



AGENDA

REGULAR JOINT MEETINGS

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CLAYTON CITY COUNCIL and CLAYTON FINANCING AUTHORITY

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TUESDAY, October 17, 2017

7:00 P.M.

*Hoyer Hall, Clayton Community Library
6125 Clayton Road, Clayton, CA 94517*

Mayor: Jim Diaz

Vice Mayor: Keith Haydon

Council Members

Julie K. Pierce

David T. Shuey

Tuija Catalano

- A complete packet of information containing staff reports and exhibits related to each public item is available for public review in City Hall located at 6000 Heritage Trail and on the City's Website at least 72 hours prior to the Council meeting.
- Agendas are posted at: 1) City Hall, 6000 Heritage Trail; 2) Library, 6125 Clayton Road; 3) Ohm's Bulletin Board, 1028 Diablo Street, Clayton; and 4) City Website at www.ci.clayton.ca.us
- Any writings or documents provided to a majority of the City Council after distribution of the Agenda Packet and regarding any public item on this Agenda will be made available for public inspection in the City Clerk's office located at 6000 Heritage Trail during normal business hours.
- If you have a physical impairment that requires special accommodations to participate, please call the City Clerk's office at least 72 hours in advance of the meeting at (925) 673-7304.

* CITY COUNCIL *

October 17, 2017

1. **CALL TO ORDER AND ROLL CALL** – Mayor Diaz.

2. **PLEDGE OF ALLEGIANCE** – led by Mayor Diaz.

3. **CONSENT CALENDAR**

Consent Calendar items are typically routine in nature and are considered for approval by one single motion of the City Council. Members of the Council, Audience, or Staff wishing an item removed from the Consent Calendar for purpose of public comment, question or further input may request so through the Mayor.

- (a) Approve the minutes of the City Council's regular meeting of October 3, 2017. ([View Here](#))
- (b) Approve the Financial Demands and Obligations of the City. ([View Here](#))
- (c) Approve a multi-year Agreement (60-month lease) with MailFinance (a Neopost USA Company) for an IN-610 postage equipment (City Hall replacement machine) with accompanying maintenance at a 5-year lease price of \$160.83 per month plus applicable sales taxes. ([View Here](#))
- (d) Approve the Master Cooperative Funding Agreement (12C.07) with the Contra Costa Transportation Authority (CCTA), required for the City's awarded Measure J "Transportation for Livable Communities" Program grant in the amount of \$252,000 for pedestrian safety improvements in the Clayton Town Center, and authorize the Mayor to sign the Agreement. ([View Here](#))
- (e) Approve a new Model Encroachment of Improvements within Public Right-of-Way Agreement for City use in certain circumstances involving private property hardscapes (e.g. fences, retaining walls) within City rights-of-way. ([View Here](#))

4. **RECOGNITIONS AND PRESENTATIONS**

- (a) Proclamation declaring November 1, 2017 as "Shelter in Place Education Day." ([View Here](#))

5. **REPORTS**

- (a) Planning Commission – No meeting held.
- (b) Trails and Landscaping Committee – No meeting held.
- (c) City Manager/Staff
- (d) City Council - Reports from Council liaisons to Regional Committees, Commissions and Boards.
- (e) Other

6. PUBLIC COMMENT ON NON - AGENDA ITEMS

Members of the public may address the City Council on items within the Council's jurisdiction, (which are not on the agenda) at this time. To facilitate the recordation of comments, it is requested each speaker complete a speaker card available on the Lobby table and submit it in advance to the City Clerk. To assure an orderly meeting and an equal opportunity for everyone, each speaker is limited to 3 minutes, enforced at the Mayor's discretion. When one's name is called or you are recognized by the Mayor as wishing to speak, the speaker shall approach the public podium and adhere to the time limit. In accordance with State Law, no action may take place on any item not appearing on the posted agenda. The Council may respond to statements made or questions asked, or may at its discretion request Staff to report back at a future meeting concerning the matter.

Public comment and input on Public Hearing, Action Items and other Agenda Items will be allowed when each item is considered by the City Council.

7. PUBLIC HEARINGS – None.

8. ACTION ITEMS

- (a) Presentation and approval of the City's audited Comprehensive Annual Financial Report (CAFR) for Fiscal Year ending June 30, 2017 by Cropper Accountancy Corporation, an independent Certified Public Accountant firm. ([View Here](#)) (Finance Manager; and Mr. John Cropper, CPA)

Staff recommendation: Following presentation of the independent auditor's report and opportunity for public comment, that Council by motion approve the CAFR of the City of Clayton for the Fiscal Year ending June 30, 2017.

- (b) Consider the Second Reading and Adoption of Ordinance No. 478 amending Chapter 15.09 of the *Clayton Municipal Code* to adopt the 2016 California Fire Code with changes, additions and deletions as allowed by state law. ([View Here](#)) (Community Development Director)

Staff recommendations: **1).** Receive the staff presentation; **2).** Receive public comments; **3).** Following City Council discussion and any modifications to the Ordinance, approve a motion to have the City Clerk read Ordinance No. 478 by title and number only and waive further reading; **4).** On completion of the City Clerk's reading, by motion adopt Ordinance No. 478 with the finding its adoption will not have a significant adverse effect on the environment and is therefore exempt under CEQA.

- (c) Consider the annual request of Mayor Diaz for the City to host seven (7) Wednesday Night Classic Car Shows with a DJ in the off-street City parking lot at 6099 Main Street plus adding the City's vacant dirt lot located at 6005 Main Street during selected dates in 2018, with all costs funded by private donations. (Mayor Diaz) ([View Here](#))

Staff recommendations: Following discussion by the City Council and opportunity for public comments, that Council adopt a motion agreeing to host the seven (7) events on City properties as requested, conditioned on individual classic car owners signing liability and property damage waivers for any claims against the City.

9. **COUNCIL ITEMS** – limited to requests and directives for future meetings.

10. **CLOSED SESSION** – None.

11. **ADJOURNMENT**

The next regularly scheduled meeting of the City Council will be November 7, 2017.

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* CLAYTON FINANCING AUTHORITY *

October 17, 2017

1. **CALL TO ORDER AND ROLL CALL** – President Diaz.

2. **CLOSED SESSION** – None.

3. **CONSENT CALENDAR**
Consent Calendar items are typically routine in nature and are considered for approval by the Financing Authority Board with one single motion. Members of the Financing Authority, Audience, or Staff wishing an item removed from the Consent Calendar for purpose of public comment or input may request so through the President.
 - (a) Approve the minutes of the regular meeting of August 1, 2017. ([View Here](#))
 - (b) Approve the Clayton Financing Authority's Audited Financial Statement for Fiscal Year 2016-2017. ([View Here](#))

4. **PUBLIC COMMENTS ON NON-AGENDA ITEMS**
Members of the public may address the Board on items within the Board's jurisdiction, (which are not on the agenda) at this time. To facilitate the recordation of comments, it is requested each speaker complete a speaker card available on the Lobby table and submit it in advance to the Secretary. To assure an orderly meeting and an equal opportunity for everyone, each speaker is limited to 3 minutes, enforced at the President's discretion. When one's name is called or you are recognized by the President as wishing to speak, the speaker shall approach the public podium and adhere to the time limit. In accordance with State Law, no action may take place on any item not appearing on the posted agenda. The Board may respond to statements made or questions asked, or may at its discretion request Staff to report back at a future meeting concerning the matter.

Public comment and input on Public Hearing, Action Items and other Agenda Items will be allowed as each item is considered.

5. **ACTION ITEMS** - None.

6. **BOARD ITEMS** – limited to requests and directives for future meetings.

7. **ADJOURNMENT** – the Clayton Financing Authority's next meeting will be scheduled when necessary.

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**MINUTES
OF THE
REGULAR MEETING
CLAYTON CITY COUNCIL**

TUESDAY, October 3, 2017

Agenda Date: 10-17-2017

Agenda Item: 3a

1. **CALL TO ORDER & ROLL CALL** – The meeting was called to order at 7:00 p.m. by Mayor Diaz in Hoyer Hall, Clayton Community Library, 6125 Clayton Road, Clayton, CA. **Councilmembers present:** Mayor Diaz, Vice Mayor Haydon and Councilmembers Catalano, Pierce and Shuey (arrived at 7:03 p.m.). **Councilmembers absent:** None. **Staff present:** Assistant to the City Manager Laura Hoffmeister, City Attorney Mala Subramanian, City Engineer Scott Alman, PE, Community Development Director Mindy Gentry, and City Clerk/HR Manager Janet Brown.

2. **PLEDGE OF ALLEGIANCE** – led by Mayor Diaz.

3. **CONSENT CALENDAR**

It was moved by Vice Mayor Haydon, seconded by Councilmember Catalano, to approve the Consent Calendar Items as submitted. (Passed; 4-0 vote).

- (a) Approved the minutes of the City Council's regular meeting of September 19, 2017.
- (b) Approved the Financial Demands and Obligations of the City.
- (c) Approved the proposed schedule for the ten (10) Saturday "Concerts in The Grove" series in The Grove Park in 2018.
- (d) Approved the denial of a liability claim filed against the City by Ms. Brenda Defoe on behalf of Robert Joseph Smith, represented by Christopher Scranton, Esq., and authorize the City Clerk to send the Notice of Rejection.

4. **RECOGNITIONS AND PRESENTATIONS**

- (a) Certificates of Recognition to "Do the Right Thing" public school students selected for exemplifying the character trait of "Responsibility" for August and September 2017.

Mayor Diaz and first grade teacher Deborah Huaco presented Certificates to students Jonah Cesarin and Logan Konemann.

Mayor Diaz and Diablo View Middle School Principal Patti Bannister presented Certificates to students Scott Tomaszewicz and Amaia Perez.

Mayor Diaz and Clayton Valley Charter High School Academic Advisor (9th grade) Bob Ralston presented Certificates to students Samuel Pearson and Logan Schoffstall.

5. REPORTS

- (a) Planning Commission – Vice Chairman Bassam Altwal indicated the Commission's agenda at its meeting of September 26, 2017 included a Site Plan Review Permit to allow the construction of a single-story addition on an existing single-story single-family residence. This item was approved with the staff recommendation.

(Councilmember Shuey arrived at 7:03 p.m.)

- (b) Trails and Landscaping Committee – Meeting held September 25, 2017.

Assistant to the City Manager Laura Hoffmeister indicated its last meeting's agenda included a review of the Landscape Maintenance District first quarter report for the period of July 2017 through September 2017, a review of the draft Landscape Maintenance District year end budget report for FY 2016-17, and the selection of Chair Howard Kaplan and Vice Chair Dane Horton. The current members terms are set to expire. The committee also plans to meet in November to review their Citizens Advisory Committee 2016-17 Annual Report for the Trails and Landscape Maintenance District.

- (c) City Manager/Staff – No report.
- (d) City Council - Reports from Council liaisons to Regional Committees, Commissions and Boards.

Councilmember Shuey had no report.

Councilmember Catalano attended the Council Budget Subcommittee meeting and volunteered at the 14th Annual Oktoberfest sponsored by the Clayton Business and Community Association.

Vice Mayor Haydon attended the Council Budget Subcommittee meeting, the 2nd Annual Skip Ipsen Memorial Bocce Tournament, the Trails and Landscape Committee meeting, the Clayton Business and Community Association general membership meeting, and the 14th Annual Oktoberfest sponsored by the Clayton Business and Community Association.

Councilmember Pierce attended the Contra Costa Transportation Authority board meeting, the Association of Bay Area Governments Committee meeting, several meetings of the Metropolitan Transportation Committee, the inaugural meeting of the Committee on Affordable and Sustainable Accommodations, the 14th Annual Oktoberfest sponsored by the Clayton Business and Community Association.

Mayor Diaz attended the County Connection Board meeting, where he was selected to be the Secretary to the Board which is similar to the first vice chair. This is part of the leadership of the Board and next year he would be in consideration for the Vice Chair position. He also attended the Contra Costa County Association of Realtors meeting, the 2nd Annual Skip Ipsen Memorial Bocce Tournament, the JFK University luncheon in Pleasant Hill, the Clayton Business and Community Association general membership meeting, and the 14th Annual Oktoberfest sponsored by the Clayton Business and Community Association.

- (e) Other – None.

6. PUBLIC COMMENT ON NON - AGENDA ITEMS – None.

7. PUBLIC HEARINGS

- (a) Consider the Introduction and First Reading of Ordinance No. 478 amending Chapter 15.09 of the *Clayton Municipal Code* to adopt the 2016 California Fire Code with changes, additions and deletions as allowed by State law.
(Community Development Director)

Community Development Director Mindy Gentry presented the staff report noting the Contra Costa County Fire Protection District provides fire protection services to the city of Clayton with staff recommending ratification of the District's Fire Code Ordinance providing consistency in the application and enforcement of building and housing standards. Ms. Gentry noted the changes to the fire code included amendments for when automatic sprinkler systems are required for private and charter schools; updated requirements for standby EMS personnel for large events; additions to include the Fire Districts weed abatement program; and updated requirement for fire access roads. Ms. Gentry introduced Mr. Robert Marshall from the Fire District to answer any questions the city council may have.

Mayor Diaz opened the Public Hearing.

Robert Marshall, Fire Marshall, Contra Costa County Fire Protection District, advised a majority of changes made to the 2016 Fire Code have been carried forward from the last update. The standby EMS requirement was made due to the fire department was not an ambulance provider at the time and the language needed to be updated to reflect this change. The automatic sprinkler system requirements were added to private and charter schools greater than 2,000 square feet.

Mayor Diaz then closed the Public Hearing.

It was moved by Councilmember Shuey, seconded by Councilmember Pierce, to have the City Clerk read Ordinance No. 478, by title and number only and waive further reading. (Passed; 5-0 vote).

The City Clerk read Ordinance No. 478 by title and number only.

It was moved by Councilmember Shuey, seconded by Councilmember Pierce, to approve Ordinance No. 478 for introduction with findings the adoption will not have a significant adverse effect on the environment and is therefore exempt under CEQA. (Passed; 5-0 vote).

- (b) Consider the adoption of Urgency Ordinance No. 479 placing an interim local moratorium on the operation or establishment of parolee homes and community supervision programs within the city of Clayton.
(Community Development Director)

Community Development Director Mindy Gentry presented the staff report noting this would extend the moratorium for one (1) year. This would be the last extension allowed by State statute, and would allow staff time to conclude its research and analysis, then draft regulations for both the Planning Commission and City Council to consider. The Ordinance is in repose to AB109 transferring the parolee responsibility from State to local jurisdictions. Staff concerns include the potential for negative impacts to public health, safety and welfare, particularly if there were a dense concentration of parolee

homes or service providers or if these uses were to be located near sensitive uses such as parks or schools. The County's Community Supervision Program, including parolee homes are not defined in the Clayton Municipal Code.

Councilmember Catalano inquired on when it is anticipated for this item to be brought back to City Council?

Ms. Gentry advised this item will be brought back in spring 2018 for City Council consideration.

Mayor Diaz asked if there has been any interest in anyone wanting to open up a Parolee residence?

Ms. Gentry advised there was one inquiry back in November 2016, however there has not been any other interest or follow up from that provider or any other providers.

Mayor Diaz opened the Public Hearing; no comments were offered. Mayor Diaz then closed the Public Hearing.

It was moved by Vice Mayor Haydon, seconded by Councilmember Pierce, to have the City Clerk read Ordinance No. 479, by title and number only and waive further reading. (Passed; 5-0 vote).

The City Clerk read Ordinance No. 479 by title and number only.

It was moved by Vice Mayor Haydon, seconded by Councilmember Pierce, to approve Ordinance No. 479 for Introduction with findings the Ordinance is not subject to the California Environmental Quality Act because this activity is not considered to be a project and it can be seen with certainty that it will not have a significant effect or physical change to the environment. (Passed; 5-0 vote).

8. ACTION ITEMS

- (a) Policy discussion of encroachments into the public right-of-way and fence locations for exterior side setbacks.
(Community Development Director)

Community Development Director Mindy Gentry noted in the month of September city staff initiated two code enforcement cases regarding the construction of retaining walls and fencing in the public right-of-way and were constructed without building permits. The right-of-way at 199 Mountaire Parkway is approximately 5 feet 6 inches from the back of the sidewalk; the unpermitted retaining wall that was constructed is approximately 2 feet from the back of the sidewalk and exceeds 36 inches in height, requiring a building permit. A wooden fence was also placed on top of the retaining wall, exceeding the six foot total height requirement, wall plus fence, and the fence does not comply with the setback requirement of 5 feet from the property line.

Ms. Gentry noted the second code enforcement case is located at 401 Wright Court with a violation of a fence located on top of a retaining wall with total height exceeding the six foot height requirement; violation of setback location requirements; the wall and fence are located within the public right-of-way; and was constructed without building permits.

Ms. Gentry noted the components of these two cases have brought to light violations occurring citywide with discussion needed to address encroachments into the public

right-of-way; exterior side setback fencing regulations; code enforcement and public education.

Ms. Gentry advised when right-of-way is determined; it is based on current and possible future needs that may come with increased demands from both the public and governmental oversight agencies. Locally, Clayton may be faced with two such demands for additional space for data and wireless connectivity and from the Regional Water Control Board for storm water treatment of the city streets. By allowing private structures to be constructed within the public rights-of-way, the City could be severely limiting its ability to prepare for the future and could be pushing this issue off onto future generations rather preventing them now. The city does have the ability to require the owner of any encroachments that necessitate removal, relocation, or abandonment to be done so at the cost of the owner. However, this option raises possible logistical matters, including limited staffing and resources, adverse impacts to timing on necessary City projects due to enforcing relocation of these structures, additional paperwork to memorialize the encroachment as well as coordination with the property owners on the construction and removal of these structures.

Ms. Gentry advised the second issue is the exterior side setback fencing regulations, which currently allow a maximum of 30 inches in height within five feet of the property line and a maximum of six feet in height in the remaining portion of the exterior side setback. Staff opines the current fencing regulations for exterior side lots compromises privacy or sacrifices usable land in order to have a six foot fence. The City of Clayton does not maintain landscaping within the public right of way and is the responsibility of the property owner. If six foot fences were allowed on the property line, it would reduce the amount of space to be landscaped between the back of sidewalk and the fence. On neighborhood streets, the different placement of the fences can create an inconsistent visual appearance.

Ms. Gentry noted the third issue of code enforcement being reactive to complaints from the community and not proactively seeking out violations. Currently, staff time and resources are limited to address this community wide issue and also brings the question of fairness of enforcement. The City is not required to enforce its Municipal Code as courts have recognized due to limited resources, some violations of a city's ordinance will go uncited and that absent deliberate or intentional discrimination, such selective enforcement is legal.

Ms. Gentry concluded with the fourth issue, a Public Education effort to help get the word out to the community, which would be beneficial. Although fencing requirements are currently addressed in the Citizen's Guide and within the *Clayton Municipal Code* both available at City Hall, Library and on the city's website, more outreach could be done. A notification could be prepared for Homeowners Associations, fencing contractors, the homepage of the city's website and an article in the *Clayton Pioneer*.

Councilmember Shuey inquired in the event if the City allows a known problem, that was not properly constructed and a utility requires access to the public right-of-way, what is the potential impact on the city and the property owner at that time the utility needs to get into that space?

Ms. Gentry advised within the *Clayton Municipal Code* the city has the ability to remove any authorized or unauthorized structures for utilities to have access. The property owner would first be notified, if they are uncooperative to remove those structures, the City has the ability to remove the structures and place a lien on the property to recover the public funds used for the removal.

Councilmember Catalano inquired if the public right-of-way width is typically more than the concrete portion? Is it obvious to a resident where their property line is located?

Ms. Gentry advised there is not a set distance and this distance varies in certain parts of the community, in some areas there is a monolithic sidewalk and some that are detached. Typically, there are 6 inches of curb and 5 feet of sidewalk and usually 5 feet of public right-of-way behind the sidewalk; however for a property owner to obtain an accurate location of their property lines, they must hire a surveyor to mark them out.

Councilmember Pierce added the property line locations behind the sidewalk or curb if no sidewalks vary in each subdivision based on the location of public utilities. Councilmember Pierce requested clarification if a permit is required and had been requested prior to construction, would these requirements have been provided to homeowner or contractor.

Ms. Gentry advised if permits were sought prior to construction, the City would provide the regulations and information to the applicant, on the two cases presented this evening, they would not have been approved as they would not have met the requirements for height and location.

Mayor Diaz opened matter for public comments.

Robert Brenneman, a neighbor of 199 Mountaire Parkway, advised the retaining wall and fence is aesthetically very pleasing, prior to the retaining wall, there were overgrown junipers and difficult to see when leaving the driveway. The visibility has improved and would like to see the project continue.

Greg Roberts, a neighbor of 199 Mountaire Parkway, who also represents the contractor who installed the retaining wall and current improvements, believed the retaining was less than the height requiring a building permit. The current wall is just over 3 feet tall, built to the manufacturers specifications, compacted layers, base rock, drainage system, and anchored to the hillside, making it structurally sound.

Councilmember Shuey inquired on how Mr. Roberts thought the structure met regulations?

Mr. Roberts advised as he understood in most jurisdictions, a retaining wall is allowable up to 4 feet without a permit.

Councilmember Shuey inquired on who the contractor is on this project?

Mr. Roberts advised Viking Pavers constructed the retaining wall and is doing the current work in the backyard.

Mrs. Kalt advised A & J Fencing built and installed the fencing on top of the retaining wall.

Councilmember Pierce inquired if A & J Fencing currently holds a Clayton Business License?

Ms. Gentry advised A & J Fencing currently does not have a Clayton Business License and has been notified several times by the City that a business license is required to perform work in the City of Clayton. Ms. Gentry advised shortly after the stop work order was issued, Viking Pavers obtained a Clayton Business License.

Mr. Roberts advised the retaining wall was constructed over a year ago and the second phase of the project recently started for a patio.

Aaron Kalt, 199 Mountaire Parkway, added there will be an addition of a gate to the fence, setback approximately one foot to close off the backyard with the remaining installation of the pavers, AstroTurf, and drought tolerant landscape. Mr. Kalt advised he and his wife moved into the residence about 4 years ago and found the junipers to be an eyesore to the neighborhood and wanted to make improvements. Mr. Kalt spoke to neighbors about the improvements they wanted to make and then presented them to the Homeowners Association for approval. Once the improvements were approved, Mr. Kalt hired the most reputable contractors in the area for construction of the project; thinking he was going about the project appropriately.

Mayor Diaz, a former Dana Hills resident, inquired if the Homeowners Association provided any feedback on this project?

Mr. Kalt advised that the Homeowners Association provided favorable feedback on the removal of the junipers and making the property visually appealing. On May 26, 2016 Mr. Kalt received a letter from the Homeowners Association approving his plans.

Councilmember Shuey requested to review the letter Mr. Kalt received from the Homeowners Association.

Councilmember Catalano noticed a fire hydrant located on the corner of the property and inquired if there is sufficient accessibility to it by the Fire Department if it were needed in an emergency.

Mr. Kalt advised an adjacent neighbor had a fire about 6 months ago and this particular fire hydrant was used to put out the roof fire with no known issues.

City Engineer Scott Allman added Contra Costa Fire Protection was contacted regarding the clearance around the fire hydrant and was advised a three-foot minimum clearance is required and this property looks to meet the requirements.

Councilmember Shuey advised the approval from the Homeowners Association notes that Mr. Kalt is responsible to obtain the necessary permits and building inspection services required from the City for this project.

Mr. Kalt advised he assumed the contractors he hired would obtain the necessary permits needed. Mr. Kalt would like fair and equitable treatment in regards to retaining walls that are already in place and is willing to go through the necessary steps to rectify the situation and complete the project.

Councilmember Pierce advised the City Council is not ruling on his particular property, but is establishing a policy for current and future structure violations and how to protect the public right-of-way of the City and for the installation of future utilities and Regional Water Control Board needs.

Councilmember Shuey added this issue has come up before and the contractors Mr. Kalt hired had an obligation to inform Mr. Kalt of the requirements needed to complete his project. Mr. Shuey advised a policy decision on encroachments needs to be made for consistency purposes throughout the community and if the desire is to allow encroachments, there needs to be indemnification to protect the city that can be prepared by the City staff and the City Attorney.

Ms. Gentry added, wooden fences need to be moved 10 feet from the back of sidewalk to be compliant in the *Clayton Municipal Code* as the Code requires it to be 5 feet from the property line and in this case the property line is 5 feet behind the sidewalk.

Mayor Diaz closed public comments.

By general consensus, City Council provided direction to staff to create a revocable encroachment agreement with indemnification language to protect the city, including appropriate insurance for the encroaching structures; to draft an ordinance to allow a six-foot fence at the property line for exterior side lots, with all other current requirements to remain; to pursue code enforcement cases if the City is aware a violation; and to conduct a public education effort regarding the regulations for the construction of fences.

- (b) Discussion of staff recommendations for various local policy issues arising from the California voters' passage of Proposition 64 and the State legislature's passage of SB 94 – the Medical and Adult Use Cannabis Regulation and Safety Act (MAUCRSA) regarding local regulation of cannabis.
(Community Development Director)

Community Development Director Mindy Gentry provided a brief background noting on December 20, 2016 the City Council passed an Urgency Ordinance banning the personal outdoor cultivation of cannabis and staff requested direction regarding Proposition 64 - the Control, Regulation, and Tax of Adult Use of Marijuana Act (AUMA). The City Council directed staff to not regulate the indoor cultivation for the personal use of marijuana; add provisions to the Clayton Municipal Code to treat marijuana similarly to alcohol with no consumption allowed in public; further address marijuana in 2017 to allow more time for legal clarification and to determine what actions neighboring jurisdictions have taken.

Ms. Gentry noted there have been no changes to the federal Controlled Substances Act; however a bill has been introduced to change marijuana from a Schedule I narcotic to another controlled substances schedule. On June 26, 2017, Governor Brown signed into law SB 94 – Medical and Adult Use Cannabis Regulation and Safety Act (MAUCRSA); combining the medical and adult use of cannabis systems into one licensing structure with the same regulatory framework governing both medical and adult use facilities. The most notable change is vertical integration is now allowed, as it pertains to cannabis businesses. On September 16, 2017, AB 133 was signed into law noting technical fixes or changes to MAUCRSA.

Ms. Gentry noted Clayton's local regulations mostly pertain to medical purposes with the *Clayton Municipal Code* being silent on the recreational or adult use of marijuana. The City of Clayton has prohibited medical marijuana dispensaries; testing laboratories; facilities that store or maintain marijuana as part of their operations; and outdoor cultivation or production of cannabis; and some indoor cultivation. The City Council did not prohibit the delivery of medical marijuana due to accessibility concerns for patients within the community.

Ms. Gentry further noted the neighboring communities of Antioch, Brentwood, Pittsburg, Danville, and Orinda have banned all commercial cannabis businesses for both medical and adult use. The City of Concord has directed staff to draft an ordinance to put a ban in place; however will revisit the issue once more clarity has been provided by the State. Contra Costa County has prepared a permanent ordinance to prohibit all commercial uses until an ordinance to fully regulate all aspects of cannabis is completed. The City of Pleasant Hill Planning Commission has recommended to its City Council to allow retail medical cannabis. The City of Walnut Creek has placed a moratorium for all

commercial cannabis, however their staff will be returning in the next two months with additional information for its City Council to consider and provide further direction to its staff.

Ms. Gentry advised the City of Clayton is not required to have an ordinance in place by January 1, 2018, however cities only have sixty days to respond to the State once notified of an application to open a business in the jurisdiction. Further, under SB 94, if a local jurisdiction does not have an ordinance enacted to address the licensed activity, the State can unilaterally issue a license for that business. The State is only prohibited from issuing a license if the business would violate local ordinances. If there is not an applicable local ordinance, then there is no violation. The local regulation of medical and recreational cannabis does not have to be consistent with one another; however staff is recommending the Clayton Municipal Code be amended to thoroughly address both medical and adult use cannabis. If it only addresses one area it can create an interpretation issue that could be legally challenged for denying a permit if an ordinance does not cover the activity.

Ms. Gentry concluded that staff was seeking direction from Council on retail sales; indoor/outdoor cultivation; distribution; adult use delivery; testing; and manufacturing.

Councilmember Catalano inquired on the prohibition of the regulation of personal indoor cultivation and asked about the regulation of outdoor cultivation should this be included?

Ms. Gentry advised back in December 2016 the City Council passed an urgency ordinance prohibiting the outdoor grow for personal use, and staff was not recommending any change. Personal indoor is allowed under SB 94 up to 6 plants per home – not per person.

Councilmember Catalano inquired on the issuance of Home Occupancy permits in regards to the edibles and resale. Should this also be included?

Ms. Gentry advised the City Council could provide further direction on this as there is a cottage food industry that has special state regulations; however, further research would need to be done. Staff is recommending a blanket prohibition of any home based cannabis businesses.

Vice Mayor Haydon inquired on the definition of commercial cultivation?

Ms. Gentry noted commercial cultivation is anything beyond the six (6) allowable plants per residence as defined in the State law.

Mayor Diaz opened matter for public comments; no comments were offered.

By general consensus, City Council provided direction to staff to prepare an ordinance that would prohibit the retail sales of cannabis; testing laboratories; manufacturing; distribution facilities, any businesses that store or maintain cannabis as part of their operations; and outdoor cultivation or production of cannabis. The City Council directed staff to allow delivery of adult use cannabis to a residence from a location outside of the City. The adult use delivery would be consistent with the current allowable medical delivery.

9. **COUNCIL ITEMS** – None.

10. **CLOSED SESSION** – None.

11. **ADJOURNMENT**– on call by Mayor Diaz, the City Council adjourned its meeting at 9:10 p.m.

The next regularly scheduled meeting of the City Council will be October 3, 2017.

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Respectfully submitted,

Janet Brown, City Clerk

APPROVED BY THE CLAYTON CITY COUNCIL

Jim Diaz, Mayor

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Agenda Date 10/17/2017

Agenda Item: 3b

STAFF REPORT

Approved: 
Gary A. Napper
City Manager

TO: HONORABLE MAYOR AND COUNCILMEMBERS
FROM: Kevin Mizuno, FINANCE MANAGER 
DATE: 10/17/2017
SUBJECT: INVOICE SUMMARY

RECOMMENDATION:

Approve the following obligations:

10/13/2017	Cash Requirements	\$ 168,998.37
10/10/2017	ADP Payroll week 41, PPE 10/08/2017	\$ 94,363.79

Total \$ 263,362.16

Attachments:
Cash Requirements Report dated 10/13/2017 (5 pages)
ADP payroll report for week 41 (1 page)

City of Clayton Cash Requirements Report

Vendor Name	Due Date	Invoice Date	Invoice Number	Invoice Description	Invoice Balance	Potential Discount	Discount Expires On	Net Amount Due
ADP, LLC								
ADP, LLC	10/17/2017	10/17/2017	501001009	Payroll fees PPE 9/24/17	\$157.28	\$0.00		\$157.28
				<i>Totals for ADP, LLC:</i>	<u>\$157.28</u>	<u>\$0.00</u>		<u>\$157.28</u>
All City Management Services, Inc.								
All City Management Services, Inc.	10/17/2017	10/17/2017	50562	School crossing guard services 9/10/17-9/23/17	\$554.10	\$0.00		\$554.10
				<i>Totals for All City Management Services, Inc.:</i>	<u>\$554.10</u>	<u>\$0.00</u>		<u>\$554.10</u>
Gesselle Altamirano								
Gesselle Altamirano	10/17/2017	10/17/2017	092317	Deposit refund for Hoyer Hall 9/23/17	\$200.00	\$0.00		\$200.00
				<i>Totals for Gesselle Altamirano:</i>	<u>\$200.00</u>	<u>\$0.00</u>		<u>\$200.00</u>
Authorize.net								
Authorize.net	10/17/2017	10/17/2017	10/17	Online bankcard processing monthly fee	\$16.65	\$0.00		\$16.65
				<i>Totals for Authorize.net:</i>	<u>\$16.65</u>	<u>\$0.00</u>		<u>\$16.65</u>
Bay Area News Group East Bay (CCT)								
Bay Area News Group East Bay (CCT)	10/17/2017	10/17/2017	1080853	Legal ads for September	\$488.48	\$0.00		\$488.48
				<i>Totals for Bay Area News Group East Bay (CCT):</i>	<u>\$488.48</u>	<u>\$0.00</u>		<u>\$488.48</u>
CalPERS Retirement								
CalPERS Retirement	10/17/2017	10/17/2017	100817	Retirement PPE 10/8/17	\$14,830.68	\$0.00		\$14,830.68
				<i>Totals for CalPERS Retirement:</i>	<u>\$14,830.68</u>	<u>\$0.00</u>		<u>\$14,830.68</u>
Caltronics Business Systems, Inc								
Caltronics Business Systems, Inc	10/17/2017	10/17/2017	2359790	Copier contract coverage for September	\$340.34	\$0.00		\$340.34
Caltronics Business Systems, Inc	10/17/2017	10/17/2017	2338827	Copier contract usage for August	\$243.02	\$0.00		\$243.02
				<i>Totals for Caltronics Business Systems, Inc:</i>	<u>\$583.36</u>	<u>\$0.00</u>		<u>\$583.36</u>
CCWD								
CCWD	10/17/2017	10/17/2017	D Series	Water 8/4/17-10/3/17	\$35,395.01	\$0.00		\$35,395.01
				<i>Totals for CCWD:</i>	<u>\$35,395.01</u>	<u>\$0.00</u>		<u>\$35,395.01</u>
Charles Window & Door Co								
Charles Window & Door Co	10/17/2017	10/17/2017	BP114-17	C&D deposit refund for 1060 Pine Lane	\$2,000.00	\$0.00		\$2,000.00
				<i>Totals for Charles Window & Door Co:</i>	<u>\$2,000.00</u>	<u>\$0.00</u>		<u>\$2,000.00</u>
City of Concord								
City of Concord	10/17/2017	10/17/2017	61806	Dispatch services for September	\$20,089.50	\$0.00		\$20,089.50
				<i>Totals for City of Concord:</i>	<u>\$20,089.50</u>	<u>\$0.00</u>		<u>\$20,089.50</u>
Clayton Community Church								
Clayton Community Church	10/17/2017	10/17/2017	TOT	Refund for cancelled event	\$362.00	\$0.00		\$362.00
				<i>Totals for Clayton Community Church:</i>	<u>\$362.00</u>	<u>\$0.00</u>		<u>\$362.00</u>
Clean Street								
Clean Street	10/17/2017	10/17/2017	87833	Monthly Sweep fee for September	\$4,500.00	\$0.00		\$4,500.00

City of Clayton Cash Requirements Report

Vendor Name	Due Date	Invoice Date	Invoice Number	Invoice Description	Invoice Balance	Potential Discount	Discount Expires On	Net Amount Due
<i>Totals for Clean Street:</i>					\$4,500.00	\$0.00		\$4,500.00
Edward Comar								
Edward Comar	10/17/2017	10/17/2017	092017	Deposit refund for Hoyer Hall 9/20/17	\$200.00	\$0.00		\$200.00
<i>Totals for Edward Comar:</i>					\$200.00	\$0.00		\$200.00
Comcast								
Comcast	10/17/2017	10/17/2017	100117	Internet for October	\$386.08	\$0.00		\$386.08
<i>Totals for Comcast:</i>					\$386.08	\$0.00		\$386.08
Concord Garden Equipment								
Concord Garden Equipment	10/17/2017	10/17/2017	551945	Trimmer line	\$42.31	\$0.00		\$42.31
Concord Garden Equipment	10/17/2017	10/17/2017	551944	Landscape supplies	\$31.04	\$0.00		\$31.04
<i>Totals for Concord Garden Equipment:</i>					\$73.35	\$0.00		\$73.35
Concord Uniforms								
Concord Uniforms	10/17/2017	10/17/2017	12956	Uniform pants	\$72.81	\$0.00		\$72.81
Concord Uniforms	10/17/2017	10/17/2017	12977	Armor vest	\$1,054.82	\$0.00		\$1,054.82
<i>Totals for Concord Uniforms:</i>					\$1,127.63	\$0.00		\$1,127.63
Contra Costa County Department of Conservation & Development								
Contra Costa County Department of Co	10/17/2017	9/30/2017	Q1 FY 18	Business license fees Q1 FY 18	\$217.10	\$0.00		\$217.10
<i>Totals for Contra Costa County Department of Conservation & Development:</i>					\$217.10	\$0.00		\$217.10
Contra Costa County Tax Collector								
Contra Costa County Tax Collector	10/17/2017	10/17/2017	FY 2018	Property Taxes for FY 18	\$6,400.86	\$0.00		\$6,400.86
<i>Totals for Contra Costa County Tax Collector:</i>					\$6,400.86	\$0.00		\$6,400.86
Contra Costa Tractor Mobile Svc								
Contra Costa Tractor Mobile Svc	10/17/2017	10/17/2017	017577	Maintenance on tractor	\$422.64	\$0.00		\$422.64
Contra Costa Tractor Mobile Svc	10/17/2017	10/17/2017	017581	Maintenance on tractor 480 C	\$475.70	\$0.00		\$475.70
<i>Totals for Contra Costa Tractor Mobile Svc:</i>					\$898.34	\$0.00		\$898.34
Cropper Accountancy Corp								
Cropper Accountancy Corp	10/17/2017	10/17/2017	1368	Audit work, CFA, CA SCO, SCO-FY 17	\$20,450.00	\$0.00		\$20,450.00
<i>Totals for Cropper Accountancy Corp:</i>					\$20,450.00	\$0.00		\$20,450.00
Digital Services								
Digital Services	10/17/2017	10/17/2017	11011	IT services July-Sept.	\$1,528.65	\$0.00		\$1,528.65
<i>Totals for Digital Services:</i>					\$1,528.65	\$0.00		\$1,528.65
Dillon Electric Inc								
Dillon Electric Inc	10/17/2017	10/17/2017	3562	Streetlight lamp replacement	\$3,162.81	\$0.00		\$3,162.81
Dillon Electric Inc	10/17/2017	10/17/2017	3565	Streetlight lamp replacement	\$2,173.88	\$0.00		\$2,173.88
Dillon Electric Inc	10/17/2017	10/17/2017	3567	Streetlight lamp replacement	\$484.89	\$0.00		\$484.89
<i>Totals for Dillon Electric Inc:</i>					\$5,821.58	\$0.00		\$5,821.58

City of Dayton Cash Requirements Report

Vendor Name	Due Date	Invoice Date	Invoice Number	Invoice Description	Invoice Balance	Potential Discount	Discount Expires On	Net Amount Due
Division of the State Architect								
Division of the State Architect	10/17/2017	9/30/2017	Q1 FY 18	Business license fees Q1 FY 18	\$100.20	\$0.00		\$100.20
<i>Totals for Division of the State Architect:</i>					<i>\$100.20</i>	<i>\$0.00</i>		<i>\$100.20</i>
Hammons Supply Company								
Hammons Supply Company	10/17/2017	10/17/2017	99675	CCP janitorial supplies	\$663.20	\$0.00		\$663.20
<i>Totals for Hammons Supply Company:</i>					<i>\$663.20</i>	<i>\$0.00</i>		<i>\$663.20</i>
Health Care Dental Trust								
Health Care Dental Trust	10/17/2017	10/17/2017	233351	Dental for November	\$2,539.08	\$0.00		\$2,539.08
<i>Totals for Health Care Dental Trust:</i>					<i>\$2,539.08</i>	<i>\$0.00</i>		<i>\$2,539.08</i>
ICMA Retirement Corporation								
ICMA Retirement Corporation	10/17/2017	10/17/2017	40720	Annual plan fee 10/1/17-12/31/17	\$125.00	\$0.00		\$125.00
<i>Totals for ICMA Retirement Corporation:</i>					<i>\$125.00</i>	<i>\$0.00</i>		<i>\$125.00</i>
iPayment								
iPayment	10/17/2017	10/17/2017	09/17	Bankcard fees for September	\$251.03	\$0.00		\$251.03
iPayment	10/17/2017	10/17/2017	09/17	Online bankcard fees for September	\$90.37	\$0.00		\$90.37
<i>Totals for iPayment:</i>					<i>\$341.40</i>	<i>\$0.00</i>		<i>\$341.40</i>
Elizabeth Kinsey								
Elizabeth Kinsey	10/17/2017	10/17/2017	092217	Deposit refund for EH 9/22-9/23/17	\$500.00	\$0.00		\$500.00
<i>Totals for Elizabeth Kinsey:</i>					<i>\$500.00</i>	<i>\$0.00</i>		<i>\$500.00</i>
LarryLogic Productions								
LarryLogic Productions	10/17/2017	10/17/2017	1688	City council meeting production 10/3/17	\$420.00	\$0.00		\$420.00
<i>Totals for LarryLogic Productions:</i>					<i>\$420.00</i>	<i>\$0.00</i>		<i>\$420.00</i>
MPA								
MPA	10/17/2017	10/17/2017	B1803-2	Workers' compensation premium FY 18, Inst. :	\$23,581.00	\$0.00		\$23,581.00
MPA	10/17/2017	10/17/2017	10/17	Life/LTD for October	\$2,215.93	\$0.00		\$2,215.93
<i>Totals for MPA:</i>					<i>\$25,796.93</i>	<i>\$0.00</i>		<i>\$25,796.93</i>
Neopost Northwest								
Neopost Northwest	10/17/2017	10/17/2017	N6783701	Postage meter 11/7/17-12/6/17	\$157.93	\$0.00		\$157.93
<i>Totals for Neopost Northwest:</i>					<i>\$157.93</i>	<i>\$0.00</i>		<i>\$157.93</i>
Pacific Telemanagement Svc								
Pacific Telemanagement Svc	10/17/2017	10/17/2017	944476	Courtyard pay phone for October	\$73.00	\$0.00		\$73.00
<i>Totals for Pacific Telemanagement Svc:</i>					<i>\$73.00</i>	<i>\$0.00</i>		<i>\$73.00</i>
Professional Convergence Solutions, Inc								
Professional Convergence Solutions, Inc	10/17/2017	10/17/2017	PCS1011171	PW voicemail reset	\$110.00	\$0.00		\$110.00
<i>Totals for Professional Convergence Solutions, Inc:</i>					<i>\$110.00</i>	<i>\$0.00</i>		<i>\$110.00</i>
Reliable Automotive, LLC								

City of Clayton Cash Requirements Report

Vendor Name	Due Date	Invoice Date	Invoice Number	Invoice Description	Invoice Balance	Potential Discount	Discount Expires On	Net Amount Due
Reliable Automotive, LLC	10/17/2017	10/17/2017	23634	Repairs to '07 F450	\$760.58	\$0.00		\$760.58
Reliable Automotive, LLC	10/17/2017	10/17/2017	23044	Repairs to '07 F450	\$663.78	\$0.00		\$663.78
<i>Totals for Reliable Automotive, LLC:</i>					<i>\$1,424.36</i>	<i>\$0.00</i>		<i>\$1,424.36</i>
Riso Products of Sacramento								
Riso Products of Sacramento	10/17/2017	10/17/2017	175245	Copier lease pmt 7 of 60	\$106.09	\$0.00		\$106.09
<i>Totals for Riso Products of Sacramento:</i>					<i>\$106.09</i>	<i>\$0.00</i>		<i>\$106.09</i>
Site One Landscape Supply, LLC								
Site One Landscape Supply, LLC	10/17/2017	10/17/2017	82682212	Irrigation parts	\$255.64	\$0.00		\$255.64
Site One Landscape Supply, LLC	10/17/2017	10/17/2017	82682347	Irrigation parts	\$446.12	\$0.00		\$446.12
Site One Landscape Supply, LLC	10/17/2017	10/17/2017	82693498	Irrigation parts	\$3,438.91	\$0.00		\$3,438.91
<i>Totals for Site One Landscape Supply, LLC:</i>					<i>\$4,140.67</i>	<i>\$0.00</i>		<i>\$4,140.67</i>
Staples Advantage								
Staples Advantage	10/17/2017	10/17/2017	8046699822	Office supplies for August	\$247.62	\$0.00		\$247.62
<i>Totals for Staples Advantage:</i>					<i>\$247.62</i>	<i>\$0.00</i>		<i>\$247.62</i>
US Bank - Corp Pmt System CalCard								
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	CSMFO Meeting, Kevin 8/24/17	\$30.00	\$0.00		\$30.00
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	APA Membership	\$525.00	\$0.00		\$525.00
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Business license paper, name plate for Scott	\$81.35	\$0.00		\$81.35
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	378 Mt Sequoia PI filing	\$25.50	\$0.00		\$25.50
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Hand held stop sign for crossing guard	\$59.61	\$0.00		\$59.61
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Storage unit rent	\$127.00	\$0.00		\$127.00
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	OSH - Gloves, rakes	\$116.79	\$0.00		\$116.79
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Independent Electric - Lights	\$1,911.58	\$0.00		\$1,911.58
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Independent Electric - Property damage equip.	\$4,349.49	\$0.00		\$4,349.49
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Staples, fax roller, 409 cleaner	\$88.05	\$0.00		\$88.05
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Certified tire - 2008 van, 2 tires	\$343.37	\$0.00		\$343.37
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Rex Lock - Dog park keys	\$11.96	\$0.00		\$11.96
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Outdoor table & chairs	\$217.35	\$0.00		\$217.35
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Fuel	\$545.84	\$0.00		\$545.84
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Fuel	\$108.25	\$0.00		\$108.25
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Fuel	\$805.42	\$0.00		\$805.42
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Vehicle Gas	\$275.54	\$0.00		\$275.54
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Vehicle Gas	\$239.96	\$0.00		\$239.96
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Vehicle Gas	\$386.46	\$0.00		\$386.46
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Vehicle Gas	\$58.71	\$0.00		\$58.71
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Office supplies	\$242.66	\$0.00		\$242.66
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Training	\$128.00	\$0.00		\$128.00
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Traffic Collision Templates	\$57.25	\$0.00		\$57.25
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Duty Holster, Pike	\$185.92	\$0.00		\$185.92
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Primary AGM Battery for Car 1737, items for	\$249.33	\$0.00		\$249.33
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Vehicle Gas	\$444.59	\$0.00		\$444.59
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmt end 9/22/17	Vehicle Gas	\$297.50	\$0.00		\$297.50

City of Clayton Cash Requirements Report

Vendor Name	Due Date	Invoice Date	Invoice Number	Invoice Description	Invoice Balance	Potential Discount	Discount Expires On	Net Amount Due
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmnt end 9/22/17	Vehicle Gas	\$457.60	\$0.00		\$457.60
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmnt end 9/22/17	Car Washes	\$12.99	\$0.00		\$12.99
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmnt end 9/22/17	Keys	\$54.65	\$0.00		\$54.65
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmnt end 9/22/17	Vehicle Gas	\$49.55	\$0.00		\$49.55
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmnt end 9/22/17	Car Wash	\$12.99	\$0.00		\$12.99
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmnt end 9/22/17	ID Badges, PD smiley pens	\$363.52	\$0.00		\$363.52
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmnt end 9/22/17	Rifle case for Starick	\$32.76	\$0.00		\$32.76
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmnt end 9/22/17	AR-15 Armorer's tool	\$37.51	\$0.00		\$37.51
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmnt end 9/22/17	Vehicle Gas	\$188.34	\$0.00		\$188.34
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmnt end 9/22/17	Vehicle Gas	\$404.33	\$0.00		\$404.33
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmnt end 9/22/17	Car Washes	\$38.97	\$0.00		\$38.97
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmnt end 9/22/17	Car washes	\$51.96	\$0.00		\$51.96
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmnt end 9/22/17	Vehicle Gas	\$27.60	\$0.00		\$27.60
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmnt end 9/22/17	Car wash	\$12.99	\$0.00		\$12.99
US Bank - Corp Pmt System CalCard	10/17/2017	10/17/2017	Stmnt end 9/22/17	Vehicle Gas	\$271.60	\$0.00		\$271.60
<i>Totals for US Bank - Corp Pmt System CalCard:</i>					<u>\$13,929.84</u>	<u>\$0.00</u>		<u>\$13,929.84</u>
Western Exterminator								
Western Exterminator	10/17/2017	10/17/2017	5455303	Pest control for September	\$402.00	\$0.00		\$402.00
<i>Totals for Western Exterminator:</i>					<u>\$402.00</u>	<u>\$0.00</u>		<u>\$402.00</u>
Workers.com								
Workers.com	10/17/2017	10/17/2017	120095	Seasonal workers week end 9/24/17	\$1,640.40	\$0.00		\$1,640.40
<i>Totals for Workers.com:</i>					<u>\$1,640.40</u>	<u>\$0.00</u>		<u>\$1,640.40</u>
GRAND TOTALS:					\$168,998.37	\$0.00		\$168,998.37



Agenda Date: 10-17-2017

Agenda Item: 3c

Approved:

Gary A. Napper
City Manager

STAFF REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: Janet Brown, City Clerk

DATE: October 17, 2017

SUBJECT: Multi-Year Agreement with MailFinance (Neopost Leasing Company) for an IN-610 replacement postage equipment and maintenance.

RECOMMENDATION

Authorize the City Manager to enter into a 60-month lease agreement with MailFinance, a Neopost Leasing Company, for IN-610 postage equipment with maintenance.

BACKGROUND

In 2012, the City of Clayton entered into a lease agreement with Neopost for an IS-440 postage machine. The machine is located in City Hall on the 3rd Floor and provides postage for all packages and letters sent from all City Departments. The machine has functioned well and staff has had few problems with the maintenance of the machine. The Fiscal Year 2017-18 adopted Budget contains \$4,500.00 for City Hall postage and lease of a postage machine.

In November 2017, the City's postage machine lease expires. At this time the City must enter into another lease agreement. Neopost and Pitney Bowes both provided lease proposals. In evaluating the lease proposals staff looked at annual lease prices, total contract lease prices, supply costs, and speed of envelope processing. Both companies' machines are more than capable of handling the volume of envelopes staff processes.

FISCAL IMPACT

The new lease, including maintenance agreement and meter rental, will be \$160.83 per month (60 months) excluding taxes with an annual cost (excluding supplies) of \$1,929.96 for the lease term.

Conclusion

Staff recommends the City Council authorize the City Manager to enter into said lease agreement with MailFinance, Neopost Leasing Company.

Attachment: 1. Neopost Agreement (1 page)

Section (A) Office Information

Office Number	Office Name	Phone #	Date
2600	Norcal	(800) 910-7676	09/16/2017

Section (B) Billing Information

Company Name	City of Clayton		
DBA			
Billing Address	6000 Heritage Trail		
City State Zip+4	Clayton	CA	94517
Contact Name	Janet Brown	Phone	(925) 673-7304
Contact Title	City Clerk/Hr Manager	Fax	
Email Address		PO #	

Section (C) Installation Information (if different from billing information)

Company Name	City of Clayton		
Installation Address	6000 Heritage Trail		
City State Zip+4	Clayton	CA	94517
Contact Name	Janet Brown	Phone	(925) 673-7304
Contact Title	City Clerk/Hr Manager	Fax	
Email Address			
Main Post Office		PO 5-Digit Zip Code	

Section (D) Products

Qty	Model / Part Number	Description (Include Serial Number, if applicable)
1	INWP10	IN Series 10 lb Weighing Platform
1	IN600AF	IN Series 600 Base w/ Autofeeder, Sealer & Catch Tray

Section (E) Lease Payment Information & Schedule

Tax Status: <input checked="" type="checkbox"/> Taxable <input type="checkbox"/> Tax Exempt <i>Certificate attached</i> Billing Frequency: <input type="checkbox"/> Monthly <input checked="" type="checkbox"/> Quarterly <input type="checkbox"/> Annually Billing Method: <input type="checkbox"/> Standard <input checked="" type="checkbox"/> Arrears	Number of Months First 60	Monthly Payment (Plus applicable taxes) \$180.63
	Current Lease Number: <input type="checkbox"/> ACH (Customer to submit authorization form)	

Supply Auto Ink Order - Requires NeoFunds/TotalFunds

Section (F) Postage Meter & Postage Funding Information

Meter Model	IN600AFAI	Machine Model	IN600AF
Postage Funding Method: <input type="checkbox"/> Bill Me <input type="checkbox"/> Prepay by Check <input type="checkbox"/> ACH Debit (Submit customer authorization form) <input type="checkbox"/> OMAS <input type="checkbox"/> CPU (include authorization form)		Postage Funding Account: <input type="checkbox"/> POC <input type="checkbox"/> TMS <input type="checkbox"/> New <input type="checkbox"/> Existing Existing Account Number:	
Agency Code		Sub Agency Code	

Service Products (Check all that apply)

<input checked="" type="checkbox"/> Online Postal Rates iMeter™ App (SP10)
<input type="checkbox"/> Online Postal Expense Manager iMeter™ App (SP20/NeoStats)
<input type="checkbox"/> Online E-Services iMeter™ App (SP30)
<input type="checkbox"/> NeoShip BASIC - Requires NeoFunds/TotalFunds (EP70)
<input type="checkbox"/> NeoShip Install & User Guide (EP70GUIDES)
<input type="checkbox"/> RunMyMail <input type="checkbox"/> 3G/4G Cell Service
<input checked="" type="checkbox"/> Maintenance - Standard
<input checked="" type="checkbox"/> Installation/Training
<input type="checkbox"/> Software Support

Section (G) Approval

Existing customers who currently fund the Postage account by ACH Debit will not be converted to NeoFunds/TotalFunds unless initiated here _____


This document consists of a Government Product Lease ("Lease") with MailFinance Inc.; and a Postage Meter Rental Agreement ("Rental Agreement"), Maintenance Agreement, and an Online Services and Software Agreement with Neopost USA Inc.; and a NeoFunds/TotalFunds Account Agreement with Mailroom Finance, Inc. Your signature constitutes an offer to enter into the Lease and, if applicable, the other agreements, and acknowledges that you have received, read, and agree to all applicable terms and conditions (version DirectGovLease-04-16), which are also available at <http://neopostusa.com/terms/DirectGovLease-V04-16.pdf>, and that you are authorized to sign the agreements on behalf of the customer identified above. The applicable agreements will become binding on the companies identified above only after an authorized individual accepts your offer by signing below, or when the equipment is shipped to you.

***** SEE PURCHASE ORDER *****

Authorized Signature _____ Purchase Order Required for GSA Contract Leases _____ Print Name and Title _____ Date Accepted _____

Accepted by Neopost USA and its Affiliates _____ Date Accepted _____



Approved: 
Gary A. Nepper
City Manager

AGENDA REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS
FROM: MINDY GENTRY, COMMUNITY DEVELOPMENT DIRECTOR *MG*
DATE: OCTOBER 17, 2017
SUBJECT: MASTER COOPERATIVE FUNDING AGREEMENT WITH THE CONTRA COSTA TRANSPORTATION AUTHORITY (CDD-11-17).

RECOMMENDATION

Staff recommends the City Council approve a Master Cooperative Funding Agreement with the Contra Costa Transportation Authority (CDD-11-17) and authorize the Mayor to sign the Agreement on behalf of the City.

BACKGROUND

On June 21, 2017, the City of Clayton was awarded a grant of \$252,000 for pedestrian safety improvements in the Town Center through the Measure J Transportation for Livable Communities (TLC) program, which is administered by the Contra Costa Transportation Authority (CCTA). This grant funding requires the execution of the Cooperative Funding Agreement between Clayton and the CCTA (**Attachment 1**). The pedestrian safety improvements include two raised and lighted crosswalks at Oak and Center Streets and a table top lighted intersection at old Marsh Creek Road and Main Street.

The Agreement outlines the roles and responsibilities of both the City of Clayton and CCTA such as required reporting and requests for appropriations as well as mutually understood reciprocal indemnification.

FISCAL IMPACT

The execution of the Cooperative Funding Agreement will allow the City to receive its awarded \$252,000 grant from the TLC program for construction of the desired pedestrian safety improvements in the Town Center.

ATTACHMENTS

1. Cooperative Funding Agreement between the City of Clayton and the Contra Costa Transportation Authority [25 pp.]

ATTACHMENT 1

Master Cooperative Agreement No. 12C.07

BETWEEN
THE CONTRA COSTA TRANSPORTATION AUTHORITY
AND
CITY OF CLAYTON

This AGREEMENT is made and entered into on September 20, 2017 by and between City of Clayton, hereinafter referred to as "CLAYTON" and the CONTRA COSTA TRANSPORTATION AUTHORITY hereinafter referred to as "AUTHORITY", collectively, "the parties" .

RECITALS

1. AUTHORITY and CLAYTON pursuant to the Measure C Sales Tax Renewal Ordinance (# 88-01 as amended by # 04-02), hereinafter referred to as "MEASURE J", approved by the voters of Contra Costa County on November 2, 2004, hereby desire to enter into a Cooperative AGREEMENT to define a framework to enable the two parties to work cooperatively in developing transportation improvements using Contra Costa Transportation for Livable Communities Program (hereinafter referred to as CC-TLC) funds.
2. CLAYTON desires to conduct studies and construct improvements in CONTRA COSTA COUNTY that support the purposes and objectives of the CC-TLC program. Exhibit A to this AGREEMENT describes the proposed scope of work, hereinafter referred to as the "PROJECT".
3. The PROJECT is eligible for funding under the CC-TLC funding category in MEASURE J.
4. AUTHORITY plans to authorize specific funding amounts in one or more resolutions for purposes of accomplishing PROJECT, pursuant to specific request(s) for appropriation of funds by CLAYTON. Each funding appropriation resolution will set forth additional conditions, if any, purpose, and timing for release of identified funds to CLAYTON for PROJECT. A chronological listing of appropriation resolutions will be included in and made a part of Exhibit B (attached), which is hereby incorporated into this AGREEMENT and made a part hereof. Exhibit B will be updated with each new appropriation resolution. Each request for appropriation of funds will include the most current overall financial plan for the PROJECT.

NOW, THEREFORE, in consideration of the foregoing, the AUTHORITY and CLAYTON do hereby agree as follows:

SECTION I

CLAYTON AGREES:

1. To submit the initial request for appropriation of funds to the **AUTHORITY** for specific components of the **PROJECT** detailing the project scope, schedule and proposed funding plan at least 60 days before the funds are needed.
2. To apply any funds received under this **AGREEMENT** to the **PROJECT** consistent with the terms and conditions specified in the funding appropriation resolution approved by the **AUTHORITY**.
3. To allow the **AUTHORITY** to audit all expenditures relating to the **PROJECT** funded through this **AGREEMENT**. For the duration of the **PROJECT**, and for four (4) years following completion of the **PROJECT**, or earlier discharge of this **AGREEMENT**, **CLAYTON** will make available to the **AUTHORITY** all records relating to expenses incurred in performance of this **AGREEMENT**.
4. To provide invoices and progress reports consistent with Exhibit C, along with the summary of expenditures to date, and to maintain strict accounting of all eligible expenses for which future reimbursement will be requested.
5. To prepare a report on an annual basis within ninety (90) days of the last day of the **AUTHORITY**'s fiscal year that itemizes (a) the expenditure of all funds for the **PROJECT**, and (b) progress to date in its implementation.
6. To comply with the **AUTHORITY**'s policies on the management of Measure J Projects (Resolutions 08-13-P & 08-05-A) and all other applicable policies that the **AUTHORITY** may adopt in the future, which are available in the most recent version of the **AUTHORITY**'s Strategic Plan or on its website.
7. To be responsible for evaluation of prospective consultants and contractors retained by **CLAYTON** and subsequent award of work consistent with this **AGREEMENT** and any appropriation resolutions.
8. To provide, upon request, copies to the **AUTHORITY** of all executed contracts and other **PROJECT** documents between **CLAYTON** and consultants, contractors and others, involved in the **PROJECT**. Copies of such executed contracts shall be retained for four (4) years following completion of **PROJECT** or earlier discharge of this **AGREEMENT**.

9. To be responsible for **PROJECT** financing and to provide management of consultant and contractor activities, including responsibility for schedule, budget and oversight of the services, consistent with the scope of any appropriation resolution.
10. If the **PROJECT** involves construction, to install a sign approved by the **AUTHORITY**, consistent with the specifications included in Exhibit D of this **AGREEMENT** (attached), that identifies the Contra Costa Transportation Authority as a funding source, no later than 30 days after the commencement of construction.
11. With respect to funding the acquisition of rights-of-way, the **AUTHORITY**'s bond indenture or other financing agreement may prevent the deposit of financing proceeds into an escrow account, unless any interest earned on the escrow account is restricted so that it cannot exceed the yield on the **AUTHORITY**'s bonds or notes. To the extent that the **AUTHORITY**, pursuant to a request from , funds right-of-way escrows with financing proceeds, **AUTHORITY** will notify, and agrees to comply with, any required restrictions on investment yield.
12. If the **PROJECT** involves right-of-way acquisition, to follow the requirements of California state law and the Federal Uniform Acquisition and Relocation Assistance Act. If applicable, **CLAYTON** shall transfer to **AUTHORITY** a share of the net proceeds, after deducting auditable costs of sales, resulting from the sale of excess lands purchased in whole or in part with financing proceeds provided by the **AUTHORITY**. The **AUTHORITY**'s share of these proceeds shall be in the same proportion as the Authority's financing proceeds used in the original purchase of the parcel.

SECTION II

AUTHORITY AGREES:

1. In response to a request from the **CLAYTON** for appropriation of funds, provided notice of cancellation or termination of this **AGREEMENT** pursuant to Section III, paragraph 2 hereof, has not been given, to consider Resolution(s) consistent with available funds and any relevant components of the **AUTHORITY**'s Measure J Strategic Plan then in effect to finance specific work components for the **PROJECT**, setting forth the level of funding, purpose, timing, and scope of work to be performed by Error! Reference source not found. pursuant to this **AGREEMENT**. Such resolutions will be incorporated into Exhibit B (attached), and by this reference made a part hereof. If warranted, funding resolution(s) may authorize advances or wire transfers to **CLAYTON** to address anticipated cash flow needs.

2. To transfer funds to **CLAYTON** for the purposes described in the relevant resolution subject to **CLAYTON** compliance with, and in the manner specified in Exhibit C (attached).
3. To provide timely notice if an audit is to be conducted.

SECTION III

IT IS MUTUALLY AGREED:

1. **Term:** This **AGREEMENT** will remain in effect until discharged or terminated as provided in Paragraph 2 below or elsewhere in this Agreement.
2. **Termination:** This **AGREEMENT** shall be subject to termination as follows:
 - a. Either party may terminate this **AGREEMENT** at any time for a cause that is not specified in this **AGREEMENT** and that adversely affects the ability of the parties to cooperatively implement the **PROJECT** by giving written notice of termination to the other party. Such notice shall specify both the cause and the effective date of termination. Notice of termination under this provision shall be given at least 90 days before the effective date of such termination. In the event either party is reasonably capable of curing the cause cited in the notice of termination, that party shall have 30 days from the date of the notice to initiate steps to cure. If that party diligently pursues cure, such party shall be allowed a reasonable time to cure, not to exceed 60 days from the date of the initial notice, unless a further extension is granted by the party that gave notice to terminate.
 - b. This **AGREEMENT** may be terminated by a party for breach of any obligation, covenant or condition hereof by the other party, upon notice to the breaching party. With respect to any breach which is reasonably capable of being cured, the breaching party shall have 30 days from the date of the notice to initiate steps to cure. If the breaching party diligently pursues cure, such party shall be allowed a reasonable time to cure, not to exceed 60 days from the date of the initial notice, unless a further extension is granted by the non-breaching party. Upon termination, the non-breaching party retains the same rights as a party exercising its right to terminate under the provisions of paragraph 2(a), except that the canceling party also retains any remedy for breach of the whole contract or any unperformed balance.
 - c. By mutual written consent of both parties, this **AGREEMENT** may be terminated at any time.

3. **Indemnity:** It is mutually understood and agreed, relative to the reciprocal indemnification of **AUTHORITY** and **CLAYTON**:

a. That neither **AUTHORITY**, nor any officer or employee thereof, shall be responsible for, and **CLAYTON** shall fully indemnify and hold harmless **AUTHORITY** against any damage or liability occurring by reason of anything done or omitted to be done by **CLAYTON** under or in connection with any work, authority or jurisdiction delegated to **CLAYTON** under this **AGREEMENT**. It is also understood and agreed that, pursuant to Government Code Section 895.4, **CLAYTON** shall fully indemnify and hold the **AUTHORITY** harmless from any liability imposed for injury as defined by Government Code Section 810.8 occurring by reason of anything done or omitted to be done by **CLAYTON** under this **AGREEMENT** or in connection with any work, authority, or jurisdiction delegated to **CLAYTON** under this **AGREEMENT**.

b. That neither **CLAYTON**, nor any officer or employee thereof, shall be responsible for, and **AUTHORITY** shall fully indemnify and hold harmless **CLAYTON** against any damage or liability occurring by reason of anything done or omitted to be done by **AUTHORITY** under or in connection with any work, authority or jurisdiction delegated to **AUTHORITY** under this **AGREEMENT**. It is also understood and agreed that, pursuant to Government Code Section 895.4, **AUTHORITY** shall fully indemnify and hold **CLAYTON** harmless from any liability imposed for injury as defined by Government Code Section 810.8 occurring by reason of anything done or omitted to be done by **AUTHORITY** under this **AGREEMENT** or in connection with any work, authority, or jurisdiction delegated to **AUTHORITY** under this **AGREEMENT**.

4. **Notices:** Any notice which may be required under this **AGREEMENT** shall be in writing, shall be effective when received, and shall be given by personal service, or by certified or registered mail, return receipt requested, to the addresses set forth below, or to such addresses which may be specified in writing to the parties hereto.

Contra Costa Transportation Authority
Brad Beck, Senior Transportation Planner
2999 Oak Road, Suite 100
Walnut Creek CA 94597

CITY OF CLAYTON
Gary Napper, City Manager
6000 Heritage Trail
Clayton, CA 94517

5. **Additional Acts and Documents:** Each party agrees to do all such things and take all such actions, and to make, execute and deliver such other documents and instruments, as shall be reasonably requested to carry out the provisions, intent and purpose of this AGREEMENT.
6. **Integration:** This AGREEMENT represents the entire agreement of the parties with respect to the subject matter hereof. No representations, warranties, inducements or oral agreements have been made by any of the parties except as expressly set forth herein, or in other contemporaneous written agreements.
7. **Amendment:** This AGREEMENT may not be changed, modified or rescinded except in writing, signed by all parties hereto, and any attempt at oral modification of this AGREEMENT shall be void and of no effect.
8. **Independent Agency:** AUTHORITY renders its services under this AGREEMENT as an independent agency. None of the AUTHORITY's agents or employees shall be agents or employees of CLAYTON. CLAYTON renders its services under this AGREEMENT as an independent agency. None of the CLAYTON's agents or employees shall be agents or employees of the AUTHORITY.
9. **Assignment:** The AGREEMENT may not be assigned, transferred, hypothecated, or pledged by any party without the express written consent of the other party.
10. **Binding on Successors, Etc.:** This AGREEMENT shall be binding upon the successor(s), assignee(s) or transferee(s) of the AUTHORITY or CLAYTON, as the case may be. This provision shall not be construed as an authorization to assign, transfer, hypothecate or pledge this AGREEMENT other than as provided above.
11. **Severability:** Should any part of this AGREEMENT be determined to be unenforceable, invalid, or beyond the authority of either party to enter into or carry out, such determination shall not affect the validity of the remainder of this AGREEMENT which shall continue in full force and effect; provided that, the remainder of this AGREEMENT can, absent the excised portion, be reasonably interpreted to give effect to the intentions of the parties.
12. **Counterparts:** This AGREEMENT may be executed in counterparts.
13. **Survival:** The following provisions in AGREEMENT shall survive discharge or termination of this AGREEMENT.
 - a. As to CLAYTON:
 - i) Section I, paragraph 2 (obligation to apply funds to PROJECT)

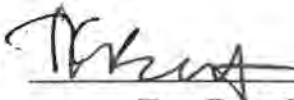
- ii) Section I, paragraph 3 (obligation to allow audit and retain records)
 - iii) Section I, paragraph 5 (for the year in which discharge or termination occurs only, to prepare an annual report to the **AUTHORITY**)
 - iv) Section I, paragraph 8 (obligation to provide copies)
 - v) Section I, paragraph 9 (obligation to continue to manage **PROJECT**)
 - vi) Section I, paragraph 12 (obligation to reimburse funds on sale of excess land)
- b. As to **AUTHORITY**:
- i) Section II, paragraph 2 (obligation to provide funds for work completed prior to termination without cause)
 - ii) Section II, paragraph 3 (obligation to provide notice of audit)
- c. As to both parties:
- i) Section III, paragraph 2b (rights that survive termination)
 - ii) Section III, paragraph 3 (indemnity obligations)

14. Limitation: All obligations of **AUTHORITY** under the terms of this **AGREEMENT** are expressly subject to the **AUTHORITY**'s continued authorization to collect and expend the sales tax proceeds provided by **MEASURE J**. If for any reason the **AUTHORITY**'s right to collect or expend such sales tax proceeds is terminated or suspended in whole or part, the **AUTHORITY** shall promptly notify **CLAYTON**, and the parties shall consult on a course of action. If, after 25 working days, a course of action is not agreed upon by the parties, this **AGREEMENT** shall be deemed terminated by mutual or joint consent; provided, that any obligation to fund from the date of the notice shall be expressly limited by and subject to (i) the lawful ability of the **AUTHORITY** to expend sales tax proceeds for the purposes of the **AGREEMENT**; and (ii) the availability, taking into consideration all the obligations of the **AUTHORITY** under all outstanding contracts, agreements to other obligations of the **AUTHORITY**, of funds for such purposes.

CITY OF CLAYTON

**CONTRA COSTA TRANSPORTA-
TION AUTHORITY**

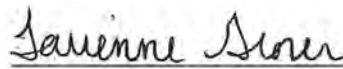
By: _____
Jim Diaz, Mayor

By:  _____
Tom Butt, Chair

ATTEST

ATTEST

By: _____
**Gary A. Napper
City Manager**

By:  _____
**Tarienne Grover
Clerk of the Board**

COOPERATIVE AGREEMENT NO. 12C.07

Between
The Contra Costa Transportation Authority
and City of Clayton

EXHIBIT A

DESCRIPTION OF THE PROJECT

The Measure J Contra Costa Transportation for Livable Communities (CC-TLC) Program funding category will provide funds to assist CLAYTON with both planning studies and capital construction projects. *Planning studies* must "support development of community-oriented plans that link transportation investments with land-use decisions." *Capital projects* specifically will fund the planning and construction of five categories of projects:

1. Local transit facilities
2. Intersection improvements and pedestrian facilities
3. Pedestrian plazas, walkways and other streetscape improvements that encourage walking
4. Traffic calming measures
5. Bicycle facilities

A full description of the CC-TLC program is included in the Measure J Transportation Sales Tax Expenditure Plan (July 21, 2004). Detailed project descriptions shall be included in the appropriate funding resolution.

COOPERATIVE AGREEMENT NO. 12C.07

Between
The Contra Costa Transportation Authority
and City of Clayton

EXHIBIT B

CHRONOLOGICAL LISTING OF FUND APPROPRIATION RESOLUTIONS

<i>Project Number</i>	<i>Resolution Num- ber</i>	<i>Date</i>	<i>Funds Appropriat- ed</i>	<i>Cumulative Total</i>
[REDACTED]				
[REDACTED]				
			<i>Total Funds Ap- propriated</i>	[REDACTED]

COOPERATIVE AGREEMENT NO. 12C.07

Between
The Contra Costa Transportation Authority
and City of Clayton

EXHIBIT C

INVOICING PROCEDURES

I. PROCEDURE FOR INVOICES PREPARED BY CLAYTON FOR SUBMITTAL TO AUTHORITY:

1. CLAYTON shall prepare and submit invoices to AUTHORITY on a quarterly basis (January-March, April-June, etc.) within 20 calendar days of the AUTHORITY close of each quarter;
2. Each invoice shall include a cover letter signed by CLAYTON's authorized representative that includes the following:
 - 2.1. Reference to this AGREEMENT, including Cooperative Agreement number;
 - 2.2. A sequential billing number (1, 2, 3, ...etc.)
 - 2.3. The quarterly period for which the invoice applies;
 - 2.4. A summary of consultant costs incurred for which CLAYTON is seeking reimbursement;
 - 2.5. Expenditure Summary Report as shown in Table C-1 and described in paragraph 3 below;
 - 2.6. A listing of attachments; and
 - 2.7. Contact person and information.

3. EXPENDITURE SUMMARY REPORT

The invoice shall include an Expenditure Summary Report as shown in Table C-1, including the following:

- 3.1. Funding Sources
- 3.2. Total Budget by Funding Source
- 3.3. Revised Budget
- 3.4. Total Previous Expenditures
- 3.5. Total Expenditures This Period (Staff, if authorized)
- 3.6. Total Expenditures This Period (Consultant/Contractor)
- 3.7. Total Expenditures This Period
- 3.8. Total CC-TLC Expenditures to Date (including this invoice)
- 3.9. Budget Remaining

II. PROCEDURE FOR INVOICES PREPARED BY CONSULTANT FOR SUBMITTAL TO CLAYTON:

CLAYTON shall be responsible for assuring that consultant invoices are prepared in accordance with AUTHORITY's consultant invoicing procedure, as set forth below.

1. GENERAL REQUIREMENTS

- 1.1. Consultant shall prepare invoices on a monthly basis for each complete calendar month. Invoices shall be submitted within 30 calendar days after months' end to the Project Administrator.
- 1.2. The invoice must be accompanied by the following:
 - 1.2.1. A transmittal letter, stating the period covered and briefly highlighting overall project status and any significant scope, schedule or budget issues.
 - 1.2.2. Monthly Progress Report.

1.2.3. Budget Status Summary by task (see Section 4 below)

1.3. The transmittal letter must include:

1.3.1. Project name.

1.3.2. Agreement or contract number.

1.3.3. Consultants' internal invoice number.

1.3.4. Calendar period covered by invoice.

1.3.5. Invoice No.

1.3.6. The following certification signed by an officer of the firm:

"We hereby certify that the funds requested by CLAYTON are to reimburse CLAYTON for project costs already incurred and have not been included in a previous invoice request and that the hours and salary rates charged in this invoice are the actual hours and rates worked and paid to the employees listed.

"Signed _____

"Title _____

"Date _____"

1.4. Each invoice shall bear the following identification:

1.4.1. Contract number.

1.4.2. The sequential billing number under the Agreement with CLAYTON (1, 2, 3, etc.).

1.4.3. Consultants' internal invoice number.

1.4.4. Date of invoice.

1.4.5. Calendar period covered by invoice.

- 1.5. The Monthly Progress Report must describe work completed, by task, during the period covered by the invoice.
- 1.6. The Budget Status Summary must include the items described in Subsection 4, below, by task and for the total budget.

2. LABOR COSTS (INCLUDING FEE)

Labor Costs shall be based on Federal Acquisition Regulations (FAR), and shall include three elements: the Direct Salary Costs (actual wages paid), the Multiplier, and the Fee. All should be shown on the invoice by Task in the following manner:

- 2.1. The Direct Salary Cost calculations should be shown as follows:
 - 2.1.1. Employee name and position.
 - 2.1.2. Hourly rate paid.
 - 2.1.3. Number of hours worked.
 - 2.1.4. Total amount paid to employee.
 - 2.1.5. Sum of all amounts paid to all employees.
- 2.2. The FAR Multiplier should be stated and applied to the result obtained in item 2.1.5.
- 2.3. The Fee (not to exceed 10%) should be applied to the result obtained in item 2.2. The results of this operation are the Total Direct Labor Costs.
- 2.4. The Total Multiplier (FAR plus fee) shall not exceed 3.00.

3. DIRECT COSTS

Direct Costs are those costs directly identifiable with the performance of the specific work of the Agreement which are not included in the Direct Salary Costs, the Multiplier or the Fee. Costs not identified as Direct Costs in the Agreement will not be reimbursed. Direct Costs should be invoiced by Task as follows:

3.1. For items for which a unit rate exists in the Agreement, show the following:

3.1.1. Description of item.

3.1.2. Rate per unit in Agreement.

3.1.3. Number of units for which compensation is claimed.

3.1.4. Total charge for item.

3.1.5. Sum of all charges for all items having a unit rate in the Agreement.

3.2. For items such as sub-consultants chargeable under the Agreement at the actual cost invoiced to consultant (usually furnished by a third party), show and provide the following:

3.2.1. Description of item.

3.2.2. Name of provider of item.

3.2.3. Amount being charged for each item.

3.2.4. A copy of the invoice for an item or a single month's billing of \$500 or more.

3.2.5. Sum of all charges for "at invoiced cost" items.

3.3. Show the sum of items 3.1.5 and 3.2.5

3.4. Apply the handling fee, not to exceed five percent (5%), to the result obtained in item. The results are the Total Direct Costs.

4. BUDGET STATUS SUMMARY

4.1. The budget summary must include the following information:

4.1.1. Budgeted amount for each task and total contract

4.1.2. Amount previously billed for each task and total contract

4.1.3. Amount currently billed for each task and total contract

- 4.1.4. Total amount billed for each task and total contract
- 4.1.5. Remaining amount budget for each task and total contract
- 4.1.6. Percent of budgeted amount expended for each task and total contract
- 4.1.7. Percent of work completed for each task and total contract

SAMPLE INVOICE COVER LETTER FROM SPONSOR

[Jurisdiction Logo, if desired]

Measure J Transportation for Livable Communities Program

Invoice Date: April 14, 2011

Contract number: [Contract number]
Sequential Billing No: 1234-5
Consultant Invoice Number: 67-8910
Period Covered: June 1–June 30, 2012

[Authority Project Manager]
2999 Oak Road, Suite 100
Walnut Creek, CA 94597

Dear Mr./Ms XXX:

Submitted herewith is our invoice for the third quarter (January–March) of Fiscal Year 2010–11 for work on [Project Name]. During this period, the consultant/contractor has incurred [\$xxx,xxx] in billable costs as documented in the attached invoices.

If you have any further questions, please contact [name of contact or signatory] at (xxx) xxx-xxx or name@ci.cityname.ca.us.

[Signatory]

Attachments:

Expenditure Summary Report
Consultant/Contractor Invoices

Invoice Number: 1234-5

Billing Period: June 1-June 30, 2010

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
<i>Funding Source</i>	<i>Total Budget</i>	<i>Revised Budget</i>	<i>Previous Expenditures</i>	<i>Expenditures This Period (Staff)</i>	<i>Expenditures This Period (Consultant)</i>	<i>Total Expenditures This Period</i>	<i>Total Expenditures</i>	<i>Budget Remaining</i>
Measure J TLC	\$200,000	\$200,000	\$6,500		\$15,000	\$15,000	\$21,500	\$178,500
[Federal Funding]	\$800,000	\$800,000	\$48,750		\$105,000	\$105,000	\$153,750	\$646,250
[Local Funding]	\$100,000	\$100,000	\$0		\$0	\$0	\$0	\$100,000
TOTALS	\$1,100,000	\$1,100,000	\$55,250		\$120,000	\$120,000	\$175,250	\$924,750

**SAMPLE TRANSMITTAL LETTER FOR CONSULT-
ANT/CONTRACTOR**

Measure J Transportation for Livable Communities Program

Invoice Date: February 4, 2012

Project Name: [Project Name]
Contract Number: xxx.xx.xx
Internal Invoice Number 123-45
Sequential Billing No: 67-8910
Calendar Period Covered: January 1-January 31, 2012
Invoice No.: 4

[Local Project Administrator]
[Sponsor Address]

Dear Mr./Ms XXX:

Submitted herewith is our invoice for work completed during [period work completed] on [Project Name]. During this period, the consultant/contractor has incurred [\$xxx,xxx] in billable costs as documented in the attached invoices. During the period covered by this invoice, we completed work on Tasks 2 and 3. Work on the project is proceeding as scheduled with no budget or schedule issues.

I hereby certify that the hours and salary rates charged in this invoice are the actual hours and rates worked and paid to the employees listed.

Signed _____

Title _____

Date _____

Attachments:

Monthly Progress Report
Budget Summary Report

Sample Consultant/Contractor Invoice

Date of invoice: June 5, 2012
 Period covered: May 1–May 28, 2012
 Project: [project name]
 Agreement No: XXX
 Invoice number: 3
 Internal nvoice number: 1003960

Task 1:		Project Management			
Employee	Position	Hours	Rate	Amount	Total
Smith, John	Principal	7.5	90.00	675.00	
Barone, Toni	Project Engineer	16.5	54.00	891.00	
	Total	24			1,566.00
	Overhead		1.6936		2,652.18
	Total (direct + overhead)				4,218.18
	Fee		0.1000		421.82
	Total Labor				4,640.00

Task 2:		PDT Meetings			
Employee	Position	Hours	Rate	Amount	Total
Smith, John	Principal	3	90.00	270.00	
Barone, Toni	Project Engineer	6	54.00	324.00	
Cheung, Sandra	Engineer II	4	39.50	158.00	
	Total direct labor	13			752.00
	Overhead / FAR multiplier		1.6936		1,273.59
	Total (direct + overhead)				2,025.59
	Fee		0.1000		202.56
	Total Labor				2,228.15

Task N:		[task name]			
Employee	Position	Hours	Rate	Amount	Total
Smith, John	Principal	12	90.00	1,080.00	
Barone, Toni	Project Engineer	29	54.00	1,566.00	
Cheung, Sandra	Engineer II	37.5	39.50	1,481.25	
	Total direct labor	78.5			4,127.25
	Overhead / FAR multiplier		1.6936		6,989.91
	Total (direct + overhead)				11,117.16
	Fee		0.1000		1,111.72
	Total Labor				12,228.88

Reimbursable Expenses

Employee/Vendor	Expense	Date	Amount	Total
Smith, John	Parking	14-May-12	14.00	
Barone, Toni	Vehicle travel	14-May-12	22.50	
Blueprints and More	Reproduction	7-May-12	1,250.00	
	Total			1,286.50

Subconsultants

Firm	Amount	Total
ABC Associates	15,500.00	
XYZ, Inc.	9,750.00	
	Total	25,250.00
	Fee @	0.03
	Total	26,007.50

GRAND TOTAL

Labor	19,097.02
Reimbursable Expenses	1,286.50
Subconsultants	26,007.50
Total This Invoice	46,391.02

Sample Budget Status Summary

Invoice Number: 1234-5

Billing Period: June 1-June 30, 2010

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
<i>Work Tasks</i>	<i>Amount Budget- ed</i>	<i>Previously In- voiced Amount</i>	<i>Current Invoiced Amount</i>	<i>Total Invoiced to Date</i>	<i>Balance Remain- ing</i>	<i>Percent Expended</i>
Task 1	\$11,500.00	\$11,500.00	\$0.00	\$11,500.00	\$0.00	100%
Task 2	\$36,300.00	\$35,425.00	\$0.00	\$35,425.00	\$875.00	98%
Task 3	\$57,150.00	\$47,800.00	\$3,650.00	\$51,450.00	\$5,700.00	90%
Task 4	\$48,550.00	\$23,500.00	\$3,650.00	\$27,150.00	\$21,400.00	56%
Task 5	\$33,100.00	\$19,750.00	\$0.00	\$19,750.00	\$13,350.00	60%
Task 6	\$26,500.00	\$8,525.00	\$0.00	\$8,525.00	\$17,975.00	32%
Task 7	\$5,200.00	\$0.00	\$0.00	\$0.00	\$5,200.00	0%
Task 8	\$21,200.00	\$0.00	\$0.00	\$0.00	\$21,200.00	0%
Direct Costs	\$10,500.00	\$3,750.00	\$0.00	\$3,750.00	\$6,750.00	36%
Total	\$250,000.00	\$150,250.00	\$7,300.00	\$157,550.00	\$92,450.00	63%

COOPERATIVE AGREEMENT NO. 12C.07

Between
the Contra Costa Transportation Authority
and City of Clayton

EXHIBIT D

APPROVED SIGNS FOR CONSTRUCTION PROJECTS

CLAYTON shall install signs consistent with the specifications detailed in Exhibit D-1 or Exhibit D-2, (attached), if PROJECT involves construction.

EXHIBIT D-1



CONTRA COSTA
transportation
authority



LOGO
CITY OF
WALNUT CREEK

**Your MEASURE J
Tax Dollars At Work**

Coming Soon:

NORTH MAIN STREET BYPASS

ACTUALS 4/24
PENDING BILLING

EXHIBIT D-2



CONTRA COSTA
transportation
authority



LOGO
CITY OF
WALNUT CREEK

**Your MEASURE J
Tax Dollars At Work**

Coming Soon:

NORTH MAIN STREET BYPASS

Approved: _____

Gary A. Napper
City Manager



STAFF REPORT

TO: HONORABLE MAYOR AND COUNCIL MEMBERS

FROM: MALA SUBRAMANIAN, CITY ATTORNEY

DATE: OCTOBER 17, 2017

SUBJECT: MODEL ENCROACHMENT OF IMPROVEMENTS WITHIN PUBLIC RIGHT OF WAY AGREEMENT

RECOMMENDATION

It is recommended the City Council approve the staff-proposed Model Encroachment of Improvements Form and herein authorize the City Manager to use and execute the Model Encroachment of Improvements within the Public Right of Way Agreement on an as needed basis, (Encroachment Agreement) pursuant to a Class 3 CEQA exemption.

BACKGROUND

Recently, the City became aware of the unauthorized construction of specific private improvements within the City's public right of way. The City Council expressed limited interest in permitting some improvements subject to the execution of the attached Encroachment Agreement rather than requiring the property owner to remove the improvements.

DISCUSSION

The attached Model Encroachment Agreement, which is binding on successors, establishes the responsibilities of the property owner, which include the following:

- Assumption of risk of damage to land and improvements
- Indemnification of City
- Ongoing Insurance requirement
- Duty to maintain the improvement
- City may compel removal of the improvement at its discretion
- City may revoke the Encroachment Agreement at its discretion
- Property owner is responsible for all costs, including attorney's fees and administrative costs

ENVIRONMENTAL

The proposed Encroachment Agreement is exempt from review under the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15303, which exempts the construction of new small structures or facilities, installation of small new equipment and facilities in structures, and conversion of existing small structures from one use to another with only minor exterior modifications.

FISCAL IMPACT

There is no direct fiscal impact to the City as the private property owner must reimburse the City for its costs associated with the Agreement and enforcement of such.

ATTACHMENT

Encroachment Agreement

When Recorded Return To:)
)
City Clerk)
City of Clayton)
6000 Heritage Trail)
Clayton, CA 94517)

AGREEMENT

Encroachment of Improvements within a Public Right-of-Way
at _____, Clayton, CA 94517

This Encroachment Agreement ("Agreement") is entered into on _____, 2017,
between _____, (Collectively "Property Owner") and the City of
Clayton, a municipal corporation ("City").

RECITALS

This Agreement is predicated upon the following facts:

A. Property Owner owns a fee simple interest in the residential property located at _____,
Clayton, California, APN No. _____,
("Property"). The Property is more particularly described in Exhibit "A."

B. Property Owner seeks an encroachment permit to construct _____,
("Improvements"), which will encroach into the public right-of-way
along Property frontage constituting a personal benefit and enjoyment of public right-of-way. In
connection with this request for an encroachment permit, Property Owner has submitted plans to the
City for the construction and the placement of Improvements. Said plans are attached hereto and
incorporated by this reference as Exhibit "B."

C. City is willing to grant Property Owner an encroachment permit in consideration of
Property Owner agreeing to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IT IS AGREED between the parties as follows:

1. Permitted Encroachment of Improvements

Property Owner is permitted to place Improvements, which substantially conform to the plans
submitted to the City and attached hereto as Exhibit "B", to encroach into the public right-of-way
along Property frontage, subject to obtaining any building permit and/or construction activity permit
which may otherwise be required by the most recent edition of the Uniform Building Standards Code
as adopted and amended by the City and the Clayton Municipal Code.

This encroachment permit is not a building permit and does not grant permission to construct
the Improvement depicted in the attached plans without a separate building permit, if required by the
City.

2. Risk of Damage and Indemnification.

Property Owner assumes all risk of damage to land and improvements owned by Property Owner, including damage to the Improvements specified herein, and all risk of other damage to the City or a third party alleged to be caused or contributed to by the placement, permitting or maintenance of Improvements within the right-of-way as installed and maintained by the Property Owner. Property Owner also assumes the risk of damage to the Improvements installed in the right-of-way.

As part of this Agreement and to the fullest extent permitted by law, Property Owner and its, his and/or her successors, agents, representatives, contractors and assigns shall indemnify, defend (with legal counsel of City's choosing) and hold harmless, the City, its elected officials, officers, employees, agents, representatives, contractors and assigns (collectively, the "Indemnitees") from and against any and all claims, demands, liabilities, judgments, damages (including consequential damages), awards, interest, attorneys' fees, costs and expenses of whatever kind or nature, at any time arising out of or in any way connected with the City's review and/or approval of this Agreement and/or any actions pursuant to the Encroachment Permit and this Agreement taken by the Property Owner. Property Owner's obligation to indemnify, defend and hold harmless the Indemnitees under this Agreement shall apply regardless of fault, to any acts or omissions, or negligent conduct, whether active or passive, on the part of the Property Owner or the Indemnitees. The sole exception to Property Owner's obligation to indemnify shall be for the Indemnitees' gross negligence or willful misconduct. Property Owner's obligation to defend the Indemnitees under this Agreement shall be at Property Owner's sole expense.

3. Insurance.

Property Owner acknowledges that Property Owner maintains homeowners insurance and property damage insurance covering the Property including the encroachment area, in the amount of at least \$1,000,000 per occurrence insuring against liability for damage to property and \$2,000,000 for injury to or death of any person, or a single limit of \$2,000,000, as a result of the placement or condition of the Improvements. The policy shall name the City of Clayton as an additional insured, and Property Owner does itself and shall require its insurer to waive subrogation in favor of the City. Property Owner does hereby waive any right of recovery it may have against the City because of payments made by Property Owner or its insurer for damage to property or injury to or death of any person arising out of any act or omission of City. Property Owner shall require its contractors performing work to construct the Improvements to add the City as an additional insured on contractor's commercial general liability policy using ISO form CG 20 38 or exact equivalent. Property Owner shall furnish the City with satisfactory evidence of the insurance and evidence that the carrier is required to give the City at least 10 days notice in advance of the cancellation or reduction in coverage of the policies required herein. The Property Owner may satisfy limits required under this Section through the use of excess or umbrella liability policies. If excess or umbrella liability insurance is used to supplement Property Owner's homeowners insurance and/or property damage insurance limits, the excess or umbrella liability policy shall be follow-form and shall schedule the underlying policies to which they apply.

4. Warranty.

Property Owner warrants that as of the date of this Agreement, Property Owner is the lawful owner in fee simple of the Property described in Exhibit "A."

5. Duty to Maintain

Property Owner is responsible for maintaining the Improvements described herein. Property Owner shall maintain the Improvements in a safe and attractive condition as an encroachment within the City's right-of-way area. The Improvements may not be modified or otherwise redesigned and reconstructed without prior City approval.

6. City May Maintain or Remove.

If Property Owner fails to meet the standard necessary to maintain the Improvements, the City may give written notice of the deficiency to Property Owner who shall have 20 days to make necessary corrections, unless the deficiency is deemed by the City to impair public health and safety, in which case the correction shall be made immediately. If the correction is not made within the time allowed as determined by the City in its sole discretion, the City may elect to take the steps necessary to maintain the Improvements, or remove the Improvements and any other encroachment entirely. To do this, the City shall serve a notice of its intent for this purpose. The City shall either personally serve the notice upon Property Owner or mail a copy of it by certified mail to Property Owner's last known address or as shown on the tax rolls at least 15 days in advance of the date when it intends to take steps to maintain or remove the Improvements. However, if the City deems the maintenance or removal of the Improvements or any other encroachment to be necessary in order to correct a public health and safety deficiency, it shall only be required to take reasonable steps to so notify Property Owners 24 hours in advance of the date it intends to perform the maintenance or removal. For this purpose, the City may perform such work, as it considers reasonably necessary and proper to restore and maintain or remove the Improvements or any other encroachment. The City may, in its sole discretion, act either through its own employees or through an independent contractor.

7. City's Costs of Maintenance or Removal a Lien.

If the City incurs costs in maintaining or removing the Improvements or any other encroachment including, without limitation, any attorneys' fees or administrative costs, after following the procedure set forth in paragraph 6, the City shall make written demand upon Property Owner for payment of all such costs. If Property Owner fails to pay the costs incurred by the City within 30 days of the date the written demand is placed in the mail, the City may make the costs a lien upon the real property described in Exhibit "A" by recording a notice that it has incurred expenses under the terms of this Agreement with the County Recorder of Contra Costa County. The notice shall state the fact that the City has incurred the costs under the terms of this Agreement and shall state the amount, together with the fact that it is unpaid, and draws interest at the rate of 10 percent a year until paid. The remedy described herein is in addition to and is not and shall not be construed as a limitation of any other remedies which may be available to the City.

8. Additional Remedies.

The City may as an alternative to the lien procedure set forth above bring legal action to collect the sums due to City under this Agreement. Property Owner agrees that if legal action by the City is necessary to collect any amount expended by the City, Property Owner is responsible for payment to the City of its attorneys' fees and court costs together with all other costs, including interest, accrued hereunder.

9. Expiration and Revocation.

City may also revoke this Agreement and the associated encroachment permit at any time by giving Property Owner 30 days prior written notice of the intention to revoke the Agreement and encroachment permit. In the event of revocation, within 60 days of the date of notice to revoke the

Agreement and encroachment permit, Property Owner agrees to remove at his/her expense the Improvements and any other encroachments.

10. Notices.

Notice given by each party to this Agreement shall be given to the other party at the addresses shown below:

Notices to the City shall be addressed:

City of Clayton
6000 Heritage Trail
Clayton, CA 94517

Notices to Property Owner shall be addressed:

When the Property Owner ceases to be the owner, Property Owner shall file with the City a notice to that effect containing the name and address of the new owner, a copy of the deed transferring Property Owner's interest in the Property and a written assignment between the City, Property Owner and the new owner assigning Property Owner's rights and obligations under this Agreement to the new owner. Upon doing so, the subsequent grantee is charged with the obligation under this Agreement.

11. Miscellaneous Terms and Provisions.

- (a) If any provision of this Agreement is adjudged invalid, the remaining provisions of it are not affected.
- (b) Notice to Property Owner shall be considered to have been given when sent to the address above stated.
- (c) This writing, together with the encroachment permit and related documents is the full, final and exclusive statement of the Agreement of the parties. Each party acknowledges that no agent or representative of the other party has made any promise, representation or warranty, express or implied, not expressly contained in this Agreement, that induced the party to sign this document. The parties agree that this Agreement shall not be amended or modified, except in writing signed by all parties, and shall not be construed against the City as drafter of the Agreement.
- (d) Property Owner appoints City its attorney-in-fact to do all acts and things that the City considers necessary to restore or maintain the Improvements and any other encroachments.
- (e) If there is more than one signer of this Agreement as Property Owner, their obligations are joint and several.

- (f) Should any of the parties initiate any action at law or in equity to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs.
- (g) It is agreed that this Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, personal representatives, successors in interest and assigns of the respective parties hereto
- (h) This Agreement is intended to be construed pursuant to the laws of the State of California. The parties agrees that the proper venue for any action arising out of the breach or the interpretation of this Agreement or other documents delivered pursuant to any provision thereof, shall be Contra Costa County.
- (i) The obligations upon the parties signing this Agreement terminate personally as to them when they convey their interest in the Property and file for record with the County Recorder a copy of assignment of this Agreement. In this case the new owner takes title subject to the requirements of this Agreement.

12. Agreement Attaches To Land.

This Agreement pertains to and runs with the real property described in Exhibit "A." This Agreement binds the successors in interest of each of the parties to it.

13. Notice of Taxable Possessory Interest

In accordance with Revenue and Taxation Code section 107.6, the Agreement may create a possessory interest subject to personal property taxation for which Property Owner will be solely responsible.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year above written.

CITY OF CLAYTON

PROPERTY OWNER(S)*

Gary A. Napper, City Manager

ATTEST:

Janet Brown, City Clerk

* Notarial Acknowledgment Required

EXHIBIT "A"

LEGAL DESCRIPTION

EXHIBIT "B"
IMPROVEMENT PLANS

Agenda Date: 10-17-2017

Agenda Item: 4a

declaring

November 1st, 2017

as

"Shelter-in-Place Education Day"

WHEREAS, public and private schools and childcare centers throughout Contra Costa County will be participating in the Shelter-in-Place Drill on November 1st; and

WHEREAS, Contra Costa County Community Awareness Emergency Response Group - CAER - is sponsoring the 16th Annual Shelter-in-Place Drill and assisting schools and childcare centers with their emergency preparedness; and

WHEREAS, emergency response agencies including fire, sheriff and health officials all recommend Shelter-in-Place as the immediate action to take in case of a hazardous release; and

WHEREAS, the Shelter-in-Place Drill increases public awareness about Shelter-in-Place as a protective action and gives students and teachers practice in implementing this important procedure; and


WHEREAS, the County Office of Education has endorsed the Shelter-in-Place Drill and encouraged all sites to participate.

NOW THEREFORE, I, Jim Diaz, Mayor, on behalf of the Clayton City Council, do hereby proclaim November 1st, 2017 as "Shelter-in-Place Education Day" and encourages participation in the Contra Costa CAER Group's public education efforts. In support of the parents, teachers, students and staff that will be participating with hundreds of other schools and childcare centers in the Shelter-in-Place Drill.



Agenda Date: 10-17-2017

Agenda Item: 8a

Approved: 
Gary A. Napper
City Manager

STAFF REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: KEVIN MIZUNO, FINANCE MANAGER, CPA

DATE: OCTOBER 17, 2017

SUBJECT: AUDITED COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF CLAYTON FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (FY 2016-17)

RECOMMENDATION

By motion, accept the "unmodified opinion" issued by the independent auditors on the City of Clayton's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017.

BACKGROUND

The independent auditor, Cropper Accountancy Corporation, has issued an "unmodified opinion" on the City of Clayton's financial statements for the fiscal year ended June 30, 2017. This terminology means the independent auditors have issued a "clean opinion", whereby the City's financial statements are fairly presented in all material respects in accordance with Generally Accepted Accounting Principles (GAAP). The source of GAAP for State and Local governments in the United States is the Governmental Accounting Standards Board (GASB), a private non-government organization.

It is the responsibility of City management for the preparation and fair presentation of the financial statements in accordance with GAAP, including the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error. The responsibility of the City's independent auditors is to express opinions on these financial statements based on their audit.

In the prior year the City issued its first-ever Comprehensive Annual Financial Report (CAFR) the fiscal year ended June 30, 2016. In 1945, the Government Finance Officers Association (GFOA) established the Certificate of Achievement for Excellence in Financial Reporting Program to encourage and assist state and local governments to go beyond the minimum requirements of

GAAP to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal. As stated on the GFOA's website (www.gfoa.org/coa), the goal of the program is not to assess the financial health of participating governments, but rather to ensure that users of their financial statements have the information they need to do so themselves. That being said, the City's CAFR is essentially a significantly enhanced version of the old basic financial reporting format with a robust introductory section in the front and informative statistical section in the back of the report. Management submitted the City's prior year CAFR to the GFOA for review following its presentation to the City Council at a publicly-held November 1, 2016 meeting. Thereafter, in a GFOA press release dated February 23, 2017, the City received notice the FY 2015-16 CAFR was successful in passing the rigorous expert review process and awarded a "Certificate of Achievement for Excellence in Financial Reporting". In accordance with GFOA guidelines, this prior year award which is now included in the introductory section of the City's FY 2016-17 CAFR currently being presented to the City Council.

In addition to the new Introductory and Statistical sections, the CAFR format includes a Management Discussion and Analysis (MD&A) intended to serve as an introduction to the basic financial statements. A "government-wide" statement of net position and statement of activities and changes in net position present consolidated fund information on all the City's assets and liabilities, with the difference between the two reported as "net position". The consolidated government-wide financial statements present summaries of governmental and business type activities for the City, or "primary government" as defined by GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* (GASB 34). A balance sheet and statement of revenues, expenditures and changes in fund balance is reported for each of the City's major governmental funds as well as a consolidated column for all non-major funds. On an annual basis, the City's major funds are determined based on a standardized formula outlined by GASB 34. Consistent with the prior year's audit, in FY 2016-17, the City's major funds are the General Fund, the Landscape Maintenance District special revenue fund, the Housing Successor Agency special revenue fund, the Capital Improvement Program special revenue fund. Fiduciary funds, comprised of several agency funds and the Successor Agency private purpose trust fund, are not considered part of the "primary government" and are therefore excluded from the net position of the City as a whole in the government-wide financial statements.

DISCUSSION

Fund Financial Statements

General Fund

The City's adopted FY 2017-18 budget projected the City's General Fund would operate with surplus by the close of FY 2016-17. The audited CAFR confirms this projection, revealing an actual General Fund surplus of **\$299,222** for the year ended June 30, 2017. This increase in fund balance arose primarily from both positive budgetary variances on both the operational revenue and expenditure sides. Better than projected revenue results were realized in the City's share of the Redevelopment Property Tax Trust Fund (RPTTF) residual balance, secured property taxes, pooled interest earnings, as well as property taxes in-lieu of vehicle license fees from the State. On

the expenditure side, savings were largely realized in the Police Department under salaries and benefits expenditures due to short staffing levels arising from above average attrition in the police officer workforce during the year. Ultimately, the surplus results in a 5.3% increase to General Fund balance bringing the total to **\$5,917,281** as of June 30, 2017.

Consistent with the prior year, at a future meeting staff intends to present a schedule of potential one-time project costs that may be addressed utilizing this surplus as well as request further direction on which project, if any, to pursue. Specific action to direct staff would take place at a future public meeting of the City Council. Any utilization of this surplus would be incorporated into the current budget year (FY 2017-18) and would not be accompanied by current year revenues, but rather use excess reserves at June 30, 2017 arising from said General Fund Surplus.

In addition to the surplus reported in actual results, the General Fund budget-to-actual schedule in the Required Supplementary Information section of the CAFR reported operating expenditures falling short of total appropriations by \$489,102. This favorable expenditure budgetary variance arose primarily from two budget actions taken by the City Council. The first pertained to the budget amendment passed by the City Council on February 21, 2017 to utilize \$204,902 in General Fund excess reserves arising from the surplus reported in the FY 2015-16 audited CAFR. The second action explaining the positive variance pertained to the unspent balance FY 2014-15 General Fund excess reserves outstanding at June 30, 2016 (\$278,853) and rolling into the FY 2016-17 General Fund budget. As of June 30, 2017, \$415,239 of General Fund reserves was reported as "assigned" for specific non-operational purposes in accordance with GASB Statement No. 54.

Other Governmental Funds

In the aggregate, excluding the General Fund, the other governmental funds of the City reported a net increase in fund balance totaling \$273,828. The following is a summary of activity for some significant governmental funds of the City:

- Gas Tax Fund (No. 201) – This fund reported a net increase in fund balance of **\$119,843** to a total ending fund balance of **\$228,689**. This increase in fund balance was primarily attributable to the postponement of Capital Improvement Program street projects into FY 2017-18. The June 30, 2017 Gas Tax fund balance as well as new FY 2017-18 revenues have been assigned by the City Council to finance the completion of the Keller Ridge Collector Street Rehabilitation Project (CIP 10425) and the 2018 Neighborhood Street Repave Project (CIP 10436) currently being planned by the City Engineer.
- Landscape Maintenance District Fund (No. 210) – This fund reported a net increase in fund balance of **\$109,317** to a total fund balance of **\$1,096,083** as of June 30, 2017. Pursuant to the adopted FY 2017-18 budget, \$397,786 of this available fund balance has been assigned as seed monies to finance the downtown planer rehabilitation project and other landscaping projects FY 2017-18.
- The Grove Park Fund (No. 211) – This fund reported a net decrease of **\$11,709** in fund balance to a total positive ending fund balance of **\$276,948**. This shortfall is attributable to higher than anticipated costs of water consumption for The Grove Park's newly modified

water play feature as no historical information was available for FY 2016-17 budget projection purposes. As noted in the FY 2017-18 Adopted Budget, in future years it is projected The Grove Park fund will be able to sustain the increased water consumption costs associated with operation of the water play feature in a balanced budget. However it is currently uncertain whether The Grove Park can sustain annual set-asides of \$18,000 and \$5,000 for the asset replacement and unallocated stabilization reserve prospectively. At the conclusion of the current year (FY 2017-18) staff will be able to better determine what water play feature use-restrictions, if any, will be necessary to sustain the annual reserve set-aside goals established by the ballot measure. Until then, considering The Grove Park has built up a health unrestricted fund balance, any increases to the asset replacement and stabilization reserves not sustainable from fund surpluses must be taken from the unrestricted fund balance.

- Measure J Fund (No. 220) – This fund reported a net decrease in fund balance of **\$97,223** to a total ending fund balance of **\$424,464**. This decrease in fund balance was primarily attributable the 2016 Arterial Rehabilitation Project (CIP 10437) making significant progress and nearing completion by the end of FY 2016-17. Pursuant to the FY 2017-18 adopted budget, the entire reserve balance of the Measure J fund has been assigned by the City Council to finance the completion of the El Portal Restoration (CIP 10439) and 2018 Neighborhood Street Repave (CIP 10436) street projects.

Endeavor Hall Enterprise Fund

Consistent with the prior year, the Endeavor Hall rental facility is the City's only "business-type" enterprise fund reported in the CAFR. The Endeavor Hall fund reported a decrease in net position of **\$45,142**. This resulted primarily from total depreciation expense of \$37,257, comprising 82.5% of FY 2016-17 operating expenses. Overall, this fund reported a positive net position balance of **\$1,120,552**, primarily due to capital investment in the rental facility land, property and equipment. However, as of June 30, 2017 Endeavor Hall continued to report a deficit unrestricted net position arising from several years of deficit operations covered temporarily by short-term General Fund cash flow loans. As past rental experiences continue to generate positive word of mouth promotion and expand the local customer base, the City is hopeful Endeavor Hall operations will eventually become self-sustaining.

Government-Wide Financial Statements

The government-wide financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, and unlike the "modified accrual" fund financial statements discussed previously, the government-wide statements report long-term assets and liabilities in the Statement of Net Position. In the long-run, increases or decreases in net position may serve as a useful indicator or whether the financial position of the City of Clayton is improving or weakening. For the fiscal year ended June 30, 2017 the government-wide net position increased by **\$1,129,657** (2.52%).

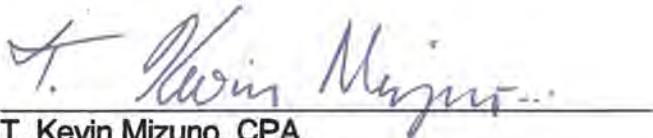
As of June 30, 2017 the City reported total government-wide ending net position of **\$46,036,976**, of which the largest portion (\$30,534,409 or 66.3%), is classified as "net investment in capital assets"

and is not in liquid form. \$7,770,840 (16.9%) of total government-wide net position is classified as "restricted" representing resources that are subject to external restrictions on how they may be used such as restricted special parcel taxes, gas taxes, Measure J local streets and roads taxes, and various grants.

FISCAL IMPACT

The acceptance of the audited financial statements for the year ended June 30, 2017 does not have any direct fiscal impact on the City.

Respectively submitted,



T. Kevin Mizuno, CPA
Finance Manager

Attachments:

1. Comprehensive Annual Financial Report and Independent Auditors' Report for the Year Ended June 30, 2017
2. Auditors' Required Communication of to Those Charged with Governance Near the End of an Audit (AU-C 260)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017



CITY OF CLAYTON, CALIFORNIA

City of Clayton, California
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

Prepared by

Finance Department

T. Kevin Mizuno, CPA
Finance Manager

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INTRODUCTORY SECTION

City of Clayton
 Comprehensive Annual Financial Report
 For the year ended June 30, 2017
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CITY COUNCIL
JIM DIAZ, MAYOR
KEITH HAYDON, VICE MAYOR
TUIJA CATALANO, COUNCILMEMBER
JULIE K. PIERCE, COUNCILMEMBER
DAVID T. SHUEY, COUNCILMEMBER

September 22, 2017

Honorable Mayor and Members of the City Council
City of Clayton

We are pleased to submit the City of Clayton's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. Since its incorporation, the City has submitted an annual audited financial report to the City Council and its citizens in accordance with *California Government Code* section 25253. The CAFR provides the public, businesses, property owners, investors and all interested parties with an overview of the City's finances. The information in this CAFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and includes an "unmodified opinion" (the highest rating) on the report by an independent certified public accounting firm, Cropper Accountancy Corp.

Although we rely on the standards and expertise of these independent auditors, the responsibility for the accuracy and fair representation of the CAFR ultimately rests with City management. We believe the data presented in this Report is accurate in all material respects and all statements and disclosures have been included necessary for the reader to obtain a thorough understanding of the City's financial activities. Management of the City has established an internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile reliable and timely information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh its benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that its financial statements will be free from material misstatements.

For readers interested in a more detailed review of the City's financial statements, a section in the CAFR called the "Management Discussion and Analysis" (MD&A) has been included in accordance with Government Accounting Standards Board (GASB) Statement 34. The MD&A recounts the financial highlights of the City and provides additional analyses on the variances and trends reported as part of the financial statements. The MD&A further discloses significant items impacting the financial condition of the City and is designed to be read in conjunction with this Letter of Transmittal.

City of Clayton
Comprehensive Annual Financial Report
For the year ended June 30, 2017
Letter of Transmittal

City Profile

The City of Clayton was incorporated in 1964 and is located in Contra Costa County, a suburban region in the eastern portion of the San Francisco-Bay Area. Pursuant to its adopted budget for the fiscal year ending June 30, 2017, the City has a permanent staff of twenty-five (25) full-time employees which serves approximately 11,284 residents in a land area of approximately 4.3 square miles. Nestled in a small valley at the northern base of Mt. Diablo, the boundaries of the City are mostly developed with a strong community emphasis on open space preservation and maintenance of an extensive network of trails. The City continues to show strength as a safe community with attractive residential neighborhoods as a gateway to the fast paced and robust Bay Area economy.

The City operates under a Council-Manager form of government and provides municipal services that include: public safety, public works, parks, planning/land use, and economic development. The City is governed by a five-member City Council elected at large, serving staggered terms of four years. The Mayor and Vice Mayor are selected by the City Council each year from its membership and serve one year terms. The City Council is responsible for setting policies, adopting City ordinances, resolutions, the annual budget, appointing commissions and committees, and hiring the City Manager and City Attorney, among other key duties. The City Manager is responsible for implementing the City Council's policies, ordinances and directives, overseeing the daily operations of the City, and appointing all department heads and through them all other employees of the City.

The City's fiscal year runs from July 1st through June 30th. Each year, the City Manager presents an annual budget to the City Council for adoption by Resolution on or before June 30 in accordance with *Clayton Municipal Code* section 3.02.040. On an interim basis the budget is monitored continually with the budgetary level of control maintained at the fund level.

Economic Condition and Outlook

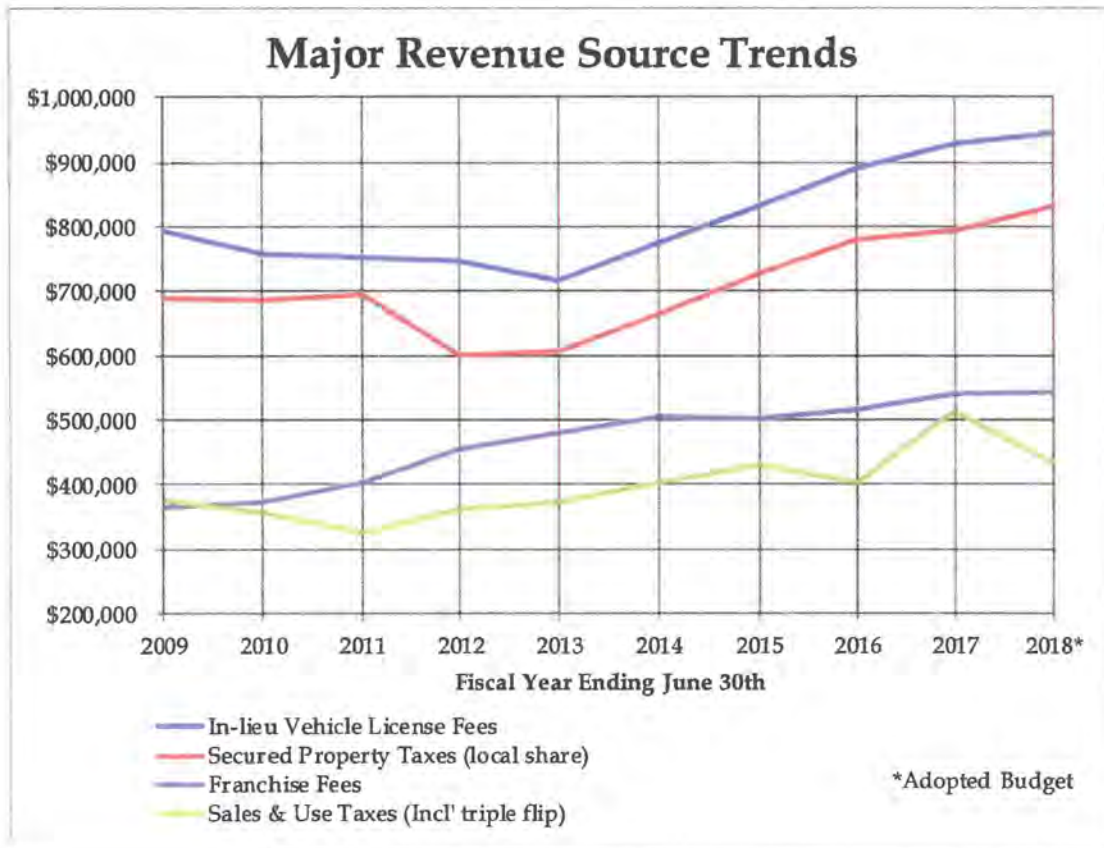
Essentially a cul-de-sac hugging the base of acclaimed Mt. Diablo, Clayton maintains a small town atmosphere while its relative proximity to California State Highway 24 and neighboring city BART stations make it ideal for commuters. In addition, the semi-rural setting, low crime rate and excellent middle and elementary public schools make Clayton attractive to families of all types.

**City of Clayton
Comprehensive Annual Financial Report
For the year ended June 30, 2017
Letter of Transmittal**

Economic Condition and Outlook, Continued

Its residents are generally highly educated with approximately 51.5% of adults greater than age 25 having a bachelor's degree or higher. In June of 2017, the unemployment rate of the City was only 3.0%, compared to 3.5% and 4.2% for Contra Costa County and the State of California, respectively. As of July 1, 2016, the median household income in the City was \$131,563 compared to \$61,818 for the state. The median sales price of homes in Clayton as of for the fiscal year ending June 30, 2017 was \$745,000. These factors bode well for the City's major sources of revenue, as property and sales & use taxes maintain all-time high levels.

In order, the City General Fund's top revenue sources are: in-lieu vehicle license fees (VLF - paid from the state's portion of property taxes); franchise fees; and secured property taxes; sales & use taxes (including the state-allocated "triple flip" prior to the fiscal year ending June 30, 2018). The following chart illustrates the ten year trend of these four major revenue sources for the City:



City of Clayton
Comprehensive Annual Financial Report
For the year ended June 30, 2017
Letter of Transmittal

Economic Condition and Outlook, Continued

The City's primary revenue sources have gradually rebounded since the "Great Recession" in 2008 and are have now exceeded pre-recession levels. Altogether, these four primary revenue sources comprise just over 62.3% of the General Fund's revenue budget for the fiscal year ending June 30, 2018. A non-recurring spike was realized in sales and use taxes in the prior year attributable to the City receiving a final true-up Triple Flip allocation from the state following the statutory dissolution of this process effective January 1, 2017. In the long-run however, given the suburban composition of the City and its geographic boundaries limiting future development, management anticipates slow growth for the next ten years in sales & use taxes and franchise fees and moderate growth in property tax revenue (including in-lieu VLF property taxes received from the state). With increasing telecommunications technologies, cable-based franchise fees could be a declining or at-risk revenue, while other factors such as weather patterns and sustainable energy trends could impact similar franchise fee revenue.

Long-Term Financial Planning

As of the year ended June 30, 2017, the City of Clayton's financial condition remains sound. An indicator of financial condition is the level of fund balances, both reserved and unreserved, in the City's General Fund. The City Council has directed an absolute minimum reserve of \$250,000 as its never-to-be-expended "catastrophic reserve." In practice, due to the effectiveness in fiscal management, this policy has been easily achieved, indicating perhaps this floor requirement should be elevated in the future. However, the standing Policy Goal of the City Council is to establish and retain an undesignated reserve of 50% the annual General Fund operating budget. At June 30, 2017, the total unassigned General Fund reserve balance is \$5,429,524, or 1.22 times the size of the adopted General Fund operating budget for the fiscal year ending June 30, 2018. This means in an emergency scenario, the City could operate over an entire year on reserves alone.

The City of Clayton maintains a five-year Capital Improvement Program (CIP), which serves as its planning document to ensure its infrastructure is well maintained. The City prioritizes roads for maintenance and reconstruction based on the relative pavement condition index, with other infrastructure and facility improvement projects prioritized at the discretion of the City Council. Over the course of the last 10 years the City has invested more than \$10.4 million into facility and infrastructure capital improvements, funded primarily by Highway User Tax Apportionments (i.e. HUTA or "gas taxes"), local Measure J taxes, redevelopment property tax increment allocations (prior to the dissolution of the Clayton Redevelopment Agency in 2012), and other state and federal grants. For the upcoming fiscal year ending June 30, 2018, the City's CIP is expected to invest an additional \$2.5 million into transportation and general infrastructure maintenance and improvement needs of the community.

City of Clayton
Comprehensive Annual Financial Report
For the year ended June 30, 2017
Letter of Transmittal

Awards

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Clayton for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR, the content of which conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The prior year, was a milestone in the City's financial reporting history, as the City of Clayton submitted, and was awarded, a Certificate of Achievement by the GFOA for the first time. Management is confident its current report continues to meet the standards of the Certificate of Achievement Program, and we will be submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of a CAFR cannot be accomplished without the professional, efficient and dedicated services of the Admin/Finance Department staff (in particular, Accounting Technician Jennifer Giantvalley), and the independent accounting firm of Cropper Accountancy Corp. We also thank the honorable members of the City Council and the various departments for their cooperation and support in planning and conducting the financial operations of the City during the fiscal year.

Respectfully Submitted,



Gary A. Napper, MPA
City Manager



T. Kevin Mizuno, CPA
Finance Manager

OUR MISSION

To be of exemplary service to the Clayton community with an emphasis on:

- Health and safety
- Responsive customer service
- Highly trained team of employees
- A cooperative work environment

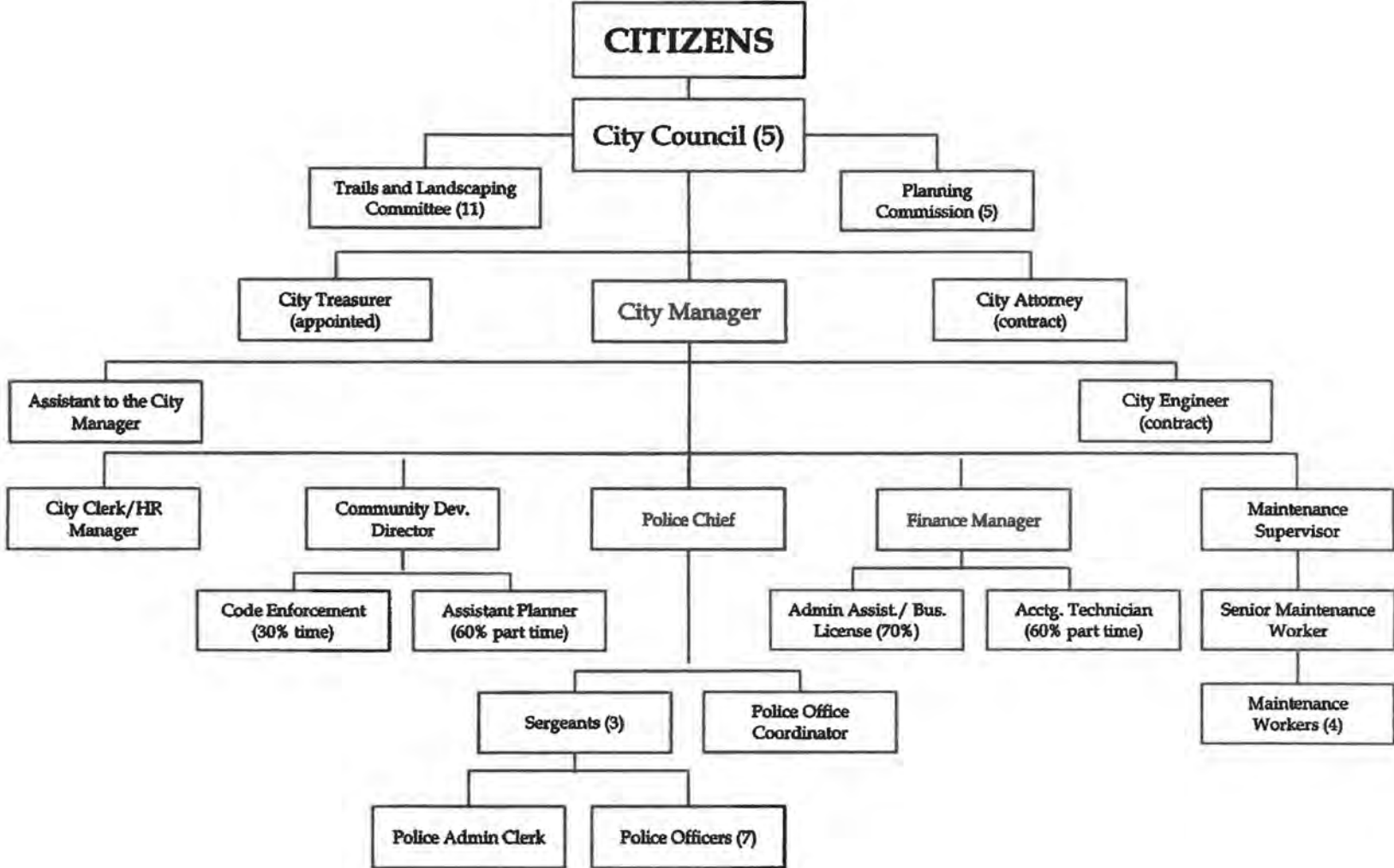
OUR VALUES

- Courtesy
- Creativity
- Diversity
- Employee participation
- Ethical behavior
- Fiscal responsibility
- Inclusiveness
- Informed risk taking
- Open communication
- Professionalism
- Trustworthiness

OUR VISION

The City of Clayton organization will be recognized as a premier small city. Customer service will be our hallmark; organizational processes will be a model of efficiency and effectiveness; innovation will be common place; and excellence of work product will be the norm. The employees will enjoy their work environment, and each will be a valued and respected member in his or her field of work. All residents and the City Council will be proud of their City government.

City of Clayton Organizational Chart



DIRECTORY OF PRINCIPAL OFFICIALS AND ADVISORY BODIES

CITY COUNCIL

Jim Diaz, Mayor
Keith Haydon, Vice Mayor
Tuija Catalano, Councilmember
Julie Pierce, Councilmember
David T. Shuey, Councilmember

COMMISSIONS

Planning Commission

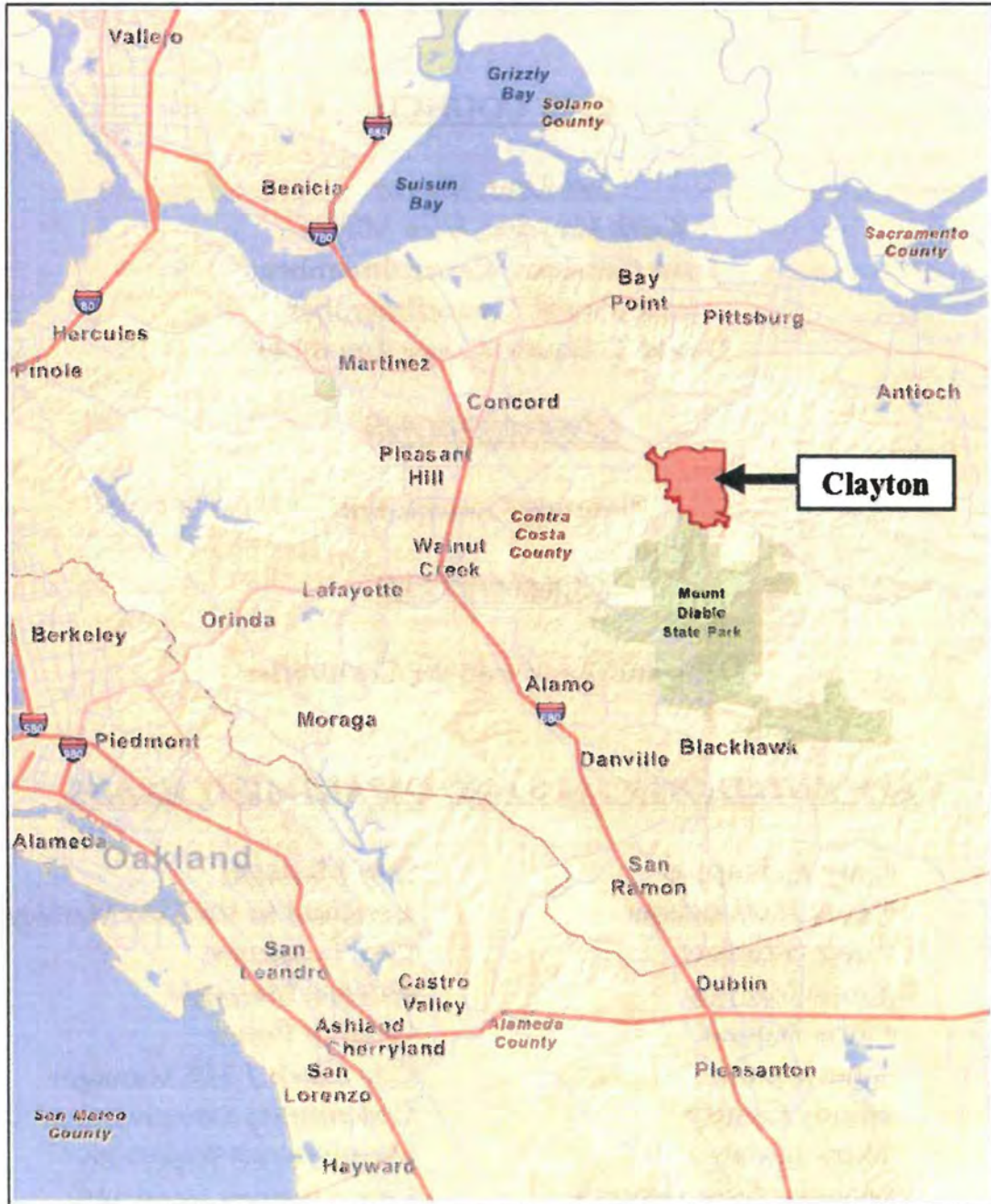
COMMITTEES

Trails and Landscaping Committee

APPOINTED OFFICIALS AND DEPARTMENT HEADS

Gary A. Napper	City Manager
Laura Hoffmeister	Assistant to the City Manager
Hank Stratford	City Treasurer
Kevin Mizuno	Finance Manager
Chris Wenzel	Chief of Police
Janet Brown	City Clerk / HR Manager
Mindy Gentry	Community Development Director
Mark Janney	Maintenance Supervisor
Malathy Subramanian	City Attorney (contract)
Scott Alman	City Engineer (contract)

Regional Map of Clayton, California And Nearby Cities





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Clayton
California**

**For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended**

June 30, 2016

Executive Director/CEO

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FINANCIAL SECTION

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**INDEPENDENT AUDITORS'
REPORT**



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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Clayton, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-16, budgetary comparison information on pages 95-97, pension plan funding status on pages 98-99, and other postemployment benefits plan on page 100 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Clayton's basic financial statements. The accompanying supplementary information, such as the combining and individual nonmajor fund financial statements and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The accompanying other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2017 on our consideration of City of Clayton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Clayton's internal control over financial reporting and compliance.

Cropper Accountancy Corporation

Cropper Accountancy Corporation
Walnut Creek, California
September 22, 2017

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**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2017**

Management of the City of Clayton (the "City") provides this Management's Discussion and Analysis of the City's Basic Financial Statements for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for its fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the additional information that is furnished with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government -Wide Highlights

Net Position - The assets of the City of Clayton exceeded its liabilities at the close of the year ended June 30, 2017 by \$46,036,976. Of this amount, \$7,770,840 was reported as "unrestricted net position" and may be used to meet the ongoing obligations to citizens and creditors.

Changes in Net Position - The City's total net position increased by \$1,129,657 in the fiscal year ending June 30, 2017. Net position of governmental activities increased by \$1,174,799, while net position of business-type activities decreased by \$45,142.

Major Fund Highlights

Governmental Funds - As of the year ended June 30, 2017, the City's governmental funds reported a combined ending fund balance of \$15,254,653. Of this amount \$5,426,974 represents "unassigned fund balances" available for appropriation.

General Fund - The unassigned fund balance of the General Fund on June 30, 2017 was \$5,429,524, while the non-spendable and assigned fund balances were \$72,518 and \$415,239 respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the City's *net position* changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Clayton that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Clayton include general government, public safety, public works, community and economic development, and parks and recreation. The business-type activities of the City of Clayton include the activities of the Endeavor Hall enterprise fund.

Fund Financial Statements

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

**City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Fund Financial Statements, Continued

Governmental Funds

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

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

The City of Clayton maintains fourteen individual governmental funds. Information is presented separately in the government funds balance sheet and governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Landscape Maintenance District, Housing Successor Agency, and Capital Improvement Program, all of which are considered to be major funds.

Proprietary Funds

The City of Clayton maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Clayton uses an enterprise fund to account for its Endeavor Hall activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Clayton various functions. City of Clayton uses two internal service funds to account for its capital equipment replacement program and its self-insurance activities. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

**City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Fund Financial Statements, Continued

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City's sole enterprise fund is considered to be a major fund. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Fiduciary Funds

The City is the agent for certain assessment districts and other parties holding amounts collected which await payment as directed. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position and the Agency Funds Statement of Assets and Liabilities. These activities are excluded from the City's other financial statements because the City is acting as a trustee for these funds and cannot use these assets to finance its own operations. The City's fiduciary funds include a private-purpose trust fund to account for the Activities of the City of Clayton Successor Agency.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-93 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees as well as budgetary information for the General Fund and each of the major governmental funds.

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS

Analysis of Overall Net Position and Results of Operations

As noted previously, net position may serve over time as a useful indicator of a government's financial position. The City's total net position was \$46,036,976 at June 30, 2017, which is an increase of \$1,129,657 (2.5%) over the prior year's net position at June 30, 2016.

**City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2017**

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued

Analysis of Overall Net Position and Results of Operations, Continued

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, etc.) net of any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens and these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following is condensed comparative Statements of Net Position for the fiscal years ended June 30, 2017 and 2016:

	Governmental Activities 2017	Governmental Activities 2016	Business- Type Activities 2017	Business- Type Activities 2016	Total 2017	Total 2016
Assets						
Current assets	\$ 12,609,255	\$ 11,570,777	\$ (55,556)	\$ (49,613)	\$ 12,553,699	\$ 11,521,164
Noncurrent assets	6,933,417	7,436,491	-	-	6,933,417	7,436,491
Capital assets	29,349,667	28,929,140	1,184,742	1,221,999	30,534,409	30,151,139
Total assets	48,892,339	47,936,408	1,129,186	1,172,386	50,021,525	49,108,794
Deferred outflows	1,600,976	617,879	-	-	1,600,976	617,879
Liabilities						
Current liabilities	586,511	377,491	8,634	6,692	595,145	384,183
Noncurrent liabilities	4,635,091	3,793,761	-	-	4,635,091	3,793,761
Total liabilities	5,221,602	4,171,252	8,634	6,692	5,230,236	4,177,944
Deferred inflows	355,289	641,410	-	-	355,289	641,410
Net position						
Net investment						
in capital assets	29,349,667	28,929,140	1,184,742	1,221,999	30,534,409	30,151,139
Restricted	7,731,727	7,783,815	-	-	7,731,727	7,783,815
Unrestricted	7,835,030	7,028,670	(64,190)	(56,305)	7,770,840	6,972,365
Total net position	\$ 44,916,424	\$ 43,741,625	\$ 1,120,552	\$ 1,165,694	\$ 46,036,976	\$ 44,907,319

Of the City's total net position, \$7,731,727 (16.8%) represents resources that are subject to external restrictions on how they may be used. The balance of the *unrestricted net position* of \$7,770,840 may be used to meet the City's ongoing obligations to citizens and creditors. City revenues for the year, including both governmental and business-type activities, were \$7,632,601, while expenses totaled \$6,502,944, resulting in a net increase to net position of \$1,129,657 (2.5%) excluding transfers, extraordinary and special items. This net increase was primarily attributable to an increase in net position of governmental activities, which is discussed in greater detail in the following section.

City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2017

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued

Analysis of Overall Net Position and Results of Operations, Continued

The following is a recap of the City's Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2017 and 2016:

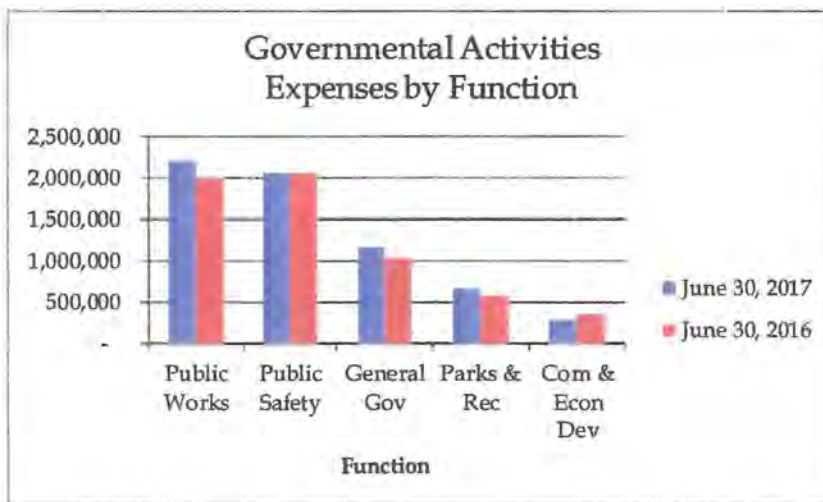
	Governmental Activities 2017	Governmental Activities 2016	Business Type Activities 2017	Business Type Activities 2016	Total 2017	Total 2016
Revenues:						
Program revenues:						
Charges for services	\$ 909,755	\$ 900,374	\$ 22,251	\$ 27,253	\$ 932,006	\$ 927,627
Operating grants and contributions	813,168	836,833	-	-	813,168	836,833
Capital grants and contributions	885,398	22,200	-	-	885,398	22,200
Total program revenues	2,608,321	1,759,407	22,251	27,253	2,630,572	1,786,660
General revenues:						
Property taxes	2,339,221	2,256,780	-	-	2,339,221	2,256,780
Special parcel taxes	1,220,427	1,185,651	-	-	1,220,427	1,185,651
Sales and use taxes	455,387	372,705	-	-	455,387	372,705
Business license taxes	135,866	133,943	-	-	135,866	133,943
Franchise fees	541,138	516,607	-	-	541,138	516,607
Payments in lieu of taxes	157,949	154,852	-	-	157,949	154,852
Investment income	119,201	295,904	-	-	119,201	295,904
Miscellaneous	31,216	58,694	-	-	31,216	58,694
Gain (loss) on sale of assets	1,624	792	-	-	1,624	792
Total general revenues	5,002,029	4,975,928	-	-	5,002,029	4,975,928
Total revenues	7,610,350	6,735,335	22,251	27,253	7,632,601	6,762,588
Expenses:						
General government	1,174,069	1,051,461	-	-	1,174,069	1,051,461
Public works	2,221,835	1,975,653	-	-	2,221,835	1,975,653
Parks and recreation services	676,790	583,120	-	-	676,790	583,120
Community and economic development	287,775	362,248	-	-	287,775	362,248
Public safety	2,075,082	2,060,621	-	-	2,075,082	2,060,621
Endeavor Hall	-	-	67,393	67,668	67,393	67,668
Total expenses	6,435,551	6,033,103	67,393	67,668	6,502,944	6,100,771
Increase (decrease) in Net Position						
before transfers, special and extraordinary items	1,174,799	702,232	(45,142)	(40,415)	1,129,657	661,817
Extraordinary items	-	(230,786)	-	-	-	(230,786)
Change in Net Position	1,174,799	471,446	(45,142)	(40,415)	1,129,657	431,031
Net Position - Beginning	43,741,625	35,459,216	1,165,694	1,206,109	44,907,319	36,665,325
Prior period adjustment - July 1, 2015	-	7,810,963	-	-	-	7,810,963
Net Position - beg. of year, as restated	43,741,625	43,270,179	1,165,694	1,206,109	44,907,319	44,476,288
Net Position - Ending	\$ 44,916,424	\$ 43,741,625	\$ 1,120,552	\$ 1,165,694	\$ 46,036,976	\$ 44,907,319

**City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2017**

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued

Analysis of Governmental Activities

The increase in net position of the governmental activities over the prior year was primarily attributable to an increase in unrestricted net position, accounting for 68.4% of the change. The increase in unrestricted net position arose from increases in fund balances of governmental funds, specifically the General Fund, Landscape Maintenance District Fund, and non-major governmental funds. A decrease in noncurrent assets, excluding capital assets, by \$503,074 (6.8%) from the prior year resulted from the repayment of the 1999 Fire Station Note from the Redevelopment Successor Agency to the General Fund. Total expenses were \$6,435,551 in the current year compared to \$6,033,103 in the prior year. The following chart depicts the relative size of expenses by function for the fiscal years ending June 30, 2017 and 2016:



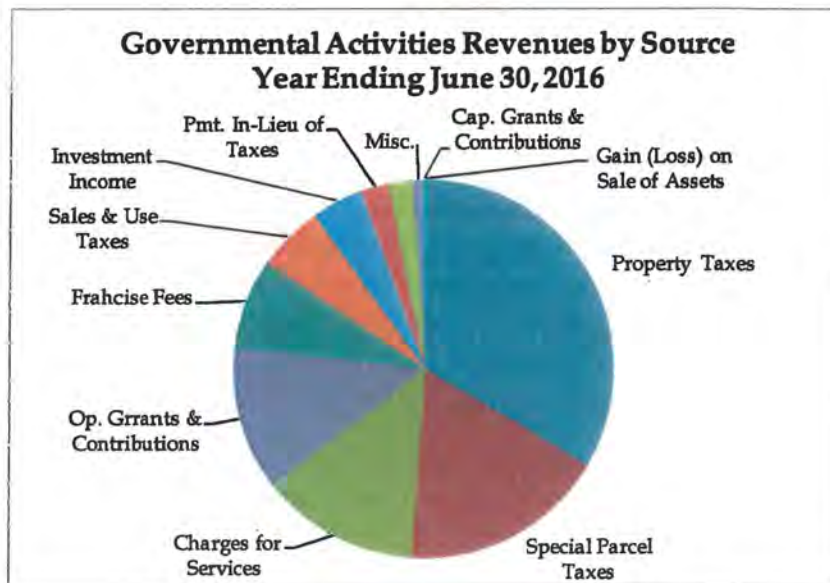
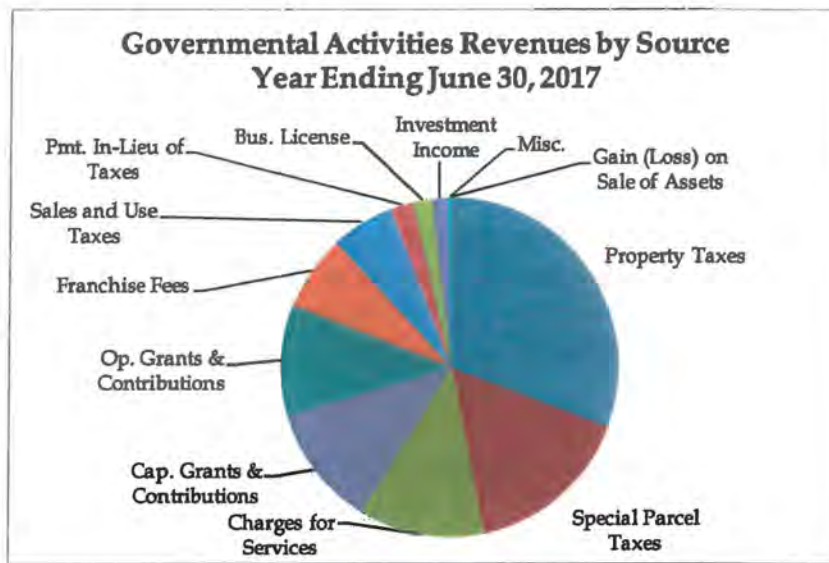
Total program revenues from governmental activities were \$909,755 in the current year compared to \$900,374 in the prior year. Per *GASB Statement No. 34*, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from government's general revenues. Of the governmental program revenues, 34.9% were derived from charges for services, which includes park use fees, rental fees, licenses and permits, planning services fees, engineering plan check fees, police service fees, and other revenues. The remaining 65.1% of the governmental program revenues came from operating and capital grants and contributions. General revenues are all other revenues not categorized as program revenues such as property taxes, special parcel taxes and assessments, sales and use taxes, motor vehicle fees, investment earnings, fines, franchise fees, use of money and property, service charges, and other revenues.

**City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2017**

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued

Analysis of Governmental Activities, Continued

Total general revenues from governmental activities were relatively consistent at \$5,002,029 in the current year compared to \$4,975,928 in the prior year. The following pie charts depict the relative size of governmental activities program and general revenues by source for the fiscal years ending June 30, 2017 and 2016:



**City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2017**

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued

Analysis of Business-Type Activities

Total business-type expenses were consistent at \$67,393 in the current year compared to \$67,668 in the prior year. Total charges for services declined slightly (18.4%) from \$27,253 in the prior year to \$22,251 in the current. Accordingly, net position of business-type activities declined by \$45,142 to a total of \$1,120,552 at June 30, 2017 primarily due to charges for services not being sufficient to cover annual depreciation expense of the underlying rental facilities.

FINANCIAL ANALYSIS OF INDIVIDUAL FUND STATEMENTS

Analysis of Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,254,653. Of this amount, in order of relative significance, \$5,426,974 (35.6%) is unassigned; \$3,768,786 (24.7%) is in non-spendable form; \$3,442,181 (22.6%) is assigned for specific purposes; \$2,122,471 (13.9%) is restricted by law, regulation, or other outside contractual agreements; and \$494,241 (3.2%) is committed for specific expenditures in the future.

General Fund

The City's General Fund reported an increase in fund balance of \$299,222 in the current fiscal year. This increase in fund balance is largely attributable to expenditures coming in under budget as well as property taxes coming in well over budget. Total fund balance of the General Fund is \$5,917,281 as of June 30, 2017, of which \$5,429,524 (91.8%) is reported as unassigned and available for appropriation. This unassigned fund balance is 121.9% the size of the General Fund's adopted operating budget for the fiscal year ending June 30, 2018.

**City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2017**

FINANCIAL ANALYSIS OF INDIVIDUAL FUND STATEMENTS, Continued

Analysis of Governmental Funds, Continued

Landscape Maintenance District

Community Facilities District No. 2007-1, referred to as the Landscape Maintenance District special revenue fund, reported an increase in fund balance of \$109,317 in the current fiscal year. This increase in fund balance is largely attributable to capital projects originally planned for the current fiscal year, including the downtown planter rejuvenation and replacement project, being deferred to the next fiscal year. Total fund balance of the Landscape Maintenance District is \$1,096,083 as of June 30, 2017, of which \$397,786 (36.3%) is reported as assigned for the following year's operating budget.

Successor Housing Agency

The Successor Housing Agency special revenue fund reported an increase in fund balance of \$132,055 in the current fiscal year. This increase in fund balance resulted primarily from unspent program revenue on housing loan repayments and unrealized gains on the inventory of affordable income housing. Total fund balance of the Successor Housing Agency is \$4,427,228 as of June 30, 2017, of which \$3,696,268 (83.5%) is in non-spendable form derived from outstanding housing loan receivable balances and investments in affordable housing units.

Capital Improvement Program

The Capital Improvement Program capital projects fund reported a minor increase in fund balance of \$9,223 in the current fiscal year. This small increase in fund balance is a result of capital outlays for projects included in the City's adopted five-year rolling Capital Improvement Program budget being primarily reimbursement-based, with revenue offsets in the form of inter-fund transfers or reimbursable grants from outside agencies. Total fund balance of the Capital Improvement Program fund is \$1,606,900 and is reported entirely as assigned for capital projects as of June 30, 2017.

Analysis of Proprietary Funds

The City of Clayton's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the City's only major enterprise fund, Endeavor Hall, at the end of the year was \$1,120,552, and total net position for the internal service funds amounted to \$519,903.

**City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2017**

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund actual revenues and transfers exceeded total budgeted revenues by \$154,204 (3.6%). This favorable variance is largely explained by actual property tax revenues exceeding somewhat conservative budgetary growth projections of 2.0%. The adjusted General Fund budget authorized appropriations of \$4,644,705 for the fiscal year ending June 30, 2017. Actual General Fund operating expenditures of \$4,155,603 were under the final adjusted budget by \$489,102 (10.5%). On February 21, 2017 the City Council approved the assignment and appropriation of \$204,902 in General Fund reserves arising from the surplus reported the fiscal year ending June 30, 2016. Consistent with similar action taken in the prior year, the purpose of this assignment was to address specific one-time capital and operational needs of the City that could not be addressed in the ordinary annual operating budget. At June 30, 2017, the balance of General Fund balance assignments was \$415,239, which was rolled into next year's budget for the specific authorized purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2017, amounted to \$30,534,409 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, park facilities, corporate yard building, and roads. Total depreciation expense on governmental assets totaled \$955,149, versus \$948,496 in the prior year. The slight increase in depreciation was largely attributable to significant capital assets deemed complete during the prior year that were depreciated a full year's depreciation for the first time in the current year pursuant to the mid-year convention depreciation method. Additional information on the City of Clayton's capital assets can be found in Note 5 of this report.

Debt Administration

The remaining debt of the former redevelopment agency of \$5,835,000 was transferred to the Successor Agency on February 1, 2012 (fiscal year ending June 30, 2012). The City has no outstanding general obligation debt. The former City of Clayton Redevelopment Agency maintains a "AAA" rating for Tax Allocation Bonds from Standard & Poor's. Additional information on the Successor Agency's long-term debt obligations can be found in Note 13 of the notes to the financial statements.

City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As the City of Clayton is largely a bedroom community, the annual General Fund operating budget relies more heavily on property taxes to finance annual operating appropriations rather than other sources of revenue larger and more commercially and industrial developed municipalities have access to (i.e. sales and transient occupancy taxes). The City strives to meet the ever evolving needs of local residents and businesses within the constraints of limited and sometimes restrictive revenue sources.

There was a notable increase in adopted General Fund appropriations for the upcoming fiscal year ending June 30, 2018 by \$193,330 (4.5%). The growth in appropriations is nearly entirely attributable to unavoidable fixed cost increases while continuing to provide the same level of services to the community. The primary fixed cost increase pertained to an unavoidable increase to the fixed dollar surcharge imposed by the City's pension trust administrator (CalPERS) to help reduce at the City's proportionate share of the unfunded actuarial liability of the multiple-employer cost-sharing pension plan.

In the adopted fiscal year budget for the year ending June 30, 2018 projects total General Fund revenues of \$4,465,880, an increase of approximately \$165,260 (3.8%) over the prior year adopted budget. The projected revenue increase is supported by actual operational revenue results for the year ending June 30, 2017.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Clayton's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Office of the Finance Manager, 6000 Heritage Trail, Clayton, California 94517.

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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

**City of Clayton
Government-Wide
Statement of Net Position
June 30, 2017**

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activites</u>	<u>Total</u>
Current Assets:			
Cash and investments	\$ 10,777,647	\$ -	\$ 10,777,647
Accounts receivable (net of allowances)	1,724,392	-	1,724,392
Interest receivable	39,681	-	39,681
Internal balances	55,556	(55,556)	-
Prepaid expenses	11,979	-	11,979
Total Current Assets	<u>12,609,255</u>	<u>(55,556)</u>	<u>12,553,699</u>
Noncurrent Assets:			
Investment in affordable housing	2,380,056	-	2,380,056
Notes receivable	4,553,361	-	4,553,361
Nondepreciable assets	3,455,755	167,738	3,623,493
Depreciable assets, net	25,893,912	1,017,004	26,910,916
Total Noncurrent Assets	<u>36,283,084</u>	<u>1,184,742</u>	<u>37,467,826</u>
Total Assets	<u>48,892,339</u>	<u>1,129,186</u>	<u>50,021,525</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	1,600,976	-	1,600,976
Total Deferred Outflows of Resources	<u>1,600,976</u>	<u>-</u>	<u>1,600,976</u>
LIABILITIES			
Current Liabilites:			
Accounts payable	389,641	2,434	392,075
Deposits payable	-	4,000	4,000
Accrued payroll	69,919	-	69,919
Unearned revenue	44,502	-	44,502
Compensated absences payable (current portion)	79,187	-	79,187
Other liabilities	3,262	2,200	5,462
Total Current Liabilities	<u>586,511</u>	<u>8,634</u>	<u>595,145</u>
Noncurrent Liabilities:			
Compensated absences payable (long-term portion)	79,187	-	79,187
Net OPEB liability	142,547	-	142,547
Net pension liability	4,413,357	-	4,413,357
Total Noncurrent Liabilities	<u>4,635,091</u>	<u>-</u>	<u>4,635,091</u>
Total Liabilities	<u>5,221,602</u>	<u>8,634</u>	<u>5,230,236</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension	355,289	-	355,289
Total Deferred Inflows of Resources	<u>355,289</u>	<u>-</u>	<u>355,289</u>
NET POSITION			
Net investment in capital assets	29,349,667	1,184,742	30,534,409
Restricted for special projects and programs	7,731,727	-	7,731,727
Unrestricted	7,835,030	(64,190)	7,770,840
Total Net Position	<u>\$ 44,916,424</u>	<u>\$ 1,120,552</u>	<u>\$ 46,036,976</u>

The accompanying notes are an integral part of the financial statements

**City of Clayton
Government-Wide
Statement of Activities and Changes in Net Position
For the year ended June 30, 2017**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities							
General government	\$ 1,174,069	\$ 349,220	\$ 35,772	\$ -	\$ (789,077)	\$ -	\$ (789,077)
Public works	2,221,835	324,308	540,008	880,604	(476,915)	-	(476,915)
Parks and recreation services	676,790	70,394	-	-	(606,396)	-	(606,396)
Community and economic development	287,775	113,336	-	2,082	(172,357)	-	(172,357)
Public safety	2,075,082	52,497	237,388	2,712	(1,782,485)	-	(1,782,485)
Total Governmental Activities	6,435,551	909,755	813,168	885,398	(3,827,230)	-	(3,827,230)
Business-Type Activities							
Endeavor Hall	67,393	22,251	-	-	-	(45,142)	(45,142)
Total Business-Type Activities	67,393	22,251	-	-	-	(45,142)	(45,142)
Total Primary Government	\$ 6,502,944	\$ 932,006	\$ 813,168	\$ 885,398	(3,827,230)	(45,142)	(3,872,372)
General revenues:							
Taxes:							
Property taxes					2,339,221	-	2,339,221
Special parcel taxes					1,220,427	-	1,220,427
Sales and use taxes					455,387	-	455,387
Business license taxes					135,866	-	135,866
Total Taxes					4,150,901	-	4,150,901
Franchise fees					541,138	-	541,138
Payments in lieu of taxes					157,949	-	157,949
Investment income (loss)					119,201	-	119,201
Other miscellaneous general revenues					31,216	-	31,216
Gain on fixed asset disposal					1,624	-	1,624
Total general revenues and transfers					5,002,029	-	5,002,029
Change in net position					1,174,799	(45,142)	1,129,657
Net position - beginning of year					43,741,625	1,165,694	44,907,319
Net position - end of year					\$ 44,916,424	\$ 1,120,552	\$ 46,036,976

The accompanying notes are an integral part of the financial statements

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

Governmental Funds are used to account for activities primarily supported by taxes, grants, and similar revenue sources. All governmental funds can be classified into one of five fund types: the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

General Fund:

The General Fund is the main operating fund of the City and is presented as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds:

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The following are reported as major special revenue funds:

Landscape Maintenance District - Community Facilities District (CFD) No. 2007-1, referred to as the Landscape Maintenance District special revenue fund, accounts for real property voter-approved special parcel taxes collected to maintain arterial landscaping and open space within the City (CFD No. 2007-1 sunsets in 2027).

Successor Housing Agency - Accounts for the activities related to the assets assumed by the City of Clayton as the Housing Successor to the housing activities of the former Redevelopment Agency of the City of Clayton.

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 financed by proprietary funds. The following is the City's sole major capital projects fund:

Capital Improvement Program - Accounts for the projects identified in the capital improvement program funded by various federal and state grants as well as through transfers from the General Fund.

Non-major Governmental Funds:

All non-major governmental funds of the City are aggregated and presented on the face of the basic financial statements in one column.

**City of Clayton
Governmental Funds
Balance Sheet
June 30, 2017**

	General Fund	Special Revenue	
		Landscape Maintenance District	Successor Housing Agency
ASSETS			
Cash and investments	\$ 5,877,202	\$ 1,149,843	\$ 730,960
Accounts receivable	541,259	-	-
Interest receivable	39,681	-	-
Investment in affordable housing	-	-	2,380,056
Notes receivable	7,949	-	4,545,412
Prepaid expenses	11,832	-	-
Due from other funds	58,106	-	-
Advance to other funds	2,580	-	-
Total Assets	\$ 6,538,609	\$ 1,149,843	\$ 7,656,428
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 150,787	\$ 53,760	\$ -
Other payables	486	-	-
Accrued payroll	69,919	-	-
Compensated absences	79,187	-	-
Due to other funds	-	-	-
Advance from other funds	-	-	-
Unearned revenue	44,502	-	-
Total Liabilities	344,881	53,760	-
Deferred Inflows of Resources:			
Deferred revenue	276,447	-	3,229,200
Total Deferred Inflows of Resources	276,447	-	3,229,200
Fund Balance:			
Non-spendable	72,518	-	3,696,268
Restricted	-	698,297	676,690
Committed	-	-	-
Assigned	415,239	397,786	54,270
Unassigned	5,429,524	-	-
Total Fund Balance	5,917,281	1,096,083	4,427,228
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,538,609	\$ 1,149,843	\$ 7,656,428

The accompanying notes are an integral part of the financial statements

<u>Capital Project</u>		
<u>Capital Improvement Program</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 921,286	\$ 1,902,495	\$ 10,581,786
834,514	348,619	1,724,392
-	-	39,681
-	-	2,380,056
-	-	4,553,361
-	147	11,979
-	-	58,106
-	-	2,580
<u>\$ 1,755,800</u>	<u>\$ 2,251,261</u>	<u>\$ 19,351,941</u>
\$ 148,900	\$ 36,194	\$ 389,641
-	2,776	3,262
-	-	69,919
-	-	79,187
-	2,550	2,550
-	2,580	2,580
-	-	44,502
<u>148,900</u>	<u>44,100</u>	<u>591,641</u>
-	-	3,505,647
-	-	3,505,647
-	-	3,768,786
-	747,484	2,122,471
-	494,241	494,241
1,606,900	967,986	3,442,181
-	(2,550)	5,426,974
<u>1,606,900</u>	<u>2,207,161</u>	<u>15,254,653</u>
<u>\$ 1,755,800</u>	<u>\$ 2,251,261</u>	<u>\$ 19,351,941</u>

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City of Clayton
Reconciliation of Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2017

Total Fund Balances - Governmental Funds \$ 15,254,653

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

CAPITAL ASSETS

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.

Non-depreciable capital assets	3,455,755
Depreciable capital assets (net of internal service fund assets of \$324,042)	25,569,870

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Unavailable revenue which are deferred inflows of resources in the Governmental Funds because they are not available currently, but are taken into revenue in the statement of activities.	3,505,647
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LONG-TERM ASSETS AND LIABILITIES

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.

OPEB liability	(142,547)
Compensated absences payable	(79,187)
Net pension liability not reported on the Governmental Funds Balance Sheet	(4,413,357)

DEFERRED INFLOWS AND OUTFLOWS

Deferred outflows of resources for pensions not reported on the Governmental Funds Balance Sheet	1,600,976
Deferred inflows of resources for pensions not reported on the Governmental Funds Balance Sheet	(355,289)

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Government-wide Statement of Net Position.

519,903

Net Position of Governmental Activities	\$ 44,916,424
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The accompanying notes are an integral part of the financial statements

**City of Clayton
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2017**

	General Fund	Special Revenue	
		Landscape Maintenance District	Successor Housing Agency
REVENUES			
Property taxes	\$ 2,339,221	\$ -	\$ -
Program income	-	-	86,400
Special parcel taxes and assessments	-	1,058,799	-
Sales and use taxes	455,387	-	-
Business licenses	135,866	-	-
Permits, licenses and fees	161,443	-	-
Fines, forfeitures and penalties	92,662	-	-
Intergovernmental	98,451	-	-
Motor vehicle in-lieu fees	-	-	-
Other in-lieu fees	157,949	-	-
Franchise fees	541,138	-	-
Service charges	311,796	-	-
Use of money and property	35,326	3,393	65,741
Other revenue	18,186	-	-
Total Revenues	4,347,425	1,062,192	152,141
EXPENDITURES			
Current:			
General government	1,178,444	-	-
Public works	249,006	839,348	-
Parks and recreation services	325,187	-	-
Community and economic development	288,962	-	20,086
Public safety	2,104,174	-	-
Capital Outlay	9,830	77,739	-
Total Expenditures	4,155,603	917,087	20,086
Excess (Deficiency) of Revenues Over (Under) Expenditures	191,822	145,105	132,055
OTHER FINANCING SOURCES (USES)			
Transfers in	107,400	-	-
Transfers out	-	(35,788)	-
Total Other Financing Sources (Uses)	107,400	(35,788)	-
Net Change in Fund Balances	299,222	109,317	132,055
FUND BALANCES			
Beginning of year	5,618,059	986,766	4,295,173
End of fiscal year	\$ 5,917,281	\$ 1,096,083	\$ 4,427,228

The accompanying notes are an integral part of the financial statements

<u>Capital Project</u> <u>Capital</u> <u>Improvement</u> <u>Program</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 2,339,221
-	-	86,400
-	407,106	1,465,905
-	-	455,387
-	-	135,866
-	47,583	209,026
-	-	92,662
880,605	727,632	1,706,688
-	-	-
-	-	157,949
-	-	541,138
-	-	311,796
6,053	7,697	118,210
12,000	10,000	40,186
<u>898,658</u>	<u>1,200,018</u>	<u>7,660,434</u>
-	16,162	1,194,606
-	431,638	1,519,992
-	133,107	458,294
-	-	309,048
-	161,671	2,265,845
1,278,987	43,043	1,409,599
<u>1,278,987</u>	<u>785,621</u>	<u>7,157,384</u>
<u>(380,329)</u>	<u>414,397</u>	<u>503,050</u>
389,552	1,008	497,960
-	(462,172)	(497,960)
<u>389,552</u>	<u>(461,164)</u>	<u>-</u>
9,223	(46,767)	503,050
<u>1,597,677</u>	<u>2,253,928</u>	<u>14,751,603</u>
<u>\$ 1,606,900</u>	<u>\$ 2,207,161</u>	<u>\$ 15,254,653</u>

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City of Clayton
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes
in Fund Balances to the Statement of Activities and Changes in Net Position
For the year ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 503,050

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

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide (or require) the use of current financial resources and therefore are not reported as revenue or expenditures in the Governmental Funds (net change).

Long-term other post-employment benefits (OPEB)	(13,003)
Long-term compensated absences payable	(8,741)
Net change in accrued pension liability and deferred inflows (outflows).	408,406
Unavailable revenues	(99,914)

CAPITAL ASSET TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital asset acquisition, excluding internal service fund asset acquisitions.	1,295,707
Depreciation expense is deducted from the fund balance (Net of internal service fund depreciation of \$90,075).	(865,074)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net gain or loss of the internal service funds is reported with governmental activities.

(45,632)

Change in Net Position of Governmental Activities on Statement of Activities	<u>\$ 1,174,799</u>
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The accompanying notes are an integral part of the financial statements

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PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges. The City's proprietary funds can be classified into two fund types: enterprise and internal service funds.

Enterprise Funds:

Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. The following is the City's sole major enterprise fund:

Endeavor Hall - Accounts for all rental activities related to operation of the underlying rental facility asset. The primary use of the rental facility has been for wedding receptions and other formal special events.

Internal Service Funds:

The City's internal service funds account for activities that provide goods or services to other City funds, departments, or agencies on a cost reimbursement basis. All internal service funds of the City are aggregated and presented on the face of the proprietary fund financial statements in one column.

**City of Clayton
Proprietary Funds
Statement of Net Position
June 30, 2017**

	<u>Business-type Activities - Endeavor Hall</u>	<u>Governmental Activities - Internal Service</u>
ASSETS		
Current Assets:		
Cash and investments	\$ -	\$ 195,861
Noncurrent Assets		
Land	167,738	-
Depreciable assets, net	<u>1,017,004</u>	<u>324,042</u>
Total Assets	<u>1,184,742</u>	<u>519,903</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	2,434	-
Other payables	2,200	-
Deposits payable	4,000	-
Due to other funds	<u>55,556</u>	<u>-</u>
Total Liabilities	<u>64,190</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	1,184,742	324,042
Unrestricted	<u>(64,190)</u>	<u>195,861</u>
Total Net Position	<u>\$ 1,120,552</u>	<u>\$ 519,903</u>

The accompanying notes are an integral part of the financial statements

**City of Clayton
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2017**

	Business-type Activities - Endeavor Hall	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Charges for current services	\$ 22,251	\$ 47,215
Total Operating Revenues	22,251	47,215
OPERATING EXPENSES		
Personnel	11,288	-
General and administrative	18,848	5,387
Depreciation and amortization	37,257	90,075
Total Operating Expenses	67,393	95,462
Operating Income (Loss)	(45,142)	(48,247)
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on disposal of assets	-	1,624
Investment income	-	991
Total Nonoperating Revenues (Expenses)	-	2,615
Change in Net Position	(45,142)	(45,632)
NET POSITION:		
Beginning of fiscal year	1,165,694	565,535
End of fiscal year	\$ 1,120,552	\$ 519,903

The accompanying notes are an integral part of the financial statements

**City of Clayton
Proprietary Funds
Statement of Cash Flows
For the year ended June 30, 2017**

	Business-type Activities - Endeavor Hall	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/other funds	\$ 28,194	\$ 47,215
Cash payments to suppliers for goods and services	(16,906)	(5,387)
Cash payment to employees for services	(11,288)	-
Net cash provided (used) by operating activities	-	41,828
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of fixed assets	-	(79,970)
Gain on sale of assets	-	1,624
Net cash provided (used) by capital and related financing activities	-	(78,346)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment received on investments	-	992
Net Cash provided by investing activities	-	992
Net increase (decrease) in cash and cash equivalents	-	(35,526)
CASH AND CASH EQUIVALENTS:		
Beginning of fiscal year	-	231,387
End of fiscal year	\$ -	\$ 195,861
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (45,142)	\$ (48,247)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	37,257	90,075
Changes in current assets and liabilities:		
Accounts payable	1,442	-
Deposits payable	500	-
Due to other funds	5,943	-
Net cash provided (used) by operating activities	\$ -	\$ 41,828

The accompanying notes are an integral part of the financial statements

FIDUCIARY FUNDS

Fiduciary funds report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The City's fiduciary funds can be classified into two fund types: agency and private purpose trust funds.

Agency Funds:

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's program. Agency funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

Private Purpose Trust Funds

Private purpose trust funds account for resources held by the City as trustee for third party beneficiaries, and are used to report both the Fiduciary Net Position and Changes in Fiduciary Net Position for the Successor Agency for the former Redevelopment Agency. Private Purpose Trust Funds are accounted for under the full accrual basis of accounting.

**City of Clayton
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2017**

	<u>Private Prupose Trust Fund</u>		<u>Redevelopment Successor Agency</u>	<u>Agency Funds</u>
ASSETS				
Cash and investments	\$ 258,471	\$		2,207,679
Cash and investments with fiscal agents	541,932			417,848
Accounts receivable	-			52,024
Assessments receivable	-			2,687,478
Notes receivable	116,204			-
Investment in bonds	-			2,400,000
Total Assets	<u>916,607</u>			<u>7,765,029</u>
LIABILITIES				
Accounts payable	-			8,982
Other liabilities	-			2,013,488
Deposits payable	-			815,081
Accrued interest payable	30,040			-
Advance from Successor Housing Agency	592,412			-
Notes payable	-			124,153
Bonds payable	3,135,000			4,803,325
Total Liabilities	<u>3,757,452</u>	\$		<u>7,765,029</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred notes receivables	<u>116,204</u>			
Total Deferred Inflows of Resources	<u>116,204</u>			
NET POSITION				
Held in trust for others	<u>(2,957,049)</u>			
Total Net Position	<u>\$ (2,957,049)</u>			

The accompanying notes are an integral part of the financial statements

City of Clayton
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2017

	<u>Private Prupose Trust Fund</u> <u>Redevelopment Successor Agency</u>
ADDITIONS	
Tax increment revenue	\$ 701,354
Program revenue	11,482
Total Additions	<u>712,836</u>
DEDUCTIONS	
Interest expense	72,733
Administrative costs	231,915
Investment loss	7,126
Other expenses	3,180
Total Deductions	<u>314,954</u>
Changes in Net Position	<u>397,882</u>
NET POSITION	
Beginning of Year	<u>(3,354,931)</u>
End of Year	<u>\$ (2,957,049)</u>

The accompanying notes are an integral part of the financial statements

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**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Clayton, California (City) have been prepared in conformity with generally accepted accounting principles (US GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The City of Clayton (City) is primarily a residential community nestled in the foothills of Mount Diablo in Contra Costa County, California. The City was incorporated as a municipal corporation in 1964, and encompasses four square miles with a population of 11,284.

The City operates under the Council-Manager form of government, with five elected Council members served by a full-time City Manager and staff. The City's staff of 25 full time equivalent employees, of which 11 are sworn officers in the Police Department, are under contract with the City and responsible for the following City services:

- Public Safety - The City provides 24-hour police services from a central station, using trained personnel. The City contracts with the City of Concord for police dispatch-IT services.
- Streets and Roads - The City maintains its streets, curbs, gutters and related public property using City employees. Major projects may be contracted to reduce costs.
- In addition, the City employs a varying number of seasonal personnel for maintenance.

The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the City. The Clayton Redevelopment Agency ("RDA"), which was dissolved as of February 1, 2012 was accounted for as a "blended" component unit of the City. Despite being legally separate, this entity was so intertwined with the City that it is, in substance, part of the City's operations. Accordingly, the balances and transactions of this component unit were reported within the funds of the City. Upon the dissolution of the RDA, the RDA ceased to be reported as a blended component unit and was replaced by the Successor Agency, which is reported as a private purpose trust fund in the fiduciary fund section of the financial statements.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Clayton Financing Authority (Authority) is a joint exercise of powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, by and between the City and the former RDA of the City of Clayton with the City Council serving as the Board of Directors. It was created by the City of Clayton City Council in 1990 with the primary purpose of issuing bonded obligations to finance capital projects within the community for which repayment is secured by pledges of revenue from legally separate and distinct districts. The activities of the Authority are reported in the fiduciary fund financial statement section as the Authority's debt is secured entirely by third parties that are not part of the primary government of the City and the City has no obligation for such debt. Separate financial statements of the Authority are available at the City's website at www.ci.clayton.ca.gov.

Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business type activities for the City, the primary government. Fiduciary activities of the City are not included in these statements.

These financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and related infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting and Measurement Focus, Continued

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated in the Statement of Activities; internal service fund transactions have been eliminated. However, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Advances to/from other funds
- Due to/from other funds
- Transfers in/out

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position as presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

Governmental Fund Financial Statements

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting and Measurement Focus, Continued

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues, and other taxes. Revenues from other governmental agencies (excluding property taxes) are deemed to be available if received within 180 days after fiscal year end. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34. The City has the following major governmental funds:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Landscape Maintenance District - This special revenue fund accounts for the Community Facility District No. 2007-1 restricted special parcel tax approved over two-thirds the local electorate in the June 2016 election through the passing of "Measure H." This special parcel tax is restricted to fund the operation, maintenance, and improvement of specific city-wide public landscaped areas.

Successor Housing Agency - This special revenue fund accounts for the City's low and moderate housing program, which was assumed by the by City Council action upon dissolution of the former redevelopment agency. Program revenue of this fund is primarily generated through the repayment on low-moderate income housing loans.

Capital Improvement Program - This capital projects fund accounts for the projects identified in the capital improvement program funded by various federal and state grants as well as through transfers from the General Fund.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Fund Net Position, and a Statement of Cash Flows for all proprietary funds.

Internal service funds are presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City has the following major enterprise fund:

Endeavor Hall - This fund accounts for all activities related to use of the facility. The primary use has been for wedding receptions.

The City has the following internal service funds:

Capital Equipment Replacement Fund - This fund accounts for the operation, maintenance, and replacement of the City vehicles and equipment.

Self-Insurance Fund - This fund accounts for the administration of the City's self-insurance programs, payment of Employee Assistance Programs, and self-insured liability claim deductibles.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting and Measurement Focus, Continued

Fiduciary Fund Financial Statements

The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, therefore only the Statement of Fiduciary Net Position is presented. Agency funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Reclassifications were recorded to prior year amounts reported for various assets and liabilities for Agency Funds in order to be consistent with the current year's presentation.

Private Purpose Trust Fund account for resources held by the City as trustee for third party beneficiaries, and are used to report both the Fiduciary Net Position and Changes in Fiduciary Net Position of the Successor Agency to the former Redevelopment Agency. Private Purpose Trust Funds are accounted for under the full accrual basis of accounting.

Use of Restricted and Unrestricted Net Position

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

Cash Equivalents

For purposes of reporting cash flows for the City's proprietary funds, pooled cash and investments held by the City are considered cash equivalents as the proprietary fund can access pooled cash and investments in a manner similar to a demand deposit.

Cash and Investments

The City pools cash and investments from all funds for the purpose of increasing income through investment activities. Interest income on investments is allocated to the funds on the basis of average month-end cash and investment balances. Investments are carried at fair value. Fair value is based on quoted market price if applicable. Otherwise the fair value hierarchy is as follows:

Level 1 - Values are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Investments, Continued

Level 2 - Inputs, other than quoted prices, included within Level 1 that are observable for the asset or liabilities at the measurement date.

Level 3 - Certain inputs are unobservable inputs (supported by little or no market activity, such as the City's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date).

Local Agency Investment Fund (LAIF) determines fair value on its investment portfolio based on market quotations for these securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available.

The City's investment policy (Policy) states that the primary investment objective is safety with investments being legally permitted and sufficiently liquid to meet forecasted needs. Maximization of interest earnings is a secondary objective. Further, the Policy states that the City Treasurer has the ultimate responsibility to protect, preserve and maintain cash and investments. The Policy also established internal controls and reporting requirements. The Policy stipulates "Permitted Investments and Limitation on Investments." The City invests in the California LAIF, which is part of the Pooled Money Investment Account operated by the California State Treasurer. LAIF funds are invested in high quality money market securities and are managed to insure the safety of the portfolio. A portion of LAIF's investments are in structured notes and asset-backed securities.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No .3)*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items in governmental funds are equally offset by amounts included Nonspendable Fund Balance which indicates that they do not constitute available spendable resources even though they are a component of net position.

Investment in Affordable Housing

This City Successor Housing Agency special revenue fund has purchased and re-sold several housing properties located in Stranahan Circle to low and moderate income households. The City carries the difference between the cost and sale on these properties as an investment in affordable housing until the property is either bought back by the City or sold on the open market. The City participates in the profits on any sales of these properties to an outside party in the same proportion as what the low and moderate income purchaser acquired the property from the City at the below market subsidized value. The City reports the investment in affordable housing at its proportionate equity share of the fair market value of the underlying properties at year-end.

Capital Assets

Capital assets are valued at cost or, during the initial implementation, estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. City policy has set the capitalization threshold for reporting infrastructure at \$100,000; all other capital assets are set at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	50 years
Improvements other than buildings	20 - 75 years
Vehicles, machinery and equipment	5 - 10 years
Infrastructure	20 - 75 years

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Capital Assets, Continued

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructure into the current basic financial statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, park lands, and buildings. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems. Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost. For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2003. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition.

Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

Long-Term Liabilities

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Long-Term Liabilities, Continued

Fund Financial Statements

The Governmental Fund Financial Statements do not present long-term debt, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

Governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

Proprietary Fund Financial Statements use the same principles as those used in the Government-Wide Financial Statements.

Fiduciary funds that are Private Purpose Trust Funds have an "economic resources" measurement focus, which is the accrual basis of accounting. The trust fund reports all of the assets (including capital assets) and liabilities (including long term indebtedness). Effective February 1, 2012, the Successor Agency to the former Clayton RDA began reporting on this basis.

Government-Wide Financial Statements

Compensated absences are recorded as incurred and related expenses and liabilities are reported by activity. The long-term portion of governmental activities is liquidated primarily by the General Fund.

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. Compensated absences include vacation as well as compensated leave hours earned in-lieu of overtime. It is the policy of the City to pay eighteen times an employee's capped monthly vacation accrual upon retirement or termination.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Net Position / Fund Balances

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net position is classified in the following categories:

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

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net position." Nonspendable governmental funds balances are categorized as unrestricted net position on the Government-Wide Financial Statements.

Fund Balance Reporting

Equity of governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City Council, as the highest level of decision-making authority, commits and assigns fund balances through the passing of resolutions and ordinances, requiring an equal action for modification or rescinding thereof. It is the policy of the City to spend funds in order from restricted to unassigned, as listed above.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Position / Fund Balances, Continued

Fund balances for the governmental funds are made up of the following:

- *Non-spendable* - Includes amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact.
- *Restricted* - Includes amounts that should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- *Committed* - Includes amounts that cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- *Assigned* - Includes amounts constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements.
- *Unassigned* - The residual funds that have not been assigned to other funds, are not non-spendable, restricted, committed, or assigned to specific purposes. The General Fund is the only fund that reports a positive unassigned fund balance.

The City Council has formally adopted a policy requiring a minimum General Fund reserve contingency of \$250,000.

Property Taxes

Property tax revenues are recognized in the fiscal year for which the tax and assessment is levied. The County of Contra Costa (County) levies, bills, and collects property taxes and special assessments for the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties (under the Teeter Plan). Secured and unsecured property taxes are levied on July 1 based on January 1 assessed valuation and are payable in two installments, becoming delinquent on December 10 and April 10.

Reclassifications

Certain prior year balances may have been reclassified in order to conform to current year presentation. These reclassifications had no effect upon reported net position.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

Inter-fund Balances/Internal Balances

Outstanding balances between funds are reported as due to and due from other funds. These are generally repaid within the following fiscal year.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "Internal balances."

New Accounting Pronouncements

The following Governmental Accounting Standards Board Statements have been implemented in the current financial statements:

- GASB Statement No. 77 - "Tax Abatement Disclosures"

This Statement, issued in August of 2015, requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

New Accounting Pronouncements, Continued

- GASB Statement No. 79 – *“Certain External Investment Pools and Pool Participants”*

This Statement, issued in December of 2015, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. The City was required to implement the provisions of this Statement for the fiscal year ended June 30, 2016 (effective for periods beginning after June 15, 2015), except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective in the current fiscal year.

- GASB Statement No. 80 – *“Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14”*

The objective of this Statement, issued in January of 2016, is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the decision-usefulness of information reported and enhances its value for assessing government accountability.

Future Accounting Pronouncements

The following Governmental Accounting Standards Board Statements are effective in future years subsequent to the current financial reporting period:

- GASB Statement No. 75 – *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*

This Statement, issued in June of 2015, replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

The consistency, comparability, and transparency of the information reported by employers and governmental non-employer contributing entities about OPEB transactions will be improved by requiring:

- The use of a discount rate that considers the availability of the OPEB plan's fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources, rather than utilizing only the long-term expected rate of return regardless of whether the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return
- A single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations
- Immediate recognition in OPEB expense, rather than a choice of recognition periods, of the effects of changes of benefit terms

This Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information, as follows:

- More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of OPEB measurements.
- Explanations of how and why the OPEB liability changed from year to year will improve transparency.
- The summary OPEB liability information, including ratios, will offer an indication of the extent to which the total liability is covered by resources held by the OPEB plan, if any.
- For employers that provide benefits through OPEB plans that are administered through trusts that meet the specified criteria, the contribution schedules will provide measures to evaluate decisions related to contributions.

The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2018 (effective for periods beginning after June 15, 2017). The City has not yet determined the impact of this Statement of the financial statements.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

- **GASB Statement No. 81 - “Irrevocable Split-Interest Agreements”**

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary.

The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2018 (effective for periods beginning after December 15, 2016). The City has not yet determined the impact of this Statement of the financial statements.

- **GASB Statement No. 83 - “Certain Asset Retirement Obligations”**

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The objective of this Statement is to improve comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This statement will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2019 (effective for periods beginning after June 15, 2018). The City has not yet determined the impact of this Statement of the financial statements.

- **GASB Statement No. 84 - “Fiduciary Activities”**

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.

The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2020 (effective for periods beginning after December 15, 2018). This Statement may result in a change in current practice, and have a material effect on the financial statements of the City.

- **GASB Statement No. 85 - "Omnibus 2017"**

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2018 (effective for periods beginning after June 15, 2017). The City has not yet determined the impact of this Statement of the financial statements.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

- GASB Statement No. 86 - "*Certain Debt Extinguishment Issues*"

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement will enhance consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance.

The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2018 (effective for periods beginning after June 15, 2017). The City has not yet determined the impact of this Statement of the financial statements.

- GASB Statement No. 87 - "*Leases*"

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2021 (effective for periods beginning after December 15, 2019). The City has not yet determined the impact of this Statement of the financial statements.

2. CASH AND INVESTMENTS

Classification

The City's total cash and investments, at fair value, are presented on the accompanying financial statements in the following allocation:

Government-Wide Statement of Net Position:	
Governmental Activities	
Cash and investments	\$ 10,777,647
Statements of Fiduciary Net Position	
Private Purpose Trust Fund	
Cash and investments	258,471
Cash with fiscal agents	541,932
Agency Funds	
Cash and investments	2,207,679
Cash and investments with fiscal agents	417,848
Investment in bonds	2,400,000
Total	<u>\$ 16,603,577</u>
Cash and investments as of June 30, 2017, consist of the following:	
Cash on hand	\$ 1,000
Deposits with financial institutions	1,668,136
Investments	14,934,441
Total	<u>\$ 16,603,577</u>

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

Policy

Investments Authorized by the California Government Code and the City's Investment Policy

The following table identifies the investment types that are authorized for the City of Clayton by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the Agency's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (State Pool)	N/A	None	\$40 million
Money Market Funds	N/A	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	20%	None
Bank Deposits	N/A	None	None
Negotiable Time Certificates of Deposit	5 years	None	None
Medium Term Corporate Bonds	5 years	20%	None

Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Money market mutual funds	N/A	N/A	N/A
U.S. government agency issues	5 years	20%	None
Federal Housing Administration debentures	N/A	N/A	N/A
Commercial paper	92 Days	N/A	N/A
Demand or time deposits	366 Days	N/A	N/A

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Usually, the later the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

Investment Type	Totals	Remaining Maturity (in Months)					Greater than 60 Months
		12 Months or Less	13 - 24 Months	25 - 36 Months	37 - 48 Months	49 - 60 Months	
Pooled Investments:							
State Investment Pool	\$ 501,536	\$ 501,536	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	11,096,062	2,632,989	3,033,344	3,106,337	1,235,157	1,088,235	-
U.S. Government Agency Notes	686,843	-	-	-	686,843	-	-
Held by Bond Trustees:							
U.S. Government Agency Notes	250,000	250,000	-	-	-	-	-
Municipal Bonds	2,400,000	342,000	362,000	383,000	409,000	434,000	470,000
Total Investments	\$ 14,934,441	\$ 3,726,525	\$ 3,395,344	\$ 3,489,337	\$ 2,331,000	\$ 1,522,235	\$ 470,000

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	AAA	AA	A	Unrated	Total
Pooled Investments:					
State Investment Pool	\$ -	\$ -	\$ -	\$ 501,536	\$ 501,536
Certificates of Deposit	-	-	-	11,096,062	11,096,062
U.S. Government Agency Notes	686,843	-	-	-	686,843
Held by Bond Trustees:					
U.S. Government Agency Notes	250,000	-	-	-	250,000
Municipal Bonds	-	-	-	2,400,000	2,400,000
Total Investments	\$ 936,843	\$ -	\$ -	\$ 13,997,598	\$ 14,934,441

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Accordingly, the notes to the financial statements should disclose if the government has five (5) percent or more of its total investments in a single issuer. More than five percent of the City's investments are with the "Middle School" Community Facilities District No. 1990-1.

Custodial Credit Risk

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

Investment Fair Value

The City has the following recurring fair value measurements as of June 30, 2017:

- U.S. government agency note values are based on unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date [Level 1 inputs].
- Municipal bonds are valued based on unobservable inputs (supported by little or no market activity, such as the City's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date) [Level 3 inputs].

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

Investment Fair Value, Continued

of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (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.

3. LOANS AND NOTES RECEIVABLE

The following is a summary of loans and notes receivable of the City for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance at June 30, 2017
General Fund:				
Oak Street Bridge Assessment District Loan	\$ 11,940	\$ -	\$ (3,991)	\$ 7,949
Successor Agency Firestation Note	475,000	-	(475,000)	-
Total General Fund	486,940	-	(478,991)	7,949
Successor Housing Agency:				
Diamond Terrace P.A.M. Note	3,315,600	-	(86,400)	3,229,200
Eden Affordable Housing Note	567,000	-	-	567,000
Stranahan Affordable Housing Notes	156,800	-	-	156,800
Successor Agency SERAF Loan	592,412	-	-	592,412
Total Successor Housing Agency	4,631,812	-	(86,400)	4,545,412
Total Notes Receivable	\$ 5,118,752	\$ -	\$ (565,391)	\$ 4,553,361

Oak Street Bridge Assessment District Loan

In fiscal year 1999, the General Fund provided \$48,310 in funding for a portion of the Oak Street Bridge project and recorded a note receivable from the Oak Street Bridge Assessment District. The note, which bears interest at 6%, is being paid off over 20 years. As of June 30, 2017, the outstanding balance due to the General Fund was \$7,949.

1999 Fire Station Note

On June 17, 1999, the former RDA purchased a parcel of land for \$475,000, from the City. In exchange for the parcel of land the former RDA issued a note in the amount of \$475,000 to the General Fund. The principal amount is payable by the Successor Agency on or before January

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

3. LOANS AND NOTES RECEIVABLE, Continued

1, 2023. The California Department of Finance issued a determination letter on April 11, 2016 approving the Clayton Successor Agency's Recognized Obligation Payment Schedule (ROPS) for the year ending June 30, 2017. Among other obligations, the determination letter approved the allocation of Redevelopment Property Tax Trust Fund (RPTTF) monies to repay the full balance of the 1999 Fire Station Note. Pursuant to the DOF determination letter, RPTTF monies totaling \$809,203 for the six month ROPS period ending December 31, 2016 were received by the Clayton Successor Agency in June 2016. Pursuant to the Oversight Board-approved ROPS and the April 11, 2016 DOF determination letter, the 1999 Fire Station Note was paid in full from the Successor Agency to the City in July 2016 and accordingly had an outstanding balance of zero on June 30, 2017.

Diamond Terrace Note

On September 21, 1999, the former RDA low-moderate housing fund made a loan to the Professional Apartment Management, Inc. ("PAM") in the amount of \$750,000, at a non-interest bearing rate, to construct and develop an affordable senior assisted living center on the site known as "Diamond Terrace." The note is secured by the Deed of Trust. The former RDA loaned an additional \$1,286,000 on October 24, 2001. On December 1, 2003, PAM began drawing on a \$2,000,000 loan from the former RDA in the amount of \$200,000 annually. The principal balance is payable commencing on October 1, 2005 through October 1, 2030. The balance of the loan due to the Successor Housing Agency was \$3,229,200 at June 30, 2017.

Eden Housing Loan

On October 13, 1992, the former RDA low-moderate housing fund made a loan to the Peace Grove, Inc. in the amount of \$567,000, at a non-interest bearing rate, for the purchase of land for a redevelopment and housing project for low-income mental health system clients. The loan is secured by the Deed of Trust. The principal balance is payable on December 18, 2052. As of June 30, 2017, the outstanding balance of the loan due to the Successor Housing Agency was \$567,000.

Stranahan Affordable Housing Loans

The former RDA low-moderate housing fund participated in a second mortgage assistance program, whereby qualified applicants are loaned money for a "silent second" down payment to purchase a home in the Stranahan Development within the City. There are seven individual loans outstanding. As of June 30, 2017, the outstanding balance of the loans due to the Successor Agency was \$156,800.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

3. LOANS AND NOTES RECEIVABLE, Continued

SERAF Loan

On May 10, 2011, the former RDA received a loan from the low-moderate housing fund in the amount of \$592,412 to partially cover a demand from the California Department of Finance for property tax revenues to K-12 schools during the 2011-12 fiscal year via the Supplemental Educational Revenue Augmentation Funds (SERAF). Pursuant to the California Department of Finance determination letter approving the 2017-18 Recognized Obligation Payment Schedule (ROPS) dated March 17, 2017, the loan will be repaid by the Successor Agency through the ROPS process in four (4) equal installments of \$148,103 commencing in the fiscal year ending June 20, 2018. The loan is non-interest bearing.

4. INTERFUND TRANSACTIONS

Due To, Due From

At June 30, 2017, the City had the following short-term interfund receivables and payables:

Due to	Due from		Total
	Non-major Governmental Funds	Endeavor Hall	
General Fund	\$ 2,550	\$ 55,556	\$ 58,106
Total	\$ 2,550	\$ 55,556	\$ 58,106

General Fund cash flow loans totaling \$58,106 were made to non-major governmental funds and Endeavor Hall. The balance of the Endeavor Hall receivable is expected to be repaid from future facility rental fees.

Interfund Transfers

The following is a summary of the City's interfund transfers for the year ended June 30, 2017:

Transfers out	Transfers in			Total
	General Fund	Capital Improvement Program	Non-major Governmental Funds	
Landscape Maintenance District	\$ 34,780	\$ -	\$ 1,008	\$ 35,788
Non-major Governmental Funds	72,620	389,552	-	462,172
Total	\$ 107,400	\$ 389,552	\$ 1,008	\$ 497,960

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

4. INTERFUND TRANSACTIONS, Continued

Interfund Transfers, Continued

The City transferred \$107,400 into the General Fund from the following funds: Clayton Landscape Maintenance District (\$34,780) and non-major governmental funds (\$72,620) to reimburse the City for support activities. In addition, the City transferred \$389,552 from non-major governmental funds into the Capital Improvement Program (CIP) capital projects fund to defray capital project costs associated with the street-stabilization portion of the 2016 Arterial Rehabilitation Project (CIP project #10437) and the El Portal Rehabilitation project (CIP project #10439). The City also transferred \$1,008 to non-major governmental funds from the Landscape Maintenance District special revenue fund as a reimbursement for annual stormwater filing fees.

5. CAPITAL ASSETS

Government-Wide Financial Statements

As of June 30, 2017 the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<i>Non depreciable Assets:</i>			
Land	\$ 2,086,965	\$ 167,738	\$ 2,254,703
Construction in progress	1,368,790	-	1,368,790
Total non depreciable assets	<u>3,455,755</u>	<u>167,738</u>	<u>3,623,493</u>
<i>Depreciable Assets:</i>			
Buildings	5,895,576	1,400,744	7,296,320
Improvements	6,338,893	159,579	6,498,472
Machinery and equipment	1,421,703	5,024	1,426,727
Infrastructure	30,214,326	-	30,214,326
Total depreciable assets	<u>43,870,498</u>	<u>1,565,347</u>	<u>45,435,845</u>
Total accumulated depreciation	<u>(17,976,586)</u>	<u>(548,343)</u>	<u>(18,524,929)</u>
Depreciable assets, net	<u>25,893,912</u>	<u>1,017,004</u>	<u>26,910,916</u>
Total governmental activities capital assets, net	<u>\$ 29,349,667</u>	<u>\$ 1,184,742</u>	<u>\$ 30,534,409</u>

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

5. CAPITAL ASSETS, Continued

Government-Wide Financial Statements, Continued

The following is a summary of governmental activities capital assets transactions for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<i>Non depreciable Assets:</i>				
Land	\$ 2,086,965	\$ -	\$ -	\$ 2,086,965
Construction in progress	73,083	1,295,707	-	1,368,790
Total non depreciable assets	<u>2,160,048</u>	<u>1,295,707</u>	<u>-</u>	<u>3,455,755</u>
<i>Depreciable Assets:</i>				
Buildings	5,895,576	-	-	5,895,576
Improvements	6,338,893	-	-	6,338,893
Machinery and equipment	1,369,765	79,969	(28,031)	1,421,703
Infrastructure	30,214,326	-	-	30,214,326
Total depreciable assets	<u>43,818,560</u>	<u>79,969</u>	<u>(28,031)</u>	<u>43,870,498</u>
<i>Accumulated depreciation:</i>				
Buildings	(2,485,859)	(117,725)	-	(2,603,584)
Improvements	(2,104,008)	(194,431)	-	(2,298,439)
Machinery and Equipment	(1,035,617)	(90,075)	28,031	(1,097,661)
Infrastructure	(11,423,984)	(552,918)	-	(11,976,902)
Total accumulated depreciation	<u>(17,049,468)</u>	<u>(955,149)</u>	<u>28,031</u>	<u>(17,976,586)</u>
Depreciable assets, net	<u>26,769,092</u>	<u>(875,180)</u>	<u>-</u>	<u>25,893,912</u>
Total governmental activities capital assets, net	<u>\$ 28,929,140</u>	<u>\$ 420,527</u>	<u>\$ -</u>	<u>\$ 29,349,667</u>

For the year ending June 30, 2017 depreciation expense was charged to functions/programs of the governmental activities as follows:

General government	\$ 47,455
Parks and recreation	229,885
Public safety	57,603
Public works	620,206
Total depreciation expense	<u>\$ 955,149</u>

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

5. CAPITAL ASSETS, Continued

Government-Wide Financial Statements, Continued

The following is a summary of business-type activities capital assets transactions for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<i>Non depreciable Assets:</i>				
Land	\$ 167,738	\$ -	\$ -	\$ 167,738
Total non depreciable assets	167,738	-	-	167,738
<i>Depreciable Assets:</i>				
Buildings	1,400,744	-	-	1,400,744
Improvements	159,579	-	-	159,579
Machinery and equipment	5,024	-	-	5,024
Total depreciable assets	1,565,347	-	-	1,565,347
<i>Accumulated depreciation:</i>				
Buildings	(394,862)	(28,334)	-	(423,196)
Improvements	(112,486)	(8,408)	-	(120,894)
Machinery and Equipment	(3,738)	(515)	-	(4,253)
Total accumulated depreciation	(511,086)	(37,257)	-	(548,343)
Depreciable assets, net	1,054,261	(37,257)	-	1,017,004
Total business-type activities capital assets, net	\$ 1,221,999	\$ (37,257)	\$ -	\$ 1,184,742

For the year ending June 30, 2017 depreciation expense was charged to functions/programs of the business-type activities as follows:

Endeavor Hall	\$ 37,257
Total depreciation expense	<u>\$ 37,257</u>

Fund Financial Statements

The governmental fund financial statements do not present general government capital assets, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position. The capital assets of the enterprise funds in the Proprietary Fund Financial Statements are the same as those shown in the business-type activities of the Government-Wide Financial Statements. Internal Service Funds' capital assets are combined with governmental activities.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

6. COMPENSATED ABSENCES

Compensated absences include vacation and sick leave. It is the policy of the City to pay 100% of the capped accumulated vacation leave when a public safety employee retires or terminates, and up to 18 months of a general employee's maximum annual accrual allowed upon the same leave of employment action. The City recognizes the liability for its compensated absences in the governmental activities. The following is a summary of compensated absences transactions during the year ended June 30, 2017:

	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
Compensated absences	\$ 140,892	\$ 179,146	\$ (161,664)	\$ 158,374

7. CONDUIT DEBT

The following debt issuances were issued by the City for the express purpose of providing capital financing for third parties that are not part of the primary government of the City. Although these conduit debt obligations may bear the name of the City, the City has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued.

Middle School Community Facilities District- Original Issue \$6,400,000

Middle School Community Facilities District (CFD) Bonds in the principal amount of \$6,400,000 were issued on September 2, 1990 by the City under the Mello-Roos Community Facilities Act of 1982. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non-city obligations and are secured solely by special assessment revenue from CFD No. 1990-1. As of June 30, 2017, the outstanding balance of the non-city bond obligation was \$2,400,000.

Lydia Lane Sewer Assessment District-Original Issue \$228,325

Lydia Lane Sewer Assessment District Bonds in the principal amount of \$228,325 were issued on August 5, 2002 by the City. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non city obligations and are secured by sewer assessment district revenue. As of June 30, 2017, the outstanding balance of the non-city bond obligation was \$163,325.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

7. CONDUIT DEBT, Continued

Clayton Financing Authority 2007 Special Tax Revenue Refunding Bonds-Original Issue
\$5,060,000

Refunding bonds were issued on May 17, 2007 by the Clayton Financing Authority in the principal amount of \$5,060,000 to refund the Authority's 1997 Special Tax Revenue Refunding Bonds (the "1997 Bonds"), finance the acquisition and construction of certain public capital improvements (the Project), establish a reserve fund for the Bonds (funded part in cash and part from a reserve fund surety bond), and to pay the costs of issuance of the Bonds. The 1997 Bonds were issued to purchase the CFD 1990-1 local obligations, which are recovered by special assessment revenues from CFD 1990-1. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non city obligations and are secured by revenues received by the Authority as the result of the payment of debt service on the CFD 1990-1 Local Obligations. As of June 30, 2017, the outstanding balance of the non-city bond obligation was \$2,240,000.

8. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures in Excess of Appropriations

At June 30, 2017, The Grove Park District and Oakhurst Geological Hazard and Abatement District non-major special revenue funds had expenditures in excess of appropriations of \$19,743 and \$9,200 respectively. Excess expenditures were covered by residual balances within the funds.

Deficit Fund Equity

At June 30, 2017, the following funds reported a deficit fund balance or net position:

Non-major governmental funds	
Stormwater Treatment District Fund	\$ (2,550)
Total governmental funds	<u>\$ (2,550)</u>

The deficit in the Stormwater Treatment District non-major special revenue fund is expected to be recovered from future revenues.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

9. UNEARNED AND DEFERRED REVENUE

Unearned Revenue

Unearned revenues in the government-wide financial statements represent amounts for which revenues have not been earned. At June 30, 2017, unearned revenues in the government-wide financial statements were as follows:

	Governmental Activities
Unearned revenue	
Business license renewals	\$ 41,630
Prepaid rental revenue	2,872
Total unearned revenue	\$ 44,502

At June 30, 2017 unearned revenues in the fund financial statements were as follows:

	General Fund	Total Governmental Funds
Unearned revenue		
Business license renewals	\$ 41,630	\$ 41,630
Prepaid rental revenue	2,872	2,872
Total unearned revenue	\$ 44,502	\$ 44,502

Deferred Revenue

Deferred inflows of resources were recorded in the fund financial statements because the funds were not available to finance expenditures of the current period. At June 30, 2017, deferred inflows of resources in the fund financial statements were as follows.

	General Fund	Successor Housing Agency	Total Governmental Funds
Deferred revenue			
Unavailable state-mandated program reimbursements	\$ 265,918	\$ -	\$ 265,918
Unavailable loans receivable	10,529	3,229,200	\$ 3,239,729
Total deferred revenue	\$ 276,447	\$ 3,229,200	\$ 3,505,647

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

10. RISK MANAGEMENT

The City participates in the Municipal Pooling Authority of Northern California (MPA), a joint powers agreement between twenty cities, which provides insurance coverage for liability, auto, property, and workers' compensation claims. Claims liabilities are accrued when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The MPA covers claims in an amount up to \$29,000,000. The City has a deductible of \$5,000 per claim for liability cases and no deductible for workers' compensation claims. Once the City's deductible is met, the MPA becomes responsible for payment of all claims and legal defense. The MPA is governed by a board consisting of one voting representative from each member municipality. The Board controls the operations of the MPA including selection of management, approval of operating budgets, and is independent of any influence by member municipalities beyond their representation on the Board. The City's general liability and workers' compensation premium payments made to MPA for the fiscal year ending June 30, 2017 are in accordance with formulas established by the MPA. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. Financial statements may be obtained from MPA at 1911 San Miguel Drive, Suite 200, Walnut Creek, CA 94596. The City has had no settlements which exceeded insurance coverage during fiscal year ending June 30, 2017. Estimates of incurred, but not reported, liability claims are included in the City's claims estimates and based upon historical experiences as calculated by the MPA.

11. DEFINED BENEFIT PENSION PLAN

Plan Description

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes (not accounting purposes) and membership information is listed in the latest Annual Actuarial Valuation Report as of June 30, 2015. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications. All qualified permanent and probationary employees are eligible to participate in the City's separate Public Safety (police) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be obtained from CalPERS at 400 Q Street, Sacramento, CA 95811

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. DEFINED BENEFIT PENSION PLAN, Continued

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service become vested and are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous Pension Plan		
	Tier I	Tier II	Tier III (PEPRA)*
Hire date	Before 7/1/2010	On or after 7/1/2010 but before 1/1/2013	On or after 1/1/2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Minimum retirement age	50	50	52
Monthly benefits, as % of eligible compensation	1.426% - 2.418%	1.092% - 2.418%	1.0% - 2.5%
	Safety Pension Plan		
	Tier I	Tier II	Tier III (PEPRA)*
Hire date	Before 7/1/2010	On or after 7/1/2010 but before 1/1/2013	On or after 1/1/2013
Benefit formula	3% @ 55	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Minimum retirement age	50	50	50
Monthly benefits, as % of eligible compensation	2.4% - 3.0%	2.0% - 2.7%	2.0% - 2.7%

* The California Public Employees' Reform Act (PEPRA) was enacted in 2012 and became effective January 1, 2013.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. DEFINED BENEFIT PENSION PLAN, Continued

Employees Covered

At June 30, 2017 the following employees were covered by the benefit terms for each plan:

	Miscellaneous			Public Safety		
	Tier I	Tier II	PEPRA	Tier I	Tier II	PEPRA
Inactive employees (or their beneficiaries) currently receiving benefits	28	1	-	24	-	-
Inactive employees entitled to but not yet receiving benefits	13	-	-	14	3	2
Active employees	10	4	3	5	-	5
Total	51	5	3	43	3	7

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The Plan's actuarially determined rate is based on the estimated amount necessary to pay the costs of benefits earned by employees during the year, with an additional amount to pay any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the City's contractually required contributions, which are actuarially determined, were as follows:

Pension Plan	Employer Contributions		
	Normal Cost Percentage of Payroll	Unfunded Actuarial Liability	Total
Miscellaneous Tier I	\$ 46,951	\$ 130,107	\$ 177,058
Miscellaneous Tier II	19,385	-	19,385
Miscellaneous PEPRA	17,219	87	17,306
Public Safety Tier I	68,816	241,728	310,544
Public Safety Tier II	-	-	-
Public Safety PEPRA	48,560	824	49,384
Total	\$ 200,931	\$ 372,746	\$ 573,677

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. DEFINED BENEFIT PENSION PLAN, Continued

Contributions, Continued

The following is a summary of actuarially determined employer and contractually determined employee pension contribution rates as a percentage of payroll for the year ended June 30, 2017:

Pension Plan	Employer Contribution Rate	Employee Contribution Rate
Miscellaneous Tier I	8.377	7.000 ¹
Miscellaneous Tier II	7.159	7.000
Miscellaneous PEPRA	6.555	6.250
Public Safety Tier I	16.656	9.000 ²
Public Safety Tier II	14.785	9.000
Public Safety PEPRA	12.082	11.500

¹ Paid on behalf of employee per labor agreement referred to as "Employee Paid Member Contribution" (EPMC) by CalPERS.

² One-third of this rate paid on behalf of employee per labor agreement referred to as EPMC by CalPERS.

Net Pension Liability

At June 30, 2017, the City reported total net pension liabilities for its proportionate share in both the Miscellaneous and Safety plans as follows:

Pension Plan	Net Pension Liability (Asset)	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 1,871,968	0.0513%
Public Safety	2,541,389	0.0501%
Total	<u>\$ 4,413,357</u>	

The City's net pension liability was based on the proportionate shares (in dollars) determined by CalPERS based on individual actuarial measurement specific to each rate plan in the Miscellaneous Pool and the Safety Pool. The City's total proportionate share of the cost-sharing plan pension amounts is the sum of the pension amounts allocated to each of the City's Miscellaneous and Safety rate plans. The City's net pension liability is measured as of June 30, 2016, using annual actuarial valuations as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. DEFINED BENEFIT PENSION PLAN, Continued

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ending June 30, 2017 the City recognized a total pension expense of \$165,271. At June 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 573,677	\$ -
Net differences between projected and actual earnings on pension plan investments	909,717	-
Change in employer's proportion	-	152,844
Changes in assumptions	-	181,270
Differences between actual and expected experiences	-	21,175
Differences between the employer's contributions and the employer's proportionate share of contributions	117,582	-
Total	\$ 1,600,976	\$ 355,289

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources, Continued

Of the reported deferred outflows of resources, \$573,677 is related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018 (measurement period ended June 30, 2017). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources
2018	\$ (10,519)
2019	20,858
2020	425,296
2021	236,375
2022	-
Thereafter	-
Total	\$ 672,010

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. DEFINED BENEFIT PENSION PLAN, Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the fiscal year ending June 30, 2018. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. DEFINED BENEFIT PENSION PLAN, Continued

Discount Rate, Continued

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

(a) An expected inflation of 2.50% used for this period.

(b) An expected inflation of 3.00% used for this period.

Actuarial Methods and Assumptions

The following actuarial assumptions and methods were used to calculate the total pension liability as of June 30, 2017:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016
Actuarial Cost Method	Entry-age normal cost method
Discount Rate	7.65%
Inflation	2.75%
Salary increase	Varies by entry age and service
Mortality	Derived using specific CalPERS membership data for all funds. Incorporates 20 years of mortality improvements using Society of Actuaries Scale BB. For more details please refer to the 2014 experience study report available on the CalPERS website.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The experience study report can be obtained at CalPERS' website at www.calpers.ca.gov under Forms and Publications.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. DEFINED BENEFIT PENSION PLAN, Continued

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

The following presents the City's proportionate share of the net pension liability, calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

	Miscellaneous	Safety	Total
1% decrease	6.65%	6.65%	6.65%
Net pension liability	\$ 2,867,108	\$ 3,832,444	\$ 6,699,552
Current discount rate	7.65%	7.65%	7.65%
Net pension liability	\$ 1,871,968	\$ 2,541,389	\$ 4,413,357
1% increase	8.65%	8.65%	8.65%
Net pension liability	\$ 1,049,535	\$ 1,481,566	\$ 2,531,101

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. The plan's fiduciary net position disclosed per the GASB Statement No. 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. For the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the City's funding actuarial valuation. In addition, differences may result from early financial statement closing and final reconciled reserves.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The City of Clayton Retired Employee Health Care Program is a single-employer defined benefit healthcare program administered by the City of Clayton. The Program offers medical only (no dental) insurance benefits to eligible retirees and their families through the same self-insured program coverage to active City employees. In connection with this, the City has established a plan to provide post-employment benefits other than pensions as defined in section 7500-7514.5 of the California Public Employees' Retirement Law. Separate stand-alone statements are not issued for this plan.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with the potential for additional amounts to pre fund benefits as determined annually by the City Council. Currently the City pays the Public Employee's Medical and Capital Care Act (PEMHCA) minimum employer contribution which is \$121.60 per month as of June 30, 2017. For the fiscal year then ended there were six retired employees receiving retiree premium benefits. For the fiscal year ending June 30, 2017 the City contributed retiree premiums of \$9,036 and there was no additional pre funding contribution.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued

Annual OPEB Cost and Net OPEB Obligation, Continued

The following table shows the components of the City's OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's OPEB obligation for the program:

Annual Required Contribution (ARC)	\$	55,433
Interest on net OPEB obligation		5,182
Adjustment to ARC		<u>(7,204)</u>
Annual OPEB Cost		<u>53,411</u>
Contributions made by the City		(9,036)
Contributions made by retirees		<u>(31,372)</u>
Total Contributions		<u>(40,408)</u>
Increase (decrease) in net OPEB obligation		13,003
Net OPEB obligation as of July 1, 2016		<u>129,544</u>
Net OPEB obligation as of June 30, 2017	\$	<u>142,547</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2017 and the two preceding years were as follows:

Fiscal Year Ending June 30	Annual OPEB Cost	Actual Payments	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 43,727	\$ 32,062	73.32%	\$ 99,656
2016	53,877	23,989	44.53%	129,544
2017	53,411	40,408	75.65%	142,547

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued

Annual OPEB Cost and Net OPEB Obligation, Continued

Funded Status and Funding Progress

As of the latest actuarial valuation with a measurement date of July 1, 2015, the City's actuarial Accrued Liability (AAL) and unfunded Actuarial Accrued Liability (UAAL) is \$405,470, which is 22.28% of the \$1,820,066 covered payroll. There are no plan assets and as of June 30, 2017, since the OPEB trust has not yet been set up. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to revision every three years.

Actuarial Methods and Assumptions

The City of Clayton has elected to use the Alternative Measurement Method to determine the OPEB obligation. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the Entry Age Normal method was used. The actuarial assumptions included a 4.0% investment rate of return, 4.0% rate of compensation increase, and an annual healthcare cost increase rate of 6.8% initially, reduced ultimately to 5% by 2026. The UAAL is being amortized on an open basis using the level dollar method and an amortization period of 30 years.

13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES

On June 28, 2011, the California State Legislature adopted two pieces of legislation - AB IX 26 and AB IX 27 (the Bill) - that eliminated redevelopment agencies and provided cities with the opportunity to preserve their redevelopment agency if they agreed to make certain payments to the County Auditor Controller. On behalf of cities and redevelopment agencies throughout the State, the League of California Cities and California Redevelopment Association requested a stay on the implementation of both pieces of legislation and filed a lawsuit with the

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

Background, Continued

California Supreme Court challenging both pieces of legislation. The stay was rejected and on December 29, 2011, the Supreme Court validated AB IX 26 and overturned AB IX 27. Further, the Supreme Court indicated that all redevelopment agencies in the State of California were to be dissolved and cease operations as a legal entity as of February 1, 2012.

Under the new law, redevelopment agencies in the State of California cannot enter into new projects, obligations, or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished project that were subject to legally enforceable contractual commitments).

In fiscal years subsequent to the statutory dissolution date, successor agencies are only allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directed the California State Controller to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the 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 was required to order the available assets to be transferred to the public body designated as the Successor Agency by the Bill.

Amongst numerous requirements, AB IX 26 required the following:

- i. Subject to the control of a newly established oversight board, assets of the former redevelopment agency must be disposed expeditiously and property tax revenue generated by a former redevelopment agency can only be used to pay enforceable obligations (i.e. debt obligations and other third party contractual obligations);
- ii. Either the city or another unit of local government may agree to serve as the "Successor Agency" to hold the net position until they are distributed to units of state and local government;
- iii. Successor agencies may transfer housing functions of the former redevelopment agency to the appropriate entity; and
- iv. Any property tax revenue in excess of enforceable obligations is to be distributed by county auditor controllers to taxing entities, which includes the City, as surplus property tax.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

Background, Continued

As a result of the restrictions placed on the assets and liabilities of the former redevelopment agency, they were transferred to a private purpose trust fund on February 1, 2012. Prior to the transfer, the Redevelopment Agency was treated as a blended component unit of the City until the fiscal year ending June 30, 2012. On January 11, 2012, the City Council elected to become the Successor Agency to the former Redevelopment Agency in accordance with AB IX 26 as part of City resolution number 03-2012.

Subsequent to the adoption of AB IX 26 and AB IX 27, the California State Legislature adopted AB 1484 in June 2012. Among other things, AB 1484 required the following:

- i. A process to transfer housing assets of the former redevelopment agency to the entity designated to receive these assets. In the case of the City, assets with a total value of \$14,057,320 and liabilities with a total value of \$10,999,595 were transferred to the Successor Agency from the former Redevelopment Agency.
- ii. Requirements that the Successor Agency must complete due diligence reviews (DDRs) of the assets of the former Low and Moderate Income Housing Fund and all other funds of the former redevelopment agency. The DDRs of the Clayton Successor Agency were finalized and approved by the Oversight Board on October 9, 2014 via Resolution No. 2014-04 and 2014-05. These reports concluded that payments of \$887,404 and \$3,791,725 are required to be remitted to Contra Costa County by the Redevelopment Successor Agency and Successor Housing Agency respectively.

The California Department of Finance (DOF) completed their review of the low and moderate income housing funds and issued a final determination letter to the City dated April 24, 2015 with no modifications. The Successor Housing Agency issued the payment specified by the DOF's low and moderate housing funds determination letter in the fiscal year ending June 30, 2015, resulting in a net extraordinary loss of \$3,616,725 for the year then ended.

On November 30, 2015, the DOF issued their final determination letter approving the all other funds DDR report with modifications. The modifications required an additional payment of \$230,983 to the County Auditor-Controller, which was reported as an Extraordinary Loss of the City's General Fund in the fiscal year ending June 30, 2016. The Successor Agency issued the payment specified by the DOF's final all other funds determination letter to the County Auditor-Controller's office in the fiscal year ending June 30, 2016, resulting in an extraordinary loss of \$1,025,396 for the year then ended.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

Background, Continued

Upon the DOF's approval of the DDRs, and the distribution of unobligated funds, the Successor Agency is authorized to apply for a "Finding of Completion". The Finding of Completion enables the Successor Agency to transfer and sell land and buildings of the former Redevelopment Agency, subject to the review and approval of a Property Management Plan by the State Department of Finance. In addition by receiving the Finding of Completion, the City may establish loans between the City and the former Redevelopment Agency as enforceable obligations. The Clayton Successor Received its finding of completion from the DOF on December 30, 2015.

Successor Agency Assets and Liabilities

Cash and Investments

The total cash and investments balance of \$258,471 is presented in a format consistent with GASB 31 and is presented at fair value. Under AB IX 26 and AB 1484, all unencumbered cash balances have been previously distributed to the County Auditor-Controller for distribution to taxing entities. See Note 2 for further information and disclosures regarding the City's pooled cash and investments.

Restricted Cash and Investments

Cash and investments with fiscal agents of \$541,932 at June 30, 2017 is restricted cash and investments designated for debt service payments.

Inter-Agency Loans

Notes Receivable transferred from former RDA to Successor Agency, effective February 1, 2012:

The former RDA provided assistance to special assessment districts within the City, to fund repairs and improvements. The High Street Permanent Road Division and Oak Street Sewer Assessment District received loans from the former RDA to finance necessary infrastructure improvements. These loans are secured by special assessment property tax levies within the District's boundaries. As of June 30, 2017, the outstanding balance of the loans due to the Successor Agency was \$116,204.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

Inter-Agency Loans, Continued

On June 17, 1999, the former RDA purchased a parcel of land for \$475,000, from the City. In exchange for the parcel of land the former RDA issued a note in the amount of \$475,000 to the City. The principal amount is payable by the Successor Agency on or before January 1, 2023. As of June 30, 2015, the outstanding balance of the note was \$475,000. The DOF authorized the repayment of this note in their approving of the Recognized Obligation Payment Schedule for the year ending June 30, 2017 in their letter to the City dated April 11, 2016. This note was paid in full in July 2016.

On May 10, 2011, the former Redevelopment Agency received a loan from the Low to Moderate Income Housing Fund in the amount of \$592,412 to partially cover a demand from the California Department of Finance (DOF) for property tax revenues to K-12 schools during the fiscal year ending June 30, 2012 via the Supplemental Educational Revenue Augmentation Funds (SERAF). Pursuant to the California Department of Finance determination letter approving the 2017-18 Recognized Obligation Payment Schedule (ROPS) dated March 17, 2017, the loan will be repaid by the Successor Agency through the ROPS process in four (4) equal installments of \$148,103 commencing in the fiscal year ending June 20, 2018. The loan is non-interest bearing.

Long-Term Debt

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due in one year	Due in more than one year
2014 Refunding Tax Allocation Bonds	\$ 3,465,000	\$ -	\$ (330,000)	\$ 3,135,000	\$ 395,000	\$ 2,740,000
Total	\$ 3,465,000	\$ -	\$ (330,000)	\$ 3,135,000	\$ 395,000	\$ 2,740,000

2014 Refunding Tax Allocation Bonds

Refunding Tax Allocation Bonds, Series 2014, in the principal amount of \$3,790,000 were issued on June 25, 2014 by the Successor Agency. Principal payments are payable on August 1 of each year, beginning on August 1, 2015. Interest payments are payable semi-annually on February 1 and August 1. The bonds are special obligations of the Successor Agency and are secured by the Successor Agency's tax increment revenue.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

Long-Term Debt, Continued

The 2014 refunding was exercised in order to take advantage of more favorable interest rates. The refunding decreased the City's total debt service payments by approximately \$601,895. The transaction resulted in economic gain (difference between present value of the debt service on the old and new bonds) of approximately \$580,184. For the current year, principal and interest paid were \$330,000 and \$75,900, respectively.

The annual debt service requirements to amortize the Successor Agency's 2014 Refunding Tax Allocation Bonds outstanding at June 30, 2017, were as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	\$ 395,000	\$ 67,563	\$ 462,563
2019	400,000	58,420	458,420
2020	415,000	49,048	464,048
2021	420,000	39,445	459,445
2022	360,000	30,475	390,475
2023-2025	1,145,000	39,848	1,184,848
Total	\$ 3,135,000	\$ 284,799	\$ 3,419,799

14. CONTINGENCIES

Contingent Losses

The City is a defendant in claims which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the City Attorney, these actions, when finally adjudicated, will not have a material adverse effect on the financial position of the City.

Contingent Gains

Downtown Vacant Lot

On January 31, 2013, the City Council approved a Purchase and Sale Agreement with the Clayton Community Church for the City's acquisition of an undeveloped parcel of real property, comprised of approximately 1.66 acres located in in the City's downtown area at

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

14. CONTINGENCIES, Continued

Contingent Gains, Continued

6005 Main Street for the amount of \$1,000,000. This undeveloped land was acquired for the City to control and manage its development land use as one of the last remaining unimproved parcels of land in the downtown area, and has since been used as an essential open space for annual community events for which it was used prior to City acquisition as well.

On July 19, 2016, the City Council approved an exclusive negotiation agreement (ENA) with Pacific Union Land Investors, LLC (Pacific Union), for its prospective purchase and private development of several retail commercial stores and a senior care facility on property. The ENA specified an agreed-upon price of \$1,625,000 for the property, however, expired on December 1, 2016 absent the filing of a development application.

On March 7, 2017, the City Council approved a new ENA with Pacific Union involving the aforementioned undeveloped property. The terms of the new ENA specified a deadline of July 5, 2017 for Pacific Union to perform its due diligence, prepare and then file an Initial [Development] Application for a proposed project acceptable to the City. The contemplated land uses, subject to City acceptance for application processing, included a senior/memory care facility with limited commercial retail establishments or a multi-family residential project and related uses. The new ENA specified an agreed-upon price of \$1,700,000 for the property.

Subsequent to the year ended June 30, 2017, Pacific Union did not submit the required documentation by the specified deadline resulting in a termination to the ENA. Although an ENA was not in place as of the issuance of the financial statements for the year ended June 30, 2017, there is a reasonable possibility the City will recognize a gain following the eventual sale and development of this property.

The land was not acquired for investment purposes. Including underwriting and other closing costs, the final capitalized purchase price (cost) was \$1,040,599.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

15. EQUITY BALANCES

Governmental Fund Balances

Fund balances are presented in the following categories: non-spendable, restricted, committed, assigned and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2017 is as follows:

Fund Balance Classifications	Major Funds					Total
	General Fund	Landscape Maintenance District	Successor Housing Agency	Capital Improvement Program	Other Governmental Funds	
Nonspendable for:						
Investment in affordable housing	\$ -	\$ -	2,380,056	\$ -	\$ -	\$ 2,380,056
Notes receivable	60,686	-	1,316,212	-	-	1,376,898
Prepaid expenses	11,832	-	-	-	-	11,832
Total	72,518	-	3,696,268	-	-	3,768,786
Restricted for:						
Affordable housing	-	-	676,690	-	-	676,690
Public landscaping	-	698,297	-	-	-	698,297
Grant-funded programs	-	-	-	-	243,453	243,453
Geological hazard prevention and repair	-	-	-	-	23,965	23,965
The Grove Park (CFD 2006-1)	-	-	-	-	276,948	276,948
Stormwater compliance	-	-	-	-	20,295	20,295
Neighborhood street lighting	-	-	-	-	91,470	91,470
Transportation	-	-	-	-	91,353	91,353
Total	-	698,297	676,690	-	747,484	2,122,471
Committed for:						
Geological hazard prevention and repair	-	-	-	-	123,593	123,593
Development impact	-	-	-	-	370,648	370,648
Total	-	-	-	-	494,241	494,241
Assigned for:						
FY 2017-18 budget	415,239	397,786	54,270	-	967,986	1,835,281
Capital projects	-	-	-	1,606,900	-	1,606,900
Total	415,239	397,786	54,270	1,606,900	967,986	3,442,181
Unassigned	5,429,524	-	-	-	(2,550)	5,426,974
Total Fund Balance	\$ 5,917,281	\$ 1,096,083	\$ 4,427,228	\$ 1,606,900	\$ 2,207,161	\$ 15,254,653

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

15. EQUITY BALANCES, Continued

Governmental Fund Balances, Continued

On February 3, 2016 the City Council approved the assignment and appropriation of \$389,895 in General Fund reserves arising from the surplus reported in the fiscal year ending June 30, 2015. The purpose of this assignment was to address specific one-time capital and operational needs of the City that could not be addressed in the annual operating budget. At June 30, 2017, the balance of this assignment was \$220,167, which was rolled into next year's budget for the specified City Council-authorized purposes.

On February 21, 2017 the City Council approved the assignment and appropriation of \$204,902 in General Fund reserves arising from the surplus reported for the fiscal year ending June 30, 2016. Consistent with similar action taken in the prior year, the purpose of this assignment was to address specific one-time capital and operational needs of the City that could not be addressed in the ordinary annual operating budget. At June 30, 2017, the balance of this assignment was \$195,072, which was rolled into next year's budget for the specified City Council-authorized purposes.

Net Position

The restricted component of net position includes assets subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. The restricted component of net position at June 30, 2017 for governmental activities includes:

Restricted for community and economic development:	
Affordable housing	\$ 6,285,946
Restricted for public works:	
Public landscaping	698,297
Geological hazard prevention/repair	23,965
Stormwater compliance	20,295
Neighborhood street lighting	91,470
Transportation	91,353
Restricted for general government:	
Grand-funded programs	161,156
Restricted for parks:	
The Grove Park (CFD 2006-1)	276,948
Restricted for public safety:	
Grand-funded programs	<u>82,297</u>
Total restricted net position	<u>\$ 7,731,727</u>

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2017

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the audit opinion letter, which is the date the financial statements were available to be issued. The following subsequent events were noted:

New Street Sweeping Rates

On July 18, 2017 the City Council approved a contract amendment with CleanStreet authorizing an increase in current monthly billing rates. The approved increase was \$0.25 for monthly residential streets sweeping services and an equivalent pro-rata monthly rate increase on commercial trash and recycling billing accounts for monthly public street sweeping services as required by the City's NPDES Permit issued by the California Regional Water Quality Control Board. These rates are designed to defray the cost of providing mandated street sweeping for stormwater compliance programs within the City's Stormwater fund, a non-major special revenue fund.

El Molino Drive Sanitary Sewer Cooperative Agreement

On July 18, 2017 the City Council approved a cooperative agreement with the City of Concord concerning construction costs and reimbursable expenses on the El Molino Drive Sanitary Sewer Improvement Project (CIP project #10422). The agreement specifies that the City of Concord will reimburse the City of Clayton up to \$560,000, which is the estimated cost to complete the project with room for contingencies.

REQUIRED SUPPLEMENTARY INFORMATION

City of Clayton
Required Supplementary Information
For the year ended June 30, 2017

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - General Fund

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,213,340	\$ 2,213,340	\$ 2,339,221	\$ 125,881
Sales and use taxes	464,400	464,400	455,387	(9,013)
Business licenses	136,000	136,000	135,866	(134)
Permits, licenses and fees	150,020	150,020	161,443	11,423
Fines, forfeitures and penalties	82,000	82,000	92,662	10,662
Intergovernmental	92,000	92,000	98,451	6,451
Other in-lieu fees	157,950	157,950	157,949	(1.00)
Franchise fees	517,010	517,010	541,138	24,128
Service charges	308,500	308,500	311,796	3,296
Use of money and property	60,000	60,000	35,326	(24,674)
Other revenue	12,000	12,000	18,186	6,186
Total Revenues	<u>4,193,220</u>	<u>4,193,220</u>	<u>4,347,425</u>	<u>154,205</u>
EXPENDITURES				
Current:				
General government	1,147,350	1,250,487	1,178,444	72,043
Public works	251,280	276,098	249,006	27,092
Parks and recreation services	319,000	319,000	325,187	(6,187)
Community and economic development	296,420	296,420	288,962	7,458
Public safety	2,247,670	2,274,982	2,104,174	170,808
Capital Outlay	-	227,718.00	9,830	217,888
Total Expenditures	<u>4,261,720</u>	<u>4,644,705</u>	<u>4,155,603</u>	<u>489,102</u>
Revenues Over (Under) Expenditures	<u>(68,500)</u>	<u>(451,485)</u>	<u>191,822</u>	<u>643,307</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	107,400	107,400	107,400	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>107,400</u>	<u>107,400</u>	<u>107,400</u>	<u>-</u>
Change in fund balance	<u>38,900</u>	<u>(344,085)</u>	<u>299,222</u>	
FUND BALANCE				
Beginning of year			<u>5,618,059</u>	
End of year			<u>\$ 5,917,281</u>	

City of Clayton
Required Supplementary Information
For the year ended June 30, 2017

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Landscape Maintenance District

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
REVENUES				
Special parcel tax	\$ 1,057,550	\$ 1,057,550	\$ 1,058,799	\$ 1,249
Use of money and property	6,000	6,000	3,393	(2,607)
Total Revenues	<u>1,063,550</u>	<u>1,063,550</u>	<u>1,062,192</u>	<u>(1,358)</u>
EXPENDITURES				
Current:				
Public works	787,560	836,560	839,348	(2,788)
Capital Outlay	409,000	427,200	77,739	349,461
Total Expenditures	<u>1,196,560</u>	<u>1,263,760</u>	<u>917,087</u>	<u>346,673</u>
Revenues Over (Under) Expenditures	<u>(133,010)</u>	<u>(200,210)</u>	<u>145,105</u>	<u>345,315</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(35,692)	(35,692)	(35,788)	(96)
Total Other Financing Sources (Uses)	<u>(35,692)</u>	<u>(35,692)</u>	<u>(35,788)</u>	<u>(96)</u>
Change in fund balance	<u>\$ (168,702)</u>	<u>\$ (235,902)</u>	<u>109,317</u>	<u>\$ 345,219</u>
FUND BALANCE				
Beginning of year			<u>986,766</u>	
End of year			<u>\$ 1,096,083</u>	

City of Clayton
Required Supplementary Information
For the year ended June 30, 2017

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule -Successor Housing Agency

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
REVENUES				
Program income	\$ 86,400	\$ 86,400	\$ 86,400	\$ -
Use of money and property	<u>8,000</u>	<u>8,000</u>	<u>65,741</u>	<u>57,741</u>
Total Revenues	<u>94,400</u>	<u>94,400</u>	<u>152,141</u>	<u>57,741</u>
EXPENDITURES				
Current:				
Community and economic development	<u>10,000</u>	<u>25,000</u>	<u>20,086</u>	<u>4,914</u>
Total Expenditures	<u>10,000</u>	<u>25,000</u>	<u>20,086</u>	<u>4,914</u>
Revenues Over (Under) Expenditures	<u>84,400</u>	<u>69,400</u>	<u>132,055</u>	<u>62,655</u>
Change in fund balance	<u>\$ 84,400</u>	<u>\$ 69,400</u>	<u>132,055</u>	<u>\$ 62,655</u>
FUND BALANCE				
Beginning of year			<u>4,295,173</u>	
End of year			<u>\$ 4,427,228</u>	

**City of Clayton
Required Supplementary Information
For the year ended June 30, 2017**

**Schedule of Proportionate Share of Net Pension Liability
Last 10 Years***

	Fiscal Year Ending June 30*		
	2015	2016	2017
Measurement Date	6/30/2014	6/30/2015	6/30/2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.030626%	0.052357%	0.051003%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 3,693,394	\$ 3,593,771	\$ 4,413,357
Plan's Covered-Employee Payroll**	\$ 1,963,054	\$ 1,706,509	\$ 1,820,066
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	188.145%	210.592%	242.483%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.597%	78.40%	74.06%

* Fiscal year ending June 30, 2015 was the 1st year of implementation, therefore only three years are shown.

** For the year ending on the measurement date.

**City of Clayton
Required Supplementary Information
For the year ended June 30, 2017**

**Schedule of Pension Plan Contributions
Last 10 Years***

	June 30		
	2015	2016	2017
Actuarially determined contributions*	\$ 375,647	\$ 530,677	\$ 573,677
Contributions in relation to the actuarially determined contribution	375,647	530,677	573,677
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll**	\$ 1,706,509	\$ 1,820,066	\$ 1,909,028
Contributions as a percentage of covered-employee payroll	22.01%	29.16%	30.05%

* Excludes employer-paid member contributions (EPMC)

** For the fiscal year ending on the date shown

Notes to Schedule:

Valuation Date:

June 30, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Market value
Inflation	2.75%
Payroll growth	3.00%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS experience study for the period 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS experience study for the period 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries

* Fiscal year ending June 30, 2015 was the 1st year of implementation, therefore only three years are shown.

City of Clayton
Required Supplementary Information
For the year ended June 30, 2017

Other Post-Employment Benefits Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2010	-	\$ (400,257)	\$ (400,257)	0.00%	\$ 2,063,079	-19.40%
July 1, 2012	-	(428,065)	(428,065)	0.00%	1,934,929	-22.12%
July 1, 2015	-	(405,470)	(405,470)	0.00%	1,706,509	-23.76%

City of Clayton
Notes to the Required Supplementary Information
For the year ended June 30, 2017

1. BUDGETARY PRINCIPLES

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- By June 30, the City Manager submits to the City Council a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Continuing appropriations are re-budgeted by the City Council as part of the adoption of subsequent year's budgets.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of a resolution during a City Council meeting in the month of June.
- The City Manager is authorized to transfer budgeted amounts within an activity, within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- Formal budgeting is employed as a management control device during the year for the general, certain special revenue and debt service funds. The Presley Settlement, Stormwater Treatment District Assessment, and Clayton Development Impact Fees funds are not budgeted for and thus do not have budget to actual comparison statements.
- Budgets for the general, certain special revenue and debt service funds are adopted on a basis consistent with generally accepted accounting principles (US GAAP).
- Budgets for capital projects funds are adopted on a project-life basis.

Budgeted amounts are as originally adopted or as amended by the City Council. Budget amendments were not material in relation to the original appropriations.

2. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

This information is intended to help users assess the City's Pension and Other Postemployment Benefits (OPEB) plan's status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.

SUPPLEMENTARY INFORMATION

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City of Clayton
Supplementary Information
Major Governmental Fund Budgetary Comparison Schedule
For the year ended June 30, 2017

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Capital Improvement Program

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 1,902,800	\$ 1,902,800	\$ 880,605	\$ (1,022,195)
Use of money and property	-	-	6,053	6,053
Other revenue	-	-	12,000	12,000
Total Revenues	<u>1,902,800</u>	<u>1,902,800</u>	<u>898,658</u>	<u>(1,004,142)</u>
EXPENDITURES				
Capital outlay	2,919,565	2,919,565	1,278,987	1,640,578
Total Expenditures	<u>2,919,565</u>	<u>2,919,565</u>	<u>1,278,987</u>	<u>1,640,578</u>
Revenues Over (Under) Expenditures	<u>(1,016,765)</u>	<u>(1,016,765)</u>	<u>(380,329)</u>	<u>636,436</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,060,265	1,060,265	389,552	(670,713)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,060,265</u>	<u>1,060,265</u>	<u>389,552</u>	<u>(670,713)</u>
Change in fund balance	<u>\$ 43,500</u>	<u>\$ 43,500</u>	9,223	<u>\$ (34,277)</u>
FUND BALANCE				
Beginning of year			<u>1,597,677</u>	
End of year			<u>\$ 1,606,900</u>	

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NON-MAJOR GOVERNMENTAL FUNDS

Non-Major Special Revenue Funds:

Clayton Development Impact Fees - Accounts for projects funded with the development impact fees.

Gas Tax - Accounts for taxes raised under Street and Highway Code Sections 2106, 2107 and 2107.5, used for the maintenance and construction of City streets.

Grants - Accounts for grants received for specific programs and projects.

The Grove Park District - Accounts for voter-approved real property special parcel taxes restricted for the operation, maintenance, repair and replacement landscaping, irrigation, hardscaping, lighting, public restroom, gazebo, and playground equipment for "The Grove Park" in the downtown area.

Measure J - Accounts for a \$0.05 sales tax extended by voters in 2004 to provide transportation and street improvements, a growth management process, and a regional planning process to address quality of life issues. A portion of their county wide voter-approved tax is returned to local governments.

Neighborhood Street Lighting District - Accounts for assessments collected to maintain residential street lighting within the defined benefit assessment district boundaries.

Oakhurst Geological Hazard Abatement District - Accounts for voter-approved real property assessments collected from Oakhurst parcels to provide preventive maintenance measures and to mitigate potential landslides and other hazardous geological conditions within the benefit assessment district boundaries.

Presley Settlement - Accounts for litigation settlement proceeds restricted for specific programs and projects.

Stormwater Assessment District - Accounts for real property assessments collected to comply with the National Pollution Discharge Elimination System (NPDES).

Stormwater Treatment Assessment District - This fund was formed to provide a mechanism for the levying of private development (property) benefit assessments to fund the cost of inspections, maintenance and capital improvements related to the stormwater treatment requirements imposed upon the City by the Regional Water Quality Control Board as part of the City's General Stormwater Discharge Permit.

City of Clayton
Supplementary Information
Combining Balance Sheets - Non-major Governmental Funds
June 30, 2017

	Special Revenue			
	Development Impact Fees	Gas Tax	Grants	The Grove Park District
ASSETS				
Cash and investments	\$ 581,728	\$ 236,435	\$ 340,058	\$ 273,354
Accounts receivable	-	-	16,194	7,934
Taxes Receivable	-	-	-	-
Prepaid expenses	-	-	147	-
Total Assets	\$ 581,728	\$ 236,435	\$ 356,399	\$ 281,288
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 7,746	\$ 1,049	\$ 4,090
Other payables	-	-	2,526	250
Due to other funds	-	-	-	-
Advance from other funds	2,580	-	-	-
Total Liabilities	2,580	7,746	3,575	4,340
Fund Balance:				
Restricted	-	60,651	243,453	276,948
Committed	370,648	-	-	-
Assigned	208,500	168,038	109,371	-
Unassigned	-	-	-	-
Total Fund Balance	579,148	228,689	352,824	276,948
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 581,728	\$ 236,435	\$ 356,399	\$ 281,288

Special Revenue

Measure J	Neighborhood Street Lighting District	Oakhurst Geological Hazard Abatement District	Presley Settlement	Stormwater Assessment	Stormwater Treatment Assessment District	Total Other Governmental Funds
\$ 142,417	\$ 123,123	\$ 25,944	\$ 123,593	\$ 55,843	\$ -	\$ 1,902,495
282,047	-	-	-	42,444	-	348,619
-	-	-	-	-	-	-
-	-	-	-	-	-	147
<u>\$ 424,464</u>	<u>\$ 123,123</u>	<u>\$ 25,944</u>	<u>\$ 123,593</u>	<u>\$ 98,287</u>	<u>\$ -</u>	<u>\$ 2,251,261</u>
\$ -	\$ 14,274	\$ 1,979	\$ -	\$ 7,056	\$ -	\$ 36,194
-	-	-	-	-	-	2,776
-	-	-	-	-	2,550	2,550
-	-	-	-	-	-	2,580
-	<u>14,274</u>	<u>1,979</u>	<u>-</u>	<u>7,056</u>	<u>2,550</u>	<u>44,100</u>
30,702	91,470	23,965	-	20,295	-	747,484
-	-	-	123,593	-	-	494,241
393,762	17,379	-	-	70,936	-	967,986
-	-	-	-	-	(2,550)	(2,550)
<u>424,464</u>	<u>108,849</u>	<u>23,965</u>	<u>123,593</u>	<u>91,231</u>	<u>(2,550)</u>	<u>2,207,161</u>
<u>\$ 424,464</u>	<u>\$ 123,123</u>	<u>\$ 25,944</u>	<u>\$ 123,593</u>	<u>\$ 98,287</u>	<u>\$ -</u>	<u>\$ 2,251,261</u>

City of Clayton
Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds - For the year ended June 30, 2017

	Special Revenue			
	Development Impact Fees	Gas Tax	Grants	The Grove Park District
REVENUES				
Special parcel taxes and assessments	\$ -	\$ 35,134	\$ -	\$ 126,494
Permits, licenses and fees	2,082	-	-	2,781
Intergovernmental	-	221,073	192,625	-
Use of money and property	2,509	1,303	1,550	756
Other revenue	-	-	-	10,000
Total Revenues	4,591	257,510	194,175	140,031
EXPENDITURES				
Current:				
General Government	-	-	16,162	-
Public works	-	124,437	-	-
Parks and recreation services	-	-	-	133,107
Community and economic development	-	-	-	-
Public safety	36,657	-	125,014	-
Capital Outlay	-	-	22,899	11,563
Total Expenditures	36,657	124,437	164,075	144,670
Revenues Over (Under) Expenditures	(32,066)	133,073	30,100	(4,639)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(13,230)	-	(7,070)
Total Other Financing Sources (Uses)	-	(13,230)	-	(7,070)
Net change in fund balances	(32,066)	119,843	30,100	(11,709)
FUND BALANCES				
Beginning of year	611,214	108,846	322,724	288,657
End of year	\$ 579,148	\$ 228,689	\$ 352,824	\$ 276,948

Special Revenue						
Measure J	Neighborhood Street Lighting District	Oakhurst Geological Hazard Abatement District	Presley Settlement	Stormwater Assessment	Stormwater Treatment Assessment District	Total Other Governmental Funds
\$ -	\$ 125,991	\$ 38,399	\$ -	\$ 81,088	\$ -	\$ 407,106
-	-	-	-	42,720	-	47,583
313,934	-	-	-	-	-	727,632
885	311	(112)	493	2	-	7,697
-	-	-	-	-	-	10,000
<u>314,819</u>	<u>126,302</u>	<u>38,287</u>	<u>493</u>	<u>123,810</u>	<u>-</u>	<u>1,200,018</u>
-	-	-	-	-	-	16,162
24,160	130,742	32,999	-	119,300	-	431,638
-	-	-	-	-	-	133,107
-	-	-	-	-	-	-
-	-	-	-	-	-	161,671
-	-	8,581	-	-	-	43,043
<u>24,160</u>	<u>130,742</u>	<u>41,580</u>	<u>-</u>	<u>119,300</u>	<u>-</u>	<u>785,621</u>
<u>290,659</u>	<u>(4,440)</u>	<u>(3,293)</u>	<u>493</u>	<u>4,510</u>	<u>-</u>	<u>414,397</u>
-	-	-	-	1,008	-	1,008
(387,882)	(11,120)	(6,980)	-	(35,890)	-	(462,172)
(387,882)	(11,120)	(6,980)	-	(34,882)	-	(461,164)
(97,223)	(15,560)	(10,273)	493	(30,372)	-	(46,767)
<u>521,687</u>	<u>124,409</u>	<u>34,238</u>	<u>123,100</u>	<u>121,603</u>	<u>(2,550)</u>	<u>2,253,928</u>
<u>\$ 424,464</u>	<u>\$ 108,849</u>	<u>\$ 23,965</u>	<u>\$ 123,593</u>	<u>\$ 91,231</u>	<u>\$ (2,550)</u>	<u>\$ 2,207,161</u>

**City of Clayton
Supplementary Information
Non-Major Governmental Funds
For the year ended June 30, 2017**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Development Impact Fees**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
REVENUES				
Permits, licenses and fees	\$ -	\$ -	\$ 2,082	\$ 2,082
Use of money and property	<u>8,000</u>	<u>8,000</u>	<u>2,509</u>	<u>(5,491)</u>
Total Revenues	<u>8,000</u>	<u>8,000</u>	<u>4,591</u>	<u>(3,409)</u>
EXPENDITURES				
Current:				
Public safety	-	-	36,657	(36,657)
Capital Outlay	<u>75,180</u>	<u>75,180</u>	<u>-</u>	<u>75,180</u>
Total Expenditures	<u>75,180</u>	<u>75,180</u>	<u>36,657</u>	<u>38,523</u>
Revenues Over (Under) Expenditures	<u>(67,180)</u>	<u>(67,180)</u>	<u>(32,066)</u>	<u>35,114</u>
Change in fund balance	<u>\$ (67,180)</u>	<u>\$ (67,180)</u>	<u>(32,066)</u>	<u>\$ 35,114</u>
FUND BALANCE				
Beginning of year			<u>611,214</u>	
End of year			<u>\$ 579,148</u>	

**City of Clayton
Supplementary Information
Non-Major Governmental Funds
For the year ended June 30, 2017**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Gas Tax**

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Special parcel taxes and assessments	\$ 32,400	\$ 32,400	\$ 35,134	\$ 2,734
Intergovernmental	237,239	237,239	221,073	(16,166)
Use of money and property	2,000	2,000	1,303	(697)
Total Revenues	<u>271,639</u>	<u>271,639</u>	<u>257,510</u>	<u>(14,129)</u>
EXPENDITURES				
Public works	130,040	130,040	124,437	5,603
Total Expenditures	<u>130,040</u>	<u>130,040</u>	<u>124,437</u>	<u>5,603</u>
Revenues Over (Under) Expenditures	<u>141,599</u>	<u>141,599</u>	<u>133,073</u>	<u>(8,526)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(276,259)	(276,259)	(13,230)	263,029
Total Other Financing Sources (Uses)	<u>(276,259)</u>	<u>(276,259)</u>	<u>(13,230)</u>	<u>263,029</u>
Change in fund balance	<u>\$ (134,660)</u>	<u>\$ (134,660)</u>	119,843	<u>\$ 254,503</u>
FUND BALANCE				
Beginning of year			<u>108,846</u>	
End of year			<u>\$ 228,689</u>	

**City of Clayton
Supplementary Information
Non-Major Governmental Funds
For the year ended June 30, 2017**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Grants**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 123,100	\$ 123,100	\$ 192,625	\$ 69,525
Use of money and property	2,840	2,840	1,550	(1,290)
Total Revenues	<u>125,940</u>	<u>125,940</u>	<u>194,175</u>	<u>68,235</u>
EXPENDITURES				
Current:				
General government	17,126	17,126	16,162	964
Public safety	124,132	124,132	125,014	(882)
Capital outlay	106,953	106,953	22,899	84,054
Total Expenditures	<u>248,211</u>	<u>248,211</u>	<u>164,075</u>	<u>84,136</u>
Revenues Over (Under) Expenditures	<u>(122,271)</u>	<u>(122,271)</u>	<u>30,100</u>	<u>152,371</u>
Change in fund balance	<u>\$ (122,271)</u>	<u>\$ (122,271)</u>	<u>30,100</u>	<u>\$ 152,371</u>
FUND BALANCE				
Beginning of year			<u>322,724</u>	
End of year			<u>\$ 352,824</u>	

**City of Clayton
Supplementary Information
Non-Major Governmental Funds
For the year ended June 30, 2017**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - The Grove Park District**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
REVENUES				
Special parcel taxes and assessments	\$ 126,350	\$ 126,350	\$ 126,494	\$ 144
Permits, licenses and fees	1,000	1,000	2,781	1,781
Use of money and property	3,200	3,200	756	(2,444)
Other revenue	10,000	10,000	10,000	-
Total Revenues	<u>140,550</u>	<u>140,550</u>	<u>140,031</u>	<u>(519)</u>
EXPENDITURES				
Current:				
Parks and recreation services	103,427	124,927	133,107	(8,180)
Capital Outlay	-	-	11,563	(11,563)
Total Expenditures	<u>103,427</u>	<u>124,927</u>	<u>144,670</u>	<u>(19,743)</u>
Revenues Over (Under) Expenditures	<u>37,123</u>	<u>15,623</u>	<u>(4,639)</u>	<u>(20,262)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,070)	(7,070)	(7,070)	-
Total Other Financing Sources (Uses)	<u>(7,070)</u>	<u>(7,070)</u>	<u>(7,070)</u>	<u>-</u>
Change in fund balance	<u>\$ 30,053</u>	<u>\$ 8,553</u>	<u>(11,709)</u>	<u>\$ (20,262)</u>
FUND BALANCE				
Beginning of year			<u>288,657</u>	
End of year			<u>\$ 276,948</u>	

**City of Clayton
Supplementary Information
Non-Major Governmental Funds
For the year ended June 30, 2017**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Measure J**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 1,508,322	\$ 1,508,322	\$ 313,934	\$ (1,194,388)
Use of money and property	750	750	885	135
Total Revenues	<u>1,509,072</u>	<u>1,509,072</u>	<u>314,819</u>	<u>(1,194,253)</u>
EXPENDITURES				
Current:				
Public works	<u>25,500</u>	<u>25,500</u>	<u>24,160</u>	<u>1,340</u>
Total Expenditures	<u>25,500</u>	<u>25,500</u>	<u>24,160</u>	<u>1,340</u>
Revenues Over (Under) Expenditures	<u>1,483,572</u>	<u>1,483,572</u>	<u>290,659</u>	<u>(1,192,913)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(1,995,566)</u>	<u>(1,995,566)</u>	<u>(387,882)</u>	<u>1,607,684</u>
Total Other Financing Sources (Uses)	<u>(1,995,566)</u>	<u>(1,995,566)</u>	<u>(387,882)</u>	<u>1,607,684</u>
Change in fund balance	<u>\$ (511,994)</u>	<u>\$ (511,994)</u>	<u>(97,223)</u>	<u>\$ 414,771</u>
FUND BALANCE				
Beginning of year			<u>521,687</u>	
End of year			<u>\$ 424,464</u>	

**City of Clayton
Supplementary Information
Non-Major Governmental Funds
For the year ended June 30, 2017**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Neighborhood Street Lighting District**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
REVENUES				
Special parcel taxes and assessments	\$ 125,991	\$ 125,991	\$ 125,991	\$ -
Use of money and property	1,800	1,800	311	(1,489)
Total Revenues	<u>127,791</u>	<u>127,791</u>	<u>126,302</u>	<u>(1,489)</u>
EXPENDITURES				
Current:				
Public works	<u>132,110</u>	<u>132,110</u>	<u>130,742</u>	<u>1,368</u>
Total Expenditures	<u>132,110</u>	<u>132,110</u>	<u>130,742</u>	<u>1,368</u>
Revenues Over (Under) Expenditures	<u>(4,319)</u>	<u>(4,319)</u>	<u>(4,440)</u>	<u>(121)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(11,120)</u>	<u>(11,120)</u>	<u>(11,120)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(11,120)</u>	<u>(11,120)</u>	<u>(11,120)</u>	<u>-</u>
Change in fund balance	<u>\$ (15,439)</u>	<u>\$ (15,439)</u>	<u>(15,560)</u>	<u>\$ (121)</u>
FUND BALANCE				
Beginning of year			<u>124,409</u>	
End of year			<u>\$ 108,849</u>	

**City of Clayton
Supplementary Information
Non-Major Governmental Funds
For the year ended June 30, 2017**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Oakhurst Geological Hazard and Abatement District**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
REVENUES				
Special parcel taxes and assessments	\$ 38,424	\$ 38,424	\$ 38,399	\$ (25)
Use of money and property	250	250	(112)	(362)
Total Revenues	<u>38,674</u>	<u>38,674</u>	<u>38,287</u>	<u>(387)</u>
EXPENDITURES				
Current:				
Public works	22,380	22,380	32,999	(10,619)
Capital Outlay	10,000	10,000	8,581	1,419
Total Expenditures	<u>32,380</u>	<u>32,380</u>	<u>41,580</u>	<u>(9,200)</u>
Revenues Over (Under) Expenditures	<u>6,294</u>	<u>6,294</u>	<u>(3,293)</u>	<u>(9,587)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,980)	(6,980)	(6,980)	-
Total Other Financing Sources (Uses)	<u>(6,980)</u>	<u>(6,980)</u>	<u>(6,980)</u>	<u>-</u>
Change in fund balance	<u>\$ (686)</u>	<u>\$ (686)</u>	<u>(10,273)</u>	<u>\$ (9,587)</u>
FUND BALANCE				
Beginning of year			<u>34,238</u>	
End of year			<u>\$ 23,965</u>	

City of Clayton
Supplementary Information
Non-Major Governmental Funds
For the year ended June 30, 2017

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Presley Settlement

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
REVENUES				
Use of money and property	\$ 1,500	\$ 1,500	\$ 493	\$ (1,007)
Total Revenues	<u>1,500</u>	<u>1,500</u>	<u>493</u>	<u>(1,007)</u>
EXPENDITURES				
Current:				
Public works	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>1,500</u>	<u>1,500</u>	<u>493</u>	<u>(1,007)</u>
Change in fund balance	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>493</u>	<u>\$ (1,007)</u>
FUND BALANCE				
Beginning of year			<u>123,100</u>	
End of year			<u>\$ 123,593</u>	

**City of Clayton
Supplementary Information
Non-Major Governmental Funds
For the year ended June 30, 2017**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Stormwater Assessment District**

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Special parcel taxes and assessments	\$ 81,943	\$ 81,943	\$ 81,088	\$ (855)
Permits, licenses and fees	40,686	40,686	42,720	2,034
Use of money and property	1,500	1,500	2	(1,498)
Total Revenues	<u>124,129</u>	<u>124,129</u>	<u>123,810</u>	<u>(319)</u>
EXPENDITURES				
Current:				
Public works	180,890	180,890	119,300	61,590
Total Expenditures	<u>180,890</u>	<u>180,890</u>	<u>119,300</u>	<u>61,590</u>
Revenues Over (Under) Expenditures	<u>(56,761)</u>	<u>(56,761)</u>	<u>4,510</u>	<u>61,271</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	912	912	1,008	96.00
Transfers out	(35,890)	(35,890)	(35,890)	-
Total Other Financing Sources (Uses)	<u>(34,978)</u>	<u>(34,978)</u>	<u>(34,882)</u>	<u>96.00</u>
Change in fund balance	<u>\$ (91,739)</u>	<u>\$ (91,739)</u>	<u>(30,372)</u>	<u>\$ 61,367</u>
FUND BALANCE				
Beginning of year			<u>121,603</u>	
End of year			<u>\$ 91,231</u>	

INTERNAL SERVICE FUNDS

Internal service funds account for activities that provide goods or services to other City funds or department on a cost reimbursement basis. The following are the City's internal service funds:

Capital Equipment Replacement Fund (CERF) - This fund accounts for the operation, maintenance, depreciation, and replacement of City vehicles and equipment.

Self-Insurance Fund - This fund accounts for the administration of the City's self-insurance program and payment of workers' compensation and liability claims.

City of Clayton
Supplementary Information
Combining Statement of Net Position - Internal Service Funds
June 30, 2017

	<u>Capital Equipment Replacement</u>	<u>Self- Insurance</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and investments	\$ 147,223	\$ 48,638	\$ 195,861
Noncurrent Assets:			
Depreciable assets, net	<u>324,042</u>	<u>-</u>	<u>324,042</u>
Total Asset	<u>471,265</u>	<u>48,638</u>	<u>519,903</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	324,042	-	324,042
Unrestricted	<u>147,223</u>	<u>48,638</u>	<u>195,861</u>
Total Net Position	<u>\$ 471,265</u>	<u>\$ 48,638</u>	<u>\$ 519,903</u>

City of Clayton
Supplementary Information
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds - For the year ended June 30, 2017

	<u>Capital Equipment Replacement</u>	<u>Self- Insurance</u>	<u>Total</u>
OPERATING REVENUES			
Charges for current services	\$ 47,215	\$ -	\$ 47,215
Total Operating Revenues	<u>47,215</u>	<u>-</u>	<u>47,215</u>
OPERATING EXPENSES			
General and administrative	-	5,387	5,387
Depreciation and amortization	90,075	-	90,075
Total Operating Expenses	<u>90,075</u>	<u>5,387</u>	<u>95,462</u>
Operating Income (Loss)	(42,860)	(5,387)	(48,247)
NONOPERATING REVENUES (EXPENSES)			
Gain on disposal of assets	1,624	-	1,624
Investment income (loss)	838	153	991
Total Nonoperating Revenues (Expenses)	<u>2,462</u>	<u>153</u>	<u>2,615</u>
Change in Net Position	(40,398)	(5,234)	(45,632)
NET POSITION:			
Beginning of fiscal year	511,663	53,872	565,535
End of fiscal year	<u>\$ 471,265</u>	<u>\$ 48,638</u>	<u>\$ 519,903</u>

City of Clayton
Supplementary Information
Combining Statement of Cash Flows - Internal Service Funds
For the year ended June 30, 2017

	Capital Equipment Replacement	Self- Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipt from customers/other funds	\$ 47,215	\$ -	\$ 47,215
Cash payment to suppliers for good and services	-	(5,387)	(5,387)
Net cash provided (used) by operating activities	<u>47,215</u>	<u>(5,387)</u>	<u>41,828</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of fixed assets	(79,970)	-	(79,970)
Capital contributions	-	-	-
Gain on sale of assets	1,624	-	1,624
Other income	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(78,346)</u>	<u>-</u>	<u>(78,346)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	839	153	992
Net Cash provided (used) by investing activities	<u>839</u>	<u>153</u>	<u>992</u>
Net increase (decrease) in cash and cash equivalents	(30,292)	(5,234)	(35,526)
CASH AND CASH EQUIVALENTS:			
Beginning of fiscal year	177,515	53,872	231,387
End of fiscal year	<u>\$ 147,223</u>	<u>\$ 48,638</u>	<u>\$ 195,861</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (42,860)	\$ (5,387)	\$ (48,247)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	90,075	-	90,075
Net cash provided (used) by operating activities	<u>\$ 47,215</u>	<u>\$ (5,387)</u>	<u>\$ 41,828</u>

AGENCY FUNDS

Agency Funds are used to account for assets held by the City in a fiduciary capacity or as an agent for individuals, government entities and other non-public organizations. The following are reported as agency funds:

Clayton Financing Authority - Accounts for projects related to the Financing Authority.

Clayton Financing Authority 2007 Refunding Bonds - Accounts for the refunding of the Authority's 1997 Special Tax Revenue Refunding Bonds payable from revenues received by the Authority as the result of payment of debt service on the local obligations of the Middle School CFD 1990-1 Bonds.

Deposits- Represents funds held for: performance deposits, Clayton Community Gym donation deposits, refundable rental security deposits, planning services deposits, engineering plan check deposits, and other various deposits.

Diablo Estates Benefit Assessment District - Accounts for parcel owner approved real property assessments collected to maintain certain infrastructure components (including street lighting) for the Diablo Estates development.

High Street Bridge Benefit Assessment District - Accounts for real property assessments collected to maintain bridges.

Lydia Lane Sewer Benefit Assessment District - Accounts for real property assessments to be collected for construction of a sewer system.

Middle School Community Facilities District - Accounts for special parcel taxes restricted to repay indebtedness of the Middle School Community Facilities District No. 1990-1.

Oak Street Bridge Benefit Assessment District - Accounts for real property assessments collected to maintain bridges.

Oak Street Sewer Benefit Assessment District - Accounts for real property assessments to be collected for construction of a sewer system.

City of Clayton
Supplementary Information
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the year ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<u>Clayton Financing Authority</u>				
Assets:				
Cash and investments	\$ 714,087	\$ 10,203	\$ (7,341)	\$ 716,949
Total Assets	\$ 714,087	\$ 10,203	\$ (7,341)	\$ 716,949
Liabilities:				
Other liabilities	\$ 714,087	\$ 2,862	\$ -	\$ 716,949
Total Liabilities	\$ 714,087	\$ 2,862	\$ -	\$ 716,949
<u>Clayton Financing Authority 2007 Refunding Bonds</u>				
Assets:				
Cash and investments	\$ 120,679	\$ 10,617	\$ (10,197)	\$ 121,099
Cash with fiscal agent	429,838	482,416	(507,219)	405,035
Accounts receivable	58,900	-	(6,876)	52,024
Investment in bonds	2,716,000	-	(316,000)	2,400,000
Total Assets	\$ 3,325,417	\$ 493,033	\$ (840,292)	\$ 2,978,158
Liabilities:				
Other liabilities	\$ 760,417	\$ -	\$ (22,259)	\$ 738,158
Due to bondholders	2,565,000	-	(325,000)	2,240,000
Total Liabilities	\$ 3,325,417	\$ -	\$ (347,259)	\$ 2,978,158
<u>Deposits</u>				
Assets:				
Cash and investments	\$ 886,520	\$ 389,361	\$ (459,837)	\$ 816,044
Total Assets	\$ 886,520	\$ 389,361	\$ (459,837)	\$ 816,044
Liabilities:				
Accounts payable	\$ 14,769	\$ 400,662	\$ (414,468)	\$ 963
Deposits payable	871,751	405,103	(461,773)	815,081
Total Liabilities	\$ 886,520	\$ 805,765	\$ (876,241)	\$ 816,044
<u>Diablo Estates Benefit Assessment District</u>				
Assets:				
Cash and investments	\$ 83,696	\$ 81,100	\$ (64,220)	\$ 100,576
Total Assets	\$ 83,696	\$ 81,100	\$ (64,220)	\$ 100,576
Liabilities:				
Accounts payable	\$ 12	\$ 63,419	\$ (61,035)	\$ 2,396
Other liabilities	83,684	14,496	-	98,180
Total Liabilities	\$ 83,696	\$ 77,915	\$ (61,035)	\$ 100,576

City of Clayton
Supplementary Information
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the year ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
High Street Bridge Benefit Assessment District				
Assets:				
Cash and investments	\$ 5,297	\$ 2,076	\$ (1,750)	\$ 5,623
Assessments receivable	18,821	-	(1,454)	17,367
Total Assets	\$ 24,118	\$ 2,076	\$ (3,204)	\$ 22,990
Liabilities:				
Accounts payable	\$ 5,297	\$ 326	\$ -	\$ 5,623
Notes payable	18,821	-	(1,454)	17,367
Total Liabilities	\$ 24,118	\$ 326	\$ (1,454)	\$ 22,990
Lydia Lane Sewer Benefit Assessment District				
Assets:				
Cash and investments	\$ 66,164	\$ 18,062	\$ (18,793)	\$ 65,433
Cash with fiscal agent	12,804	9	-	12,813
Assessments receivable	168,325	-	(5,000)	163,325
Total Assets	\$ 247,293	\$ 18,071	\$ (23,793)	\$ 241,571
Liabilities:				
Other liabilities	\$ 78,968	\$ -	\$ (722)	\$ 78,246
Due to bondholders	168,325	-	(5,000)	163,325
Total Liabilities	\$ 247,293	\$ -	\$ (5,722)	\$ 241,571
Middle School Community Facilities District				
Assets:				
Cash and investments	\$ 397,985	\$ 404,823	\$ (438,249)	\$ 364,559
Assessments receivable	2,716,000	-	(316,000)	2,400,000
Total Assets	\$ 3,113,985	\$ 404,823	\$ (754,249)	\$ 2,764,559
Liabilities:				
Other liabilities	\$ 397,985	\$ -	\$ (33,426)	\$ 364,559
Due to bondholders	2,716,000	-	(316,000)	2,400,000
Total Liabilities	\$ 3,113,985	\$ -	\$ (349,426)	\$ 2,764,559
Oak Street Bridge Benefit Assessment District				
Assets:				
Cash and investments	\$ 24,991	\$ 6,436	\$ (16,800)	\$ 14,627
Assessments receivable	11,940	-	(3,991)	7,949
Total Assets	\$ 36,931	\$ 6,436	\$ (20,791)	\$ 22,576
Liabilities:				
Other liabilities	\$ 24,991	\$ -	\$ (10,364)	\$ 14,627
Notes payable	11,940	-	(3,991)	7,949
Total Liabilities	\$ 36,931	\$ -	\$ (14,355)	\$ 22,576

City of Clayton
Supplementary Information
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the year ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<u>Oak Street Sewer Benefit Assessment District</u>				
Assets:				
Cash and investments	\$ 4,189	\$ 10,420	\$ (11,840)	\$ 2,769
Assessments receivable	108,223	-	(9,386)	98,837
Total Assets	\$ 112,412	\$ 10,420	\$ (21,226)	\$ 101,606
Liabilities:				
Other liabilities	\$ 4,189	\$ -	\$ (1,420)	\$ 2,769
Notes payable	108,223	-	(9,386)	98,837
Total Liabilities	\$ 112,412	\$ -	\$ (10,806)	\$ 101,606
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 2,303,608	\$ 933,098	\$ (1,029,027)	\$ 2,207,679
Cash with fiscal agent	442,642	482,425	(507,219)	417,848
Assessments receivable	3,023,309	-	(335,831)	2,687,478
Accounts receivable	58,900	-	(6,876)	52,024
Investments in bonds	2,716,000	-	(316,000)	2,400,000
Total Assets	\$ 8,544,459	\$ 1,415,523	\$ (2,194,953)	\$ 7,765,029
Liabilities:				
Accounts payable	\$ 20,078	\$ 464,407	\$ (475,503)	\$ 8,982
Other liabilities	2,064,321	17,358	(68,191)	2,013,488
Deposits payable	871,751	405,103	(461,773)	815,081
Notes payable	138,984	-	(14,831)	124,153
Due to bondholders	5,449,325	-	(646,000)	4,803,325
Total Liabilities	\$ 8,544,459	\$ 886,868	\$ (1,666,298)	\$ 7,765,029

STATISTICAL SECTION

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STATISTICAL SECTION

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This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City.

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Financial Trends	131-138
<p>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</p>	
Revenue Capacity	139-146
<p>These schedules contain information to help the reader assess the City's most significant local revenue sources.</p>	
Debt Capacity	147-151
<p>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</p>	
Demographic and Economic Information	152
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</p>	
Operating Information	153-159
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</p>	

**City of Clayton
Statistical Section
Net Position by Component - Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year Ending June 30			
	2008	2009	2010	2011
Governmental activities:				
Net investment in capital assets	\$ 14,813,000	\$ 17,543,027	\$ 19,239,151	\$ 20,953,220
Restricted	15,892,648	20,161,280	19,459,887	6,240,370
Unrestricted	6,572,695	3,839,703	2,458,228	14,935,201
Total governmental activities net position	37,278,343	41,544,010	41,157,266	42,128,791
Business-type activities:				
Net investment in capital assets	1,330,098	1,299,348	1,431,018	1,394,950
Restricted	-	-	-	-
Unrestricted	(750)	(38,773)	(14,778)	(111,680)
Total business-type activities net position	1,329,348	1,260,575	1,416,240	1,283,270
Primary government:				
Net investment in capital assets	16,143,098	18,842,375	20,670,169	22,348,170
Restricted	15,892,648	20,161,280	19,459,887	6,240,370
Unrestricted	6,571,945	3,800,930	2,443,450	14,823,521
Total primary government net position	\$ 38,607,691	\$ 42,804,585	\$ 42,573,506	\$ 43,412,061

Fiscal Year Ending June 30

2012	2013	2014	2015	2016	2017
\$ 28,330,852	\$ 29,988,389	\$ 29,344,437	\$ 28,653,515	\$ 28,929,140	\$ 29,349,667
6,775,688	5,071,942	3,470,831	2,024,193	7,783,815	7,731,727
5,034,855	4,829,960	6,306,416	4,781,508	7,028,670	7,835,030
<u>40,141,395</u>	<u>39,890,291</u>	<u>39,121,684</u>	<u>35,459,216</u>	<u>43,741,625</u>	<u>44,916,424</u>
1,358,883	1,322,815	1,286,748	1,250,681	1,221,999	1,184,742
-	-	-	-	-	-
(121,193)	(130,382)	(49,038)	(44,572)	(56,305)	(64,190)
<u>1,237,690</u>	<u>1,192,433</u>	<u>1,237,710</u>	<u>1,206,109</u>	<u>1,165,694</u>	<u>1,120,552</u>
29,689,735	31,311,204	30,631,185	29,904,196	30,151,139	30,534,409
6,775,688	5,071,942	3,470,831	2,024,193	7,783,815	7,731,727
4,913,662	4,699,578	6,257,378	4,736,936	6,972,365	7,770,840
<u>\$ 41,379,085</u>	<u>\$ 41,082,724</u>	<u>\$ 40,359,394</u>	<u>\$ 36,665,325</u>	<u>\$ 44,907,319</u>	<u>\$ 46,036,976</u>

City of Clayton
Statistical Section
Changes in Net Position - Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	\$ 1,401,451	\$ 1,030,448	\$ 3,644,725	\$ 1,583,367
Public works	1,231,018	992,167	1,179,815	2,834,516
Parks and recreation services	739,462	603,003	471,758	884,095
Community and economic development	1,610,346	2,382,781	3,845,209	2,476,713
Public safety	1,822,689	1,790,980	1,864,978	1,841,028
Interest and fiscal charges	796,518	588,253	591,236	414,113
Total governmental activities expenses	7,601,484	7,387,632	11,597,721	10,033,832
Business-type activities:				
Community gym	46,789	41,899	51,384	93,398
Endeavor Hall	46,124	56,361	61,453	66,110
Total business-type activities expenses	92,913	98,260	112,837	159,508
Total primary government expenses	\$ 7,694,397	\$ 7,485,892	\$ 11,710,558	\$ 10,193,340
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 314,669	\$ 223,965	\$ 235,392	\$ 233,675
Public works	239,660	241,904	249,099	141,665
Parks and recreation services	138,096	141,654	155,298	141,891
Community and economic development	286,744	61,375	106,246	299,103
Public safety	34,580	46,119	31,911	24,064
Operating grants and contributions	116,666	121,203	129,746	494,148
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	1,130,415	836,220	907,692	1,334,546
Business-type activities:				
Charges for services:				
Community gym	46,789	5,385	87,848	2,511
Endeavor hall	20,326	20,144	14,951	23,691
Operating grants and contributions	-	-	167,738	-
Total business-type program revenues	67,115	25,529	270,537	26,202
Net revenues (expenses)				
Governmental activities	\$ (6,471,069)	\$ (6,551,412)	\$ (10,690,029)	\$ (8,699,286)
Business-type activities	(25,798)	(72,731)	157,700	(133,306)
Total primary government net expense	\$ (6,496,867)	\$ (6,624,143)	\$ (10,532,329)	\$ (8,832,592)
General revenues and other changes in net position				
Governmental activities:				
Taxes:				
Property taxes	\$ 7,059,095	\$ 7,304,719	\$ 6,856,430	\$ 6,698,149
Special parcel taxes	989,538	1,020,101	1,030,702	1,045,977
Sales and use taxes	366,155	301,213	327,514	303,880
Business license taxes	-	-	-	-
Other taxes	1,128,828	1,095,625	774,794	803,498
Franchise fees	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Investment income	719,543	653,769	490,207	335,205
Miscellaneous	776,891	440,076	847,460	477,402
Gain/(loss) on sale of assets	167,846	6,600	7,000	6,700
Transfers	-	(5,024)	-	-
Total governmental activities	11,207,896	10,817,079	10,334,107	9,670,811
Business type activities:				
Investment income/(loss)	(305)	(1,066)	(2,035)	276
Miscellaneous	-	-	-	60
Transfers	-	5,024	-	-
Total business-type activities	(305)	3,958	(2,035)	336
Extraordinary and Special Items				
Governmental activities:				
Extraordinary gain/(loss)	-	-	-	-
Business-type activities:				
Special item gain/(loss)	-	-	-	-
Total primary government changes in net position				
Governmental activities	4,736,827	4,265,667	(355,922)	971,525
Business-type activities	(26,103)	(68,773)	155,665	(132,970)
Total primary government	\$ 4,710,724	\$ 4,196,894	\$ (200,257)	\$ 838,555

Source: City of Clayton Finance Department.

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 1,201,323	\$ 1,186,567	\$ 1,249,238	\$ 1,119,567	\$ 1,051,461	\$ 1,174,069	
1,104,503	1,346,320	2,118,015	2,139,918	1,975,653	2,221,835	
1,066,617	1,100,584	352,498	339,894	583,120	676,790	
530,687	446,259	410,413	405,941	362,248	287,775	
1,972,460	1,925,266	2,016,145	2,006,052	2,060,621	2,075,082	
129,047	-	-	-	-	-	
6,004,637	6,004,996	6,146,309	6,011,372	6,033,103	6,435,551	
18	-	-	-	-	-	
61,497	60,117	65,351	66,606	67,668	67,393	
61,515	60,117	65,351	66,606	67,668	67,393	
\$ 6,066,152	\$ 6,065,113	\$ 6,211,660	\$ 6,077,978	\$ 6,100,771	\$ 6,502,944	
\$ 421,866	\$ 352,124	\$ 567,663	\$ 643,070	\$ 355,391	\$ 349,220	
148,828	315,230	296,974	418,498	321,544	324,308	
183,031	-	608	14,337	73,501	70,394	
319,268	137,795	54,013	25,990	100,612	113,336	
64,364	36,899	14,631	13,862	49,326	52,497	
884,026	587,384	683,492	157,397	836,833	813,168	
-	-	-	-	22,200	885,398	
2,021,383	1,429,432	1,617,381	1,273,154	1,759,407	2,608,321	
-	-	-	-	-	-	
16,294	14,860	19,545	25,818	27,253	22,251	
16,294	14,860	19,545	25,818	27,253	22,251	
\$ (3,983,254)	\$ (4,575,564)	\$ (4,528,928)	\$ (4,738,218)	\$ (4,273,696)	\$ (3,827,230)	
(45,221)	(45,257)	(45,806)	(40,788)	(40,415)	(45,142)	
\$ (4,028,475)	\$ (4,620,821)	\$ (4,574,734)	\$ (4,779,006)	\$ (4,314,111)	\$ (3,872,372)	
\$ 4,488,417	\$ 1,691,803	\$ 1,862,734	\$ 2,302,278	\$ 2,256,780	\$ 2,339,221	
1,071,632	1,093,213	1,122,349	1,155,141	1,185,651	1,220,427	
307,887	353,525	370,330	397,544	372,705	455,387	
-	-	-	-	133,943	135,866	
792,726	802,651	865,752	1,339,537	-	-	
-	-	-	-	516,607	541,138	
-	-	-	-	154,852	157,949	
242,539	80,622	64,319	82,909	295,904	119,201	
1,249,897	139,161	175,082	91,230	58,694	31,216	
(116,339)	(7,817)	-	624	792	1,624	
250,000	250,456	(688,709)	88,793	-	-	
8,286,759	4,403,614	3,771,857	5,458,056	4,975,928	5,002,029	
(359)	-	393	175	-	-	
-	-	-	4,316	-	-	
-	-	-	(88,793)	-	-	
(359)	-	393	(84,302)	-	-	
(6,100,352)	-	-	(200,000)	(230,786)	-	
-	-	-	93,489	-	-	
(1,796,847)	(171,950)	(757,071)	519,838	471,446	1,174,799	
(45,580)	(45,257)	(45,413)	(31,601)	(40,415)	(45,142)	
\$ (1,842,427)	\$ (217,207)	\$ (802,484)	\$ 488,237	\$ 431,031	\$ 1,129,657	

**City of Clayton
Statistical Section
Fund Balances of Governmental Funds - Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

	Fiscal Year			
	2008	2009	2010	2011*
General fund:				
Reserved	\$ 535,000	\$ 539,443	\$ 535,000	\$ -
Unreserved	4,411,527	4,566,713	4,574,933	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	46,704
Unassigned	-	-	-	5,229,784
Total general fund	<u>4,946,527</u>	<u>5,106,156</u>	<u>5,109,933</u>	<u>5,276,488</u>
All other governmental funds:				
Reserved	11,848,038	12,383,905	11,908,782	-
Unreserved	5,628,136	1,030,791	1,013,860	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	12,489,782
Unassigned	-	-	-	-
Total other governmental funds	<u>17,476,174</u>	<u>13,414,696</u>	<u>12,922,642</u>	<u>12,489,782</u>
Total governmental funds	<u>\$ 22,422,701</u>	<u>\$ 18,520,852</u>	<u>\$ 18,032,575</u>	<u>\$ 17,766,270</u>

Source: City of Clayton Finance Department.

* The City implemented GASB 54 for the fiscal year ended June 30, 2011.

** The City of Clayton Redevelopment Agency was dissolved in the fiscal year ended June 30, 2012 in accordance with California state law (ABx1 26).

Fiscal Year					
2012**	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	1,242,346	1,029,377	308,064	72,518
-	-	-	-	-	-
442,546	-	-	-	-	-
-	182,671	34,542	-	278,853	415,239
4,913,879	5,199,914	3,871,849	4,509,255	5,031,142	5,429,524
<u>5,356,425</u>	<u>5,382,585</u>	<u>5,148,737</u>	<u>5,538,632</u>	<u>5,618,059</u>	<u>5,917,281</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,633,951	3,696,268
-	-	1,399,064	1,303,081	2,150,476	2,122,471
6,333,142	5,071,942	829,421	721,112	667,134	494,241
-	-	2,354,314	3,309,135	2,684,533	3,026,942
-	(425,380)	(2,550)	(2,550)	(2,550)	(2,550)
<u>6,333,142</u>	<u>4,646,562</u>	<u>4,580,249</u>	<u>5,330,778</u>	<u>9,133,544</u>	<u>9,337,372</u>
<u>\$ 11,689,567</u>	<u>\$ 10,029,147</u>	<u>\$ 9,728,986</u>	<u>\$ 10,869,410</u>	<u>\$ 14,751,603</u>	<u>\$ 15,254,653</u>

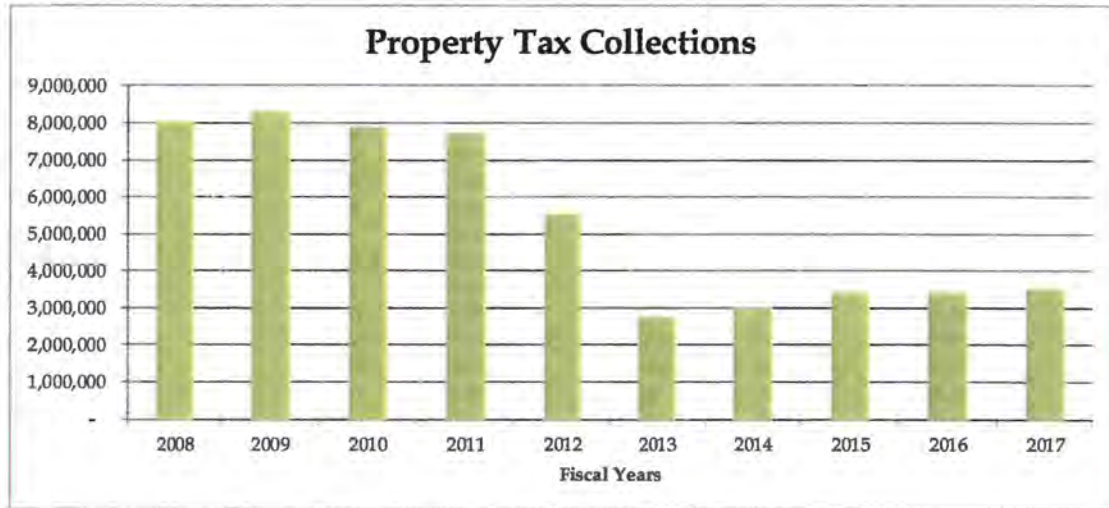
City of Clayton
Statistical Section
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Property taxes	\$ 7,041,781	\$ 7,344,188	\$ 6,841,490	\$ 6,737,779
Program income	81,890	91,148	69,752	237,572
Special parcel taxes and assessments	1,229,198	1,262,005	1,279,801	1,186,092
Sales and use taxes	301,579	261,744	272,702	252,404
Business license taxes and fees	-	-	-	-
Permits, licenses and fees	331,627	291,773	280,395	279,404
Fines, forfeitures and penalties	120,788	67,681	63,788	55,919
Intergovernmental	1,247,722	978,027	1,167,750	1,143,631
Motor vehicle in-lieu fees	49,486	37,346	32,234	50,312
Other in-lieu fees	220,530	224,940	137,504	140,255
Franchise fees	382,679	365,802	373,479	403,815
Service charges	277,312	76,326	121,734	71,878
Use of money and property	719,543	653,769	490,207	346,346
Other revenue	166,330	94,722	110,963	111,093
Total revenues	<u>12,170,465</u>	<u>11,749,471</u>	<u>11,241,799</u>	<u>11,016,500</u>
Expenditures				
Current				
General government	967,105	1,018,047	1,043,145	1,075,709
Public works	1,859,885	1,251,614	1,379,517	1,352,445
Parks and recreation services	118,172	359,235	251,104	228,124
Community and economic development	1,579,471	1,888,484	3,845,209	2,653,759
Public safety	1,815,673	1,699,638	1,817,147	1,774,365
Capital outlay	2,955,592	2,197,986	766,252	1,802,315
Debt service				
Principal	1,670,000	1,660,000	2,045,000	2,195,000
Interest and fiscal charges	711,890	624,765	582,702	435,005
Total expenditures	<u>11,677,788</u>	<u>10,699,769</u>	<u>11,730,076</u>	<u>11,516,722</u>
Revenues over (under) expenditures	<u>492,677</u>	<u>1,049,702</u>	<u>(488,277)</u>	<u>(500,222)</u>
Other financing sources (uses)				
Gain (loss) from sale of property	167,846	-	-	(259,502)
Transfers in	3,791,927	4,390,863	5,267,262	3,742,690
Transfers out	(3,791,927)	(4,395,887)	(5,267,262)	(3,742,690)
Total other financing sources (uses)	<u>167,846</u>	<u>(5,024)</u>	<u>-</u>	<u>(259,502)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>660,523</u>	<u>1,044,678</u>	<u>(488,277)</u>	<u>(759,724)</u>
Special and extraordinary items				
Special item gain (loss)	-	-	-	-
Extraordinary gain (loss)	-	-	-	-
Total special and extraordinary items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	<u>\$ 660,523</u>	<u>\$ 1,044,678</u>	<u>\$ (488,277)</u>	<u>\$ (759,724)</u>
Ratio of Total Debt Service Expenditures to Noncapital Expenditures	0.37	0.34	0.30	0.30

Source: City of Clayton Finance Department

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 4,488,417	\$ 1,691,803	\$ 1,862,734	\$ 2,302,278	\$ 2,256,780	\$ 2,339,221	
72,870	10,546	10,668	10,063	81,400	86,400	
1,220,460	1,232,280	1,260,823	1,287,748	1,437,156	1,465,905	
307,887	353,525	370,330	397,544	372,705	455,387	
-	-	-	-	133,943	135,866	
534,446	402,661	290,598	306,545	194,261	209,026	
114,313	93,328	78,173	72,635	84,270	92,662	
1,986,471	836,041	967,729	1,066,757	964,539	1,706,688	
11,074	-	4,703	4,590	4,554	-	
143,060	145,921	148,839	151,816	154,852	157,949	
454,871	479,765	504,867	501,597	516,607	541,138	
131,053	125,387	338,626	366,080	342,308	311,796	
241,199	80,579	62,642	81,408	290,966	118,210	
27,954	138,528	175,538	91,131	48,517	40,186	
9,734,075	5,590,364	6,076,270	6,640,192	6,882,858	7,660,434	
1,028,719	957,680	1,118,026	1,018,852	1,068,970	1,194,606	
1,251,908	1,502,599	1,293,402	1,342,373	1,237,683	1,519,992	
345,345	356,445	352,498	349,862	375,554	458,294	
530,687	446,259	410,413	410,972	379,162	309,048	
1,916,002	1,867,432	1,950,034	2,005,607	2,281,621	2,265,845	
1,531,977	2,370,825	393,505	260,895	1,275,563	1,409,599	
610,000	-	-	-	-	-	
323,451	-	-	-	-	-	
7,538,089	7,501,240	5,517,878	5,388,561	6,618,553	7,157,384	
2,195,986	(1,910,876)	558,392	1,251,631	264,305	503,050	
-	-	-	-	-	-	
2,038,931	2,221,820	524,187	600,458	1,026,538	497,960	
(1,788,931)	(1,971,364)	(603,341)	(511,665)	(1,177,781)	(497,960)	
250,000	250,456	(79,154)	88,793	(151,243)	-	
2,445,986	(1,660,420)	479,238	1,340,424	113,062	503,050	
53,930	-	(90,690)	-	-	-	
(8,299,982)	-	-	(200,000)	(230,786)	-	
(8,246,052)	-	(90,690)	(200,000)	(230,786)	-	
\$ (5,800,066)	\$ (1,660,420)	\$ 388,548	\$ 1,140,424	\$ (117,724)	\$ 503,050	
0.30	0.00	0.00	0.00	0.00	0.00	

**City of Clayton
Statistical Section
Property Tax Levies and Collections
Last Ten Fiscal Years**



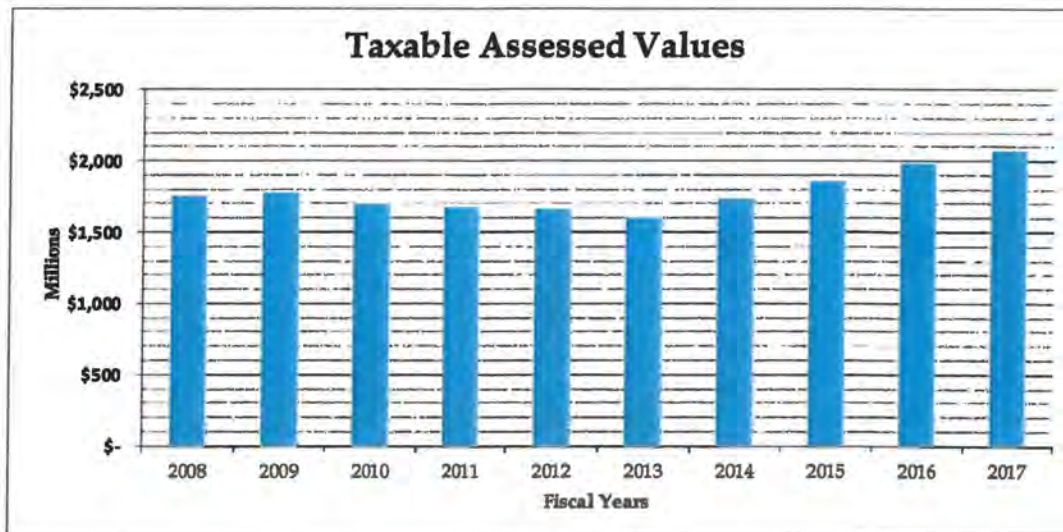
Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year ¹	Collected within the Fiscal Year of the Levy		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy
2008	8,048,633	8,048,633	100%	8,048,633	100%
2009	8,324,820	8,324,820	100%	8,324,820	100%
2010	7,887,132	7,887,132	100%	7,887,132	100%
2011	7,744,126	7,744,126	100%	7,744,126	100%
2012	5,560,049	5,560,049	100%	5,560,049	100%
2013	2,785,016	2,785,016	100%	2,785,016	100%
2014	2,985,083	2,985,083	100%	2,985,083	100%
2015	3,457,419	3,457,419	100%	3,457,419	100%
2016	3,442,431	3,442,431	100%	3,442,431	100%
2017	3,559,648	3,559,648	100%	3,559,648	100%

Source: City of Clayton Finance Department

¹ Property tax levies above include secured and unsecured general ad valorem property taxes, restricted local special parcel taxes, and property taxes pertaining to the Redevelopment Property Tax Trust Fund.

² The City is enrolled in the "Teeter" Plan, where the County remits the entire amount levied and handles all delinquencies, retaining the interest and penalties.

**City of Clayton
Statistical Section
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**



Fiscal Year Ended June 30	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value ¹	Total Direct Tax Rate ²
2008	1,761,363,867	13,323,228	(18,126,312)	1,756,560,783	6.63%
2009	1,780,810,280	14,218,796	(17,225,439)	1,777,803,637	6.63%
2010	1,704,371,809	14,588,786	(18,528,868)	1,700,431,727	6.63%
2011	1,687,208,244	14,380,321	(17,527,630)	1,684,060,935	6.63%
2012	1,676,316,147	13,194,496	(16,982,695)	1,672,527,948	6.63%
2013	1,606,989,943	12,189,840	(14,643,598)	1,604,536,185	6.63%
2014	1,744,417,127	12,046,811	(19,675,848)	1,736,788,090	6.63%
2015	1,876,194,760	10,508,680	(20,326,859)	1,866,376,581	6.63%
2016	1,985,421,872	24,343,422	(19,474,702)	1,990,290,592	6.63%
2017	2,072,704,054	24,620,821	(20,100,716)	2,077,224,159	6.63%

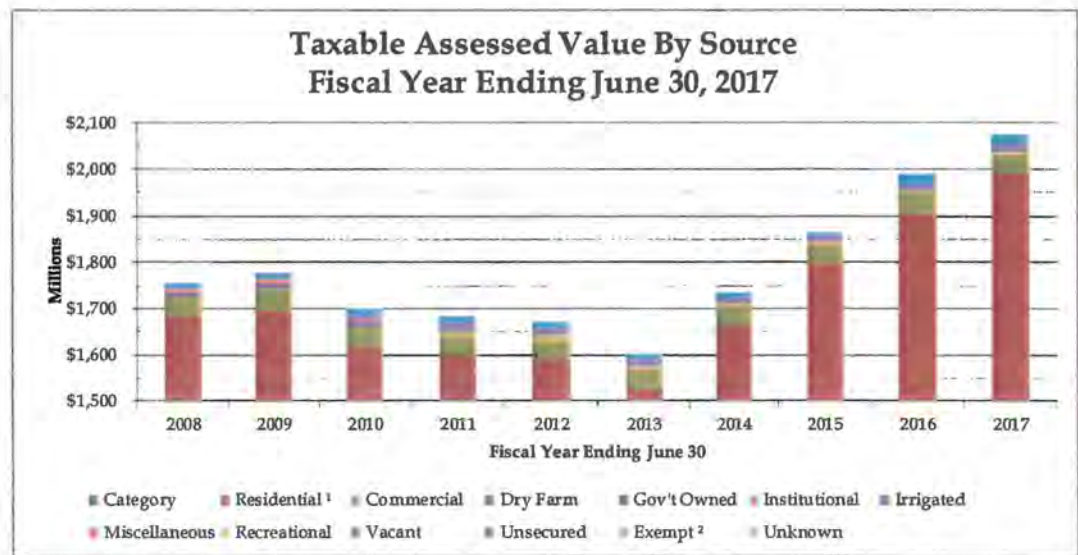
Source: HdL, Coren & Cone, Contra Costa County Assessor Tax Rolls

¹ In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a maximum rate of 1.0% based up on the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to the maximum increase of 2.0%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

² City's share of 1.0% basic levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. Tax Rate Area 13-015 is represented here for this report.

**City of Clayton
Statistical Section
Taxable Assessed Value By Source
Last Ten Fiscal Years**

Category	Fiscal Year Ending June 30			
	2008	2009	2010	2011
Residential ¹	\$ 1,683,144,341	\$ 1,695,716,043	\$ 1,614,703,437	\$ 1,597,474,855
Commercial	43,500,436	48,297,093	50,144,750	40,404,166
Dry Farm	10,399,627	10,662,893	10,795,293	
Gov't Owned		260,000		
Institutional	5,053,547	6,616,231	3,586,731	2,379,553
Irrigated				
Miscellaneous	110,034	112,233	114,477	188,471
Recreational	2,291	2,336	2,382	12,208,926
Vacant	1,036,934	1,919,022	6,502,767	17,024,643
Unsecured	13,313,573	14,127,815	14,600,992	14,364,972
Exempt ²	(22,946,330)	(23,326,090)	(24,848,773)	(2,431,150)
Unknown	-	14,353	-	-
Totals	\$ 1,756,560,783	\$ 1,777,728,019	\$ 1,700,450,829	\$ 1,684,045,586
Total Direct Rate	0.34470	0.35383	0.35189	0.35104



Source: HdL, Coren & Cone, Contra Costa County Assessor Tax Rolls

¹ In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a maximum rate of 1.0% based up on the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to the maximum increase of 2.0%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

² Exempt values are not included in total.

Fiscal Year Ending June 30						
	2012	2013	2014	2015	2016	2017
\$	1,587,781,869	\$ 1,525,145,282	\$ 1,664,638,727	\$ 1,797,596,765	\$ 1,904,368,929	\$ 1,988,952,192
	39,281,102	42,498,296	39,271,189	38,942,508	41,544,210	41,858,935
	2,412,183	2,460,428	2,509,634	2,521,025	2,571,392	2,610,603
	124,224	126,707	129,240			
	477,430	764,183	197,555	198,449	202,412	205,496
	12,900,848	5,364,139	5,364,585	5,364,688	5,365,145	6,302,648
	17,047,319	16,082,455	12,630,349	11,329,374	11,969,774	12,742,504
	13,098,203	12,107,626	12,046,811	10,423,772	24,268,730	24,551,781
	(24,066,321)	(24,547,599)	(25,038,500)	(26,156,667)	(26,679,230)	(27,086,036)
	-	-	-	-	-	-
\$	1,672,523,178	\$ 1,604,549,116	\$ 1,736,788,090	\$ 1,866,376,581	\$ 1,990,290,592	\$ 2,077,224,159
	0.34460	0.34145	0.06992	0.06587	0.06627	0.06642

**City of Clayton
Statistical Section
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years (Rate per \$100 of Assessed Value)**

	Fiscal Year Ending June 30			
	2008	2009	2010	2011
City Direct Rates:				
City of Clayton General Fund ¹	0.06628	0.06628	0.06628	0.06628
Clayton Light Maintenance District No. 1 ²	0.01039	0.01039	0.01039	0.01039
Direct and Overlapping Rates:				
Basic Levy ³	1.00000	1.00000	1.00000	1.00000
Bay Area Rapid Transit (BART) Bond	0.00760	0.00900	0.00570	0.00310
Contra Costa Community College Bond	0.01080	0.00660	0.01260	0.01330
Contra Costa Water Land Levy	0.00390	0.00410	0.00480	0.00490
East Bay Regional Park Bond	0.00800	0.01000	0.01080	0.00840
Mt. Diablo School Bond	0.04240	0.04550	0.04930	0.06000
Total Direct and Overlapping Rates	1.07270	1.07520	1.08320	1.08970
City's Share of 1% Levy Per Prop 13 ³	0.06628	0.06628	0.06628	0.06628
Redevelopment Rate ⁴	1.01190	1.01410	1.01560	1.01330
Total Direct Rate⁵	0.34470	0.35383	0.35189	0.35104

Source: HdL, Coren & Cone, Contra Costa County Assessor 2007-08 to 2016-17 tax rate table.

¹ City's share of 1.0% basic levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. Tax Rate Area 13-015 is represented here for this report.

² City's share of 1.0% basic levy is based on the City's share of the Light Maintenance District No. 1 tax rate area with the largest net taxable value within the City. Tax Rate Area 13-002 is represented here for this report.

³ In 1978, California voters passed Proposition 13 which caps the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of voter approved bonds from various agencies.

⁴ Redevelopment rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012-13 and years thereafter.

⁵ Total direct rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013-14 the total direct rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012-13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Fiscal Year Ending June 30					
2012	2013	2014	2015	2016	2017
0.06628	0.06628	0.06628	0.06628	0.06628	0.06628
0.01039	0.01039	0.01039	0.01039	0.01039	0.01039
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.00410	0.00430	0.00750	0.00450	0.00260	0.00800
0.01440	0.00870	0.01330	0.02520	0.02200	0.01200
0.00510	0.00450	0.00420	0.00370	0.00350	0.00320
0.00710	0.00510	0.00780	0.00850	0.00670	0.00320
0.06120	0.08710	0.07400	0.08530	0.08120	0.07640
<u>1.09190</u>	<u>1.10970</u>	<u>1.10680</u>	<u>1.12720</u>	<u>1.11600</u>	<u>1.10280</u>
0.06628	0.06628	0.06628	0.06628	0.06628	0.06628
1.01220	-	-	-	-	-
0.34460	0.34145	0.06992	0.06587	0.06627	0.06642

**City of Clayton
Statistical Section
Principal Property Tax Payers
Current Year and Nine Years Ago**

Property Owner	Primary Use, Primary Agency	Fiscal Year Ending June 30, 2008		
		Secured		
		Parcels	Value	% of Net AV
1) NGP Realty Sub	Commercial, Successor Agency	17	\$ 11,745,467	0.69%
2) Safeway Stores, Inc ¹	Commercial, Successor Agency	1	10,886,947	0.62%
3) Clayton Station Shopping Center ¹	Commercial, Successor Agency	4	8,827,929	0.51%
4) Albert D. Jr. & Sandra Seeno Trust	Dry Farm, Clayton General Fund	1	7,427,325	0.43%
5) Comcast	Unsecured, Successor Agency	-	-	-
6) Pine Hollow Group LP	Residential, Successor Agency	5	3,510,961	0.20%
7) Matthew J. Mazzei Trust	Residential, Clayton General Fund	4	2,839,693	0.16%
8) Seminary LLC	Commercial, Successor Agency	1	2,653,020	0.15%
9) Village Oaks LLC	Commercial, Successor Agency	2	2,530,556	0.15%
10) Ocean West Nevada Corporation	Residential, Clayton General Fund	1	2,190,629	0.13%
Top Ten Total		36	\$ 52,612,527	3.04%
City Total			\$ 1,743,247,210	

Property Owner	Primary Use, Primary Agency	Fiscal Year Ending June 30, 2017		
		Secured		
		Parcels	Value	% of Net AV
1) Comcast	Unsecured, Clayton General Fund	-	\$ -	-
2) Safeway Stores, Inc ¹	Commercial, Successor Agency	1	10,967,794	0.53%
3) Clayton Station Shopping Center ¹	Commercial, Successor Agency	4	9,991,189	0.49%
4) Albert D. Jr. & Sandra Seeno Trust	Vacant, Clayton General Fund	1	7,900,000	0.38%
5) AGC Realty LLC	Recreational, Successor Agency	19	6,302,055	0.31%
6) Endashian, LLC	Commercial, Successor Agency	1	3,535,431	0.17%
7) William P. Jordan Trust	Residential, Successor Agency	4	2,934,607	0.14%
8) Village Oaks, LLC	Commercial, Successor Agency	2	2,916,547	0.14%
9) David & Heather Sorensen	Residential, Clayton General Fund	3	2,654,828	0.13%
10) Ocean West Nevada Corporation	Commercial, Successor Agency	1	2,479,293	0.12%
Top Ten Total		36	\$ 49,681,744	2.41%
City Total			\$ 2,052,672,378	

Source: HdL, Coren & Cone, Contra Costa County Assessor 2007-08 & 2016-17 Combined Tax Rolls & the SBE Non-Urinary Tax Roll

¹ Pending Appeals on Parcels

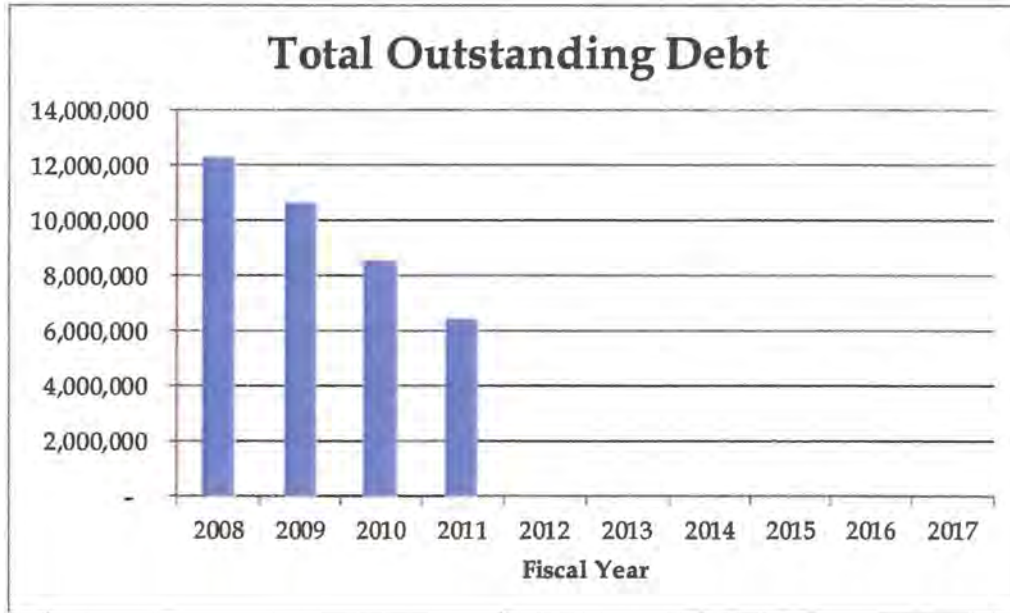
Fiscal Year Ending June 30, 2008

Parcels	Unsecured		Combined	
	Value	% of Net AV	Value	% of Net AV
-	\$ -	-	\$ 11,745,467	0.67%
-	-	-	10,886,947	0.62%
-	-	-	8,827,929	0.50%
-	-	-	7,427,325	0.42%
4	4,795,905	36.02%	4,795,905	0.27%
-	-	-	3,510,961	0.20%
-	-	-	2,839,693	0.16%
-	-	-	2,653,020	0.15%
-	-	-	2,530,556	0.14%
-	-	-	2,190,629	0.12%
4	\$ 4,795,905	38.84%	\$ 57,408,432	3.25%
	\$ 13,313,573		\$ 1,756,560,783	

Fiscal Year Ending June 30, 2017

Parcels	Unsecured		Combined	
	Value	% of Net AV	Value	% of Net AV
7	\$ 15,508,086	63.16%	\$ 15,508,086	0.75%
-	-	-	10,967,794	0.53%
-	-	-	9,991,189	0.48%
-	-	-	7,900,000	0.38%
1	773,394	3.15%	7,075,449	0.34%
-	-	-	3,535,431	0.17%
-	-	-	2,934,607	0.14%
-	-	-	2,916,547	0.14%
1	27,809	0.11%	2,682,637	0.13%
-	-	-	2,479,293	0.12%
9	\$ 16,309,289	66.42%	\$ 65,991,033	3.18%
	\$ 24,551,781		\$ 2,077,224,159	

**City of Clayton
Statistical Section
Ratios of Debt Outstanding
Last Ten Fiscal Years**



Fiscal Year Ended June 30	Tax Allocation Bonds¹	Percentage of Total Assessed Value	Percent of Personal Income	Per Capita
2008	12,345,000	0.703%	2.127%	1,151
2009	10,685,000	0.601%	1.813%	991
2010	8,640,000	0.508%	1.503%	795
2011	6,445,000	0.383%	1.113%	588
2012	-	0.000%	0.000%	-
2013	-	0.000%	0.000%	-
2014	-	0.000%	0.000%	-
2015	-	0.000%	0.000%	-
2016	-	0.000%	0.000%	-
2017	-	0.000%	0.000%	-

Source: City of Clayton Finance Department.

¹ The balance of Tax Allocation Bonds was transferred to the Redevelopment Successor Agency as of February 1, 2012.

**City of Clayton
Statistical Section
Computation of Direct and Overlapping Debt
Last Ten Fiscal Years**

Overlapping Debt	Gross Bonded Debt Balance	Percent Applicable to City	Net Bonded Debt
100300 Pension Obligation Bond	\$ 185,830,000	1.137	\$ 2,112,294
100300 CCC PFA 1998A Lease Revenue Bonds	11,555,000	1.137	131,343
100300 CCC PFA 1999A Lease Revenue Bonds	9,050,000	1.137	102,870
100300 CCC PFA 2002A Lease Revenue Bonds	6,185,000	1.137	70,304
100300 CCC PFA 2002B Lease Revenue Bonds	2,825,000	1.137	32,111
100300 CCC PFA 2003A Lease Revenue Bonds	5,065,000	1.137	57,573
100300 CCC PFA 2007A Lease Revenue Bonds	121,185,000	1.137	1,377,487
100300 CCC PFA 2007B Lease Revenue Bonds	3,655,000	1.137	41,546
100300 CCC PFA 2009A Lease Revenue Bonds	13,738,985	1.137	156,168
100300 CCC PFA 2010A-1 Lease Revenue Bonds	3,120,000	1.137	35,464
100300 CCC PFA 2010A-2 Lease Revenue Bonds	13,130,000	1.137	149,246
100300 CCC PFA 2010A-3 Lease Revenue Bonds	20,700,000	1.137	235,293
100300 CCC PFA 2010B Lease Revenue Bonds	11,170,000	1.137	126,967
100300 CCC PFA 2012 Lease Revenue Bonds	9,839,621	1.137	111,845
100300 CCC PFA 2015A&B Lease Revenue Bonds	63,090,000	1.137	717,132
100300 CCC PFA 2017A Lease Revenue Bonds	99,810,000	1.137	1,134,521
100300 CCC PFA 2017B Lease Revenue Bonds	100,285,000	1.137	1,139,921
202000 Contra Costa Fire	75,540,000	2.476	1,869,999
400900 BART	250,836,245	1.137	2,851,208
402700 East Bay Regional Park Bond	53,895,650	1.137	612,622
759500 Mt Diablo 2002 Bond	310,025,000	5.568	17,260,857
759600 Mt Diablo 2010 Bond	318,515,433	5.568	17,733,568
792100 Contra Costa Community College 2002 Bond	174,490,000	1.141	1,990,765
792200 Contra Costa Community College 2006 Bond	291,710,000	1.141	3,328,134
792300 Contra Costa Community College 2014 Bond	84,440,000	1.141	963,380
Total Overlapping Debt			\$ 54,342,618

2016-17 Assessed Valuation: \$1,419,840,121 after deducting \$657,357,551 incremental value.

Debt to Assessed Valuation Ratios:	Direct Debt	0.00%
	Overlapping Debt	3.83%
	Total Debt	3.83%

Source: HdL, Coren & Cone, Contra Costa County Assessor & Auditor combined 2016-17 lien date tax rolls.

This report reflects debt which is being repaid through voter-approved property tax indebtedness. It excludes mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation.

Overlapping governments are those that coincide at least in part, with the geographic boundaries of the city. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

**City of Clayton
Statistical Section
Legal Debt Margin
Last Ten Fiscal Years**

	Fiscal Year Ending June 30			
	2008	2009	2010	2011
Assessed valuation	\$ 1,756,560,783	\$ 1,777,803,637	\$ 1,700,431,727	\$ 1,684,060,935
Add back exempted real property	18,126,312	17,225,439	18,528,868	17,527,630
Total assessed valuation	\$ 1,774,687,095	\$ 1,795,029,076	\$ 1,718,960,595	\$ 1,701,588,565
Debt limit percentage ¹	3.75%	3.75%	3.75%	3.75%
Debt limit	\$ 66,550,766	\$ 67,313,590	\$ 64,461,022	\$ 63,809,571
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ -
Legal Debt margin	\$ 66,550,766	\$ 67,313,590	\$ 64,461,022	\$ 63,809,571
Total debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

Source: City of Clayton Finance Department.

¹ The government code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). Although the statutory debt limit has not been amended by the State since this change, the percentages presented in the above computations have been proportionately modified to 3.75% (25% of 15%) for the purpose of this calculation in order to be consistent with the computational effect of the debt limit at the time of the state's establishment of the limit.

Fiscal Year Ending June 30						
2012	2013	2014	2015	2016	2017	
\$ 1,672,527,948	\$ 1,604,536,185	\$ 1,736,788,090	\$ 1,866,376,581	\$ 1,990,290,592	\$ 2,077,224,159	
16,982,695	14,643,598	19,675,848	20,326,859	19,474,702	20,100,716	
\$ 1,689,510,643	\$ 1,619,179,783	\$ 1,756,463,938	\$ 1,886,703,440	\$ 2,009,765,294	\$ 2,097,324,875	
3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
\$ 63,356,649	\$ 60,719,242	\$ 65,867,398	\$ 70,751,379	\$ 75,366,199	\$ 78,649,683	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$ 63,356,649	\$ 60,719,242	\$ 65,867,398	\$ 70,751,379	\$ 75,366,199	\$ 78,649,683	
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

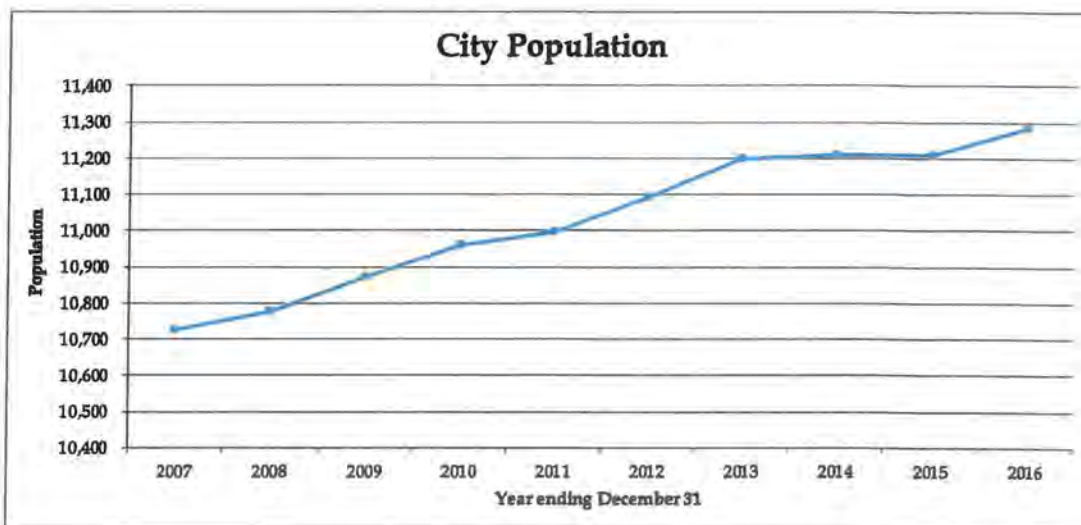
**City of Clayton
Statistical Section
Bonded Debt Pledged Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Tax Allocation Bonds			Coverage Ratio
	Debt Service ¹			
	Tax Increment	Principal	Interest	
2008	5,412,042	1,670,000	711,890	2.27
2009	5,725,617	1,660,000	624,765	2.51
2010	5,308,886	2,045,000	582,702	2.02
2011	5,238,304	2,195,000	435,005	1.99
2012	5,064,047	610,000	323,451	5.43
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-

Source: City of Clayton Finance Department.

¹ The balance of the tax allocation bonds was transferred to the Successor Agency as of February 1, 2012. Principal and interest payments are recorded through January 31, 2012.

**City of Clayton
Statistical Section
Demographic and Economic Statistics
Last Ten Fiscal Years**



Calendar Year	City Population ¹	Personal Income (in Thousands) ²	Per Capita Personal Income	Unemployment Rate ³	Contra Costa County Population ⁴	City Population % of County
2007	10,726	580,395	54,111	1.1%	1,042,341	1.03%
2008	10,777	589,374	54,688	1.5%	1,051,674	1.02%
2009	10,873	574,963	52,880	2.5%	1,060,435	1.03%
2010	10,962	579,254	52,842	2.8%	1,073,055	1.02%
2011	10,996	577,972	52,562	2.5%	1,056,064	1.04%
2012	11,093	562,914	50,745	1.7%	1,065,117	1.04%
2013	11,200	567,885	50,704	1.4%	1,074,702	1.04%
2014	11,209	581,063	51,839	5.4%	1,087,008	1.03%
2015	11,209	620,092	55,320	4.4%	1,102,871	1.02%
2016	11,284	628,783	55,723	3.9%	1,123,429	1.00%

¹ Source: HdL, Coren & Cone, Demographic and Economic Statistics Report.

² Source: Economic and Statistics Research Bureau of the State of California Franchise Tax Board. Reporting information for Franchise Tax Board's "process year" made available during each fiscal year.

³ Source: Labor Market Information Division of the State of California Employment Development Department.

⁴ Source: California State Department of Finance Price and Population Information letter to local governments.

**City of Clayton
Statistical Section
Full-Time Equivalent City Employees by Function
Last Ten Fiscal Years**

Function:	Fiscal Year Ending June 30			
	2008	2009	2010	2011
General Government:				
Management Services	2.00	2.00	2.00	2.00
Finance	2.30	2.30	2.30	2.30
City Clerk/Human Resources	1.00	1.00	1.00	1.00
	<u>5.30</u>	<u>5.30</u>	<u>5.30</u>	<u>5.30</u>
Public Safety:				
Sworn Officers	11.00	11.00	11.00	11.00
Non-Sworn/ Administration	2.00	2.00	2.00	2.00
	<u>13.00</u>	<u>13.00</u>	<u>13.00</u>	<u>13.00</u>
Public Works¹	3.60	3.50	3.60	3.70
Parks & Recreation¹	1.40	1.50	1.40	1.30
Community & Economic Development:				
Planning Services	2.00	2.00	2.00	1.60
Code Enforcement	0.30	0.30	0.30	0.30
	<u>2.30</u>	<u>2.30</u>	<u>2.30</u>	<u>1.90</u>
Totals	<u>25.60</u>	<u>25.60</u>	<u>25.60</u>	<u>25.20</u>

Source: City of Clayton Finance Department, Adopted Budgets.

¹ Full-time equivalent figure for maintenance personnel allocated to public works and parks & recreation functions based on actual historical labor distributions.

Fiscal Year Ending June 30					
2012	2013	2014	2015	2016	2017
2.00	2.00	2.00	2.00	2.00	2.00
2.30	2.30	2.30	2.30	2.30	2.30
1.00	1.00	1.00	1.00	1.00	1.00
5.30	5.30	5.30	5.30	5.30	5.30
11.00	11.00	11.00	11.00	11.00	11.00
2.00	2.00	2.00	2.00	2.00	2.00
13.00	13.00	13.00	13.00	13.00	13.00
3.50	3.40	3.10	3.50	4.00	3.80
1.50	1.60	1.90	1.50	1.00	1.20
1.60	1.60	1.60	1.60	1.60	1.60
0.30	0.30	0.30	0.30	0.30	0.30
1.90	1.90	1.90	1.90	1.90	1.90
25.20	25.20	25.20	25.20	25.20	25.20

**City of Clayton
Statistical Section
Operating Indicators by Function
Last Ten Fiscal Years**

Function:	Fiscal Year Ending June 30			
	2008	2009	2010	2011
Police:				
Police calls for service	*	*	*	*
Parking violations	*	*	*	*
Traffic citations	*	*	*	*
Physical arrests	249	267	277	255
Public Works:				
Storm drains inspected	*	*	*	*
Trees trimmed	*	*	*	*
Park maintenance (acres)	*	*	*	*
Street signs maintained	*	*	*	*
Traffic signals maintained	*	*	*	*
Streetlights maintained	*	*	*	*
Parks and Recreation Services:				
Endeavor Hall rentals (days)	*	*	*	*
Hoyer Hall rentals	*	*	*	*
Ballfields (hours rented)	*	*	*	*
Community and Economic Development:				
Planning permits issued	*	*	*	*
Code enforcement cases closed	*	*	*	*
Building permits issued	386	267	277	255
General Government:				
Business licenses issued	*	*	*	*
Home occupation applications	*	*	*	*
Number of recruitments	*	*	*	*

Source: Clayton Finance Department, Contra Costa County Building Department, Clayton Planning Department, Clayton Police Department, Clayton Maintenance Department.

* Fiscal year ending June 30, 2016 was the first year of CAFR implementation for the City, this historical data not readily available.

Fiscal Year Ending June 30

2012	2013	2014	2015	2016	2017
*	5,962	5,858	7,303	6,730	6,650
*	125	40	53	53	151
*	585	664	653	518	494
182	201	137	200	219	150
*	*	*	*	500	500
*	*	*	*	70	70
*	*	*	*	19.07	19.07
*	*	*	*	350	350
*	*	*	*	13	13
*	*	*	*	1,200	1,200
*	*	*	*	135	144
*	*	*	*	33	53
*	*	*	*	1,512	1,170
*	*	*	*	161	107
*	*	*	*	61	93
182	201	376	430	386	403
*	*	547	707	645	777
*	*	*	*	20	16
*	*	*	*	5	3

**City of Clayton
Statistical Section
Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function:	Fiscal Year Ending June 30			
	2008	2009	2010	2011
Public Safety:				
Police stations	1	1	1	1
Patrol units	*	*	*	*
Trailers/Trucks	*	*	*	*
Public Works:				
City owned parking lots	6	6	6	6
Community facilities	*	*	*	*
Curb lane miles	*	*	*	*
Manholes	*	*	*	*
Miles of storm drains	*	*	*	*
Number of catch basins	*	*	*	*
Number of street islands/medians	*	*	*	*
Miles of "v" ditches	*	*	*	*
Parking meters	0	0	0	0
Street signs	*	*	*	*
Streetlights (City owned)	*	*	*	*
Tractors/Trailers	*	*	*	*
Traffic signals (intersections)	*	*	*	*
Work trucks	*	*	*	*
Parks and Recreation Services:				
Acres of city parks	19.07	19.07	19.07	19.07
Acres of landscaped area (excl. parks)	46	46	46	46
Acres of open space	515.51	515.51	515.51	515.51
Acres of parks and irrigation	50	50	50	50
Miles of creekside trails	7	7	7	7
Miles of open space trails	20	20	20	20
Number of city parks	7	7	7	7
Number of city trees	3,000	3,000	3,000	3,000
Number of pedestrian bridges	9	9	9	9
Number of children playgrounds	4	4	4	4
Number of playfields	4	4	4	4

Source: Clayton Finance Department; Annual Stormwater Report; City Engineer.

* Fiscal year ending June 30, 2016 was the first year of CAFR implementation for the City, this historical data not readily available.

Fiscal Year Ending June 30

2012	2013	2014	2015	2016	2017
1	1	1	1	1	1
*	*	*	8	10	11
*	*	*	2	2	2
6	6	6	6	6	6
*	*	*	3	3	3
*	*	*	*	82	82
*	*	*	*	162	162
*	*	*	*	32.479	32.479
*	*	*	*	968	968
*	*	*	*	50	50
*	*	*	*	15	15
0	0	0	0	0	0
*	*	*	*	2,000	2,000
*	*	*	*	500	500
*	*	*	11	12	13
*	*	*	13	13	13
*	*	*	8	8	8
19.07	19.07	19.07	19.07	19.07	19.07
46	46	46	46	46	46
515.51	515.51	515.51	515.51	515.51	515.51
50	50	50	50	50	50
7	7	7	7	7	7
20	20	20	20	20	20
7	7	7	7	7	7
3,000	3,000	3,000	3,000	3,000	3,000
9	9	9	9	9	9
4	4	4	4	4	4
4	4	4	4	4	4

**City of Clayton
Statistical Section
Miscellaneous Statistical Data
For the Year Ended June 30, 2017**

General Information:

Date of Incorporation	March 18, 1964
Form of Government	Council-Manager
Population	11,284
Number of authorized City employees	25.20
Median age	46.7
Median household income	\$140,050
Registered voters	7,901
Area in square miles	4.3

Miles of Streets:

Lane miles	44.9
Pavement condition index	85

Fire Protection (CalFire Services Clayton)

Number of stations	1
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Police Protection

Number of stations	1
Number of patrol vehicles	11
Number of sworn personnel	11

Education

Elementary Schools:	1
Mt Diablo Elementary	
Middle Schools:	1
Diablo View Middle School	

Library (Contracted with Contra Costa County)

Number of libraries	1
Number of items	61,368

Parks & Community Facilities

Park sites	7
Park acreage	19.07
Open space acreage	515.51
Open space trail miles	20
Creekside trail miles	7
Endeavor Hall	1
Hoyer Hall (in the library)	1
City Hall Conference Room	1

Source: City of Clayton Finance Department, Contra Costa County Library, City of Clayton City Clerk, HdL "Demographic and Economics Statistics" Report for calendar year 2016, US Census.

ADDITIONAL REPORTS



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Walnut Creek, CA 94598
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council
City of Clayton, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Clayton as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of Clayton's basic financial statements, and have issued our report thereon dated September 22, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cropper Accountancy Corporation

Cropper Accountancy Corporation

Walnut Creek, California

September 22, 2017



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September 22, 2017
Clayton City Council
6000 Heritage Trail
Clayton, California 94517

To the Clayton City Council:

We have audited the financial statements of the City of Clayton as of and for the year ended June 30, 2017, and have issued our report thereon dated September 22, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 18, 2017, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City of Clayton solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

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

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City of Clayton is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- The pension requirements (GASB No. 68 and No. 71) are actuarially determined and have resulted in reported deferred outflows of \$1,600,976, deferred inflows of (\$355,289), and a net pension liability of (\$4,413,357), which are based on various actuarial assumptions. Additional information is found in Note 11 as well as in the Required Supplementary Information section.
- The Other Post Employment Benefit (OPEB) data is provided in Note 12. The actuarial assumptions may change, which could revise the annual required contribution (ARC) needed to amortize the unfunded liability of (\$142,547).
- GASB No. 72 was implemented during the year ended June 30, 2016, and requires that investments be recorded at fair value. The valuation of municipal bonds held by the fiduciary funds uses Level 3 inputs which approximate cost. See Notes 1 and 2 of the financial statements.

We evaluated the key factors and assumptions used to develop the sensitive accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City of Clayton's financial statements relate to:

- The disclosure of the Pension Plan benefits payable. As disclosed in Note 11 to the financial statements, the Pension Plan benefits payable calculation is very sensitive to the assumed discount rate. If the assumed 7.5% rate is not achieved, the Pension Plan benefits payable could increase significantly.
- The disclosure of the Other Post Employment Benefits (OPEB) payable. In Note 12 to the financial statements, the annual required contribution (ARC) of the City was determined to be \$55,433, the interest on the net OPEB obligation was \$5,182 and there was an adjustment to ARC of (\$7,204). Total contributions totaled \$40,408 (including \$31,372 paid by retirees), which resulted in an ending net OPEB obligation of \$142,547 which was booked as a long term liability in the financial statements.
- The disclosure of the gain contingency in Note 14 to the financial statements. The City has listed the Downtown Vacant Lot for sale and entered into exclusive negotiation agreements. Although those negotiations did not result in the sale of the Vacant Lot it is reasonably possible a sale will be completed; the result of which would likely be a material gain to the City.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. The schedule on page 5 details material misstatements detected as a result of audit procedures that was corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City of Clayton's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the letter dated September 22, 2017.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City of Clayton, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City of Clayton's auditors.

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

Cropper Accountancy Corporation

Cropper Accountancy Corporation
Walnut Creek, California

Engagement: *City of Clayton 2017*
 Period Ending: *6/30/2017*
 Workpaper: *TB 02 - Clayton AJE Report*

Account	Description	Debit	Credit
Adjusting Journal Entry JE # 1			
Client Accomodation Entry: Book accounts receivable received after the audit has started.			
101-1300-00	Accounts Receivable Accruals	14,314.02	
101-4301-00	Sales and Use Tax		14,314.02
Total		<u>14,314.02</u>	<u>14,314.02</u>
Adjusting Journal Entry JE # 2			
BR- Reclassification of immaterial expense coded to Legal Services, should have been coded to CIP Project Expense as it deals with the El Molino CIP.			
303-7520-00	CIP Project Expenses	1,705.42	
303-7411-00	Legal Services Retainer		1,705.42
Total		<u>1,705.42</u>	<u>1,705.42</u>
Adjusting Journal Entry JE # 4			
Client Accomodation Entry - Reclassify the paying agent fee			
222-7613-00	Paying Agent Fee	500.00	
222-7612-00	Interest Expense		500.00
Total		<u>500.00</u>	<u>500.00</u>
Adjusting Journal Entry JE # 5			
BR - True up accrued interest receivable for the CFD 1990-1 note.			
422-5601-00	Interest	4,036.00	
422-1305-00	Accrued Interest Receivable		4,036.00
Total		<u>4,036.00</u>	<u>4,036.00</u>
Adjusting Journal Entry JE # 6			
Client accomodation/BR - True up amount due from City of Concord for project costs			
303-1303-00	Accounts Receivable	33,859.92	
303-1303-00	Accounts Receivable		26,280.01
303-5220-00	Restricted Grants		7,579.91
Total		<u>33,859.92</u>	<u>33,859.92</u>



Approved:

Gary A. Napper
City Manager

STAFF REPORT

TO: HONORABLE MAYOR AND COUNCIL MEMBERS

FROM: MINDY GENTRY, COMMUNITY DEVELOPMENT DIRECTOR *MGB*

DATE: OCTOBER 17, 2017

SUBJECT: SECOND READING AND ADOPTION OF AN ORDINANCE AMENDING CHAPTER 15.09 OF THE CLAYTON MUNICIPAL CODE AND ADOPTING BY REFERENCE THE 2016 EDITION OF THE CALIFORNIA FIRE CODE WITH CHANGES, ADDITIONS, AND DELETIONS (ZOA-05-17)

RECOMMENDATIONS

It is recommended the City Council consider all information provided and submitted, and take and consider all public testimony and, if determined to be appropriate, take the following actions:

1. Motion to have a Second Reading of Ordinance No. 478 by title and number only and waive further reading; and
2. Following the City Clerk's reading; by motion adopt Ordinance No. 478 to amend the Clayton Municipal Code Chapter 15.09 in order to implement the 2016 Fire Code with local changes, additions, and deletions (ZOA-05-17) (**Attachment 1**).

BACKGROUND

On October 3, 2017, the City Council introduced the subject ordinance, which proposes to amend Clayton Municipal Code Chapter 15.09, in order to implement the 2016 Fire Code with local, changes, and deletions (**Attachment 2**). No changes were made to the Ordinance at the October 3, 2017 hearing.

ENVIRONMENTAL

This Ordinance is not subject to California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15060(c)(3) because this activity is not a project as defined by Section 15378 of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, and pursuant to CEQA Guidelines Section 15061(b)(3) it can be seen with certainty that this activity will not have a significant effect or physical change to the environment.

FISCAL IMPACT

There is no direct fiscal impact as the Contra Costa County Fire Protection District will coordinate the implementation of the 2016 Fire Code within the city of Clayton.

ATTACHMENTS

1. Ordinance No. 478 with the following Exhibits: [27 pp.]
 - Exhibit A – Clayton Municipal Code Section 15.09 with the 2016 Fire Code amendments
 - Exhibit B – Findings of Fact
2. Excerpt from the Staff Report from the October 3, 2017 City Council Meeting [3 pp.]

ATTACHMENT 1

ORDINANCE NO. 478

AN ORDINANCE AMENDING CHAPTER 15.09 OF THE CLAYTON MUNICIPAL CODE AND ADOPTING BY REFERENCE THE 2016 CALIFORNIA FIRE CODE WITH LOCAL CHANGES, ADDITIONS, AND DELETIONS (ZOA-05-17)

**THE CITY COUNCIL
City of Clayton, California**

THE CITY COUNCIL OF THE CITY OF CLAYTON DOES HEREBY FIND AS FOLLOWS:

WHEREAS, the California Building Standards Commission has adopted the 2016 California Fire Code, which became effective on January 1, 2017; and

WHEREAS, the Contra Costa County Fire Protection District (“District”) is authorized pursuant to Health and Safety Code Section 13869.7 to adopt building standards relating to fire safety that are more stringent than the building standards adopted by the State Fire Marshal and contained in the California Building Standards Code; and

WHEREAS, the City of Clayton (“City”) has elected to receive health and fire safety services from the District; and

WHEREAS, on November 1, 2016, the District held a public hearing and adopted Ordinance No. 2016-23 (“District Fire Code Ordinance”) adopting and amending the 2016 California Fire Code and appendices thereto; and

WHEREAS, the District has transmitted the District Fire Code Ordinance to the City for ratification, pursuant to Health & Safety Code Section 13869.7; and

WHEREAS, Health & Safety Code Section 13869.7 provides the District Fire Code Ordinance will only take effect upon the City’s ratification of the District Fire Code Ordinance; and

WHEREAS, the City Council has examined the District Fire Code Ordinance and finds it provides consistency in the application and enforcement of building and housing standards with an emphasis on local needs, and with the goal of protecting lives and property from fire damage; and

WHEREAS, the City Council desires to ratify the District Fire Code Ordinance; and

WHEREAS, the City Council desires to delegate the enforcement of the District Fire Code Ordinance to the District’s Fire Official, or his or her authorized representative; and

WHEREAS, notice of a public hearing on this ordinance was published in the East Bay Times on September 22, 2017 and again on September 29, 2017; and

WHEREAS, the City Council conducted its first reading of this ordinance on October 3, 2017; and

WHEREAS, the City Council held a noticed public hearing on October 17, 2017, as required by law, at which time the Council determined the adoption of the District Fire Code Ordinance and amendments thereto are in the best interest of the City, its residents, property owners and business owners, and are based on the findings required by law; and

WHEREAS, the City Council has reviewed all written evidence and oral testimony presented to date on this matter.

THE CITY COUNCIL OF THE CITY OF CLAYTON DOES HEREBY FIND AS FOLLOWS:

Section 1. The above recitals are true and correct and hereby incorporated into this Ordinance.

Section 2. Purpose, Intent, and Findings

This ordinance is adopted by the City Council of the City of Clayton to adopt by reference the 2016 California Fire Code (California Code of Regulations, Title 24, Part, 9 [based on the 2015 International Fire Code published by the International Code Council]), including Chapters 1-10 and 12-80, Appendix B, Appendix C, Appendix D, Appendix F, Appendix H, Appendix I, Appendix J, and Appendix K, as amended by the changes, additions, and deletions that are necessary because of local climatic, geological, or topographical conditions, which are set forth in Exhibit A to this Ordinance and added to the Clayton Municipal Code as Chapter 15.09. As of the effective date of this Ordinance, the provisions of this Fire Code are controlling and enforceable within the limits of this jurisdiction and shall be enforced by the District and its Fire Official. Further, this Ordinance is adopted pursuant to Health and Safety Code Section 13869.7, and Government Code sections 50020 through 50022.10, based upon the findings set forth in attached Exhibit B, which are incorporated herein by reference.

Section 3. Amendments to Clayton Municipal Code

Chapter 15.09 of the Clayton Municipal Code is hereby amended and restated in its entirety as provided in Exhibit "A" attached hereto and incorporated herein by reference.

Section 4. Action to Challenge This Ordinance

Any action or proceeding to attack, review, set aside, void or annul this ordinance must be commenced and the service made on the City no later than ninety (90) days after its effective date.

Section 5. Conflicting Ordinances Repealed

Any ordinance or part thereof, or regulations in conflict with the provisions of this Ordinance, are hereby repealed. The provisions of this Ordinance shall control with regard to any provision of the Clayton Municipal Code that may be inconsistent with the provisions of this Ordinance.

Section 6. Severability

If any section, subsection, sentence, clause, or phrase of this Ordinance, or the application thereof to any person or circumstances, is held to be unconstitutional or to be otherwise invalid by any court of competent jurisdiction, such invalidity shall not affect other provisions or clauses of this Ordinance or application thereof which can be implemented without the invalid provisions, clause, or application, and to this end such provisions and clauses of the Ordinance are declared to be severable.

Section 7. CEQA

The City Council hereby determines this Ordinance is not subject to the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15060(c)(3) because this activity is not a project as defined by Section 15378 of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, and pursuant to CEQA Guidelines Section 15061(b)(3) it can be seen with certainty that this activity will not have a significant effect or physical change to the environment.

Section 8. Effective Date and Publication

This Ordinance shall become effective thirty (30) days from and after its passage. Within fifteen (15) days after the passage of the Ordinance, the City Clerk shall cause it to be posted in three (3) public places heretofore designated by resolution by the City Council for the posting of ordinances and public notices. Further, the City Clerk is directed to cause the amendments adopted in Section 3 of this Ordinance to be entered into the City of Clayton Municipal Code.

Section 9. Penalty for Violations

Any violation of this Ordinance shall be subject to applicable provisions of Clayton Municipal Code Section 1.20.010. Penalty for Violations - Infractions and Misdemeanors.

The foregoing Ordinance was introduced at a regular noticed public meeting of the City Council of the City of Clayton held on October 3, 2017.

Passed, adopted, and ordered posted by the City Council of the City of Clayton at a regular public meeting thereof following a public hearing held on October 17, 2017 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

THE CITY COUNCIL OF CLAYTON, CA

Jim Diaz, Mayor

ATTEST

Janet Brown, City Clerk

APPROVED AS TO FORM

APPROVED BY ADMINISTRATION

Malathy Subramanian, City Attorney

Gary A. Napper, City Manager

I hereby certify that the foregoing Ordinance was duly introduced at a noticed regular meeting of the City Council of the City of Clayton held on October 3, 2017 and was duly adopted, passed, and ordered posted following a noticed public hearing at a regular meeting of the City Council held on October 17, 2017.

Janet Brown, City Clerk

Attachments:

Exhibit A: Amended Chapter 15.09 of the Clayton Municipal Code

Exhibit B: Findings for Adoption of Ordinance No. 478

EXHIBIT A

CHAPTER 15.09

2016 CALIFORNIA FIRE CODE WITH AMENDMENTS

Sections:

15.09.001	Adoption.
15.09.002	Amendments
15.09.003	Repeal of 2013 Fire Code
15.09.004	References to Prior Code

15.09.001 Adoption.

The fire code of this City is the 2016 California Fire Code (California Code of Regulations, Title 24, Part, 9 [based on the 2015 International Fire Code published by the International Code Council]), including Chapters 1-10 and 12-80, Appendix B, Appendix C, Appendix D, Appendix F, Appendix H, Appendix I, Appendix J, and Appendix K, as amended by the changes, additions and deletions set forth in this ordinance. The 2016 California Fire Code, with the changes, additions, and deletions set forth in this ordinance, is adopted by this reference as though fully set forth in this ordinance. As of the effective date of this Ordinance, the provisions of this Fire Code are controlling and enforceable within the City and shall be enforced by the Contra Costa County Fire Protection District and its Fire Official.

15.09.002 Amendments.

The 2016 California Fire Code is amended by the local changes, additions and deletions set forth in this chapter. Chapter and Section numbers used below are those of the 2016 California Fire Code.

Chapter 1. Scope and Administration.

Section 101.1 is amended to read:

101.1 Title. This code is the Fire Code of the City of Clayton, and is hereinafter referred to as "this code".

Section 102.1 is amended to add item 5, to read:

5. Where not otherwise limited by law, the provisions of this code shall apply to vehicles, ships, and boats that are permanently affixed to a specific location within the boundaries of this jurisdiction.

Section 105.6 is amended to read:

105.6 Required operational permits. The fire code official is authorized to issue operational permits for the operations set forth in Chapter 1, Sections 105.6.1 through 105.6.60.

Section 105.6.5 is amended to read:

105.6.5 Carnivals, Fairs, Festivals and Exhibitions. A permit is required to operate a carnival, fair, festival, or exhibition.

Section 105.6.31 is amended to read:

105.6.31 Motor Fuel Dispensing Facilities. An operational permit is required for the operation of automotive, marine, and fleet motor fuel dispensing facilities, as well as for sites that allow mobile fueling from a service provider to the general public.

Section 105.6 is amended by adding subsections 105.6.50 through 105.6.60, to read:

105.6.50 Asbestos removal. A permit is required to conduct asbestos-removal operations regulated by Section 3318.

105.6.51 Automobile Wrecking or Dismantling Yard. An operation permit is required for all automobile wrecking yards, automobile dismantling operations, and similar operations.

105.6.52 Battery systems. A permit is required to operate stationary lead-acid battery systems having a liquid capacity of more than 50 gallons (189 L) pursuant to Section 608.

105.6.53 Christmas tree sales. A permit is required to use a property for the purpose of selling cut Christmas trees.

105.6.54 Emergency Responder Radio Coverage. A permit is required for facilities with Emergency Responder Radio Coverage Systems.

105.6.55 Firework aerial display. A permit is required to conduct a firework display regulated by California Code of Regulations, Title 19 and Chapter 56 of this code.

105.6.56 Model rockets. A permit is required to sell model rocket motors or launch model rockets (in excess of 3 launches per event) pursuant to California Code of Regulations, Title 19, Division 1, Article 17. Permits issued in accordance with this section are for the site, and are effective as long as site conditions have not changed.

105.6.57 Temporary water supply. A permit is required to use a temporary water supply for construction of residential projects or subdivisions pursuant to Section 3312.1.

105.6.58 Tire storage. A permit is required to store more than 1,000 cubic feet (28.3m³) of tires inside buildings pursuant to Chapter 34.

105.6.59 Oil Extraction Process. A permit is required to operate a process that uses a volatile solvent or Liquid Carbon Dioxide to extract oil from organic material.

105.6.60 Indoor Growing Operation. A permit is required to operate an indoor growing operation.
Exception: Agricultural Greenhouses in an agricultural zone.

Section 105.7 is amended to read:

105.7 Required construction permits. The fire code official is authorized to issue construction permits for the operations set forth in Chapter 1, Sections 105.7.1 through 105.7.21.

Section 105.7 is amended by adding sections 105.7.17 through 105.7.22, to read:

105.7.17 Access for fire apparatus. Plans shall be submitted and a permit is required to install, improve, modify, or remove public or private roadways, driveways, and bridges for which Fire District access is required by the Fire Code. A permit is required to install a gate across a fire apparatus access road pursuant to Section 503.

105.7.18 Construction, alteration, or renovation of a building for which a building permit is required. Plans shall be submitted to the fire code official for all land developments or for the construction, alteration, or renovation of a building within the jurisdiction where a building permit is required.

Exception: Non-sprinklered Group R-3 Occupancies where work does not involve a substantial addition or expansion.

105.7.19 Medical gas systems. A construction permit is required for the installation of or modification to a medical gas system pursuant to Section 5306.

105.7.20 Refrigeration equipment. A permit is required to install a mechanical refrigeration unit or system regulated by Chapter 6, and the California Mechanical Code.

105.7.21 Land Development, Subdivisions. Plans shall be submitted to the fire code official for all land developments or improvements proposed within the jurisdiction that involve the subdivision of land.

105.7.22 Water supply for fire protection. Plans shall be submitted to the fire code official for the purpose of determining whether adequate water supplies, fire hydrants, and associated systems are provided for all facilities, buildings, or portions of buildings either constructed or moved into the District pursuant to Section 507.

Section 105.8 is added, to read:

105.8 Responsibility of permittee. Construction permits shall be presumed by the Fire District to incorporate all of the work that the applicant or the applicant's agent, employees, or contractors shall carry out. Work performed shall be in accordance with the approved plans and with all requirements of this code and any other laws or regulations applicable thereto. No Fire District approval shall relieve or exonerate any person from the responsibility of complying with the provisions of this code nor shall any vested rights be created for any work performed in violation of this code.

Section 108.1 is amended to read:

108.1 Board of Appeals established. In order to hear and decide appeals of orders, decisions, or determinations made by the fire code official relative to the application and interpretation of this code, there is hereby created a board of appeals. The board of appeals is comprised of the Board of Directors.

Section 108.3 is deleted.

Section 109.4 is amended to read:

109.4 Violation penalties. Every person who violates any provision of this fire code is guilty of an infraction or misdemeanor in accordance with Health and Safety Code Section 13871 and Government Code Section 53069.4. The imposition of one penalty for any violation shall not excuse the violation or permit it to continue; and all such persons shall be required to correct or remedy such violations or defects within a reasonable time; and when not otherwise specified, each ten (10) days that prohibited conditions

are maintained shall constitute a separate offense. The application of the aforesaid penalty shall not be held to prevent the enforced removal of prohibited conditions.

Section 111.4 is amended to read:

111.4 Failure to comply. Any person who continues any work after having been served with a stop work order is subject to citation, except any work that a person is directed by the fire code official to perform to remove a violation or unsafe condition.

Chapter 2. Definitions

Section 202 is amended by adding the following definitions to that section:

Administrator. Fire Chief.

All-weather driving surface. A roadway with a minimum surface finish of one layer of asphalt or concrete that is designed to carry the imposed weight loads of fire apparatus.

Automobile Dismantling. The operation of dismantling or removing parts from salvaged vehicles including engines or engine parts.

Automobile Wrecking Yard. An area that stores or dismantles salvaged vehicles.

Board of Directors. The Contra Costa County Board of Supervisors as the governing body of the Crockett-Carquinez Fire Protection District and the Contra Costa County Fire Protection District.

Board of Fire Commissioners. An advisory commission appointed by the Board of Directors to act as set forth in this ordinance and by resolutions of the Board of Directors.

Cost of Abatement. Includes all expenses incurred by the jurisdiction in its work of abatement and administrative costs pursuant to Section 319.5 of this ordinance.

Defensible Space. The area within the perimeter of a parcel providing the key point of defense from an approaching wildland or escaping structure fire.

Driveway. A private roadway that provides access to no more than two (2) single-family dwellings.

Fire Code Official. In the Contra Costa County Fire Protection District, the Fire Code Official is the Fire Marshal. In the Crockett-Carquinez Fire Protection District, the Fire Code Official is the Fire Chief.

Firebreak. A continuous strip of land upon and from which all rubbish, weeds, grass, or other growth that could be expected to burn has been abated or otherwise removed in order to prevent extension of fire from one area to another.

Firetrail. A graded firebreak of sufficient width, surface, and design to provide access for personnel and equipment to suppress and to assist in preventing a surface extension of fires.

Nuisance Fire Alarm. The activation of any fire protection or alarm system which results in the response of the Fire District and is caused by malfunction, improper maintenance, negligence, or misuse of the

system by an owner, occupant, employee, or agent, or any other activation not caused by excessive heat, smoke, fire, or similar activating event.

Person. Includes individuals, firms, partnerships, and corporations.

Priority Hazard Zone. An area where the threat from wildfire is severe due to proximity to open space, topography, degree of space, density of homes and/or amount of vegetation (native and ornamental), and/or other conditions favorable to fast moving fires.

Reduced Fuel Zone. The area that extends from thirty (30) feet to one hundred (100) feet away from the structure, or to the property line, whichever is closer to the structure.

Response time. The elapsed time from receipt of call to the arrival of the first unit on scene.

Rubbish. Waste matter, litter, trash, refuse, debris, and dirt on streets or private property in the jurisdiction which is, or when dry may become, a fire hazard.

Rural area. An area generally designated for agricultural or open space uses with parcels more than 10 acres (4.046873ha) in size.

Rural residential area. An area generally designated for single family residential use with parcels between three (1.2140619ha) and 10 (4.046873ha) acres in size.

Running time. The calculated time difference between leaving the first-due station and arriving on the emergency scene.

Sprinkler Alarm and Supervisory System (SASS): A Dedicated Function Fire Alarm System located at the protected premise installed specifically to monitor sprinkler water-flow alarm, valve supervisory, and general trouble conditions where a Building Fire Alarm is not required.

Streets. Includes alleys, parkways, driveways, sidewalks, and areas between sidewalks and curbs, highways, public right of ways, private road, trails, easements, and fire trails.

Substantial Addition or Expansion. Addition, expansion, remodel, or renovation of any structure where the addition of new fire area exceeds fifty percent of the existing fire area. For the purposes of this definition, areas of a building in which construction elements including walls and roof assemblies were demolished and rebuilt are considered new fire area.

Temporary fire department access road for construction. An approved temporary roadway for emergency vehicle use during construction of residential subdivision projects.

Temporary fire department access road for construction of one (1) residential (R3) unit. A temporary roadway for emergency vehicle use during construction of an individual residential (R3) structure where a fire department access road is required as part of the project.

Temporary water supply. Water stored for firefighting purposes in an approved aboveground tank during combustible construction.

Tree litter. Any limbs, bark, branches, and/or leaves in contact with other vegetation or left to gather on the ground.

Weeds. All weeds growing upon streets or private property in the jurisdiction, including any of the following:

1. Weeds that bear seeds of a fluffy nature or are subject to flight.
2. Sagebrush, chaparral (including Chamise, Coyote Brush/Greasewood, Brooms, and Buckwheat), and any other brush or weeds that attain such large growth as to become, when dry, a fire menace to adjacent improved property.
3. Weeds that are otherwise noxious or dangerous.
4. Poison oak and poison sumac when the conditions of growth constitute a menace to public health.
5. Dry grass, brush, tree litter, litter, or other flammable materials that endanger the public safety by creating a fire hazard.

Chapter 3. General Precautions Against Fire.

Section 304.1.2 is amended to read:

304.1.2 Vegetation. Hazards created by the growth of weeds, grass, vines, trees, or other growth capable of being ignited and endangering property shall be mitigated in accordance with Section 320.

Section 304.1.4 is added, to read:

304.1.4 Clothes Dryers. Clothes dryers shall be frequently cleaned to maintain the lint trap, mechanical and heating components, vent duct, and associated equipment free from accumulations of lint and combustible materials.

Section 308.1.4, Exception 1 is amended to read:

Exception 1. Residential Occupancies.

Section 320 is added to Chapter 3, to read:

SECTION 320 Exterior Fire Hazard Control.

320.1 General.

320.1.1 Jurisdictional Authority. The Board of Directors, as the supervising, legislative, and executive authority of the jurisdiction, hereby delegates to the Board of Fire Commissioners of the jurisdiction all its powers, duties, and rights to act pursuant to Part 5 (commencing with Section 14875), Division 12, of the Health and Safety Code, to clear or order the clearing of rubbish, litter, or other flammable material where such flammable material endangers the public the safety by creating a fire hazard. Fire hazard abatement will be conducted in accordance with the provisions of said Part 5 and this ordinance. In the application of the provisions of said Part 5 to fire hazard abatement proceedings under this ordinance and the Fire Protection District Law of 1987, the terms "Board of Directors" or "Board," when used in Part 5, means the Board of Fire Commissioners of this jurisdiction under this section; and the officers designated in Health and Safety Code Section 14890 are the employees of the jurisdiction.

320.1.2 Retention of Jurisdictional Authority. If no Board of Fire Commissioners has been appointed for the jurisdiction, then the Board of Directors retains its powers and rights to act pursuant to said Part 5.

320.1.3 Contract for Services. The Board of Directors reserves and retains the power to award a contract for fire hazard abatement work when the employees of the jurisdiction are not used to perform the abatement work.

320.2 Definitions. The following terms are defined in Chapter 2.

Cost of Abatement

Defensible Space

Person

Priority Hazard Zone

Reduced Fuel Zone

Rubbish

Streets

Weeds

320.3 Weeds and Rubbish a Public Nuisance. The Board hereby declares that all weeds growing upon private property or streets in this jurisdiction and all rubbish on private property or streets in this jurisdiction are public nuisances. Such weed nuisance is seasonal and recurrent.

320.4 Abatement of Hazard.

320.4.1 Prohibition. No person who has any ownership or possessory interest in or control of parcel of land shall allow to exist thereon any hazardous rubbish, weeds, trees, or other vegetation that constitutes a fire hazard. Destruction by burning within this jurisdiction is unlawful unless the written permission of the fire chief is first obtained, and all other applicable permits are obtained from appropriate governing agencies or jurisdictions.

320.4.2 Specific Requirements. The District shall develop minimum abatement standards for land in residential, rural and/or rural residential, business, industrial areas, or land which is unused or vacant. Such standards may be modified periodically as circumstances dictate.

320.4.2.1 Clearance of Weeds from Streets. The Fire Code Official is authorized to cause areas within 10 feet (3048 mm) on each side of portions of streets which are improved, designed, or ordinarily used for vehicular traffic to be cleared of flammable vegetation and other combustible growth. The Fire Code Official is authorized to enter upon private property to do so, to the extent allowed by law.

320.5 Abatement Procedures.

320.5.1 Abatement Order. The fire code official may order the abatement of the weeds and rubbish described in Sections 304.1.2 and this Section 320. On making the order, the fire code official will mail a copy of a notice to the owners of the affected property as their names and addresses appear upon the last county equalized assessment roll, or as their names and addresses are known to the fire code official. As an alternative to mailing, the notice may be posted upon the affected property and published in the jurisdiction, not less than 15 days prior to the date of the abatement hearing. Copies of the notice will be headed with the words "Notice to Abate Weeds and Rubbish" in letters at least one inch high. The notice will be in substantially the following form:

NOTICE TO ABATE WEEDS AND RUBBISH

You are hereby notified that weeds and rubbish constitute a fire hazard on the following described property owned by you:

(Describe property by common street designation, by metes and bounds, Assessor's code area and parcel number, or by reference to attached map).

You must remove the weeds and rubbish within fifteen (15) days from the date of this notice. If you fail to do so, the (jurisdiction) Fire Protection District will remove it, and the cost of the abatement, including administrative costs, will be collected as property taxes and will be a lien on your property until paid.

You are further notified that the Board of Supervisors has declared that such weeds and rubbish constitute a public nuisance and that such weeds also constitute a seasonal and recurring nuisance.

You may appear before the Board of Fire Commissioners of this jurisdiction on (time and date) at (place-room, street, address, and city) to show cause why this order should not be enforced.

(Signed): (Name of fire code official of name of jurisdiction)

320.5.2 Hearing Date. A date for hearing on the notice will be sent at least 15 days after the date of the notice. The date of the notice is the date on which the notice is placed in the United States mail or the date on which it is posted on the property. At the hearing, the property owner or his agent may appear to show cause why the order should not be enforced. For good cause shown, the Board of Fire Commissioners may extend the time for compliance with the order or may rescind the order.

320.5.3 Contract Award. If the owner fails to comply with the order, the fire code official may have the weeds and rubbish abated either by employees of this jurisdiction or by contract. If a contract is awarded, it will be by public bid, awarded to the lowest responsible bidder. A contract may include work on more than one parcel. Concerning any contract previously awarded as provided in this subsection and that has been fully extended as provided in that contract, it may thereafter be extended on its same terms and conditions for a further period (not to exceed one year) by agreement of the Board of Supervisors and the involved contractor.

320.5.4 Abatement Report of Costs. The fire code official or his or her designee abating the nuisance will keep an account of the cost of abatement in front of or on each separate parcel of land and will render an itemized report in writing to the Board of Fire Commissioners showing the cost of removing the weeds and rubbish on or in front of each separate lot or parcel of land, or both. Before the report is submitted to the Board of Fire Commissioners, a copy of it will be posted for at least three days on or near the chamber door of the Board with a notice of the time and when the report will be submitted to the Board for confirmation. At the time fixed for receiving and considering the report, the Board of Fire Commissioners will hear it and any objections of any of the property owners liable to be assessed for the work of abatement. Thereupon, the Board of Fire Commissioners may make such modifications in the report as it deems necessary, after which the report will be confirmed. The amount of the cost, including administrative costs, of abating the nuisance in front of or upon the various parcels of the land mentioned in the report as confirmed will constitute special assessment against the respective parcels of land, and are a lien on the property for the amount of the respective assessments. Such lien attaches upon recordation, in the office of the County Recorder, of a certified copy of the Resolution of Confirmation.

320.5.5 Cost Assessments. Upon confirmation of the report of cost by the Board of Fire Commissioners and the recordation of the Resolution of Confirmation, a copy of the report of cost will be sent to the County Auditor, who will enter the amount of the assessments against the parcels. Thereafter the amount

of the assessments will be collected at the same time and in the same way as County taxes are collected. The owners are subject to the same penalties and the same procedure and sale in case of delinquency as provided for ordinary county taxes. All laws applicable to the levy, collection, and enforcement of county taxes are applicable to these assessment taxes.

320.6 Alternate Mitigation. In lieu of ordering abatement as provided in Section 320.5.1, the fire code official of this jurisdiction may order the preparation of firebreaks/fuelbreaks around parcels of property where combustible weeds, crops, or brush are present. In determining the proper width for firebreaks/fuelbreaks, the fire code official will consider the height of the growth, weather condition, topography, and the accessibility to the property for fire protection equipment. The procedure set forth in Section 320.5.1 for the abatement of weeds and rubbish shall apply to the preparation of firebreaks/fuelbreaks.

320.7 Subsurface Fires.

320.7.1 Peat Fire. It is the duty of each person, firm, corporation, or association not to permit a peat fire or a fire involving combustible vegetable matters under the surface of the natural ground to remain upon the property. It is hereby declared that it is the duty of any person as herein defined to take all necessary precautions to extinguish any subsurface fire involving peat or vegetable material at the owner's own cost and expense.

320.7.2 Fire Suppression Costs. If there exists upon the lands or property of any person as herein defined a subsurface fire involving the burning or combustion of peat, vegetable matter, or vegetation, and the owner or occupant thereof has not taken reasonable precautions within a reasonable time to extinguish or minimize such fire or combustion, this jurisdiction may, in addition to its regular duties to extinguish or minimize such fire or combustion, go upon the lands of any person as herein defined and extinguish such fire or combustion. Any costs incurred by the Fire District in fighting the fire and for the cost of proving rescue or emergency medical services shall be a charge against the property owner. The charge shall constitute a debt of the property owner and is collectable by the jurisdiction incurring those costs in the same manner as in the case of an obligation under a contract, express or implied. (See Health and Safety Code, §13009.)

Section 321 is added to Chapter 3, to read:

321 Automobile Wrecking Yards.

321.1 General. The operation of automobile wrecking yards shall be in accordance with this section.

321.2 Definitions. The following terms are defined in Chapter 2.

Automobile Dismantling Automobile Wrecking Yard

321.3 Requirements.

321.3.1 Permits. An operational fire code permit is required as in Section 105.6.51.

321.3.2 Fire Apparatus Access Roads. Fire apparatus access roads shall be constructed throughout the site in accordance with this code and shall be maintained clear of all vehicles and stored items.

321.3.3 Welding and cutting. Welding and cutting operations shall be conducted in an approved location, clear of all flammable liquids and combustible materials, including weeds, tires, and all other debris.

321.3.4 Housekeeping. Combustible rubbish accumulated on site shall be collected and stored in approved containers, rooms, or vaults of noncombustible materials. Combustible vegetation, cut or uncut, shall be removed when determined by the fire code official to be a fire hazard.

321.3.5 Fire Protection. Offices, storage buildings, and vehicles used for site operations shall each be provided with at least one portable fire extinguisher with not less than a 4-A: 40-B-C rating. When required by the fire code official, additional fire extinguishers shall be provided.

321.3.6 Tire storage. Tires shall be stored in racks or in a manner as approved by the fire code official.

321.3.6.1 Distance from Water Supply. Tire storage shall be located on-site and no further than 500 feet from a fire hydrant or an approved water supply as determined by the fire code official.

321.3.7 Storage Piles. Storage piles shall be located a minimum of 20 feet from property lines and shall have an unobstructed access road on all sides of not less than 20 feet.

321.3.8 Burning operations. The burning of salvaged vehicles and salvaged or waste materials is prohibited.

321.3.9 Motor vehicle fluids. Motor vehicle fluid shall be drained from salvaged vehicles when such liquids are leaking onto the ground and prior to dismantling or removing engine/motor parts.

321.3.9.1 Mitigation of leaking fluids. Precautions shall be taken to prevent fluids from salvaged vehicles from leaking onto the ground. Supplies or equipment capable of mitigating leaks from fuel tanks, crankcases, brake systems, and transmissions shall be kept available on site. Single-use plugs, diking, and absorbent materials shall be disposed of as hazardous waste and removed from the site in a manner in accordance with federal, state, and local requirements.

321.3.10 Fuel tanks. Fuel tanks of salvaged vehicles shall be emptied of all flammable (gasoline, diesel) fuels in an approved manner and stored in approved tanks.

321.3.10.1 Repair of vehicle fuel tanks. The repair of fuel tanks, including cutting, welding, or drilling of any kind, is prohibited.

321.3.11 Lead acid batteries. Lead acid batteries shall be removed from all salvaged vehicles and stored in an approved manner in a location approved by the fire code official.

Chapter 4. Emergency Planning and Preparedness.

Section 401.5.1 is added, to read:

401.5.1 Nuisance Fire Alarm Fee. A fee may be charged for false and/or nuisance fire alarms in accordance with a fee schedule adopted by the Board of Directors.

Section 403.12.1 is amended to read:

403.12.1 Standby Personnel. Where, in the opinion of the fire code official or Fire Chief, it is essential for public safety in a place of assembly, or any other place where people congregate, because of the number of persons, or the nature of the performance, exhibition, display, contest, or activity, the owner, agent, or lessee shall provide standby personnel as required and approved by the fire code official or Fire Chief. If the activity requires fire watch, fire watch shall be provided in accordance with Sections 403.12.1.1 and 403.12.1.2. Standby personnel needed for EMS standby shall be provided in accordance with Contra Costa County EMS Protocols.

Chapter 5. Fire Service Features.

Section 503.1.4 is added, to read:

503.1.4 Access to Open Spaces. When existing access to open land or space, or to fire trail systems maintained for public or private use, is obstructed by new development of any kind, the developer shall provide an alternate means of access into the area that is sufficient to allow access for fire personnel and apparatus. The alternate means of access must be approved by the fire code official.

Section 503.2.1 is amended by adding the following exception:

Exception: A minimum 16 foot wide driveway is acceptable for access to one or two single-family dwellings.

Section 505.3 is added, to read:

505.3 Street names and addressing. Street names and addressing shall be submitted for review and approval to the fire code official, whose approval will not be unreasonably withheld. The purpose of the review is to verify that new street names and addressing will not duplicate existing street names and addressing.

Section 507.2.3 is added, to read:

507.2.3 Suburban and rural water supply storage. Swimming pools and ponds shall not be considered water storage for the purposes of Section 507.1.

Chapter 6. Building Services and Systems.

Section 603.6.6 is added, to read:

603.6.6 Sparks from chimneys. A chimney that is used with either a fireplace or heating appliances in which solid or liquid fuel is used shall be maintained with spark arresters that are required for incinerators pursuant to the 2016 California Mechanical Code.

Chapter 8. Interior Finish, Decorative Materials and Furnishings.

Section 806.1.4 is added, to read:

806.1.4 Flame retardants. Cut trees shall be treated by a California State Fire Marshal-licensed fire retardant applicator. Trees shall be properly treated with an approved flame retardant.

Section 806.1.5 is added, to read:

806.1.5 Tags. Trees shall bear a tag stating date of placement in the public building, type of flame-retardant treatment used, name of the person who applied the flame retardant, the name of the person affixing the tag, a permit expiration date, and the name of the designated individual making daily tests.

Section 806.1.6 is added, to read:

806.1.6 Daily tests. Trees shall be tested daily by a designated individual. The test shall include a check for dryness in accordance with Section 806.1.3 and for adequate watering.

Chapter 9. Fire Protection Systems.

Section 901.6.2 is amended to read:

901.6.2 Records. Records of all system inspections, tests, and maintenance required by the reference standards shall be maintained in paper form and/or by a third party electronic record keeping service as chosen by the fire district.

Section 902 is amended to add:

Substantial Addition or Expansion

Section 903.2.1.1 is amended to read:

903.2.1.1 Group A-1. An automatic sprinkler system shall be provided for fire areas containing Group A-1 occupancies and intervening floors of the building where one of the following conditions exists:

1. The fire area exceeds 5,000 square feet.
2. The fire area has an occupant load of 300 or more.
3. The fire area is located on a floor other than a level of exit discharge serving such occupancies.
4. The fire area contains a multi-theater complex.

Section 903.2.1.3 is amended to read:

903.2.1.3 Group A-3. An automatic sprinkler system shall be provided for fire areas containing Group A-3 occupancies and intervening floors of the building where one of the following conditions exists:

1. The fire area exceeds 5,000 square feet.
2. The fire area has an occupant load of 300 or more.
3. The fire area is located on a floor other than a level of exit discharge serving such occupancies.
4. The structure exceeds 10,000 square feet, contains more than one fire area containing exhibition and display rooms, and is separated into two or more buildings by fire walls of less than four hour fire resistance rating without openings.

Section 903.2.1.4 is amended to read:

903.2.1.4 Group A-4. An automatic sprinkler system shall be provided for fire areas containing Group A-4 occupancies and intervening floors of the building where one of the following conditions exists:

1. The fire area exceeds 5,000 square feet
2. The fire area has an occupant load of 300 or more.
3. The fire area is located on a floor other than a level of exit discharge serving such occupancies.

Section 903.2.1.8 is amended to read:

903.2.1.8 Group B. An automatic sprinkler system shall be provided for Group B occupancies where the fire area exceeds 5,000 square feet.

Section 903.2.3 is amended to read:

903.2.3 Group E. An automatic sprinkler system shall be provided for new Group E occupancies as follows:

1. Throughout all Group E fire areas greater than 2,000 square feet in area.
Exception: An automatic sprinkler system is not required in any Group E Day Care Facility less than 5,000 square feet
2. Throughout every portion of educational buildings below the lowest level of exit discharge serving that portion of the building.
Exception: An automatic sprinkler system is not required in any area below the lowest level of exit discharge serving that area where every classroom throughout the building has at least one exterior exit door at ground level.
3. In rooms or areas with special hazards such as laboratories, vocational shops, and other such areas where hazardous materials in quantities not exceeding the maximum allowable quantity are used or stored.
4. Throughout any Group E structure greater than 4,000 square feet in area, which contains more than one fire area, and which is separated into two or more buildings by fire walls of less than four hour fire resistance rating without openings.
5. For public school state-funded construction projects see Section 903.2.19.

Section 903.2.4 is amended to read:

903.2.4 Group F

Section 903.2.4.1 is added, to read:

903.2.4.1 Group F-1. An automatic sprinkler system shall be provided throughout all buildings containing a Group F-1 occupancy where one of the following conditions exists:

1. A Group F-1 fire area exceeds 5,000 square feet.
2. A Group F-1 fire area is located more than three stories above grade plane.
3. The combined area of all Group F-1 fire areas on all floors, including any mezzanines, exceeds 10,000 square feet.
4. A Group F-1 occupancy used for the manufacture of upholstered furniture or mattresses exceeding 2,500 square feet (230 m²).

Section 903.2.4.2 is added, to read:

903.2.4.2 Group F-2. An automatic sprinkler system shall be provided throughout all buildings containing a Group F-2 occupancy greater than 5000 square feet.

Section 903.2.7 is amended to read:

903.2.7 Group M. An automatic sprinkler system shall be provided throughout buildings containing a Group M occupancy where one of the following conditions exists:

1. A Group M fire area exceeds 5,000 square feet.

2. A Group M fire area is located more than three stories above grade plane.
3. The combined area of all Group M fire areas on all floors, including any mezzanines, exceeds 10,000 square feet.
4. A Group M occupancy used for the display and sale of upholstered furniture or mattresses exceeds 5,000 square feet (464 m²).
5. The structure exceeds 10,000 square feet, contains more than one fire area containing a Group M occupancy, and is separated into two or more buildings by fire walls of less than 4-hour fire-resistance rating without openings.

Section 903.2.8 is amended to read:

903.2.8 Group R. An automatic sprinkler system installed in accordance with Section 903.3 shall be provided throughout all Group R occupancies, including manufactured and mobile homes, including those located in mobile home parks.

Section 903.2.8.2.1 is added to read:

903.2.8.2.1 Group R-3 Substantial Addition or Expansion. An automatic sprinkler system shall be provided throughout all existing Group R-3 dwellings where a substantial addition or expansion occurs and the new total fire area of the structure exceeds 3,600 square feet.

Exception: If a sprinkler system is required by the local building department regardless of the size of the addition or expansion, a sprinkler system shall be installed in accordance with the appropriate standard.

Section 903.2.9 is amended to read:

903.2.9 Group S-1. An automatic sprinkler system shall be provided throughout all buildings containing a Group S-1 occupancy where one of the following conditions exists:

1. A Group S-1 fire area exceeds 5,000 square feet.
2. A Group S-1 fire area is located more than three stories above grade plane.
3. The combined area of all Group S-1 fire areas on all floors, including any mezzanines, exceeds 10,000 square feet.
4. A Group S-1 fire area used for the storage of commercial motor vehicles where the fire area exceeds 5,000 square feet (464 m²).
5. A Group S-1 occupancy used for the storage of upholstered furniture or mattresses exceeding 2,500 square feet (230 m²).

Section 903.2.9.1 is amended to read:

903.2.9.1 Repair garages. An automatic sprinkler system shall be provided throughout all buildings used as repair garages in accordance with Section 406.8 of the California Building Code, as shown:

1. Buildings having two or more stories above grade plane, including basements, with a fire area containing a repair garage exceeding 5,000 square feet.
2. Buildings not more than one story above grade plane, with a fire area containing a repair garage exceeding 5,000 square feet.
3. Buildings with repair garages servicing vehicles parked in basements.
4. A Group S-1 fire area used for the repair of commercial motor vehicles where the fire area exceeds 5,000 square feet (464 m²).

Section 903.2.10 is amended to read:

903.2.10 Group S-2 enclosed parking garages. An automatic sprinkler system shall be provided throughout buildings classified as enclosed parking garages in accordance with Section 406.6 of the California Building Code where either of the following conditions exist:

1. Where the fire area of the enclosed parking garage exceeds 5,000 square feet.
2. Where the enclosed parking garage is located beneath other occupancy groups.

Section 903.2.10.2 is added to read:

903.2.10.2 Group S-2 Low Hazard Storage. An automatic sprinkler system shall be provided throughout all buildings containing a Group S-2 occupancy exceeding 5,000 square feet.

Section 903.3.1.1.3 is added, to read:

903.3.1.1.3 Undeclared Use. In buildings of undeclared use with floor to structure height greater than 14 feet (4256 mm), the fire sprinkler system shall be designed to conform to Extra Hazard Group I design density. In buildings of undeclared use with floor to structure height less than 14 feet (4256 mm), the fire sprinkler system shall be designed to conform to Ordinary Group II design density. Where a subsequent occupancy requires a system with greater capability, it shall be the responsibility of the owner and/or the occupant to upgrade the system.

Section 903.3.1.3 is amended to read:

903.3.1.3 Sprinkler Systems for One and Two family dwellings. Automatic sprinkler systems for one and two- family dwellings shall be permitted to be installed in accordance with sections 903.3.1.3.1 through 903.3.1.3.3.

Sections 903.3.1.3.1, 903.3.1.3.2, and 903.3.1.3.3 are added, to read

903.3.1.3.1 NFPA 13D Sprinkler Systems. Automatic sprinkler systems installed in one and two family dwellings; Group R-3; and townhouses shall be permitted to be installed throughout in accordance with NFPA 13D as amended in Chapter 80.

903.3.1.3.2 California Residential Code Section R313. Systems are permitted to be installed in accordance with the California Residential Code (CRC) Section R313 as modified by the CRC.

903.3.1.3.3 Pipe limitations. Where CPVC pipe is installed above the insulation or is otherwise located in an unconditioned space, such as in an attic space, or a garage without conditioned living space above, CPVC pipe shall be adequately insulated to a minimum R-19 value, or equivalent, or pipe shall be limited to Type K or L copper, or ferrous piping.

Section 903.3.5.3 is added, to read:

903.3.5.3 Non-permissible water supply storage. Swimming pools and ponds shall not be considered water storage for the purposes of Section 903.3.5.

Section 903.3.9 is amended to read:

903.3.9. Floor control valves. Individual floor control valves and waterflow detection assemblies shall be provided for each floor in multi-floor buildings at an approved location.

Exception: Group R-3 and R-3.1 Occupancies.

Section 903.4.2 is amended to read:

903.4.2 Alarms. One approved audible and visual device shall be connected to every automatic sprinkler system at an approved location. Such sprinkler water-flow alarm devices shall be activated by water flow equivalent to the flow of a single sprinkler of the smallest orifice size installed in the system. Audible and visual alarm devices shall be provided on the exterior of the building in an approved location. Where a fire alarm system is installed, actuation of the automatic sprinkler system shall actuate the building fire alarm system.

Sections 903.6.1 and 903.6.2 are added, to read:

903.6.1 Substantial Addition or Expansion. An automatic sprinkler system shall be provided throughout all existing buildings where a substantial addition or expansion occurs and the total fire area of the structure exceeds 5,000 square feet. Group R-3 substantial additions or expansions shall comply with Section 903.2.8.2.1.

903.6.2 Change of occupancy classification. Any existing building that undergoes a change of occupancy classification into a higher hazard category shall comply with the requirements of Section 903.2. Relative hazard categories of occupancy groups shall be established based upon the Heights and Areas Hazard Categories of Table 1012.4 of the current edition of the International Existing Building Code, as published by the International Code Council. The requirements of Section 903.2 shall not be required when a change of occupancy classification is made to an equal or lesser hazard category. Group L occupancies shall be considered a relative hazard of 1 (highest hazard). R-3.x occupancies shall be considered a relative hazard of 4 (lowest hazard).

Section 907.4.4 is added, to read:

907.4.4 Monitoring of other fire systems. In buildings equipped with a fire alarm system or sprinkler alarm and supervisory service (SASS) system, where other fire suppression or extinguishing systems are installed in the building (including but not limited to commercial kitchen suppression systems, pre-action fire suppression systems, dry chemical systems, and clean agent systems), these other suppression systems shall be monitored by the SASS dedicated function fire alarm system and transmitted as a specific signal to the Central Station. The system shall be monitored in compliance with Section 907.6.5.

Section 907.5.2.3.1 is amended to read:

907.5.2.3.1 Public and common areas. Visible alarm notification appliances shall be provided in public use areas and common use areas, including but not limited to:

1. Sanitary facilities including restrooms, bathrooms, shower rooms, and locker rooms.
2. Corridors, hallways, and aisles with shelving and/or fixtures obstructing the required light intensity for that area.
3. Music practice rooms.
4. Band rooms.
5. Gymnasiums.
6. Multipurpose rooms.
7. Occupational shops.
8. Occupied rooms where ambient noise impairs hearing of the fire alarm.
9. Lobbies.

10. Meeting/Conference rooms.
11. Classrooms.
12. Medical exam rooms.
13. Open office areas.
14. Sales floor areas.
15. Break or lunch rooms
16. Copy or work rooms.
17. Computer server rooms exceeding 200 sq. ft.
18. File or Storage rooms exceeding 200 sq. ft.

Section 907.6.6 is amended to read:

907.6.6 Monitoring of fire alarm systems. A fire alarm system required by this chapter, or by the California Building Code, shall be monitored by a UL-listed Central Station service in accordance with NFPA 72 and this code.

Exception: Monitoring by a UL-listed central station is not required for:

1. Single and multiple station smoke alarms required by Section 907.2.11
2. Group I-3 occupancies shall be monitored in accordance with Section 907.2.6.3.4.
3. Residential Day Care Facilities (occupancy load of 14 or less).
4. One and two family dwellings.
5. Residential Care Facilities licensed by the state with an occupant load of 6 or less.
6. Occupancies with a local fire alarm system that will give an audible and visible signal at a constantly attended location, as approved by the Fire Code Official.

Section 907.8.6 is added, to read:

907.8.6 Certification. New fire alarm systems shall be UL-Certified. A Certificate of Completion and other documentation as listed in NFPA 72 shall be provided for all new fire alarm system installations. It is the responsibility of the building owner or owner's representative to obtain and maintain a current and valid Certificate.

Section 907.8.6.1 is added, to read:

907.8.6.1 Posting of Certificate. The UL Certificate shall be posted in a durable transparent cover within 3 feet of the fire alarm control panel within 45 days of the final acceptance test/inspection.

Chapter 10. Means of Egress.

Section 1028.5.1 is added, to read:

1028.5.1 Exit discharge surface. Exterior exit pathway surfaces shall be suitable for pedestrian use in inclement weather, and shall terminate at a public way as defined in the California Building Code.

Chapter 33. Fire Safety During Construction and Demolition.

Section 3301.3 is added, to read:

3301.3 Permits. Permits shall be obtained for asbestos removal operations, temporary fire department access roads for construction, and temporary water supplies as set forth in sections 105.6 and 105.7.

Section 3318 is added, to read:

Section 3318 Asbestos removal.

3318.1 General. Operations involving removal of asbestos or asbestos-containing materials from buildings shall be in accordance with Section 3318.

Exception: Section 3318 does not apply to the removal of asbestos from:

1. Pumps, valves, gaskets and similar equipment.
2. Pipes, ducts, girders or beams that have a length less than 21 linear feet (6400 mm).
3. Wall or ceiling panels that have an area of less than 10 square feet (0.93 m²) or a dimension of less than 10 linear feet (3048 mm).
4. Floor tiles when their removal can be completed in less than four hours.
5. Group R-3 occupancies.

3318.2 Notification. The fire code official shall be notified 24 hours prior to the commencement and closure of asbestos-removal operations. The permit applicant shall notify the building official when asbestos abatement involves the removal of materials that were used as a feature of the building's fire resistance.

3318.3 Plastic Film. Plastic film that is installed on building elements shall be flame resistant as required for combustible decorative material, in accordance with Section 807.

3318.4 Signs. Approved signs shall be posted at the entrance, exit and exit-access door, decontamination areas, and waste disposal areas for asbestos-removal operations. The signs shall state that asbestos is being removed from the area, that asbestos is a suspected carcinogen, and that proper respiratory protection is required. Signs shall have a reflective surface. Lettering shall be a minimum of 2 inches (51 mm) high.

Chapter 50. Hazardous Materials – General Provisions.

Section 5001.5.3 is added, to read:

5001.5.3 Emergency response support information. Floor plans, material safety data sheets, Hazardous Materials Management Plans (HMMP), Hazardous Material Inventory Statements (HMIS), and other information must be stored at a readily accessible location, as determined by the fire code official. This location may be in cabinets located outside of facilities or buildings. Information may be required to be maintained in a specific electronic media format to facilitate computer aided dispatching.

Section 5003.9.1.2 is added, to read:

5003.9.1.2 Documentation. Evidence of compliance with provisions of this chapter as well as with state and federal hazardous material regulations shall be maintained on site and available for inspection by fire department personnel.

Chapter 56 Explosives and Fireworks.

Section 5601.1.3 is amended to read:

5601.1.3 Fireworks. The possession, manufacture, storage, sale, handling, and use of fireworks are prohibited within the jurisdiction of the District.

Exceptions:

1. The use of fireworks for fireworks displays, pyrotechnics before a proximate audience, pyrotechnic special effects in motion pictures, television, theatrical, or group entertainment productions as allowed by Title 19, Division 1, Chapter 6 Fireworks reprinted in Section 5608 and the Health and Safety Code
2. Snap Caps and Party Poppers classified by the State Fire Marshal as pyrotechnic devices.

Section 5601.2.2 is amended to read:

5601.9 Sale and retail display. No person shall construct a retail display or offer for sale any explosives, explosive materials, or fireworks within the jurisdiction

Exception: Snap Caps and Party Poppers classified by the State Fire Marshal as pyrotechnic devices.

Section 5601.2.4 is amended as follows:

5601.2.4 Financial responsibility. Before a permit is issued pursuant to Section 5601.2, the applicant shall file with the jurisdiction a corporate surety bond in the principal sum of \$2,000,000 or a public liability insurance policy for the same amount, for the purpose of the payment of all damages to persons or property which arise from, or are caused by, the conduct of any act authorized by the permit upon which any judicial judgment results. The fire code official is authorized to specify a greater or lesser amount when, in his or her opinion, conditions at the location of use indicate a greater or lesser amount is required. Government entities shall be exempt from this bond requirement.

Exception: Fireworks in accordance with California Code of Regulations, Title 19, Division 1, Chapter 6. See section 5608.

Section 5601.9 is added, to read:

5601.9 Prohibited and Limited Acts. The storage of explosive materials is prohibited in any central business district and in all zoning districts except districts zoned for industrial or agricultural uses. In districts where the storage of explosive materials is permitted, the quantities of explosives and distances shall be in accordance with California Fire Code Section 5601.8

Chapter 57. Flammable and Combustible Liquids.

Section 5704.2.9.6.1 is amended to read:

5704.2.9.6.1 Locations where above-ground tanks are prohibited. The storage of Class I and II liquids in above-ground tanks outside of buildings is prohibited in all zoning districts except districts zoned for commercial, industrial, or agricultural uses.

Exception: Protected above-ground tanks for the purpose of emergency power generator installations in areas zoned commercial, industrial, agricultural, central business district, rural or rural residential, and for facilities on an individual basis consistent with the intent of this provision. Tank size shall not exceed 500 gallons (1892.706L) for Class I or II liquids, or 1,000 gallons (3785.412L) for Class III liquids.

Section 5706.2.4.4 is amended to read:

5706.2.4.4 Locations where above-ground tanks are prohibited. Storage of Class I and II liquids in above-ground tanks is prohibited in all zoning districts except district zoned for commercial, industrial, or agricultural use.

Chapter 58. Flammable Gases and Flammable Cryogenic Fluids.

Section 5806.2 is amended to read:

5806.2 Limitation. The storage of flammable cryogenic fluids in stationary containers outside of buildings is prohibited in any area which is zoned for other than industrial use.

Exception: Liquid hydrogen fuel systems in compliance with Section 5806.3 or 5806.4.

Chapter 61. Liquefied Petroleum Gases.

Section 6103.2.1.7 is amended to read:

6103.2.1.7 Use for food preparation. Individual portable L-P containers used, stored, or handled inside a building classified as a Group A, Group B, or Group M occupancy for the purposes of cooking, food display, or a similar use, shall be limited in size to one quart capacity and shall be of an approved type. The number of portable containers permitted will be at the discretion of the fire code official. LP-gas appliances used for food preparation shall be listed for such use in accordance with the California Mechanical Code and NFPA 58.

Section 6104.2 is amended to read:

6104.2 Maximum capacity within established limits. The storage of liquefied petroleum gas is prohibited in any central business district and in all zoning districts except districts zoned for commercial, industrial, rural, or agricultural uses. The aggregate capacity of any one installation used for the storage of liquefied petroleum gas shall not exceed a water capacity of 2,000 gallons (7570 L).

Chapter 80. Referenced Standards

Chapter 80 is amended as follows:

The following referenced standards are added:

NFPA 3 (2015): Recommended Practice for Commissioning of Fire Protection and Life Safety Systems

NFPA 4 (2015): Standard for Integrated Fire Protection and Life Safety System Testing

NFPA 850 (2015): Recommended Practice for Fire Protection for Electric Generating Plants and High Voltage Direct Current Converter Stations

The NFPA 13D (2016) (Standard for the Installation of Sprinkler Systems in One- and Two-Family Dwellings and Manufactured Homes) standard is amended as follows:

Section 7.7.1 is added, to read:

7.7.1 Where CPVC pipe is installed above the normal insulation in an unconditioned space, such as in an attic space, or a garage without conditioned living space above, CPVC pipe shall be adequately insulated to a minimum R-19 value, or equivalent, or pipe shall be limited to Type K or L copper, or ferrous piping.

Section 8.3.5.1.2 is amended to read:

8.3.5.1.2 Where fuel-fired equipment is below or on the same level as occupied areas of the dwelling unit, at least one quick-response intermediate temperature sprinkler shall be installed above the equipment or at the wall separating the space with the fuel-fired equipment from the occupied space. In unconditioned spaces, CPVC pipe shall be adequately insulated to a minimum R-19 value, or equivalent, or pipe shall be limited to Type K or L copper, or ferrous piping.

Appendix B. Fire-Flow Requirements for Buildings.

Section B105.2, Exception 2 is added to read:

Exception 2: A reduction in required fire-flow of 50 percent, as approved by the fire code official, when the building is provided with an approved automatic sprinkler system and installed in accordance with Section 903.3.1.1. The resulting fire-flow shall be not less than 1,500 gallons per minute (5678L/min) for the prescribed duration as specified in Table B105.1.

Appendix C. Fire Hydrant Locations and Distribution.

Table C102.1 is amended as follows:

The title of Table C102.1 is amended to read:

TABLE C102.1ⁱ

The heading of the fourth column of Table C102.1 is amended to read:

MAXIMUM DISTANCE FROM ANY POINT ON STREET OR ROAD FRONTAGE TO A HYDRANT^{d,f,g,h,i}

Footnotes "h" and "i" are added to Table C102.1, to read:

- h. A fire hydrant shall be provided within 250 feet of a fire trail access point off a public or private street.
- i. For infill projects within existing single-family residential developments, Section 507.5.1 applies.

Appendix D. Fire Apparatus Access Roads

Section D102.1 is amended to read:

D102.1 Access and loading. Facilities, buildings or portions of buildings hereafter constructed shall be accessible to fire department apparatus by way of an approved fire apparatus access road with an asphalt, concrete, or other approved all-weather driving surface capable of supporting the imposed load of fire apparatus weighing at least 74,000 pounds (33 566 kg) in accordance with CalTrans Design Standard HS-20-44.

Exception: Driveways serving one or two single-family dwellings may be constructed of an alternate surface material, providing the imposed weight load design minimums are met and the grade does not exceed 10 percent.

Section D103.1 is deleted.

Section D103.2 is amended to read:

D103.2 Grade. Fire department access roadways having a grade of between 16 percent and 20 percent shall be designed to have a finished surface of grooved concrete sufficient to hold a 44,000 pound (19 958 kg) traction load. The grooves in the concrete surface shall be ½ inch (13 mm) wide by ½ inch (13 mm) deep and 1 ½ inch (38 mm) on center and set at a 30 to 45 degree angle across the width of the roadway surface. No grade shall exceed 20 percent, nor shall the cross slope exceed 8%, unless authorized in writing by the fire code official.

Section D103.2.1 is added, to read:

D103.2.1 Angles of approach and departure. The angles of approach and departure for any means of access shall not exceed 10 percent at 10 feet of the grade break.

Section D103.3 is amended to read:

D103.3 Turning radius. Based on a minimum unobstructed width of 20 feet, a fire apparatus access roadway shall be capable of providing a minimum standard turning radius of 25 feet (7620 mm) inside and 45 feet (13 716 mm) outside.

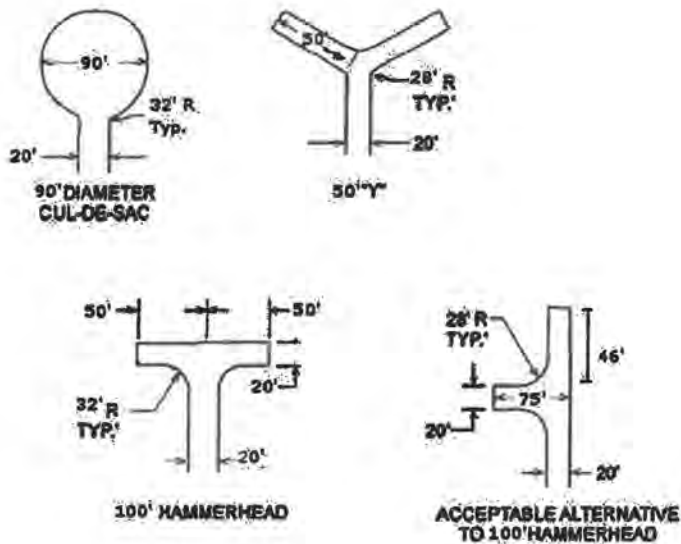
Table D103.4 is amended to read:

**Table D103.4
REQUIREMENTS FOR DEAD-END FIRE
APPARATUS ACCESS ROADS**

LENGTH (feet)	MINIMUM WIDTH (feet)	TURNAROUNDS REQUIRED
0 – 150	20 ^a	None required
151 – 750	20 ^a	100-foot Hammerhead, 50-foot "Y", 75-foot Shunt or 90-foot-diameter cul-de-sac in accordance with figure D103.1
Over 750	Special approval required ^b	

- a. A driveway with a minimum width of 16 feet is acceptable for access to no more than two single-family dwellings.
- b. Any fire apparatus access roadway or driveway that is approved to be less than 20 feet wide and to exceed 750 feet in length shall have outlets or turnouts every 300 feet along the length of the road or driveway, or at locations approved by the fire code official. Each outlet or turnout shall be of the following dimensions: an 8 foot wide turnout that extends at least 40 feet in length.

Figure D103.1 is amended to read:



**Figure D103.1
Dead-end Fire Apparatus Access Road Turnaround**

Section D103.5 is amended as follows:

Criteria 1 of Section D103.5 is amended to read:

1. The minimum clear width shall be 20 feet (6096mm).

Exception: For access to one or two single-family dwellings, 16 feet clear width is acceptable.

Criteria 9 is added to Section D103.5, to read:

9. All gates shall be installed and located a minimum of 30 feet off the street.

Section D103.6.1 is amended to read:

D103.6.1 Roads less than 28 feet in width. Fire apparatus access roads less than 28 feet wide shall be posted on both sides as a fire lane.

Section D103.6.2 is amended to read:

D103.6.2 Roads 28 feet in width or greater, but less than 36 feet in width. Fire apparatus access roads 28 feet wide or greater, but less than 36 feet wide, shall be posted on one side of the road as a fire lane.

Section D106.1 is amended by deleting the exception and to read:

D106.1 Projects having more than 100 dwelling units. Multiple-family residential projects having more than 100 dwelling units shall be provided with two separate and approved fire apparatus access roads and shall meet the requirements of Section D104.3.

Section D106.2 is deleted in its entirety.

15.09.003 REPEAL OF 2013 FIRE CODE.

The 2013 California Fire Code with amendments, although not expressly adopted in the Clayton Municipal Code but enforced by the City of Clayton in association with the Contra Costa County Fire Protection District, is hereby repealed.

15.09.004 REFERENCES TO PRIOR CODE.

Unless superseded and expressly repealed by this ordinance, references in Fire District forms, documents, and regulations to the chapters and sections of the 2013 Fire Code of the City of Clayton shall be construed to refer to the corresponding chapters and sections of the 2016 Fire Code of the City of Clayton.

EXHIBIT B

FINDINGS OF FACT IN SUPPORT OF LOCAL CHANGES, MODIFICATIONS AND AMENDMENTS TO THE 2016 CALIFORNIA BUILDING STANDARDS, TITLE 24, PART 9, CALIFORNIA FIRE CODE DUE TO LOCAL CLIMATIC, GEOLOGIC, AND TOPOGRAPHIC CONDITIONS

I. Purpose

The California Building Standards Commission has adopted and published the 2016 California Fire Code. The purpose of the code is to regulate and govern the safeguarding of life and property from fire and explosion hazards arising from the storage, handling, and use of hazardous substances, materials, and devices, and from conditions hazardous to life or property in the occupancy of buildings and premises. This code is enforced by the Contra Costa County Fire Protection District ("District").

II. Changes or Modifications

Health and Safety Code Section 13869.7 authorizes the District to adopt building standards relating to fire safety that are more stringent than the building standards adopted by the State Fire Marshal and contained in the California Building Standards Code if the jurisdiction finds that the modifications and changes are reasonably necessary because of local climatic, geological, or topographical conditions.

Ordinance No. 478 adopts the 2016 California Fire Code and amends it to address local conditions.

III. Findings

Pursuant to Health and Safety Code Section 13869.7 of the State of California Health and Safety Code, the City Council of the City of Clayton, finds that the more restrictive standards contained in Ordinance No. 478 are reasonably necessary because of certain local climatic, geological, and topographical conditions that are described below.

A. Climatic

1. Precipitation and Relative Humidity

(a) Conditions

Precipitation ranges from fifteen (15) to twenty-four (24) inches per year with an average of approximately twenty (20) inches per year. Ninety-six (96) percent falls during the months of October through April and four (4) percent from May through September. This is a dry period of at least five (5) months each year. Additionally, the area is subject to occasional drought. Relative humidity remains in the middle range most of the time. It ranges from forty-five (45) to sixty-five (65) percent during spring, summer, fall, and from sixty (60) to ninety (90) percent in the winter. It occasionally falls as low as fifteen (15) percent.

(b) Impact

Locally experienced dry periods cause extreme dryness of untreated wood shakes and shingles on buildings and non-irrigated grass, brush, and weeds, which are often near buildings with wood roofs and sidings. Such dryness causes these materials to ignite very readily and burn rapidly and intensely.

Because of dryness, a rapidly burning grass fire or exterior building fire can quickly transfer to other buildings by means of radiation or flying brands, sparks, and embers. A small fire can rapidly grow to a magnitude beyond the control capabilities of the Fire District resulting in an excessive fire loss.

2. Temperature

(a) Conditions

Temperatures have been recorded as high as 114° F. Average summer highs are in the 90° range, with average maximums of 105° F.

(b) Impact

High temperatures cause rapid fatigue and heat exhaustion of firefighters, thereby reducing their effectiveness and ability to control large building and wildland fires.

Another impact from high temperatures is that combustible building material and non-irrigated weeds, grass, and brush are preheated, thus causing these materials to ignite more readily and burn more rapidly and intensely. Additionally, the resultant higher temperature of the atmosphere surrounding the materials reduces the effectiveness of the water being applied to the burning materials. This requires that more water be applied, which in turn requires more Fire District resources in order to control a fire on a hot day. High temperatures directly contribute to the rapid growth of fires to an intensity and magnitude beyond the control capabilities of the Fire District.

3. Winds

(a) Conditions

Prevailing winds in the area are from the south or southwest in the mornings and from the north or northwest in the afternoons. However, winds are experienced from virtually every direction at one time or another. Velocities are generally in the fourteen (14) mph to twenty-three (23) mph ranges, gusting to twenty-five (25) to thirty-five (35) mph. Forty (40) mph winds are experienced occasionally and winds up to fifty-five (55) mph have been registered locally. During the winter half of the year, strong, dry, gusty winds from the north move through the area for several days creating extremely dry conditions.

(b) Impact

Winds such as those experienced locally can and do cause fires, both interior and exterior, to burn and spread rapidly. Fires involving non-irrigated weeds, grass, and brush can grow to a magnitude and be fanned to intensity beyond the control capabilities of the Fire District very quickly even by relatively moderate winds. During wood shake and shingle roof fires, or exposure fires, winds can carry sparks and burning brands to other structures, thus spreading the fire and causing conflagrations. When such fires are not controlled, they can extend to nearby buildings, particularly those with untreated wood shakes or shingles. In building fires, winds can literally force fires back into the building and can create a blow torch effect, in addition to preventing "natural" ventilation and cross-ventilation efforts.

Winds of the type experienced locally also reduce the effectiveness of exterior water streams used by the Fire District on fires involving large interior areas of buildings, fires which have vented through windows and roofs due to inadequate built-in fire protection and fires involving wood shake and shingle building exteriors. Local winds will continue to be a definite factor towards causing major fire losses to buildings not provided with fire resistive roof and siding materials and buildings with inadequately separated interior areas or lacking automatic fire protection systems. National statistics frequently cite wind conditions, such as those experienced locally, as a major factor where conflagrations have occurred.

B. Geological and Topographic

1. Seismicity

(a) Conditions

Contra Costa County is located in Seismic Risk Zone 4, which is the worst earthquake area in the United States. Buildings and other structures in Zone 4 can experience major seismic damage. Contra Costa County is in close proximity to the San Andreas Fault and contains all or portions of the Hayward, Calaveras, Concord, Antioch, Mt. Diablo, and other lesser faults. A 4.1 earthquake with its epicenter in Concord occurred in 1958, and a 5.4 earthquake with its epicenter also in Concord occurred in 1955. The Concord and Antioch faults have a potential for a Richter 6 earthquake and the Hayward and Calaveras faults have the potential for a Richter 7 earthquake. Minor tremblers from seismic activity are not uncommon in the area.

The fire environment of a community is primarily a combination of two factors: the area's physical geologic characteristics and a historic pattern of urban-suburban development. These two factors, alone and combined, create a mixture of environments which ultimately determines the area's fire protection needs. The Fire District has 3 distinct areas. They are: the West, which includes the City of San Pablo and the communities of North Richmond, El Sobrante, and East Richmond Heights; the Central, which includes the Cities of Lafayette, Martinez, Pleasant Hill, Concord, Walnut Creek, Clayton, and the communities of Clyde, Pacheco, Alhambra Valley, and Alamo; and the East, which includes the Cities of Antioch and Pittsburg and the community of Bay Point.

Because of the size of the Contra Costa County Fire Protection District (304 Square miles), the characteristics of the fire environment changes from one location to the next. Therefore the District has not one, but a number of fire environments, each of which has its individual fire protection needs from two major oil refineries, to heavy industrial facilities, freeways, rail lines, waterways, port facilities, wildland areas, urban and suburban town settings, and major downtown areas.

Interstates 80 and 680, State Highways 4, 24, and 242, Bay Area Rapid Transit District (BART), and major thoroughfares travel throughout the District. There are 2 major rail lines which run through the District. An overpass or underpass crossing collapse would alter the response route and time for responding emergency equipment. This is due to the limited crossings of the major highways and rail lines.

Earthquakes of the magnitude experienced locally can cause major damage to electrical transmission facilities, which, in turn, cause power failures while at the same time starting fires throughout the Fire District. The occurrence of multiple fires will quickly deplete existing fire district resources; thereby reducing and/or delaying their response to any given fire. Additionally, without electrical power, elevators, smoke management systems, lighting systems, alarm systems, and other electrical equipment urgently needed for building evacuation and fire control in large buildings without emergency generator systems would be inoperative, thereby resulting in loss of life and/or major fire losses in such buildings.

(b) Impact

A major earthquake could severely restrict the response of the Fire District and its capability to control fires involving buildings of wood frame construction, with ordinary wood shake and shingle exteriors, or with large interior areas not provided with automatic smoke and fire control systems.

2. Soils

(a) Conditions

The area is replete with various soils, which are unstable, clay loam and alluvial fans being predominant. These soil conditions are moderately to severely prone to swelling and shrinking, are plastic, and tend to liquefy.

Throughout the Fire District, the topography and development growth has created a network of older, narrow roads. These roads vary from gravel to asphalt surface and vary in percent of slope, many exceeding twenty (20) percent. Several of these roads extend up through the winding passageways in the hills providing access to remote, affluent housing subdivisions. Many of these roads are private with no established maintenance program. During inclement weather, these roads are subject to rock and mudslides, as well as down trees, obstructing all vehicle traffic. It is anticipated that during an earthquake, several of these roads would be practically impassable.

3. Topographic

(a) Conditions

i. Vegetation

The service area of the Contra Costa County Fire Protection District has a varied topography and vegetative cover. A conglomeration of flat lands, hills, and ridges make up the terrain. Development has occurred on the flat lands in the District and in the past fifteen (15) years development has spread into the hills, valleys and ridge lands of the District.

Highly combustible dry grass, weeds, and brush are common in the hilly and open space areas adjacent to built-up locations six (6) to eight (8) months of each year. Many of these areas frequently experience wildland fires, which threaten nearby buildings, particularly those with wood roofs, or sidings. This condition can be found throughout the Fire District, especially in those fully developed areas and those areas marked for future development.

ii. Surface Features

The arrangement and location of natural and manmade surface features, including hills, creeks, canals, freeways, housing tracts, commercial development, fire stations, streets and roads, combine to limit efficient response routes for Fire District resources into and through many areas.

iii. Buildings, Landscaping and Terrain

Many of the "newer" large buildings and building complexes have access and landscaping features or designs which preclude, or greatly limit, efficient approach or operational access to them by Fire District vehicles. In addition, the presence of security gates, roads of inadequate width and grades which are too steep for Fire District vehicles create an adverse impact on fire suppression efforts.

When Fire District vehicles cannot gain access to buildings involved with fire, the potential for complete loss is realized. Difficulty reaching a fire site often requires additional fire personnel and resources to successfully and safely mitigate the event. Access problems often result in severely delaying, misdirecting, or making fire and smoke control efforts unsuccessful.

(b) Impact

The above local geological and topographical conditions increase the magnitude, exposure, accessibility problems, and fire hazards presented to the Contra Costa County Fire Protection District. Fire following an earthquake has the potential of causing greater loss of life and damage than the earthquake itself. Hazardous materials, particularly toxic gases, could pose the greatest threat to the largest number, should a significant seismic event occur. Public Safety resources would have to be prioritized to mitigate the greatest threat, and may likely be unavailable for smaller single dwelling or structure fires.

Other variables may intensify the situation:

1. The extent of damage to the water system.
2. The extents of isolation due to bridge and/or freeway overpass collapse.
3. The extent of roadway damage and/or amount of debris blocking the roadways.
4. Climatic conditions (hot, dry weather with high winds).
5. Time of day will influence the amount of traffic on roadways and could intensify the risk to life during normal business hours.
6. The availability of timely mutual aid or military assistance.
7. The large portion of dwellings with wood shake or shingles coverings could result in conflagrations.

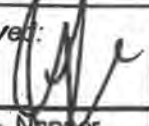
Necessity for More Restrictive Standards

Because of the conditions described above, the City Council of the City of Clayton, finds that there are building and fire hazards unique to Contra Costa County that require the increased fire protection requirements set forth in Ordinance No. 478.

The Ordinance amends Chapter 1 (Scope and Administration) of the statewide Fire Code by requiring a permit for certain activities and operations that pose fire hazards. The Ordinance amends the statewide Fire Code by incorporating into Chapter 3 (General Precautions Against Fire), the Fire District's existing weed abatement program that authorizes the Fire District to declare certain weeds that pose a fire hazard as a public nuisance and to abate those weeds. The Ordinance amends Chapter 4 of the statewide Fire Code (Emergency Planning and Preparedness) to require standby EMS personnel for large events as well as standby fire personnel to account for the fact that the Fire District is both the local fire and EMS provider. The Ordinance amends the statewide Fire Code by reducing the square footage thresholds found in Chapter 9 (Fire Protection Systems) for installation of automatic fire sprinkler systems in most commercial buildings and in private and charter schools. The Ordinance amends Chapter 5 (Fire Service Features) and Appendix D (Fire Apparatus Access Roads) of the statewide Fire Code to establish requirements for fire apparatus access roads.


Agenda Item: 7a



Approved: 
Gary A. Napper
City Manager

STAFF REPORT

TO: HONORABLE MAYOR AND COUNCIL MEMBERS

FROM: MINDY GENTRY, COMMUNITY DEVELOPMENT DIRECTOR 

DATE: OCTOBER 3, 2017

SUBJECT: INTRODUCTION OF AN ORDINANCE AMENDING CHAPTER 15.09 OF THE CLAYTON MUNICIPAL CODE AND ADOPTING BY REFERENCE THE 2016 EDITION OF THE CALIFORNIA FIRE CODE WITH CHANGES, ADDITIONS, AND DELETIONS (ZOA-05-17)

RECOMMENDATIONS

It is recommended the City Council consider all information provided and submitted, and take and consider all public testimony and, if determined to be appropriate, take the following actions:

1. Motion to have the City Clerk read Ordinance No. 478 by title and number only and waive further reading; and
2. Following the City Clerk's reading; by motion approve Ordinance No. 478 for Introduction to amend the Clayton Municipal Code Chapter 15.09 in order to implement the 2016 Fire Code with local changes, additions, and deletions (ZOA-05-17) (Attachment 1).

BACKGROUND

On November 1, 2016, the Contra Costa County Fire Protection District (District) held a public hearing and adopted Ordinance 2016-23, which adopted the 2016 California Fire Code with amendments. The 2016 California Fire Code replaces the 2013 California Fire Code. Although the code applies statewide, State law authorizes a local jurisdiction to modify or change the code and establish more restrictive standards if the local jurisdiction finds that the modifications and changes are reasonably necessary because of local, climatic, geological, or topographical conditions. The attached Ordinance would adopt the statewide codes and ratify the District's adopted

Fire Code Ordinance, which amended the statewide codes to address local conditions (**Attachment 2**).

The District provides fire protection services to the city of Clayton. Since the city is served by the District, staff recommends ratification of the District's Fire Code Ordinance without any changes. The ratification of the District's Fire Code Ordinance will provide consistency in the application and enforcement of building and housing standards with an emphasis on local needs, with the goal of protecting lives and property from fire damage.

DISCUSSION

The following is a summary of the proposed amendments, which mirrors the District's amendments to the 2016 Fire Code. The specific amendments are fully contained in Exhibit A of the attached draft Ordinance (**Attachment 1**).

The proposed amendments to the 2016 Fire Code are due to local, climatic, geographical, and topographic conditions and these conditions are described in the attached findings (**Exhibit B of Attachment 1**). The following are the substantive changes to the 2016 Fire Code:

- Automatic sprinkler system requirements are more restrictive than the statewide code and requires the installation of automatic fire sprinkler systems in most commercial buildings greater than 5,000 square feet and in private and charter schools greater than 2,000 square feet. Reducing the sprinkler threshold to 2,000 square feet for private schools brings the requirements more in line with public schools. Several other occupancies were clarified to require sprinklers as well, including light hazard warehouse type occupancies.
- Clarification of a requirement for standby EMS personnel for large events that may tax the EMS system. This clarification was necessary because the statewide code did not address that a fire agency could also be an ambulance providing entity.
- The statewide code was amended to include the Fire District's weed abatement program which authorizes the Fire District to declare certain weeds that pose a fire hazard as a public nuisance, to abate those weeds if there is an unresponsive real property owner, and to recover its abatement costs from that property owner.
- Establishing requirements for fire apparatus access roads, including requirements for turnouts, parking on access roads, and maximum grades.

ENVIRONMENTAL

This Ordinance is not subject to California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15060(c)(3) because this activity is not a project as defined by Section 15378 of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, and pursuant to CEQA Guidelines Section 15061(b)(3) it can be seen with certainty that this activity will not have a significant effect or physical change to the environment.

FISCAL IMPACT

There is no direct fiscal impact as the Contra Costa County Fire Protection District will coordinate the implementation of the 2016 Fire Code within the city of Clayton.

ATTACHMENTS

1. Ordinance No. 478 with the following Exhibits: [27 pp.]
 - Exhibit A – Clayton Municipal Code Section 15.09 with the 2016 Fire Code amendments
 - Exhibit B – Findings of Fact
2. Contra Costa County Fire Protection District Ordinance 2016-23 [26 pp.]

Agenda Date: 10-17-2017

Agenda Item: 8C

2018 WEDNESDAY NIGHT CLASSIC CAR SHOW SCHEDULE

The Wednesday Night Classic Car Show is a series of seven (7) Classic Car Shows from the immediate Clayton Valley Area. Each Car Show will begin at 6:00 PM and end at 8:00 PM. Entertainment will be provided by DJ.

These Classic Car Shows will be held in the City of Clayton Parking Lot at 6099 Main Street. In addition, it is planned to use a portion of the undeveloped land behind the Clayton Community Church property, adjacent to the KinderCare Parking Lot, for Vintage Car parking in excess of the twenty (20) Vintage Cars parked in the City of Clayton Parking Lot at 6099 Main Street.

2018 CLASSIC CAR SHOW DATES:

- June 13
- June 27
- July 11
- July 25
- August 8
- August 22
- September 5

ENTERTAINMENT:

Classic Car Show & DJ Don Vogel

Classic Car Show & DJ Don Vogel

Classic Car Show & DJ Don Vogel

Classic Car Show & DJ Don Vogel

Classic Car Show & DJ Don Vogel

Classic Car Show & DJ Don Vogel

Classic Car Show & DJ Don Vogel

June 2018

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5 City Council Meeting	6	7 CCC Mayors' Conference -	8	9 Saturday Concert in The Grove
10	11	12 Planning Commission Meeting	13 Classic Car Show & DJ	14	15	16
17 Father's Day	18	19 City Council Meeting	20	21	22	23 Saturday Concert in The Grove
24	25	26 Planning Commission Meeting	27 Classic Car Show & DJ	28	29	30

◀ Jun 2018

July 2018

Aug 2018 ▶

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3 City Council Meeting	4 Independence Day	5 CCC Mayors' Conference -	6	7 Saturday Concert in The Grove
8	9	10 Planning Commission Meeting	11 Classic Car Show & DJ	12	13	14
15	16	17 City Council Meeting	18	19	20	21 Saturday Concert in The Grove
22	23	24 Planning Commission Meeting	25 Classic Car Show & DJ	26	27	28 Relay for Life
29 Relay for Life	30	31				

◀ Jul 2018

August 2018

Sep 2018 ▶

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2 CCC Mayors' Conference -	3	4 Saturday Concert in The Grove
5	6	7 City Council Meeting	8 Classic Car Show & DJ	9	10	11
12	13	14 Planning Commission Meeting	15	16	17	18 Saturday Concert in The Grove
19	20	21 City Council Meeting	22 Classic Car Show & DJ	23	24	25
26	27	28 Planning Commission Meeting	29	30	31	

◀ Aug 2018

September 2018

Oct 2018 ▶

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1 Saturday Concert in The Grove Labor Day Derby 9-2
2	3 Labor Day	4 City Council Meeting	5 Classic Car Show & DJ	6 CCC Mayors' Conference - Clayton	7	8
9	10	11 Planning Commission Meeting	12	13	14	15 Saturday Concert in The Grove
16	17	18 City Council Meeting	19	20	21	22
23	24	25 Planning Commission Meeting	26	27	28	29
30						

MINUTES
CLAYTON FINANCING AUTHORITY
REGULAR MEETING
August 1, 2017

Agenda Date: 10-17-2017

Agenda Item: 3a FIN

1. **CALL TO ORDER AND ROLL CALL** - the meeting was called to order by President Diaz at 7:41 p.m. in Hoyer Hall of the Clayton Community Library, 6125 Clayton Road. Board of Directors present: President Diaz, Vice President Haydon, Board Members Catalano, Pierce and Shuey. Board of Directors absent: None. Staff members present: Executive Director Napper, Secretary Brown, and General Counsel Subramanian.

2. **CLOSED SESSION** – None.

3. **PUBLIC COMMENTS** – None.

4. **CONSENT CALENDAR** – It was moved by Board Member Shuey, seconded by Board Member Pierce, to approve the Consent Calendar as submitted. (Passed; 5-0 vote).
 - (a) Approved the minutes of the regular meeting of November 1, 2016.
 - (b) Approved the transfer of \$170,126.06 from CFA Account No. 405-119-00 to the City of Clayton's Capital Improvement Project Budget (Fund 303) to gap-fund the recently-awarded City Hall HVAC Replacement Project.

5. **ACTION ITEMS** - None.

6. **BOARD ITEMS** – None.

7. **ADJOURNMENT**- On call by President Diaz the meeting adjourned at 7:42 p.m.

Respectfully submitted,

Janet Brown, Secretary

Approved by
Board of Directors, Clayton Financing Authority

Jim Diaz, President



Agenda Date: 10-17-2017

Agenda Items: 3b FIN

Approved:

Gary A. Napper
City Manager

STAFF REPORT

TO: HONORABLE BOARD OF DIRECTORS

FROM: KEVIN MIZUNO, FINANCE MANAGER, CPA

DATE: OCTOBER 17, 2017

SUBJECT: AUDITED BASIC FINANCIAL STATEMENTS OF THE CLAYTON FINANCING AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (FY 2016-17)

RECOMMENDATION

By minute motion, accept the "unmodified opinion" issued by the independent auditors on the basic financial statements of the Clayton Financing Authority for the fiscal year ended June 30, 2017.

BACKGROUND

The Joint Powers Agreement creating the Clayton Financing Authority (CFA) was executed on December 4, 1990 between the City of Clayton and the Redevelopment Agency of the City of Clayton. The CFA is authorized to buy or issue bonds and other obligations that are secured in whole or in part by obligations or revenue sources of the member agencies. In May of 2007 the CFA issued \$5,060,000 in Special Tax Revenue Refunding Bonds (the 2007 Bonds) for the purpose of refunding the CFA's 1997 Special Tax Revenue Refunding Bonds, financing the acquisition and construction of certain public capital improvements, and to establish a reserve fund for the Bonds. The 2007 Bonds are secured by payments of debt service received by the CFA as owner of the City of Clayton "Middle School" Community Facilities District 1990-1 (CFD) Special Tax Bonds, Refunding Series 1997 (Local Obligations).

The Joint Powers Agreement for the CFA meets the criteria of a *Special District* as defined by California Government Code section 12463(d)(2). As a special district, Government Code section 26909 requires that an audit be completed and filed with the SCO within 12 months after the close of the fiscal year(s) under examination.

DISCUSSION

The CFA's independent auditors (Cropper Accountancy Corp.) has issued an "unmodified opinion" of the CFA's financial statements for the fiscal year ended June 30, 2017 regarding the statements'

presentation in accordance with Generally Accepted Accounting Principles (GAAP) in all material respects. An unmodified opinion is a "clean" audit opinion, concluding that as a result of the independent auditors' audit procedures it did not identify any material uncorrected departures from GAAP in the underlying CFA financial statements.

Following the independent audit opinion letter on pages 1 and 2 of the report is Management's Discussion & Analysis (MD&A). Consistent with auditing standards, the MD&A is an unaudited section of the report, but provides useful insight into the financial results of the fiscal year being reported. The MD&A includes condensed comparative financial statements and an analysis of significant transactions and balances.

The CFA's basic financial statements are comprised of two major components: 1) the financial statements, and 2) the notes to the financial statements. The financial statements section includes a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

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

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the CFA's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents information about the cash receipts and cash payments of the CFA during the fiscal year. When used with related disclosures and information in the other financial statements, the information provided in this statement should help financial report users assess the CFA's ability to generate future net cash flows, its ability to meet its obligations as they become due and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on the CFA's financial position of its cash and its noncash investing, capital and related financing transactions during the period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 17 through 25 of the report.

Financial Report Summary:

The following are some financial highlights included in the report:

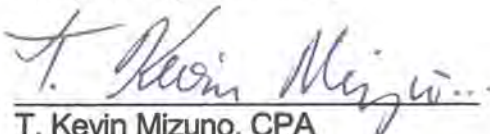
- The bulk of the CFA's total assets (65.0%) pertains ownership of the CFD Local Obligations, totaling \$2,400,000 as of June 30, 2017.

- Cash and cash equivalents, totaling \$838,047, made up 22.7% of total assets. Approximately 85.5% (\$716,949), of CFA cash and cash equivalents pertained to remaining cash proceeds and accrued interest from the CFA's sale of real property in October of 2006 (i.e. CVS/Pharmacy land site). The remaining 14.5% (\$121,098) of cash and cash equivalents is available for annual CFA operational costs and has been used, in part, to help systematically reduce the CFD's annual tax levy through the application of "levy credits" included in the annual reports approved by the CFD.
- Total cash with fiscal agent was \$405,036, which made up 11.0% of total assets. Nearly 62.2% (\$251,990) of the cash with fiscal agent balance pertained to the 2007 Bonds' reserve fund held by the fiscal agent (US Bank) and restricted to debt service at the maturity of the 2007 Bonds. The remaining 37.8% (\$153,045) of cash with fiscal agent is used to systematically reduce the CFD's annual tax levy through the application of "levy credits" included in the annual reports approved by the CFD.
- The 2007 Bonds made up nearly 98.7% (\$2,240,000) of the CFA's liabilities at June 30, 2017. The notes to the basic financial statements further disclose principal payments are due September 2nd of each year through final maturity in 2022, with interest payments due on March 2nd and September 2nd of each year. In the fiscal year ending June 30, 2017 total principal and interest paid was \$325,000 and \$96,219 respectively.
- Total net position of the CFA was \$1,425,067 at June 30, 2017. Approximately 49.7% (\$708,118) of total net position is restricted to future debt service payments. The remaining 50.3% (\$716,949) is unrestricted and pertains to the remaining cash proceeds and accrued interest from the CFA's sale of real property in October 2006. Unrestricted net position is available for capital, operating, or investment purposes at the discretion of the CFA Board of Directors.
- The CFA has no paid employees nor any administrative charges levied to it by the City of Clayton for management of the special district. Further, any debt of the CFA is not an obligation of the City of Clayton.

FISCAL IMPACT

The Board's acceptance of the audited financial statements for the year ended June 30, 2017 does not have any direct fiscal impact on the Clayton Financing Authority.

Respectively submitted,



T. Kevin Mizuno, CPA
Finance Manager

CLAYTON FINANCING AUTHORITY
ANNUAL FINANCIAL STATEMENT REPORT
YEAR ENDED JUNE 30, 2017

Prepared by

Finance Department

T. Kevin Mizuno, CPA
Finance Manager

Clayton Financing Authority
Basic Financial Statements - For the year ended June 30, 2017
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**INDEPENDENT
AUDITORS' REPORT**



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INDEPENDENT AUDITORS' REPORT

The Governing Body of
Clayton Financing Authority
Clayton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Clayton Financing Authority ("the Authority") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California

September 22, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**Clayton Financing Authority
Management's Discussion and Analysis
For the year ended June 30, 2017**

As management of the Clayton Financing Authority (the Authority), we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- The Authority's total assets are \$3,695,107. The primary asset of the Authority is the investment in the Clayton Community Facilities District (CFD) No. 1990-1 local obligations in the amount of \$2,400,000.
- The Authority's liabilities consisted mainly of the 2007 special tax revenue refunding bonds totaling \$2,240,000 as of June 30, 2017, which are secured by the CFD 1990-1 local obligations investment.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements comprise two components: 1) financial statements, and 2) notes to the financial statements. Financial Statements are designed to provide readers with a broad overview of the Authority's finances.

Statement of Net Position

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

Statement of Revenues, Expenses, and Changes in Net Position

The *statement of revenues, expenses, and changes in net position* presents information showing how the Authority's net position changed during the most recent period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Statement of Cash Flows

The *statement of cash flows* presents information about the cash receipts and cash payments of the Authority during the most recent period. When used with related disclosures and information in the other financial statements, the information provided in this statement

**Clayton Financing Authority
Management's Discussion and Analysis
For the year ended June 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Statement of Cash Flows, Continued

should help financial report users assess the Authority's ability to generate future net cash flows, its ability to meet its obligations as they become due and its need for external financing.

It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on the Authority's financial position of its cash and its noncash investing, capital and related financing transactions during the period.

The financial statements can be found on pages 13 through 15 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 16 through 25 of this report.

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. Net position at June 30, 2017 was \$1,425,067. The primary asset of the Authority is the investment in CFD 1990-1 local obligations, which decreased by \$316,000 during the year. The primary liability is the outstanding balance of the revenue refunding bonds. Both the local obligations investment and bonds payable balances will reduce over time, as the Authority's bonds are retired.

During the fiscal year ended June 30, 2017, the CFD paid principal of \$325,000 to the Authority in accordance with the bonds' debt service schedule. The Authority used those funds, in addition to investment interest earnings, to pay down a portion of the special revenue tax bonds in accordance with those bonds' debt service schedule.

Total net position decreased by \$15,338 during the fiscal year ended June 30, 2017. This decrease in net position is primarily the result of the debt service of the 2007 special tax refunding bonds exceeding that of the CFD 1990-1 local obligations during the fiscal year ended June 30, 2017. The decrease in total assets of \$344,398 was primarily attributable to the maturity of the CFD 1990-1 local obligation investments.

**Clayton Financing Authority
Management's Discussion and Analysis
For the year ended June 30, 2017**

FINANCIAL ANALYSIS, Continued

The following table summarizes the changes between assets, liabilities and net position as of June 30, 2017 and 2016:

Condensed Statements of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assets		
Current assets	\$ 1,637,107	\$ 1,639,505
Noncurrent assets	2,058,000	2,400,000
Total Assets	<u>3,695,107</u>	<u>4,039,505</u>
Liabilities		
Current liabilities:	385,040	359,100
Noncurrent liabilities:	1,885,000	2,240,000
Total Liabilities	<u>2,270,040</u>	<u>2,599,100</u>
Net Position		
Restricted for debt service	708,118	726,317
Unrestricted	716,949	714,088
Total Net Position	<u>\$ 1,425,067</u>	<u>\$ 1,440,405</u>

Of the City's total net position, \$708,118, or approximately 49.7% of total net position, was restricted for debt service. This is a slight decrease over the prior year, where \$726,317 of net position, or 50.4% was restricted for debt service. This modest decrease was a result of the debt service on the 2007 Special Tax Refunding Bonds exceeding that of the CFD 1990-1 local obligations during the fiscal year ended June 20, 2017. This reserve balance will gradually be reduced to meet debt service requirements through the maturity of the 2007 Special Tax Refunding Bonds.

**Clayton Financing Authority
Management's Discussion and Analysis
For the year ended June 30, 2017**

FINANCIAL ANALYSIS, Continued

The following table summarizes changes in net position for the fiscal years ended June 30, 2017 and 2016:

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Operating revenues		
Interest income from participating government	\$ 73,471	\$ 119,146
Total operating revenues	<u>73,471</u>	<u>119,146</u>
Operating expenses		
Professional services, including paying agent fees	8,956	8,266
Total operating expenses	<u>8,956</u>	<u>8,266</u>
Operating income (loss)	64,515	110,880
Nonoperating revenues (expenses)		
Interest expense on long-term liabilities	(92,159)	(76,940)
Interest and investment income	3,350	17,067
Other income	8,956	8,266
Total nonoperating revenues (expenses)	<u>(79,853)</u>	<u>(51,607)</u>
Change in Net Position	(15,338)	59,273
Net Position		
Beginning of Fiscal Year	<u>1,440,405</u>	<u>1,381,132</u>
End of Fiscal Year	<u>\$ 1,425,067</u>	<u>\$ 1,440,405</u>

Overall revenues and expenses remained relatively consistent with the prior year. The decrease in interest and investment income was primarily attributable to a decline in the fair market value of the Authority's cash held in the City investment pool compared to the prior year. The decline was a result of the City investment pool being largely concentrated in fixed income securities in a period of rising market interest rates. Increases in interest expense were a direct result of scheduled debt services on the 2007 Special Tax Refunding Bonds.

LONG TERM DEBT

Refunding bonds were issued on May 17, 2007 by the Authority in the principal amount of \$5,060,000 to refund the Authority's 1997 Special Tax Revenue Refunding Bonds (the "1997

**Clayton Financing Authority
Management's Discussion and Analysis
For the year ended June 30, 2017**

LONG TERM DEBT, Continued

Bonds"), finance the acquisition and construction of certain public capital improvements (the Project), establish a reserve fund for the Bonds (funded part in cash and part from a reserve fund surety bond), and to pay the costs of issuance of the Bonds. The 1997 Bonds were issued to purchase the CFD 1990-1 bonds (the "Local Obligations", which are recovered by special assessment revenues from CFD 1990-1. CFD 1990-1 annually levies parcels within the district boundaries in order to repay the Local Obligations held by the Authority. The Local Obligations were issued for the purpose of paying a portion of the cost of construction of a middle school located with the jurisdiction of the Mt. Diablo School District, located in the City of Clayton. In addition, proceeds of the Local Obligations were used to acquire certain site preparation work on the ball and playing field property conveyed to the City. All construction improvements were completed as of the fiscal year ended June 30, 2017.

Principal payments on the 2007 Special Tax Revenue Refunding Bonds are payable on September 2nd of each year. Interest payments are payable semi-annually on March 2 and September 2nd. The bonds are non-City obligations and are secured by revenues received by the Authority as the result of the payment of debt service on the CFD 1990-1 Local Obligations. As of June 30, 2017, the outstanding balance of the non-city bond obligation was \$2,240,000.

Principal payments on the bonds are due September 2 each year through final maturity in 2022. Interest payments are due on March 2 and September 2. Total principal and interest remaining on the bonds is \$2,520,415, payable through September 2022. For the current year, principal and interest paid were \$325,000 and \$96,219, respectively. As the debt service on the local obligations exceeds that of the 2007 Special Tax Revenue Refunding bonds, the application of levy credits is considered annually by the City Council in their review and approval of the annual CFD 1990-1 parcel tax levy. These levy credits result in the gradual use of net position restricted for debt service through the maturity of the 2007 bonds.

FACTORS AFFECTING ECONOMIC CONDITIONS

On May 22, 2014 Standard & Poor's Rating Services affirmed its rating of "A" and stable outlook for the Authority's 2007 Special Tax Revenue Refunding bonds. The 2007 bonds, secured entirely by repayment of the Local Obligations by CFD 1990-1, have been paid on time and in full and continue to maintain their tax exempt status provided by the federal government for qualified municipal bonds. As of the most recent annual parcel tax levy report filed published by CFD 1990-1, the property tax delinquency rate was only 0.96% for the fiscal year ending June 30, 2017. Property values within the City of Clayton continue to rebound since the Great Recession in 2008, and this coupled with low delinquency rates of the CFD 1990-1 fare positively for the fiscal position of the Authority in order to meet the ongoing debt service of the 2007 bonds.

**Clayton Financing Authority
Management's Discussion and Analysis
For the year ended June 30, 2017**

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Clayton's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Office of the Finance Manager, 6000 Heritage Trail, Clayton, California 94517.

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BASIC FINANCIAL STATEMENTS

Clayton Financing Authority
Statement of Net Position
June 30, 2017

ASSETS

Current assets:

Restricted investments:

Cash and cash equivalents	\$ 838,047
Cash with fiscal agent	405,036
Accrued interest receivable	52,024
Investments in local obligations:	
Due within one year	342,000

Noncurrent assets:

Investments in local obligations:	
Due after one year	2,058,000
Total Assets	<u>3,695,107</u>

LIABILITIES

Current liabilities:

Accrued interest payable	30,040
Bonds payable:	
Due within one year	355,000

Noncurrent liabilities:

Bonds payable:	
Due after one year	1,885,000
Total Liabilities	<u>2,270,040</u>

NET POSITION

Restricted for debt service	708,118
Unrestricted	716,949
Total Net Position	<u>\$ 1,425,067</u>

The accompanying notes are an integral part of the financial statements

Clayton Financing Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2017

OPERATING REVENUES

Interest income from participating agency	\$ 73,471
Total Operating Revenues	<u>73,471</u>

OPERATING EXPENSES

Professional services, including paying agent fees	<u>8,956</u>
Total Operating Expenses	8,956
Operating Income (Loss)	64,515

NONOPERATING REVENUES (EXPENSES)

Interest expense on long-term liabilities	(92,159)
Interest and investment income	3,350
Other income	<u>8,956</u>
Total Nonoperating Revenues (Expenses)	<u>(79,853)</u>
Change in Net Position	(15,338)

NET POSITION

Beginning of Fiscal Year	<u>1,440,405</u>
End of Fiscal Year	<u>\$ 1,425,067</u>

The accompanying notes are an integral part of the financial statements

Clayton Financing Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Principal received from participating agency	\$ 316,000
Interest received from participating agency	80,347
Payments to suppliers of services	<u>(8,956)</u>
Net cash provided by operating activities	<u>387,391</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Principal payments on long-term liabilities	(325,000)
Interest payments on long-term liabilities	<u>(96,219)</u>
Net cash used by capital financing activities	<u>(421,219)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on investments	3,350
Payments from participating agency	<u>8,956</u>
Net cash used by investing activities	<u>12,306</u>

Net increase in cash and equivalents (21,522)

Cash and cash equivalents at beginning of year 1,264,605

Cash and cash equivalents at end of year \$ 1,243,083

Included in the Statement of Net Position as follows:

Cash and cash equivalents	\$ 838,047
Cash with fiscal agent	<u>405,036</u>
Total cash and equivalents at end of year	<u><u>\$ 1,243,083</u></u>

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 64,515
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase in accrued interest receivable	6,876
Decrease in loans receivable from participating agency	<u>316,000</u>
Net cash provided by operating activities	<u><u>\$ 387,391</u></u>

The accompanying notes are an integral part of the financial statements

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

Clayton Financing Authority
Notes to the Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Clayton Financing Authority (the Authority) was created for the purpose of refunding the Authority's 1997 Special Tax Revenue Refunding Bonds (the "1997 Bonds"), finance the acquisition and construction of certain public capital improvements (the Project), establish a reserve fund for the 1997 Bonds (funded part in cash and part from a reserve fund surety bond), and to pay the costs of issuance of the Bonds. The 1997 Bonds were issued to purchase the CFD 1990-1 local obligations, which are recovered by special assessment revenues from CFD 1990-1. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non-city obligations and are secured by revenues received by the Authority as the result of the payment of debt service on the CFD 1990-1 local obligations. As of June 30, 2017, the outstanding balance of the non-city bond obligation was \$2,240,000. The Authority meets the criteria set forth in accounting principles generally accepted in the United States of America as a fiduciary fund of the City because the governing body is the same as the City and the City has fiduciary responsibility for the Authority.

This financial report is designed to provide a general overview of the Authority. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Office of the Finance Manager, 6000 Heritage Trail, Clayton, California 94517.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses when the liability is incurred, regardless of the timing of related cash flows.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with Authority's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenue of the Authority is interest income from investments in local obligations.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Clayton Financing Authority
Notes to the Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all short-term highly liquid investments with an original maturity of three months or less, including restricted investments, to be cash and cash equivalents.

Investments

Investments are carried at fair value. Fair value is based on quoted market price, if applicable. Otherwise the fair value hierarchy is as follows:

Level 1 - Values are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs, other than quoted market prices, included within Level 1 that are observable for the asset or liabilities at the measurement date.

Level 3 - Certain inputs are unobservable inputs (supported by little or no market activity, such as the City's best estimate of what hypothetical market participants would use or determine a transaction price for the asset or liability at the reporting date).

Net Position / Fund Balances

In the Statement of Net Position, net position is classified in the following categories:

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "invested in capital assets, net of related debt" or "restricted net position."

Clayton Financing Authority
Notes to the Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

New Accounting Pronouncements

The following Governmental Accounting Standards Board Statements have been implemented in the current financial statements:

- GASB Statement No. 77 – *“Tax Abatement Disclosures”*

This Statement, issued in August of 2015, requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

- GASB Statement No. 79 – *“Certain External Investment Pools and Pool Participants”*

This Statement, issued in December of 2015, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. The City was required to implement the provisions of this Statement for the fiscal year ended June 30, 2015 (effective for periods beginning after June 15, 2015), except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective in the current fiscal year.

- GASB Statement No. 80 – *“Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14”*

The objective of this Statement, issued in January of 2016, is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

Clayton Financing Authority
Notes to the Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

New Accounting Pronouncements, Continued

The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the decision-usefulness of information reported and enhances its value for assessing government accountability.

2. CASH AND INVESTMENTS

Classification

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

Statement of Net Position:	
Cash and investments	\$. 838,047
Cash with fiscal agents	405,036
Bonds held in refunding	2,400,000
Total	\$ 3,643,083

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

City of Clayton investment pool	\$ 838,047
Government agency notes	250,000
Money market mutual funds	155,036
Municipal bonds	2,400,000
Total	\$ 3,643,083

Policy

Investments Authorized by the California Government Code and the City's Investment Policy

As permitted by the California Government Code, bond indentures, and contracts and agreements, the Authority is permitted to invest in the City of Clayton investment pool, and other investments authorized by its more restricted outstanding debt agreement as summarized below. The City of Clayton issues stand-alone audited financial statements with full disclosures of the investment pool available upon request at 6000 Heritage Trail, Clayton, California 94517.

Clayton Financing Authority
Notes to the Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

Policy, Continued

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Money market mutual funds	N/A	N/A	N/A
U.S. government agency issues	5 years	20%	None
Federal Housing Administration debentures	N/A	N/A	N/A
Commercial paper	92 Days	N/A	N/A
Demand or time deposits	366 Days	N/A	N/A

Investment Fair Value

The Authority reports its investments at fair value. At June 30, 2017, \$708,118 of the cash and cash equivalents were held as reserves for debt service. The Authority has the following recurring fair value measurements as of June 30, 2017:

- U.S. government agency note values are based on unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date [Level 1 inputs].
- Municipal bonds are valued based on unobservable inputs (supported by little or no market activity, such as the Authority's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date) [Level 3 inputs].

Clayton Financing Authority
Notes to the Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Usually, the later the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

Investment Type	Totals	Remaining Maturity (in Months)				
		12 Months or Less	13 - 24 Months	25 - 36 Months	37 - 48 Months	49 - 60 Months
City of Clayton investment pool	\$ 838,047	\$ 838,047	\$ -	\$ -	\$ -	\$ -
Held by bond trustees:						
U.S. government agency notes	250,000	250,000	-	-	-	-
Money market mutual funds	155,036	155,036	-	-	-	-
Municipal bonds	2,400,000	342,000	362,000	383,000	409,000	904,000
	<u>\$ 3,643,083</u>	<u>\$ 1,585,083</u>	<u>\$ 362,000</u>	<u>\$ 383,000</u>	<u>\$ 409,000</u>	<u>\$ 904,000</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Issuer	Exempt from Disclosure	AAA	Not Rated	Total
City of Clayton investment pool	\$ -	\$ -	\$ 838,047	\$ 838,047
Held by bond trustees:				
U.S. government agency notes:				
Federal Farm Credit Bank	-	250,000	-	250,000
Money Market Mutual Funds:				
First American Treasury Obligations Fund	155,036	-	-	155,036
Municipal Bonds:				
Community Facilities District No. 1990-1	-	-	2,400,000	2,400,000
Total	<u>\$ 155,036</u>	<u>\$ 250,000</u>	<u>\$ 3,238,047</u>	<u>\$ 3,643,083</u>

Clayton Financing Authority
Notes to the Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Accordingly, the notes to the financial statements should disclose if the government has five percent or more of its total investments in a single issuer. More than five percent of the Authority's investments are with City investment pool, Federal Farm Credit Bank, and Community Facilities District No. 1990-1.

Custodial Credit Risk

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

3. INVESTMENTS IN LOCAL OBLIGATIONS

Middle School Community Facilities District- Original Issue \$6,400,000

Middle School Community Facilities District (CFD) Bonds in the principal amount of \$6,400,000 were issued on September 2, 1990 by the Authority under the Mello-Roos Community Facilities Act of 1982. Principal payments are payable on September 2 of each year with the bonds maturing on September 2, 2022. Interest payments are payable semi-annually on March 2 and September 2. The bonds bear interest at 6.503% and mature September 2, 2022. The debt is secured solely by special parcel taxes from CFD No. 1990-1. As of June 30, 2017, the outstanding balance of the bond obligation was \$2,400,000.

Clayton Financing Authority
Notes to the Basic Financial Statements
For the year ended June 30, 2017

3. INVESTMENTS IN LOCAL OBLIGATIONS

Middle School Community Facilities District- Original Issue \$6,400,000, Continued

Changes in investments in local obligations for the period ended June 30, 2017, were as follows:

Investment in CFD No. 1990-1 Bonds at July 1, 2016	\$	2,716,000
Principal payments received September 2, 2016		<u>(316,000)</u>
Investment in CFD No. 1990-1 Bonds at June 30, 2017	\$	<u>2,400,000</u>

4. LONG-TERM LIABILITIES

Clayton Financing Authority 2007 Special Tax Revenue Refunding Bonds-Original Issue \$5,060,000

Refunding bonds were issued on May 17, 2007 by the Clayton Financing Authority in the principal amount of \$5,060,000 to refund the Authority's 1997 Special Tax Revenue Refunding Bonds (the "1997 Bonds"), finance the acquisition and construction of certain public capital improvements (the Project), establish a reserve fund for the Bonds (funded part in cash and part from a reserve fund surety bond), and to pay the costs of issuance of the Bonds. The 1997 Bonds were issued to purchase the CFD 1990-1 local obligations, which are recovered by special assessment revenues from CFD 1990-1. Principal payments on the bonds are due September 2nd each year and mature on September 2, 2022. The bonds bear interest at 3.750% to 4.125% with interest payments due March 2 and September 2 annually. The bonds are non city obligations and are secured by revenues received by the Authority as the result of the payment of debt service on the CFD 1990-1 Local Obligations. As of June 30, 2017, the outstanding balance of the non-city bond obligation was \$2,240,000. Total principal and interest remaining on the bonds is \$2,520,415, payable through September 2022. For the current year, principal and interest paid were \$325,000 and \$96,219, respectively.

Changes in long-term liabilities for the period ended June 30, 2017, were as follows:

Bonds Payable at July 1, 2016	\$	2,565,000
Principal payments received September 2, 2016		<u>(325,000)</u>
Bonds Payable at at June 30, 2017	\$	<u>2,240,000</u>

Clayton Financing Authority
Notes to the Basic Financial Statements
For the year ended June 30, 2017

4. LONG-TERM LIABILITIES, Continued

Clayton Financing Authority 2007 Special Tax Revenue Refunding Bonds-Original Issue
\$5,060,000, Continued

The annual debt service requirements to amortize the Authority's 2007 Special Tax Revenue Refunding Bonds outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	\$ 355,000	\$ 83,025	\$ 438,025
2019	370,000	68,252	438,252
2020	325,000	54,625	379,625
2021	375,000	40,625	415,625
2022	395,000	25,225	420,225
After 2022	420,000	8,663	428,663
Total	<u>\$ 2,240,000</u>	<u>\$ 280,415</u>	<u>\$ 2,520,415</u>

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the audit opinion letter, which is the date the financial statements were available to be issued. Any subsequent events having a direct or material impact to financial statement balances as of June 30, 2017 have been incorporated into this report.

ADDITIONAL REPORT



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

The Governing Body of
Clayton Financing Authority
Clayton, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Clayton Financing Authority (“the Authority”) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated September 22, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California

September 22, 2017