be held by a third party custodian designated by the City Treasurer and evidenced by safekeeping receipts.

Diversification.

The City will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50 percent of the City's total investment portfolio will be invested in a single security type or with a single financial institution. See Figure 1 and the accompanying notes for further information.

Maximum Maturities.

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow and/or authorized by the City Council, the City will not directly invest in securities maturing more than five years from the date of purchase.

CD maturities will normally not exceed two years. U.S. Government Agency securities will not exceed five years. At least 50 percent of the idle funds will be placed in investments which can be liquidated for at least face value in the event of an emergency. The City uses the Local Agency Investment Fund (LAIF) for its idle funds to ensure this requirement is met.

Internal Control.

The City Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

Performance Standards.

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

Reporting.

1. In accordance with Government Code Section 53646(8)(1), the City Treasurer shall submit to each member of the City Council a quarterly report. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for the City of Calexico by third party contract managers. The report will also include the source of the portfolio valuation. As specified in Government Code 53646(e), if all funds are placed in the Local Agency Investment Fund (LAIF), FDIC insured accounts and/or county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been in full compliance with the investment policy, and, (2) the City of Calexico will meet its expenditures obligations for the next six (6) months.
2. A staff investment committee consisting of the City Manager and the City Treasurer will convene at least once a year to review the investment program. Such review shall examine both policy and administrative procedures in the program for possible revision. This meeting will normally occur in May.
3. Strategy Review. The staff investment committee will review interest rate trends and resultant desirable investment maturity goals consistent with the City's needs for safety and liquidity in its investment program.

Guidelines.

Guidelines are established to direct and control activities in such a manner that previously established goals are achieved.

- 1. Investment Transactions.** Every investment transaction must be authorized, documented and reviewed by the City Treasurer.
- 2. Pooled Cash.** Whenever practical, City cash should be consolidated into one bank account and invested on a pool concept basis. Interest earnings may be allocated to fund cash and investment balances.
- 3. Competitive Bids.** Purchase and sale of securities should be made on the basis of competitive offers and bids when practical.
- 4. Cash Forecast.** The cash flow for the City should be analyzed with the receipt of revenues and maturity of investments scheduled so that adequate cash will be available to meet disbursement requirements.
- 5. Investment Limitations.** Security purchases and holdings shall be maintained within statutory limits imposed by the Investment Policy and the Government Code. Any investments not listed are not subject to percentage limitations.

Fixed Asset Policies

Introduction.

The City of Calexico's fixed asset policies are intended to provide specific guidance for determining which fixed assets are subject to separate accounting and reporting (i.e. capitalization). They also outline the procedures to define fixed assets and establish guidelines for their purchase, use, accountancy, inventory, transferring and disposal.

Purpose.

The City's fixed asset policies and procedures are established in accordance with Generally Accepted Accounting Principles (GAAP) and statements issued by the Government Accounting Standards Board (GASB). The objectives of the City's fixed asset policies are to:

- 1. Appropriate Use and Control.** Ensure that there is adequate control and appropriate use of the City's fixed assets for the delivery of municipal services and for the protection of the health, safety and welfare of the community.
- 2. Safeguarding and Preservation.** Carry out the City's fiduciary responsibility to establish systems and procedures to protect its fixed assets acquired with taxpayer resources from loss, theft, misplacement or inappropriate use.
- 3. Accounting and Financial Reporting.** Accurately account for and report fixed assets in financial reports issued to external reporting agencies, financial institutions, bond trustees, granting agencies and the public.

Scope.

The City's fixed asset policies apply to all personnel, departments, divisions and offices of the City government as well as all associated accounting funds under the direct authority of the City of Calexico. These accounting funds include, but are not limited to, the General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds, Debt Service Funds, Capital Projects Funds, Private-Purpose Trust Funds and Agency Trust Funds. These fixed asset policies are also applicable to the City's blended component unit including the Successor Agency to the Calexico Redevelopment Agency and Calexico Public Financing Authority.

Responsibility.

The Finance Department is responsible for establishing systems and procedures so that the purposes of these policies are implemented and ensure that fixed assets are identified, processed, tracked, inventoried and appropriately reported by fund and asset category. Department Heads and Division Managers are responsible to ensure that proper budgeting and purchasing guidelines are followed, and to ensure that fixed assets are adequately controlled, safeguarded, preserved, and used only for appropriate City purposes.

Definitions.

The City of Calexico will apply the following definitions to its fixed asset policies and procedures.

- 1. Buildings.** Structures of a fixed or semi-fixed nature, which provide shelter and/or create interior space. Buildings also include picnic shelters, storage sheds and restrooms.
- 2. Construction in Progress.** Assets that are being built that are not usable at the end of the fiscal year, such as an incomplete building, waterline, sewer line, storm drain line, street, road, traffic signal, or other public improvement or infrastructure.
- 3. Capital Expenditure.** A capital expenditure is an outlay for fixed assets, including land, building, machinery, equipment, construction in progress, design in progress, improvements and infrastructure with an original cost of \$5,000 or more.
- 4. Design in Progress.** Capital improvement projects that are in planning or the design stage. The expenditure of these projects is capitalized at year-end if the design has exceeded \$5,000.
- 5. Equipment.** Moveable personal property with a useful life of more than one year and a value of \$500 or more. Such items as furniture, machines, tools, vehicles, and computers are included in this category.
- 6. Fixed Asset.** Tangible and intangible property owned by the City with a value of \$5,000 or more and a useful life of at least one year.
- 7. Improvements.** Physical property of a fixed nature that is added (affixed) to land or buildings. These assets include ground improvements, sidewalks, driveways, landscaping, sprinklers, fences, parking lots, etc. Building improvements include such items as carpeting, air conditioning systems or improvements through remodeling.
- 8. Infrastructure.** Includes bridges, traffic signals, streets, roads, curbs, gutters, sidewalks, water lines, sewer lines and storm drain lines.
- 9. Intangibles.** Items such as software (not replacement or upgrades).
- 10. Land.** Includes the investment in real property or the ownership of ground space such as parcels, easements, and rights-of-way.
- 11. Streets and Roads.** Includes all streets and roads that have pavement as well as curb, gutter and sidewalk.
- 12. Street Drainages.** Includes storm drainage piping and manholes underneath streets and roads.
- 13. Traffic Signals.** All traffic lighting systems that control traffic.
- 14. Vehicles.** All vehicles and rolling stock equipment that are maintained by the Public Works Department.

Capital Expenditure Definition and Capitalization Policy (Accounting and Financial Reporting).

Capital Expenditures for fixed assets, including land, buildings, machinery, equipment, construction in progress, design in progress, improvements and infrastructure with an original cost of \$5,000 or more, will be subject to accounting and reporting (capitalization). All costs associated with the purchase or construction of the asset are part of the capitalization threshold including ancillary costs such as freight, transportation charges, site preparation expenditures, professional fees, warranties, taxes and legal claims directly attributable to the asset acquisition. Specific capitalization guidelines are described:

1. Capitalization Threshold. An exception to the \$5,000 threshold is land and some infrastructure. All costs associated with the purchase or acquisition of land parcels, rights-of-way, or easements, are capitalized, regardless of cost.

2. Individual Units of Fixed Assets. The \$5,000 capitalization threshold is applied to individual units of fixed assets. For example, ten desks purchased through a single purchase order, each costing \$1,000, will not qualify for capitalization even though the total (\$10,000) exceeds the capitalization threshold of \$5,000.

3. Fixed Asset Components. For the purpose of capitalization, the threshold will generally not apply to components of fixed assets. For example, a keyboard, monitor and central processing unit purchased as components of a computer system will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single fixed asset.

4. Grants. Any asset required to be controlled and separately reported pursuant to grant conditions or any other externally imposed reporting requirement, will be capitalized, regardless of cost. For example, a grant program that has funded the acquisition of a fixed asset may impose a requirement that the fixed asset be tracked and identified as a grant-funded asset.

5. Dedications and Donations. When an asset is acquired through dedications, donations, developer funding, or in-lieu of fees, the asset will be recorded at its estimated fair market value at the date of acquisition, as determined by the appropriate City department using an appropriate method to determine value.

6. Repairs and Maintenance. Repairs to existing fixed assets will generally not be subject to capitalization unless the repair extends the useful life of the asset. In this case, the repair represents an improvement and is subject to the capitalization requirements described below.

7. Improvements. Improvements to existing fixed assets will be presumed (by definition) to extend the useful life of the related fixed assets, and therefore, will be subject to capitalization only if the cost of the improvement meets the \$5,000 threshold. Therefore, an improvement to a fixed asset that had an original cost of less than \$5,000, but now exceeds the threshold as a result of the improvement, should be combined as a single asset at the total cost (original cost plus the cost of the improvement) and capitalized.

8. Capital Projects. Capital projects will be capitalized as “design in progress” or “construction in progress” until completed. The costs associated with the capital project include direct costs, such as labor and materials, as well as indirect and ancillary costs.

Capitalization Valuations.

The objective fixed asset accounting is to account for the City's historical acquisition cost, not present market or replacement values of City fixed assets. Therefore, fixed assets are valued at historical cost. In those instances where historical costs are not available, fixed assets are valued at estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated. In valuating fixed assets the following guidelines are used.

- 1. Buildings.** Costs include all expenditures in connection with their acquisition such as purchase price or construction cost, fixtures attached to the structure, architect's fees, engineering fees, and insurance during construction.
- 2. Construction in Progress.** Assets are recorded in the same manner as assets acquired by purchase or construction contract. Costs that are capitalized are service charges, materials, and architects and engineering payments and retentions.
- 3. Design in Progress.** Costs that are capitalized include service charges, materials and architects and engineering payments and retentions.
- 4. Equipment.** Costs include all expenditures including the purchase price (before trade-in allowance) freight charges, taxes and installation costs.
- 5. Improvements.** Costs include all expenditures in connection with their acquisition such as purchase price or construction costs, materials costs, installation costs, fixtures, architect's fees, engineering fees, freight charges, taxes and insurance during construction.
- 6. Infrastructure.** Costs include all expenditures in connection with their construction including labor costs, material costs, installation costs, engineering fees, freight charges, sales taxes and insurance during construction.
- 7. Land.** Costs include all expenditures in connection with land acquisition such as purchase price, appraisal fees, title policy fees, demolition, site clearance, etc.
- 8. Street Drainage.** Costs include all expenditures in connection with their construction including materials costs, installation costs, engineering fees, freight charges, sales taxes and insurance during construction.
- 9. Streets and Roads.** Costs include all expenditures in connection with their construction including material costs, installation costs, engineering fees and insurance during construction.
- 10. Traffic Signals.** Costs include purchase price, freight charges, taxes and installation charges.
- 11. Vehicles.** Costs include purchase price, sales tax, freight charges and installation costs.

Depreciation.

- 1. Principles and Guidelines.** The purpose of depreciation is to spread the cost of fixed assets equitably among all users over the life of these assets. The amount charged to

depreciation expense each year represents that year's pro rata share of the cost of the fixed asset.

General Accounting Standards Board (GASB) Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the "modified approach" may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures for these assets are expensed, unless they are additions or improvements.

Except for streets and roads covered by the "modified approach," depreciation is booked on fixed assets. Depreciation of all fixed assets is charged as an expense against operations each year. The total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of the fixed assets.

Depreciation is used solely in Proprietary Fund Types. Depreciation is important in these funds because it is included as an operational expense of these funds. Unlike Governmental Fund Types, fixed assets are reported in the balance sheet accounts of each Proprietary Fund. The use of these assets over a period of time is charged as a depreciation expense.

2. Depreciation Method. Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

3. Estimated Useful Life. The estimated useful life of an asset will vary depending on the type of fixed asset that is being depreciated. The useful life for various fixed assets are indicated below:

Buildings	40-50 Years
Infrastructure	40-50 Years
Street Drainage	40-50 Years
Curb, Gutter and Sidewalk	40 Years
Traffic Signals	20 Years
Furniture, Fixtures & Vehicles	4-5 Years
Machinery and Equipment	2-20 Years

Inventory Control Policy.

1. Inventory Control Criteria. Inventory control is applied only to movable fixed assets and not to land, buildings or other immovable fixed assets. Fixed assets subject to inventory control will be accounted for and controlled through the same systems and procedures used to account and control fixed assets subject to capitalization. Fixed assets will be subject to inventory control if they meet at least one of the following criteria:

- A. The fixed asset has a useful life that exceeds one year.
- B. The original cost of the fixed asset is equal to or greater than \$3,500.
- C. Any asset less than \$3,500 as requested from a department. This may include certain machinery and equipment that, due to their portability,

character or value outside of the office are susceptible to loss, theft, misplacement or borrowing. It may also include any asset that has been requested by a department to be controlled in order to satisfy an internal (operational) or external federal or state regulatory requirement.

D. Any asset required to be controlled and separately reported pursuant to grant conditions or any other externally imposed reporting requirement. For example, a grant program that has funded the acquisition of a fixed asset may impose a requirement that the fixed asset be tracked and identified as a grant funded asset.

2. Tagging. Fixed assets will be tagged to support inventory control, prevent theft, stop losses, track the fixed asset's replacement cost, determine asset useful life, promote fixed asset accountability, and provide auditors with a mechanism to verify the City's control of fixed assets. Most fixed assets are tagged with a numbered fixed asset tag. However, some fixed assets such as land, buildings, improvements, infrastructure, machinery and equipment are not tagged because they are immovable or because it is physically impossible or impractical to tag the item because of the way that the fixed assets are used.

3. Annual Review and Certification. Each Department Head holds ultimate responsibility for safeguarding their fixed assets against theft or loss. At the end of each fiscal year, the Financial Services Department will forward to each department a listing of their fixed assets for review and certification. It is the responsibility of the Department Head to verify and certify the accuracy of the information contained on that report. Any discrepancies must be reported to the Finance Division.

4. Fixed Asset Report. All departments involved in the construction or dedication of improvements or infrastructure assets must complete a fixed asset report when filing a Notice of Completion or Acceptance. The report must be forwarded to the Finance Department for inclusion in the City's fixed asset data base and the City's engineers for inclusion on the City's Geographic Information Systems (GIS) data base.

5. Transfers of Fixed Asset. Requests for transfers of fixed assets will be in writing and submitted to the Finance Division and City Manager for approval. The Finance Department will be responsible for making the appropriate transfers on the City's computerized Fixed Asset data base and keeping a file of all transfers.

Disposal of Fixed Assets.

1. Disposal Authority. No fixed assets may be disposed of without the approval of the City Council or the City Manager and Finance Department. Disposal of all land and buildings and all other fixed assets with a value of over \$5,000 must have City Council approval. If it is determined that the fixed assets sold as a unit has a value less than \$5,000, the property may be disposed of in a manner approved by the Department Head, Finance Department and the City Manager. Fixed assets will only be disposed of after checking with other City departments to see if they can use the property.

2. Disposal Value. It is the responsibility of each department to appraise fixed assets designated as surplus prior to sale.

3. Disposal Methods. Fixed Assets may be disposed of in the following ways:

- A. Sealed bids after at least three public notices have been published in the newspaper.
- B. Public auction after at least three notices have been published in the newspaper.
- C. Traded in to reduce the purchase price of a new replacement for a fixed asset.
- D. Taken to a federal or state surplus property facility and sold through that facility.
- E. Sold or donated to another government agency.
- F. Recycled and disposed of as junk to a landfill or other appropriate waste removal facility.
- G. Other method approved by the City Council or the City Manager where it is believed that the highest price can be obtained for the fixed asset. The City Council or City Manager will determine the most appropriate method of disposing of fixed assets.

4. Proceeds from Sales and Auctions. All proceeds from the sale of fixed assets will be allocated to the City's General Fund unless the property was originally purchased with monies from a specific City Accounting Fund, in which case, the proceeds will be returned to that specific Accounting Fund.



Old Calexico Post Office

Financial Policies

Federal, State and County Intergovernmental Grant Revenues.

The City seeks to acquire grant revenue from federal, state and county sources. The City uses these one-time and non-recurring federal, state and county grant revenues for capital projects or major capital equipment purchases. Revenues from grants are not used for maintenance and operation expenses, to expand programs or increase staffing levels because the City may not be in the financial position to support the activity or staff if the grant revenue ceases to exist. The City only projects the receipt of intergovernmental revenues during the period of time that the federal, state or county authorization exists.

User Fee Revenues.

The City charges the direct beneficiaries of City service fees that recover the partial or full cost of providing certain services. Many of these services provided by the City directly benefit individuals or the private sector. These include recreation programs, building permits, animal licenses and many others. When the general taxpayer subsidizes services of this nature, scarce resource dollars are not available for other City services. In these user-choice services, the customer has the opportunity to determine whether that service is used, with part of that decision being made through the normal pricing system. In such cases, the City is committed to recovering the cost of providing that service through a user fee or service charge. In determining its fee structure, the City:

1. Develops broad policies concerning funding of services.
2. Periodically reviews all services to determine if a fee should be charged.
3. Considers market rates and charges levied by other public and private organizations for similar services.
4. Sets fees that recover the partial or full costs of providing that service.
5. Sets fees that are comparable to other jurisdictions.
6. Periodically evaluates fee amounts.

In some cases full cost recovery is not permitted because of statutory restrictions, and in other cases full cost recovery may not be desired for health, safety or welfare reasons.

Development Impact Fee Revenues.

The City seeks to recover some of the cost of growth through development impact fees assessments on new developments in the City of Calexico. As Calexico' population grows, the demand for the expansion of public infrastructure and the purchase of capital equipment needed to serve new development in the City increases.

State law allows (State Mitigation Fee Act, Government Code 66000 *et. seq.*) and fairness dictates that the new residents creating the need for expanded infrastructure and additional equipment capital costs should make a contribution to their acquisition in the form of development impact fees. Development impact fees are collected by the City of Calexico for the expansion of public infrastructure and facilities and the purchase of capital equipment needed to for new development in the City. All development impact fees are deposited in separate capital projects revenue and expenditure accounts in a separate Capital Projects Fund specifically designated for the particular development impact fee. Development impact fees can only be spent for capital purchases due to growth and are not used for salary or maintenance or operation expenditures.

Long-Term Debt and Public Borrowing.

Public borrowing through lease-purchase agreements, general obligation (GO) bonds, revenue bonds, certificates of participation (COP) or other legal debt instruments may be in the public interest. However, the City will pursue policies that will not saddle the public with excessive public debt and will carefully scrutinize any public borrowing proposals. **California currently has no constitutional or statutory debt limits for municipalities. Therefore, the City Council, City Manager or other staff members must use debt in a wise and judicious manner.** Where public borrowing is considered appropriate by the City Council, it will be done in accordance with the following policies:

7. Debt is limited to equipment purchases and major capital projects. It is not used for General operating expenses. It is the policy of the City to maintain cash balances at a sufficient level for general operating costs (those items normally funded in the City's annual operating budget and having a useful life of less than one year). Short-term securities may be issued in cases where the City's normal cash flow has been disrupted as a result of natural disaster or unexpected delays in the receipt of federal or state revenues.
8. The maturity date for any debt does not exceed the reasonable expected useful life of the equipment or capital improvement being financed. Generally, the City will limit long-term debt to a term not to exceed 10-15 years.
9. When practical, the City will develop, authorize, and issue revenue, special fee or other self-supporting debt instruments instead of General Obligation (GO) Bonds.
10. Coverage for revenue bonds or special fee debt instruments shall be at least 120% of annual total debt service.
11. The City will maintain good communication regarding its financial condition.
12. It will regularly evaluate its adherence to its debt policies. The City promotes effective communications with bond rating agencies and others in the market place based on full disclosure.

City Insurance and Risk Management.

The City is a member of the California Joint Powers Insurance Authority (JPIA) and obtains its insurance from the Authority. The Authority is composed of 122 California public entities and is organized under a

joint powers agreement pursuant to California Government Code Section 6500 et. seq. The purpose of the Authority is to arrange and administer programs for pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California Joint Powers Insurance Authority (JPIA) began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below:

1. General Liability Insurance Coverage. In the General Liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred losses up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. The \$2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the JPIA. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. The \$3 million aggregate deductible is fully retained by the JPIA. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$25 million per occurrence. This \$35 million subsidence sub-limit is composed of (1) \$5 million within the pool's self-insurance retention, (2) \$10 million in reinsurance and (3) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

2. Workers' Compensation Insurance Coverage. The City also participates in the workers' compensation program administered by the JPIA. In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of

the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

3. Property Insurance Coverage. The City of Calexico participates in the all-risk property protection program of the JPIA. This insurance protection is underwritten by several insurance companies. City of Calexico property is currently insured according to a schedule of covered property submitted by the City of Calexico to the JPIA. City of Calexico property has all-risk property insurance protection. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

4. Earthquake and Flood Insurance. The City of Calexico purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection program of the JPIA. City of Calexico property currently has earthquake protection in the amount of \$20,595,581. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for coverage are paid annually and are not subject to retrospective adjustments.

5. Pollution Legal Liability Coverage. City of Calexico participates in the pollution legal liability insurance program (formerly called environment insurance) which is available through the JPIA. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Calexico. Coverage is on a claims-made basis. There is a \$50,000 deductible. The California Joint Powers Insurance Authority (JPIA) has a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the JPIA has a \$10 million sub-limit during the 3-year term.

5. Crime and Fidelity Insurance Coverage. The California Joint Powers Insurance Authority (JPIA) provides Calexico with crime and fidelity insurance. This program is a group purchased program where rate reductions and coverage enhancements are realized because participants are able to leverage their significant purchasing power. This program provides up to \$3 million per occurrence with a \$2,500 deductible. The fidelity coverage is provided through the JPIA. Premiums are paid annual and are not subject to retrospective adjustments. Coverage is provided for the following incidents:

A. Public Employee Dishonesty. Coverage includes the faithful performance of duty including loss of money, securities and other tangible property with intrinsic value resulting from employee dishonesty. It includes loss resulting from failure of any employee to faithfully perform duties as prescribed by law.

B. Forgery or Alteration. Coverage is provided for loss by forgery or alteration of any checks, drafts, promissory notes or similar written promises, orders or directions to pay money that are made or drawn upon your accounts by persons other than your

employees.

C. Theft, Disappearance and Destruction. The California Joint Powers Insurance (JPIA) provides coverage for losses by theft, disappearance and destruction of money and securities inside premises or banking premises, or outside the premises in the care and custody of a messenger caused by persons other than City employees.

D. Computer Fraud. Coverage is provided by JPIA or City money, securities and other property for theft which follows and is directly related to the use of any computer to fraudulently cause a transfer of that property from inside the City premises or banking premises to a person or place outside those premises caused by persons other than employees.

5. Special Event Tenant User Liability Insurance Coverage. PARSAC established special events insurance coverage to provide member cities with a method for transferring risk to individuals or groups using public facilities for events such as weddings, athletic events, fairs or parades. The relatively inexpensive cost of this insurance is calculated prior to the event and is passed through the facility to the users. The program provides up to \$5 million per occurrence limits and includes coverage for both public and private events. Coverage options include athletic participants, instructors, volunteers, vendors, exhibitors, concessionaires, and liquor liability. Liability limits are \$1 million per occurrence, with optional excess limits up to \$4 million.

California Public Employees' Retirement Plan (PERS)

1. Plan Description. The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance.

2. Funding Policy. The City pays both the employee and employer contributions for active members. Active members are required by State statute to contribute 7% if a Miscellaneous member, and 9% if a Safety member, of their annual covered salary. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll.

Deferred Compensation Plan

The City offers a deferred compensation plan for regular employees created in accordance with Internal Revenue Code Section 457. Under the terms of the plan, employees may defer amounts of income up to a maximum of \$17,000 per year or 100% of includable compensation, whichever is less. Amounts so deferred may be withdrawn or directed for future payment at separation of employment but may not be paid to the employee during employment with the City except for a catastrophic circumstances creating an undue and unforeseen financial hardship for the employee.

The Small Business Job Protection Act of 1966 requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The City's deferred compensation administrator qualifies as the plan trustee to meet Federal requirements. Since the plan assets are no

longer considered the property and rights of the City, such assets are no longer reflected in the accompanying basic financial statements.

Employee Post-Retirement Health Benefits.

Employees hired prior to May 18, 1993 retiring from the City under PERS are eligible for City-paid retiree medical and dental benefits for themselves and eligible dependents. The retiree is responsible for a monthly contribution equal to \$120.

Employees hired on or after May 18, 1993, are eligible for City paid retiree medical benefits for themselves only to the retiree's attainment age of 65. Eligibility requires retirement from the City under PERS with at least 20 years of service. Retirees with less than 30 years of service at retirement are required to pay a monthly contribution. This contribution is equal to 5% times the years of services less than 30 (not to exceed 50%) times the COBRA rate for retiree only PPO coverage. The retiree may also elect to cover the pay for eligible dependents based on the COBRA rate.

All employees hired on or after July 1, 2008 and members of the Calexico Police Officers' Association hired after July 1, 2008 are not eligible for health benefits at retirement. The City currently accounts for retiree health benefits on a pay-as-you-go basis.

Fund Balances In Governmental Funds and Cash and Investments Balances in Enterprise and Fiduciary Funds.

1. Definition and Purpose.

A. Governmental Funds. Accountants employ the term "Fund Balance" to describe the net assets of Governmental Funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of Governmental Funds calculated on a government's budgetary basis. In both cases, "Fund Balance" is intended to serve as a measure of the financial resources available in a Governmental Fund. It is essential the City of Calexico maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

B. Enterprise and Fiduciary Funds. The "Cash and Investment Fund Balance" is that portion of fund equity that can be used for operating, capital and debt service expenditures, and is intended to serve as a measure of the financial resources available in an Enterprise Fund. It is essential the City of Calexico maintain adequate levels of cash and investment fund balances to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable utility rates. Cash and investment fund balance levels are also a crucial consideration in long-term financial planning.

Credit rating agencies carefully monitor levels of fund balance in a government's General Fund to evaluate a government's continued creditworthiness. Those interested primarily in a government's creditworthiness or economic conditions are likely to favor higher levels of fund balance. Opposing pressures often come from employee unions, taxpayers and citizens' groups, which may view high levels of fund balance as "excessive."

2. Classification of Governmental Fund Balances. Governmental Fund balances are classified into the following categories:

A. Nonspendable Fund Balances. Non-Spendable Fund Balances consist of items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

B. Restricted Fund Balances. Restricted Fund Balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributions, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

C. Committed Fund Balances. Committed Fund Balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body through City Council resolutions, etc., and that remain binding unless removed in the same manner.

D. Assigned Fund Balances. Assigned Fund Balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision maker or by a committee or official designated for that purpose. The City Council has authorized the City Manager for that purpose.

E. Unassigned Fund Balances. This category is for any balances that have no restrictions placed upon them.

3. Fund Balance Policy Considerations. In establishing a policy governing the level of unrestricted (unreserved) fund balance in governmental funds and cash and investment fund balance in its Enterprise Funds, the City Council takes into consideration the following factors:

A. The predictability of its revenues and the volatility of its expenditures (i.e. higher levels of unrestricted (unreserved) fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile).

B. The availability of resources in other funds as well as the potential drain upon General Fund resources from other funds (i.e. the availability of resources in other funds may reduce the amount of unrestricted (unreserved) fund balance needed in the General Fund, just as deficits in other funds may require that a higher level of unrestricted (unreserved) fund balance be maintained in the General Fund.

C. Liquidity (i.e. disparity between financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained).

D. Designations (i.e. the City of Calexico may wish to maintain higher levels of Unrestricted (unreserved) fund balance to compensate for any portion of unrestricted (unreserved) fund balance already designated for a specific purpose).

4. Fund Balance Policy. A reasonable minimum fund balance of ____% of annual revenues in the General Fund, and ____% in Special Revenue Funds and Capital Project Funds, and reasonable unrestricted cash and investments balance of ____% will be maintained in the Enterprise and Fiduciary Funds for the following purposes:

- A. Provide sufficient working capital to avoid meeting daily cash needs to avoid using tax-anticipation notes.
- B. Provide a reserve to absorb emergency expenditures caused by natural disaster such as fire, flood or earthquake.
- C. Cover any unanticipated deficit resulting from a shortfall in actual revenues in a given budget year or unanticipated cuts by the State Legislature and Governor of City revenues.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses unrestricted resources in the following order: committed, assigned, and unassigned.

When the unrestricted (unreserved) fund balance of the General Fund exceeds the amount needed for the above purposes, monies are transferred to the General Capital Projects Fund to be used for capital improvements in the City.

Restricted (reserved) fund balances in the General Fund, Special Revenue Funds, and Capital Projects Funds will be separated out and identified in the City's accounting records, financial statements, budgets and audit reports. This same policy is followed with respect to restricted amounts in the cash and investment balances of the Enterprise Funds. The purpose of this policy is to show the City Council, staff and the public what funds in these balances are unrestricted and what funds are to be used for specific purposes.



Capital Improvement Project Policies

New Construction.

New residential, commercial and industrial developments must be approved by the City Engineer and be fully completed before acceptance by the City. The City requires surety bonds or stand-by letters of credit in a form approved by the City Attorney to guarantee the construction of off-site improvements in all new developments. The improvements that must be installed in each development are water lines, flood control facilities, underground electrical lines, underground telephone lines, underground natural gas lines, underground cable television lines, curbs, gutters, sidewalks and a finished street, with enough road base and asphalt depth to last at least 15 years. Construction standards to achieve this useful life have been determined and adopted by the City Council.

Capital Project Funding and Construction Categories.

Calexico capital projects may be divided into four categories. They are current-year funded projects, Five-Year Capital Improvements Plan (CIP) projects, planned, but unfunded projects, and unfunded future needs projects.

1. Category 1 Projects: Current -Year Funded Projects. This category includes projects that funding has been appropriated in the current fiscal year's capital budgets and legal contracts have been signed to commit these funds. The City Council has determined through the annual budgeting process that these projects are in the best interest of the public's health, safety and welfare. These projects have been carefully planned to maximize the benefits derived through the use of the City's limited resources. Projects that generate future revenues that will fund future services and projects and benefit the entire community will receive first priority for funding.

2. Category 2 Projects: Five-Year Capital Improvement Plan (CIP) Projects. This category includes projects where funding will come from projected revenues in the second through fifth year of the Five-Year Capital Improvements Plan (CIP). The fiscal year in which anticipated funding has been reserved may change due to the available revenues. All projects in this category must be tied to a projected funding source.

3. Category 3 Projects: Planned but Unfunded Projects. This category includes projects that are planned and required to maintain established levels of services throughout the City for the existing population. Typically these projects are needed as a result of deteriorating infrastructure, updates to various General Plan Elements, or are in areas where minimum levels of service are not currently being met. These projects are not intended to promote residential growth, but to sustain municipal services for the existing residents. If a funding source becomes available, a project in this category may be moved to a Category 2 Project.

4. Category 4 Projects: Unfunded Future Needs Projects. Projects under this category are a condition of future growth and will generally be included in undeveloped areas. It is the intent of the City that development should pay for public improvements to meet established minimum levels of service. In this category, projects are not anticipated to be upgraded to a higher category without revenue generating potential.

Capital Project Financing.

Capital improvements and equipment purchases are financed in accordance with the following policies:

1. General Fund and Enterprise Fund Equipment Purchases. City departments within the General Fund will finance equipment purchases from current year appropriations. Multi-year equipment lease-purchase agreements will be avoided except in the most rare of cases.

2. General Infrastructure Construction Projects. Capital projects for general governmental purposes such as land purchases, building construction, road construction, street paving, storm drain installation and other major improvements are financed from revenues allocated to the General Capital Projects Fund. The General Capital Projects Fund contains revenues from unrestricted sources as well as restricted sources such as development impact fees or federal, state and county grants. Major capital improvements that cannot be delayed until the required funds are accumulated may be financed by issuing general obligation bonds, revenue bonds (where permissible), or by a combination of any of these methods.

3. Enterprise Fund Construction Projects. All capital projects in the Enterprise Funds are paid from resources provided by development impact fees, contributed capital revenues and net income from operations. If these sources cannot provide sufficient resources for Enterprise Fund improvements, construction of these improvements may be financed by general obligation bonds, revenue bonds or by a combination of any of these methods.

4. Special Assessment Districts. Capital improvements or public services that benefit a given area may be financed in accordance with state law by special assessment districts. These districts are established where the majority of the residents or businesses want specific improvements or public services and consent to pay for them over time. In these cases the City finances the specific capital improvements with bonds and public services through a special tax or special annual assessment. Property owners then pay the principal and interest for capital improvements over a designated time period.

Five-Year Capital Improvements Plan.

The Five-Year Capital Improvements Plan (CIP) is a multi-year guide to the construction of community improvements such as roads, storm drains, curbs, gutters, sidewalks, water facilities, sewer facilities, storm drainage facilities and other needed City improvements. It is through this process that the long-range plan for the orderly maintenance and improvement of Calexico physical fixed assets can be accomplished. This document is intended to serve as a planning tool and is structured to present a meaningful perspective of the community's long-range needs.

The Five-Year Capital Improvements Plan (CIP) determines the budgeted capital projects for the current fiscal year only. There are no specific appropriations established via the adoption of the Five-Year Capital Improvements Plan (CIP) with the exception of the current fiscal year. Subsequent year appropriations and actual funding sources are identified as part of the preparation of the annual budget.

Utility Coordination.

All capital construction and maintenance projects are coordinated with Imperial Irrigation District (IID), The Gas Company, Time-Warner Communications, Calexico Water District and other utilities. This saves Calexico residents money and will avoid tearing out improvements after they have been

installed.

Five-Year Capital Improvements Plan (CIP) Preparation

Each department is asked every year to identify potential capital projects and their estimated cost. Financial forecasts of the General Fund, Special Revenue Funds and Enterprise Funds are then prepared to identify what monies will be available for future projects. Projects that cannot be funded from money generated through the general course of business must be financed with development impact fees, grants, bonds or must be postponed or cancelled.

During the City Council budget work sessions, potential capital projects are discussed enabling the City Council to review staff recommended projects and make any necessary changes. When consensus is reached on the capital projects and proposed funding sources, the staff will prepare a formal Five-Year Capital Improvement Plan (CIP) document that will be presented to the City Council. The adoption of this document commits the City Council to spend money on projects listed in the current fiscal year only.

The City can face significant changes in economic conditions, funding sources and political priorities every year. Therefore, the Five-Year Capital Improvements Plan (CIP) must be annually updated.

Capital Project Priority Criteria

Capital projects are prioritized using revenue generating and cost avoidance considerations; health, safety and welfare considerations; level of service considerations; maintenance considerations; aesthetic considerations; and leverage and timing considerations.

1. Revenue Generating and Cost Avoidance Considerations. Projects that enhance revenues or reduce costs will be given first priority in order to improve the financial position of the City and enhance the ability to do future projects or deliver high levels of municipal services. New commercial, residential and industrial development must pay for its infrastructure either by constructing these items or paying impact fees.

2. Health, Safety and Welfare Considerations. One of the primary purposes of government is to provide for the health, safety and welfare of its citizens. The City must provide safe drinking water, safe streets, safe sidewalks as well as adequate police protection, solid waste disposal, and storm water disposal and treatment of municipal sewage.

3. Level-of-Service Considerations. Many older City developments were constructed decades ago and many newer developments do not meet minimum levels of service as established by the federal government, state government, county government or generally accepted engineering standards.

4. Maintenance Considerations. All public improvements must be maintained after the construction is completed. Maintenance staffing and equipment are critical elements that must be considered in project prioritization and must be funded on an on-going basis with revenue sources other than capital improvement funding. The nature of some projects may cause a reduction in maintenance.

5. Aesthetic Considerations. Community appearance and aesthetics are important elements in the quality of life in the community. City aesthetics and appearance helps attract new residential, commercial and industrial developments to the City. Calexico has buildings and public infrastructure that need to be replaced and upgraded to create a more attractive community.

6. Leverage and Timing Considerations. Projects that may be funded by entitlement grants or competitive grants from the federal, state and county governments will be considered based on the availability of funds and the requirements of the granting agency. In addition, the City Council may accelerate capital projects where the City has the opportunity to participate in partnership with other public or private entities or where timing is critical or funding may be lost.



Border Fence

Budget Policies

The annual budget conforms to Calexico's Strategic Plan and City Council goals and objectives and is the primary mechanism for their implementation. The budget is a policy document, operations guide, financial plan and a communications device. It is the single most important means of setting spending policies and priorities of the City. It constitutes approval by the City Council of service levels and operating programs and provides resources to finance them. Expenditures must be kept within total appropriations for all Accounting Funds.

Funding Public Services.

Adequate revenue streams are important to fund municipal services determined appropriate by the City Council. It is the policy of the City Council to take appropriate steps to ensure full and continued funding for services, programs and facilities that the City is required to provide by law or regulation or elects to provide. Pursuant to this policy the City will:



- 1. New or Expanded Programs.** The City will consider requests for new or expanded programs during the course of the regular budget process. Only in extreme circumstances will such requests be considered during the middle of the year.
- 2. Monitor Revenue Sources:** All revenue sources will be monitored to maximize revenue collections and provide early warning if revenues fail to meet projections.
- 3. Federal, State and Private Grants.** The City will pursue federal, state and private grants, but will strictly limit financial support of these programs to avoid commitments which continue beyond available funding.
- 4. New Revenues and Revenue Diversification.** The City will continuously seek new revenues and diversify its revenue sources to provide resource stability and limit the dependence on single or a small number of revenue sources.

Balanced Budget.

The City of Calexico will live within its means. All City departments, activities and programs must function within the limits of the financial resources identified and available specifically to them by the City Council or the City Manager. Calexico will adopt a balanced budget that maintains a balance between all funds revenues and personnel, maintenance and operations and capital and debt service expenditures during the current budget period and over the long term. Calexico will not spend beyond its revenue streams no matter how meritorious the program or proposed expenditure.

As stated above in the Accounting Policies Section, the City uses the modified accrual accounting basis in recognizing revenues and expenditures for the purpose of determining a balanced budget. The City Council with the recommendation and input of the City Manager and the City's independent certified public accountants ultimately determines whether there is a balanced budget. The point at which the budget must be balanced is at the end of the fiscal year.

The City Manager has the authority to reduce, augment or realign the budgets of each Accounting Fund or to transfer funds between each accounting fund during the fiscal year to maintain a balanced budget. Staff will disclose to the City Council when there is a temporary annual budget shortfall or annual operating deficit. Specific plans to bring revenues into line with expenditures will be developed and implemented by the department heads, City Manager and City Council to correct any temporary shortages or operating deficits. In addition, the following policies are followed to insure a balanced budget.

1. Revenue Estimates. Revenue estimates will strive for accuracy by coming as close as possible to the actual outcome. However, the forecasting of sharp turns in the national, state and local economies is always problematic. In addition, attempting to predict what the Governor and State Legislature will do with designated City revenues in their attempt to deal with the on-going state budget crisis is almost impossible. Revenue forecasting is not an exact science and at times relies upon the best professional judgment of the forecaster. To reduce the risks of miscalculating revenues or expenditures, the City attempts to identify as many factors as possible that may contribute to changes in revenues and expenditures.

2. Current Appropriations. Current appropriations in all funds are limited to the sum of available, unencumbered cash balances and revenues estimated to be received in the current budget period. Use of unrestricted fund balances is appropriate, but will be carefully scrutinized.

3. Special Revenue Funds and Capital Project Funds Supported by Grants or Intergovernmental Revenues. Expenditures in these funds are strictly limited to the mandates of the funding source. Special Revenue Funds and Capital Projects Funds supported by grants or intergovernmental revenues are strictly limited to the mandates of the funding source. These funds are not to be used to subsidize other funds, except as required or permitted by program regulations.

4. Enterprise Funds. Enterprise Funds will be self-supporting entities through annual reviews of their fee structures, charges for services, and other operating revenues and expenditures.

5. Internal Service Funds. Sufficient charges and rate schedules shall be levied to support operations of internal service funds. No trend of operating deficits shall be allowed. Services shall be scaled to the level of support available from these charge backs.

6. User Charges and Fees. Sufficient user charges and fees shall be pursued and levied to support the full cost (operating, direct, indirect and capital) of operations. Market rates and charges levied by other public and private organizations shall be considered when establishing tax rates, fees and charges.

7. New Revenues. New and expanded unrestricted revenue streams shall be first applied to support existing programs prior to funding new or expanded programs.

8. Restricted and Unrestricted Financial Resources. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources.

9. Multi-Year Capital Cost Projections. Multi-year capital cost projections shall be prepared and updated each year to identify the impact on resources.

10. Five-Year Capital Improvements Plan. A Five-Year Capital Improvements Plan shall be prepared and updated each year. The operating impact of each project shall be identified and incorporated into annual operating budgets. Capital assets shall be purchased and maintained

on a regular schedule.

11. Use of Fund Balance. Unrestricted (unreserved) fund balance will only be used for expenditures or one-time projects if the total fund balance exceeds 95% of the fund revenues. Fund Balance will only be used for operating expenses in the event of a down turn that reduces projected revenues or to cover unanticipated revenue.

Budget Appropriations.

All Accounting Funds are included in the annual budget and all revenues and other financing sources are appropriated by the City Council each fiscal year in the annual budget. All Accounting Funds are included in the City's annual audited financial statements, reviewed by the City's independent certified public accountants. The accounting basis in the City's annual budget is the same as the accounting basis used by the City's annual audited financial statements.

Annual operating budgets in the General Fund and Enterprise Funds are carefully reviewed to insure that budget appropriations are conservative because the City feels government units function more efficiently under conservative budgets than where excess funds are made available.

Appropriations Limit.

Under Article XIII B of the California Constitution (the GANN Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must be either refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements.

Proposition 218.

Proposition 218, approved by the voters in November 1996, regulates the City's ability to impose, increase and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the City's ability to finance the services for which the taxes, assessments and fees are imposed may be significantly impaired. Under Proposition 218:

- Revenues derived from a property related fee must not exceed the funds required to Provide the property related service. (The total cost limitation)
- Revenues derived from the fee must not be used for any purpose other than for that which the fee is imposed. (The proportional cost limitation)
- Fees may not be imposed for a service unless the services is actually used by, or immediately available to, the owner of the property subject to the fee. Fees based on potential or future use of a services are not permitted, and stand-by charges must be classified as assessment subject to the ballot protest and proportionality requirements for assessments. (The future services prohibition)
- No fee or charge may be imposed for general governmental services, such as police, fire,

ambulance, or libraries, where the service is available to the public in substantially the same manner as it is to property owners. (The general government service prohibition)

A public agency has the burden to prove compliance with these provisions if a fee is challenged in court.

Budgetary Control and Accountability.

The budgetary control and accountability is maintained at the department level. The City Council has the authority to adopt the annual budget and transfer budget appropriations between individual Funds. The City Manager acting as the City's Budget Officer, has the authority to transfer budget appropriations between funds, departments and individual line items to maintain a balanced budget.

Unexpended Appropriations.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as reservations of fund balances do not constitute GAAP basis expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. Unexpended appropriations cannot be used in subsequent years.

Budget Adoption Procedures.

Budgetary procedures for the City have been established by the City Council, which require the legal adoption of a budget for all Accounting Funds. The following are the administrative procedures followed by the City in its budgetary process. (Please also see Figure 43.)

1. Budget Preparation. Department heads meet with employees and prepare proposed operating and capital budgets, as well as department goals and performance standards for the coming fiscal year based on guidance provided by the City Manager and City Council. The department heads submit these proposed budgets along with proposed goals and performance standards to City Manager no later than March 1. The Finance Director and City Manager takes information prepared by department heads and prepares the proposed budget for the coming fiscal year for the City Council.

2. Budget Presentation. During the month of May, the City Manager, authorized by the City Council to act as the Budget Officer, submits a proposed operating and capital budgets for all Governmental, Proprietary and Fiduciary Funds to the City Council for the subsequent fiscal year. The budget documents illustrate proposed financing sources along with the proposed operating and capital budget expenditures.

3. Budget Work Meetings. The City Council holds one or more public budget work meetings to review the proposed annual budget.

4. Budget Public Hearing. A public hearing is held to receive comments on all aspects of the proposed budget. A notice in the local newspaper precedes the hearing. The notice is given at least ten days before the hearing and includes the time, date and place of the hearing. All budget documents are required to be available at least seven days prior to the public hearing.

Figure 43 Annual Budget		
Annual Budget Event	Time	Comments
Department heads submit proposed operating and capital budgets, goals and performance standards to City	March 1	City Manager and Finance Director take information prepared by department heads and prepare the proposed budget for coming fiscal year.
City Manager presents proposed budget to City Council	May	Proposed operating and capital budgets for all Accounting Funds is distributed to public, press and City Council. Copies are available for public review at City Hall and
City Council reviews budget in work meetings	May and June	City Council conducts reviews during work meetings.
Public Hearing	June	Public is invited to comment on proposed annual budget. City Council makes final budget changes. City Manager incorporates changes made by City Council into final
Budget Adoption by City Council	June 30	Final budget is adopted by the City Council. Since City revenues are highly dependent upon the actions of the State Legislature, final budget adoption may be delayed in any given year until state

5. Budget Adoption. A final budget is adopted by the City Council for the subsequent fiscal year beginning July 1. Since city revenues are highly dependent upon the actions of the State Legislature, final budget adoption may be delayed in any given year until the Governor and State Legislature adopt a state budget.





SECTION 5

SUMMARY OF LOANS AND NOTES RECEIVABLE AND LONG-TERM DEBT



Historic Calexico Border Crossing

Long-Term Notes and Loans Receivable Summary

Notes and Loans Receivable.

The City of Calexico and the Successor Agency to the Former Calexico Community Redevelopment Agency issued a series of notes and loans to other organizations. Figure 44 shows the beginning balance on July 1, 2015, the principal and interest payments that will occur during FY2016 and the ending balance of these notes and loans on June 30, 2016. **The City anticipates receiving only \$2,725 in principal payments and \$2,655 in interest payments during FY2016.**

**Figure 44
City of Calexico Long-Term
Notes and Loans Receivable Summary**

Note or Loan Description	Loan Funding Source	Beginning Balance July 1, 2015	FY2016 Debt Principal Payment	FY2016 Debt Interest Payment	Ending Balance June 30, 2016
1996 Calexico Community Action Council Promissory Note (Alejandro Rivera Senior Citizen Apartments)	Redevelopment Agency	\$ 306,377	\$ 0	\$ 0	\$ 306,377
De Anza Limited Partnership #1 (De Anza Hotel Property)	Redevelopment Agency	422,977	0	0	422,977
De Anza Limited Partnership #2 (El Quintero Apartments)	HUD HOME Grant Funds	5,000,000	0	0	5,000,000
De Anza Limited Partnership Post Earthquake Renovation (De Anza Hotel Property)	CDBG Funds Housing Loan	759,333	0	1,000	759,333
Housing Authority Victoria Manor Senior Apartments	Redevelopment Agency	200,000	0	0	200,000
CFA, Limited Partnership (Calexico Family Apartments)	Redevelopment Agency	400,000	0	0	400,000
Durazo Mens Clothing Loan (Business Loan)	Redevelopment Agency	45,068	950	1,030	45,068
Calexico II, LP (Villa Dorada Apartments)	HUD Home Grant Funds	3,400,000	0	0	3,400,000
HPD Villa Del Este, LP (Affordable Housing Projects)	HUD Home Grant Funds	1,363,887	0	0	1,363,887
Don Pedro's Authentic Mexican Food Loan (Business Loan)	Redevelopment Agency	25,000	0	0	25,000
El Sol del Valle Imperial (Business Loan)	Redevelopment Agency	50,000	1,775	625	50,000
Other Housing Loans (Low-and-Moderate Housing Loans)	City and Redevelopment Agency	14,096,744	0	0	14,096,744
Total		\$ 26,069,386	\$ 2,725	\$ 2,655	\$ 26,068,386

1. Calexico Community Action Council (Alejandro Rivera Citizen Apartments). On September 11, 1996, the Calexico Community Redevelopment Agency issued a promissory note to Calexico Community Action Council to supersede a prior note for development of the Alejandro Rivera Senior Citizens Apartments II. The note bears an annual interest rate of 6.5%. Annual payments are based on an estimated amount of the profit and shall be due and payable on

December 31 of each year until entire principal amount is paid off. At June 30, 2015, the outstanding balance was \$306,377.

2. De Anza Limited Partnership #1 (De Anza Hotel). In 1996, the Calexico Community Redevelopment Agency loaned De Anza Limited Partnership #1 the amount of \$457,130 for the rehabilitation of the De Anza Hotel. The note is secured by property. The note bears interest at the rate of 3% per annum and is due on the 16th anniversary of the date the project was placed in service. On June 30, 2015, the outstanding balance was \$457,130.

3. De Anza Limited Partnership #2 (El Quintero Apartments). March 9, 1998, the Calexico Redevelopment Agency loaned De Anza Limited Partnership #2 \$5 million in U.S. Department of Housing and Urban Development (HUD) HOME Grant funds for the construction of the El Quintero Apartments. The note is secured by the first assignment of leases and rents, and a deed of trust. The note bears an interest rate of 2% per year and is payable in 180 equal monthly payments, upon the Partnership realizing a profit. On January 31, 2012, the outstanding balance of \$5 million was transferred to the Successor Agency of the Calexico Redevelopment Agency. On June 30, 2015 the outstanding balance was \$5 million.

4. De Anza Limited Partnership Post Earthquake De Anza Hotel Renovation. On September 21, 2010, the City loaned the De Anza Limited Partnership \$759,333 in Community Development Block Grant Funds for the De Anza Hotel post-earthquake rehabilitation and repair project. Borrowings are secured by a first assignment of leases and rents, and a deed of trust. Borrowings bear an interest rate of 3% per annum and are payable from residual receipts in the amount of 40% of the residential receipts and no event less than \$1,000 per year beginning March 30, 2011. At June 30, 2015, the outstanding balance of the note was \$759,333.

5. Calexico Housing Authority (Victoria Manor Senior Apartments). On October 19, 2010, the Calexico Community Redevelopment Agency loaned the Calexico Housing Authority ("Authority") 200,000 in order for the Authority to purchase property for the Victoria Manor Senior Apartments. The note is secured by a deed of trust on property. The note bears an interest rate of 6.25% per annum and is due at the earlier of the commencement of the term for the option agreement included with the note or nine years from the execution of the note. At June 30, 2015, the outstanding balance of the note was \$200,000.

6. CFA, Limited Partnership (Calexico Family Apartments). On October 21, 2002, the City Community Redevelopment Agency loaned CFA Limited Partnership \$400,000 for affordable housing projects. This note is secured by a deed of trust. The note bears interest at 6% per annum. Principal and accrued interest shall be repaid beginning on April 15, 2004 and each April 15 thereafter until repaid in full. All outstanding principal and accrued interest shall be due in full on the earlier of the 18th anniversary of the date of this note or the sale or other transfer of the property. At June 30, 2015, the outstanding balance of the note was \$400,000.

7. Durazo Mens Clothing Store (Business Loan). On November 20, 2002, the Calexico Community Redevelopment Agency loaned Durazo Mens Clothing Store \$50,000. This loan is a business assistance loan and is secured by a deed a trust. The note bears interest at a rate of 2.75% per annum and is payable in 120 equal principal and interest monthly payments. On January 31, 2012, the outstanding balance of \$45,068 was transferred to the Successor Agency of the Calexico Redevelopment Agency. At June 30, 2015, the outstanding balance was \$45,068.

8. Calexico II, LP (Villa Dorada Apartments). On November 1, 2006, the Calexico Community Redevelopment Agency loaned Calexico II, LP \$3,400,000 for affordable housing projects. The note bears interest at 3% and is payable annually within 90 days following the end of each calendar year, contingent upon Calexico LP realizing a profit. At June 30, 2015, the outstanding balance of

the loan was \$3,400,000.

9. HPD Villa Del Este, LP (Affordable Housing Projects) In June 30, 2008, the City loaned \$1,363,887 in U.S. Department of Housing and Urban Development (HUD) HOME Grant funds to PD Villa Del Este, LP for affordable housing projects. The note is secured by a deed of trust. The note bears interest at 3% per annum. Principal and accrued interest shall be repaid beginning January 1, 2018, for each preceding calendar year and continuing annually on the first day of each and every year thereafter for the remainder of the term in which there is a cash flow balance. At June 30, 2014, the outstanding balance note was \$1,363,887.

10. Don Pedro's Authentic Mexican Foods (Business Loan). On April 16, 2010, the Calexico Community Redevelopment Agency loaned Don Pedro's Authentic Mexican Food, Inc. \$25,000. This loan is a business assistance loan secured by a deed of trust financed with the loan. The note bears interest at a rate of 1.25% per annum. Principal and interest are payable in monthly installments of \$361 beginning July 2011. On January 31, 2012, this loan was transferred to the Successor Agency of the Calexico Redevelopment Agency. The outstanding balance of the loan was \$25,000 on June 30, 2015.

11. El Sol del Valle Imperial (Business Loan). On March 16, 2010, the Calexico Community Redevelopment Agency loaned El Sol del Valle Imperial \$50,000. This loan is a business assistance loan is secured by a deed of trust and a security agreement. The note bears interest at a rate of 1.25% per annum. Principal and interest are payable in monthly installments of \$860 beginning July 2011. On January 31, 2012, the loan of \$50,000 was transferred to the Successor Agency of the Calexico Community Redevelopment Agency. The outstanding loan balance on June 30, 2015 was \$50,000.

12. Other Housing Loans (Affordable Housing Loan). The City and the Calexico Community Redevelopment Agency have established various loan programs which assist residents of the City in purchasing and/or rehabilitating their homes. These loans are in the form of fully amortized or deferred loans. The deferred loans are usually due upon sale property. At June 30, 2015, the outstanding balance of the loans was \$11,138,020.



New River Crosses Border into Calexico

Long-Term Debt Summary

The City of Calexico has Fiduciary Funds long-term debt, Proprietary Funds long-term debt and general long-term debt.

Fiduciary Funds Long-Term Debt.

The Calexico Community Redevelopment Agency issued long-term debt over the years. This debt was transferred to the Successor Agency to the Calexico Community Redevelopment Agency (a separate government entity) on February 1, 2012 when state law dissolved redevelopment agencies. **Bond principal and interest are paid through tax increment generated in the former project areas of the Calexico Community Redevelopment Agency and does not affect the City's General Fund, Special Revenue Funds or Enterprise Funds. Therefore, the Fiduciary Funds long-term debt is technically not a debt to the City of Calexico, but a debt obligation of the Calexico Community Redevelopment Agency Successor Agency.** Figure 45 shows the beginning balance on July 1, 2015, the principal and interest payments paid during FY2016 and the ending balance of the long-term debt on June 30, 2016.

Figure 45
Fiduciary Funds Long-Term Debt Summary

No.	Description	Beginning Debt Balance July 1, 2015	FY2016 Debt Principal Payment	FY2016 Debt Interest Payment	Ending Debt Balance June 30, 2016
1	2000 Tax Allocation Bonds	\$ 640,000	\$ 25,000	\$ 33,625	\$ 615,000
2	2014 Tax Allocation Refunding Bond	15,395,000	1,275,000	449,873	14,120,000
3	2006 Tax Allocation Refunding Bond	9,705,000	45,000	414,091	9,660,000
4	2011 Tax Allocation Bonds	7,120,000	0	516,200	7,120,000
5	2011 School District Tax Allocation Bonds	1,815,000	0	119,060	1,815,000
	Total	\$ 34,675,000	\$1,345,000	\$1,532,849	\$ 33,330,000

1. 2000 Tax Allocation Bonds. On December 10, 2000, the City issued the 2000 Tax Allocation Bonds in the amount of \$10,000,000. The proceeds from the issue were used to pay the issuance costs, fund a reserve account, and finance various projects within the Agency's Merged Central Business District and Residential Redevelopment Project Area. The bonds are secured by a pledged of and lien on tax increment revenues.

Interest payments are payable on August 1 and February 1 of each year, commencing on August 1, 2001. The bonds consist of \$150,000 of serial bonds due August 1, 2001, at an interest rate of 3.85% and \$9,850,000 of term bonds with principal maturing on August 1 beginning 2002 and ending in 2030. Interest rates on the term bonds vary from 4.25% to 5.50% per annum. Annual debt service principle requirements range from \$10,000 to \$1,780,000. At June 30 2012, the outstanding balance of the bonds was \$695,000. The outstanding balance of the bonds in the amount of \$695,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. The total outstanding balance on June 30, 2015 was \$640,000.

2. 2014 Tax Allocation Refunding Bonds. The City of Calexico Community Redevelopment Agency previously issued its \$16,120,000 Merged Central Business District and Residential

Redevelopment Project Area Tax Allocation Refunding bond issue of 2003A in the summer of 2003. In addition, in the late fall of the same year, the Calexico Redevelopment Agency issued its Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bond (TAB) issue of 2003C in the amount of \$8,600,000.

The Successor Agency of the Calexico Community Redevelopment Agency assumed the responsibility for the repayment of both the 2003A Bonds as well as the 2003C Bonds from the original Agency. In accordance with Assembly Bill 1484, the Successor Agency may refund existing bonds with the approval of the California Department of Finance (DOF), for the purpose of creating debt service savings.

The 2014 Tax Allocation Refunding Bonds will generate an estimated total debt service savings of \$1,800,000 net of all costs of issuance--equal to approximately \$138,000 per year through 2028. The term of the 2014 bonds does not exceed the term of the 2003A and 2003C Bonds. The total outstanding balance on June 30, 2015 was \$15,395,000.

3. 2006 Tax Allocation Refunding Bonds. On December 1, 2006, the City issued \$9,995,000 of 2006 Tax Allocation Refunding Bonds. The purpose of the bonds is to partially refund the 2000 Tax Allocation Bonds. The bonds are payable solely from the tax revenues allocated to the Agency.

The issue consists of serial bonds in the amount of \$9,995,000 payable annually on August 1 of each year, commencing on August 1, 2006 and maturing in 2031 with interest rates ranging from 3.50% to 4.50% per annum. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off.

The City has pledged a portion of the taxes levied on the Merged Central Business District And Residential Redeveloped Project Area (Project Area) over and above the taxable valuation of the base year property tax roll to repay the 2006 Tax Allocation Refunding Bonds. Annual principal and interest payments on the bonds are expected to require approximately 9% of property tax increment revenues.

The outstanding balance of \$9,830,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2015, the outstanding balance of The bonds was \$9,705,000.

4. 2011 Tax Allocation Bonds. On February 1, 2011, the Agency issued the 2011 Tax Allocation Bonds in the amount of \$7,120,000. The Bonds are being issued to finance certain redevelopment activities of the Agency within the Merged Central Business District and Residential Redevelopment Project Area, (ii) fund a reserve for the bonds and (iii) pay certain costs of issuing the bonds. The bonds are payable from and secured by the tax revenues to be derived from the Project Area and certain funds and accounts held under the Agency.

The issue consists of serial bonds in the amount \$7,120,000 payable annually on August 1 of each year, commencing on August 1, 2011 and maturing in 2034 with interest rates ranging from 7.25% to 7.50% per annum. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off.

The Agency has pledged a portion of the taxes levied on the Merged Central Business District and Residential Redevelopment Project Area over and above the taxable valuation of the base year property tax roll to repay the 2011 Tax Allocation Refunding Bonds. Annual principal and interest payments on the bonds are expected to require less than 1% of revenues.

The outstanding balance was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2015, the outstanding bond balance of the bonds was \$7,120,000.

5. 2011 School District Tax Allocation Bonds. On May 1, 2011, the Agency issued the 2011 Tax Allocation bonds in the amount of \$1,815,000. The bonds are being issued to (i) finance certain facilities of Calexico Unified School District (CUSD) located in the Merged Central Business District and Residential Redevelopment Project Area (Project Area), (ii) fund a reserve for the bonds, and (iii) pay certain costs of issuing bonds. The bonds are payable from and secured by the tax revenues to be derived from the Project Area and certain funds and accounts held under the Agency.

The issue consists of serial bonds in the amount \$1,815,000 payable annually on August 1 of each year, commencing on August 1, 2011 and maturing in 2034 with interest rates ranging from 6.40% to 6.60% per annum. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off.

The Agency has pledged a portion of taxes levied on the Merged Central Business District and Residential Redevelopment Project Area over and above the taxable valuation of the base year property tax roll to repay the 2011 Tax Allocation Refunding Bonds (School District). Annual principal and interest payments on the bonds are expected to require 5% of revenues.

The outstanding balance was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2015, the outstanding balance of the bonds was \$1,815,000.

Proprietary Funds Long-Term Debt

The City of Calexico issued long-term Proprietary Fund Type debt over the years on behalf of the City's Water Enterprise Fund and Wastewater Enterprise Fund. Figure 46 shows the beginning balance on July 1, 2015, the principal and interest payments that will occur during FY2016 and the ending balance of the long-term debt on June 30, 2016.

**Figure 46
Proprietary Funds Long-Term Debt Summary**

No.	Description	Beginning Debt Balance July 1, 2015	FY2016 Debt Principal Payment	FY2016 Debt Interest Payment	Ending Debt Balance June 30, 2016
2	2007 Water System Lease Revenue Bonds	\$ 13,660,000	\$ 385,000	\$ 594,046	\$ 13,275,000
3	State Department of Water Resources State Revolving Fund (SRF) Loan	340,879	162,536	15,808	178,343
	Total	\$ 14,000,879	\$ 547,536	\$ 609,854	\$ 13,453,343



1. 2007 Water System Lease Revenue Bonds.

On January 1, 2007, the City, through the Agency issued \$14,030,000 in Water System Lease Revenue Bonds of 2007. Proceeds from the sale of the bonds were used to provide funds to finance certain capital improvements to the City's water system, fund a reserve account for the bonds, fund capitalized interest, and pay certain costs of issuance of the bonds. The bonds will be payable solely from and secured by a pledge of and first lien on water revenues. The total outstanding principal balance on June 30, 2015 was \$13,660,000.

The City has pledged a portion of future lease revenues from the Agency to repay the 2007 Lease Revenue Bonds. Annual principal and interest payments on the notes are expected to require 100% of future lease revenues.

2. State Revolving Fund (SRF) Loan. The City received loans through the State of California Environmental Protection Agency, Water Resources Control Board, Division of Clean Water Programs, for the expansion of the current secondary treatment capacity of the wastewater treatment facilities from a total of 2.7 million gallons-per-day (mgd) to a total of 4.3 million gallons-per-day (mgd). The Division of Clean Water programs established the State Revolving Fund budget and construction grant amount at \$4,589,609, the maximum loan amount. The City subsequently applied for refinancing of the loan to a zero-interest, 20-year, revolving loan requiring a 16 2/3% matching share, which was approved.



The principal balance outstanding as of June 30, 2015 was \$340,879 after discounting the loan at the City's borrowing rate of 4.75%. The first annual payment was due and paid on October 3, 1997 and the final maturity date is October 3, 2016.

General Long-Term Debt

Over the years the City of Calexico has entered into general long-term debt obligations. Figure 47 shows the beginning balance on July 1, 2014, the principal and interest payments that will occur during FY2016 and the ending balance of the long-term debt on June 30, 2016.

**Figure 47
General City Long-Term Debt Summary**

No.	Description	Beginning Debt Balance July 1, 2015	FY2016 Debt Principal Payment	FY2016 Debt Interest Payment	Ending Debt Balance June 30, 2016
1	2002 Tax Sharing Agreement Note Payable--Imperial County	\$ 90,000	\$ 90,000	\$ 0	\$ 0
2	2003 Tax Sharing Agreement Note Payable—Imperial County	46,000	0	0	46,000
3	2012 LTA Measure D Sales Tax/Lease Revenue Bonds	14,360,000	575,000	563,925	13,785,000
4	2014 Measure H Sales Tax/lease Revenue Bonds	10,585,000	535,000	468,750	10,050,000
5	Community Facilities District(CFD) No. 2013-1 (Grand Plaza) Improvement Area No. 1 Special Tax Bonds	7,000,000	0	378,031	7,000,000
6	Capitalized Leases	409,724	204,862	0	204,862
7	1992 Wal-Mart Loan Payable	2,515,714	0	0	2,515,714
	Total	\$ 35,006,438	\$ 1,404,862	\$ 1,410,706	\$ 33,601,576

1. 2002 Tax Sharing Agreement Note Payable--Imperial County. In July 2002, the City entered into an agreement with the Imperial County Local Agency Formation Commission (LAFCO) in order to offset the “negative fiscal impacts,” as determined by LAFCO, to the County as a result of the approval fo the Calexico Annexation for the International Center. The City agreed to pay the County \$190,000 interest free, payable solely from property tax revenues upon annexation of the area. The payment schedule to Imperial County under the agreement was as follows:

<u>2007</u>	<u>2010</u>	<u>2013</u>	<u>Total</u>
\$50,000	\$50,000	\$90,000	\$190,000



At June 30, 2015, the outstanding balance was \$90,000.

2. 2003 Tax Sharing Agreement Note Payable—Imperial County. In June 2003, the City entered into an agreement with LAFCO in order to offset the “negative fiscal impacts,” as determined by LAFCO, to the County as a result of the approval of the Calexico Annexation No. CX 3-01. The City agreed to pay the County \$291,000 interest free, payable solely from the property tax revenues upon the annexation of the area.

<u>2007</u>	<u>2010</u>	<u>2013</u>	<u>2022</u>	<u>Total</u>
\$150,000	\$65,000	\$30,000	\$46,000	\$291,000

At June 30, 2015, the outstanding balance was \$46,000.

3. 2012 LTA Measure D Sales Tax Revenue Bonds. On May 1, 2012, the Imperial County Local Transportation Authority issued the 2012 LTA Sales Tax Revenue Bonds on behalf of the City in the amount of \$15,410,000. The bonds were issued to (1) finance certain facilities of the Calexico Unified School District (CUSD) located in the Merged Central Business District and Residential Redevelopment Project Area (Project Area), (2) fund





a reserve for the bonds, and (3) pay certain costs of issuing the bonds. The bonds are payable from and secured by the pledged allocable Measure D sales tax revenues of the City.

2031 with interest rates ranging from 3% to 4% per annum. Interest payments are due on June 1 and December 1 each year until the bonds are paid off. At June 30, 2014, the outstanding balance of the bonds was \$14,360,000.

The issue consists of serial bonds in the amount of \$15,410,000 payable annually on June 1 of each year, commencing on June 1, 2013 and maturing in

4. Measure H Sales Tax/Lease Revenue Bonds. In 2014 the City issued \$11,200,000 through the Calexico Public Financing Authority in Measure H Sales Tax/Lease Revenue Bonds. Bond proceeds will be used to build capital facilities throughout the City including \$7 million to acquire land, design and then construct a new fire station facility, \$1.8 million for various park and other recreation improvements, and another \$2,000,000 to fund the City's share of a joint Calexico School District/City swimming pool.

The issue consists of serial bonds in the amount of \$11,200,000 with a net interest cost of 3.7595%.

The City has pledged a half-cent sales tax approved by the voters on June 8, 2010 as security for the bond repayment. The outstanding balance of the bonds on June 30, 2015 was \$10,585,000.

5. Community Facilities District No. 2013-1 (Gran Plaza) Improvement Area No. 1 Special Tax Bonds.



In 2014 the City issued \$7,000,000 on behalf of City of Calexico Community Facilities District (CFD) No. 2013-1 (Gran Plaza) Improvement Area No. 1 Special Tax Bonds.³¹ Bond proceeds are to finance \$1,185,000 in development impact fees and approximately \$4,195,000 in infrastructure improvements including street improvements (\$1,181,000), traffic signals (\$422,000), water and sewer improvements (\$722,000), dry utilities (\$406,000) and \$493,000 for landscaping of public right-of-ways, storm drain facilities, slopes, mitigation monitoring

³¹ The District is located between West 2nd Street to the north and the United States/Mexican border to the south. The District includes approximately 170 acres comprised of two Improvement Areas. Improvement Area No. 1 includes 51.80 minimum taxable acres on 71.85 acres. Improvement Area No. 2 includes 88.18 minimum taxable acres on 98.62 acres. On August 1, 2013, the boundary map for the District was recorded as Document No. 2013018042 and in Book 2 of Maps of assessment and Community Facilities District, Page 56, in the Official Records of the County Recorder. Title to the majority of the taxable parcels within the District is currently vested in Corsair, LLC, a Nevada limited liability company.

The City Council adopted its resolution of intention to establish the District on July 2, 2013 (Resolution No. 2013-31). In an election held on August 20, 2013, qualified electors of the District voted to (i) approve the Rate and Method, and (ii) authorize the district to incur bonded indebtedness in the amount of \$20,000,000 for the Benefit of Improvement Area No. 1, and \$20,000 for the benefit of Improvement Area No. 2.

and appurtenant facilities (including earthwork and finishing grade, erosion control and related improvements). The bonds also provide \$871,000 for a construction contingency and for engineering, architectural and related costs.

The issue consists of serial bonds in the amount of \$7,000,000 with interest rates ranging from 3% to 6%, payable through September 1, 2043.

The bonds are limited obligations of Improvement Area No. 1 of the District. **Neither the full faith and credit nor the general taxing power of the City, the County, the State or any political subdivision is pledged to the payment of the bonds.** Except for the portion of the special taxes that constitute net taxes under the bond indenture, no other taxes are pledged to the payment of the bonds. The outstanding balance of the bonds on June 30, 2015 was \$7,000,000.

6. Capital Lease Payments. The City entered into various capital lease agreements to finance office equipment and police vehicles. The leases have been classified as capital lease obligations. The gross amount of the assets acquired under capital leases was \$1,368,576. The balance on June 30, 2015 was \$409,724.

7. 1992 Loan Payable—Wal-Mart Stores, Inc. On September 24, 1992, the City entered into a development agreement with Wal-Mart Stores, Inc. (Wal-Mart). Wal-Mart paid all direct and indirect costs of the public improvements. The total cost of these improvements was \$2,515,714. In accordance with the agreement, the City will reimburse Wal-Mart for the construction of the improvements. At June 30, 2015, the outstanding liability was. However, the City is currently in litigation with Wal-Mart and has frozen all payments to Wal-Mart.



Interest is accrued on the unpaid balance of the reimbursement at the rate of 5% per annum, from the date that the City or its agent receives its first quarterly reimbursement payment from the State of California with regard to sales at or from Wal-Mart property. The City will pay the reimbursement to Wal-Mart in quarterly installments beginning three days after the City or its agent receives its first quarterly reconciliation payment and continuing for each quarter thereafter,

until the reimbursement and all accrued interest on the reimbursement have been paid in full. The amount of each quarterly payment to Wal-Mart will equal 50% of the sales tax revenue that the City receives with regard to the applicable quarter based on sales at or from the Wal-Mart property.

Sales tax revenue from the project, which is based on sales at or from the Wal-Mart property, will be deemed to include sales which occur on the Wal-Mart property and sales that occur elsewhere, if they are initiated on the Wal-Mart property and if the sales are in the City's municipal limits. In addition, sales tax revenue will be deemed to include only those funds that are available to the City's General Fund and will not include payments to the City that are required by the laws of the State of California or the ordinances of the County, to be expended on specific purposes other than the reimbursement. If the Sales and Use Tax is repealed or modified and if the City's part of the sales tax revenue is based on sales at or from the Wal-Mart property is totally or partially replaced with another source of revenue, then the City's obligation to pay the reimbursement will be deemed modified and will thereafter be based on any form of tax or revenue which the City receives with regard to the applicable quarter, in total or partial replacement of sales or use tax revenue. In addition, in the event of any such change, the parties will fully cooperate with one another in amending the agreement, as it is necessary or appropriate to facilitate the timely and full payment of the reimbursement.

Total Long-Term Debt

Total long-term debt held by the City of Calexico and the Successor Agency to the Former Calexico Community Redevelopment Agency is shown in Figure 48.

**Figure 48
Total Long-Term Debt Summary**

No.	Description	Beginning Debt Balance July 1, 2015	FY2016 Debt Principal Payment	FY2016 Debt Interest Payment	Ending Debt Balance June 30, 2016
1	Fiduciary Funds Long-Term Debt	\$ 34,675,000	\$ 1,345,000	\$ 1,532,849	\$ 33,330,000
2	Proprietary Funds Long-Term Debt	14,000,879	547,536	609,854	13,453,343
3	General Long-Term Debt	35,006,438	1,404,862	1,410,706	33,601,576
	Total	\$ 83,682,317	\$ 3,297,398	\$ 3,553,409	\$ 80,384,919



Kiki Camarena Memorial Library



SECTION 6

BUDGET SUMMARIES



**Historic Downtown
Calexico, California**

Department Accountability for Each Accounting Fund Budget

City Department Director	Accounting Fund	Department, Division, Function Budget
City Council Department	General Fund	City Council Department Budget
City Manager	General Fund	Administration Department Budget
	General Fund	City Attorney Department Budget
	Measure H Sales Tax Special Revenue Fund	Measure H Sales Tax Special Revenue Fund Budget
	Measure H Sales Tax Bond Capital Projects Fund	Measure H Sales Tax Bond Capital Projects Fund
	Transportation Development Act (TDA) Capital Projects Fund	Transportation Development Act (TDA) Capital Projects Fund Budget
Financial Services Department Director	General Fund	Financial Services Department Budget
	General Fund	Customer Service—Licenses and Permits
	Water Enterprise Fund	Utility Administration Budget
	Successor Agency to Former RDA Fiduciary Fund	Successor Agency to Former RDA Fiduciary Fund Budget
	Combined Measure I Capital Projects Fund	Combined Measure I Capital Projects Fund Budget
	General Government Capital Projects Fund	General Government Capital Projects Fund Budget
Engineering and Development Services Department Director	General Fund	Engineering and Development Services Department Budget
	Water Enterprise Fund	Water Enterprise Fund Capital Projects Budget
	Wastewater Enterprise Fund	Wastewater Enterprise Fund Capital Projects Budget
	Airport Special Revenue Fund	Airport Special Revenue Fund Capital Projects Budget
	Highway Users Tax (HUTA) Special Revenue Fund	Highway Users Tax (HUTA) Fund Capital Projects Budget
	Measure D Capital Projects Fund	Measure D Capital Projects Fund Budget
Public Works Director	General Fund	Streets, Buildings and Facilities Budget
	General Fund	Park Maintenance Budget
	Traffic Safety Programs Special Revenue Fund	Traffic Safety Programs Special Revenue Fund Budget
	Airport Special Revenue Fund	Airport Special Revenue Fund Operating Fund Budget
	Highway Users Tax (HUTA) Special Revenue Fund	Highway Users Tax (HUTA) Special Revenue Fund Operating Budget
	Water Enterprise Fund	Water Enterprise Fund Operating Budget
	Wastewater Enterprise Fund	Wastewater Enterprise Fund Operating Budget
	Parks and Recreation Development Impact Fees Fund	Parks and Recreation Development Impact Fees Capital Projects Fund

City Department Director	Accounting Fund	Department, Division, Function Budget
Housing Manager	HUD Community Development Block Grant (CDBG) Special Revenue Funds	HUD Community Development Block Grant (CDBG) Special Revenue Fund Budget
	HUD Home Investment Partnership Act (HOME) Special Revenue Funds	HUD Community Development Block Grant (CDBG) Special Revenue Fund Budget
	HCD State Rehabilitation and Repair (SRRP) Program Special Revenue Funds	HCD State Rehabilitation and Repair (SRRP) Program Special Revenue Fund Budget
	HCD Housing Enabled by Local Partnership Program (HELP) Special Revenue Funds	HCD Housing Enabled by Local Partnership Program (HELP) Special Revenue Fund Budget
Police Department	General Fund	Police Department Operations Budget
	General Fund	Traffic and Parking Control Budget
	General Fund	Animal Control Budget
	Proposition 172 Special Revenue Fund	Proposition 172 Special Revenue Fund Budget
	COPS Public Safety Grant Special Revenue Fund	COPS Public Safety Grant Special Revenue Fund
	Operation Stonegarden Special Revenue Fund	Operation Stonegarden Special Revenue Fund
	Public Safety HIDTA Federal Grant Special Revenue Fund	Public Safety HIDTA Federal Grant Special Revenue Fund
	DOJ Equitable Sharing Program (Asset Forfeiture) Special Revenue Fund	DOJ Equitable Sharing Program (Asset Forfeiture) Special Revenue Fund Budget
Fire Department	General Fund	Fire Department Budget
	Proposition 172 Special Revenue Fund	Proposition 172 Special Revenue Fund Budget
	Ambulance Enterprise Fund	Ambulance Enterprise Fund Budget



Historic Downtown Calexico

FY2016 PROJECTED CHANGES IN FUND BALANCES

Governmental Accounting Funds (Tax-Supported Activities)

Definition and Purpose.

Accountants employ the term “Fund Balance” to describe the net assets of Governmental and Fiduciary Funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential that the City of Calexico maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning. Credit rating agencies carefully monitor levels of fund balance in a government’s General Fund to evaluate a government’s continued creditworthiness. Those interested primarily in a government’s creditworthiness or fiscal condition are more likely to favor higher levels of fund balance.

Governmental Accounting Fund	Estimated Beginning Fund Balance July 1, 2015	Estimated Increase or Decrease in Fund Balance	Estimated Ending Fund Balance June 30, 2016
General Fund	3,893,721	0	3,893,721
Successor Agency to former Redevelopment Agency	2,784,958	(2,784,958)	0
Proposition 172 Public Safety Fund	0	0	0
Operation Stonegarden Grant Fund	0	0	0
COPS Public Safety Grant Fund	0	0	0
General Capital Projects Fund	0	0	0
Measure H Sales Tax Operations Special Revenue Fund	1,600,422	(1,600,422)	0
Measure H Sales Tax Bond Capital Projects Fund	10,850,724	(10,850,724)	0
Measure D Bond Capital Projects Fund	8,228,561	(5,531,146)	2,697,415
Highway Users Tax Allocation (HUTA) (Gas Tax) Fund	837,675	0	837,675
Transportation Development Act (TDA) Article 8(E) Fund	56,861	0	56,861
Sustainable Communities Grant Fund	0	0	0
HUD HOME Grant #6476 Program Fund	50,294	(25,000)	25,294
HUD HOME Grant #8612 Program Fund	0	0	0
HUD HOME Grant #9072 Program Fund	36,197	(37,197)	0
HCD CalHome Grant #6523 Program Fund	190,910	(90,910)	100,000
HCD CDBG Grant Revolving Loan Fund	1,262,486	(613,222)	649,264
HUD HOME Revolving Loan Fund	209,715	(109,715)	100,000
HCD SRRP Revolving Loan Fund	114,951	(70,951)	44,000
HCD HELP Revolving Loan Fund	36,687	(36,687)	0
CalTrans DEMO-SAFETEA-LU New River Grant	0	0	0
California Natural Resources Agency New River Grant	0	0	0
Parking In-Lieu Development Impact Fee Fund	250,422	60,000	310,422

General Government Impact Fee Fund	154,992	(154,992)	0
Fire Development Impact Fee Fund	(359,586)	55,000	(304,586)
Police Development Impact Fee Fund	131,738	0	131,738
Traffic Development Impact Fee Fund	1,544,971	100,000	1,644,971
Libraries Development Impact Fee Fund	94,872	20,000	114,872
Parks and Recreation Development Impact Fee Fund	376,298	(376,298)	0
Total	32,347,869	(22,047,222)	10,301,647

Proprietary (Enterprise) Accounting Funds (Business-Type Activities)

Definition and Purpose.

The “Cash and Investment Fund Balance” is that portion of fund equity that can be used for operating capital and debt service expenditures, and is intended to serve as a measure of the financial resources available in an Enterprise Fund or a Fiduciary Fund. It is essential that the City of Calexico maintain adequate levels of cash and investment fund balances to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable utility rates. Cash and investment fund balances are also a crucial consideration in long-term debt financial planning.

Proprietary Accounting Fund	Estimated Beginning Cash Balance July 1, 2015	Estimated Increase or Decrease in Cash Balance	Estimated Ending Cash Balance June 30, 2016
Airport Enterprise Fund	145,062	121,062	266,124
Water Enterprise Fund	10,043,315	(2,510,909)	7,532,406
Wastewater Enterprise Fund	11,768,600	0	11,768,600
	21,956,977	(2,389,847)	19,567,130

