CITY OF CLAYTON

Founded 1857.. Incorporated 1964

AGENDA

REGULAR JOINT MEETINGS

* * *

CLAYTON CITY COUNCIL
and
CLAYTON FINANCING AUTHORITY

* * *

TUESDAY, November 1, 2016

7:00 P.M.

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

Mayor: Howard Geller
Vice Mayor: Jim Diaz

Council Members
Keith Haydon
Julie K. Pierce
David T. Shuey

- 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 **<u>www.ci.clayton.ca.us</u>**
- 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 *

November 1, 2016

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

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

3. **CONSENT CALENDAR**

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

(a) Information Only – No Action Requested.
1. City Engineer memo regarding a recent Federal Emergency Management Agency (FEMA) notification to City concerning area floodplain mapping. (View Here)

(b) Approve the minutes of the City Council's regular meeting of October 18, 2016. (View Here)

(c) Approve the Financial Demands and Obligations of the City. (View Here)

(d) Approve the award of negotiated contracts to Diablo Landscape, Inc. in the amount of $59,800 and to Waraner Brothers Tree Service in the amount of $4,400 for a Trees Replacement Project (LMD 2015-3) on Keller Ridge Drive using Citywide Landscape Maintenance District funds (CFD 2007-1), and authorize the allocation of $18,200 in District reserves to gap-fund the project. (View Here)

(e) Adopt a Resolution approving the administering Agency-State Master Agreement No. 04-5386F15 and Program Supplement No. F007 concerning the proposed Collector Street Rehabilitation Project on Keller Ridge Drive (CIP No. 10425), and authorizing the City Manager to execute the Agreements. (View Here)

(f) Approve the City's Investment Portfolio Report for the 1st Quarter of FY 2016-17 ending September 30, 2016. (View Here)

(g) Approve a multi-year lease with Konica Minolta Business Systems for replacement of the existing City Hall leased copier machine. (View Here)

4. **RECOGNITIONS AND PRESENTATIONS**

(a) Proclamation declaring November 2, 2016 as "Shelter in Place Education Day." (View Here)

(b) Certificates of Recognition to public school students for exemplifying the "Do the Right Thing" character trait of "Respect" during the month of October 2016. (View Here)

5. REPORTS

(a) Planning Commission – Commissioner Bassam Altwal.
(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 – Introduction of City Council candidates (present at the meeting).

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) Consider the adoption of Urgency Ordinance No. 469 placing an interim local moratorium on the operation or establishment of parolee homes and community supervision programs within the city of Clayton. (View Here)

(Community Development Director)

Staff recommendations: **1)** Receive the staff report; **2)** Receive public comment; **3)** Motion to have the City Clerk read Urgency Ordinance No. 469 by title and number only and waive further reading; and **4)** Following the City Clerk's reading, approve a motion to adopt Urgency Ordinance No. 469 with the finding the adoption of this Ordinance is not subject to the California Environmental Quality Act (CEQA) because CEQA only applies to projects which have the potential for causing a significant effect on the environment and this activity is not considered to be a project and can be seen with certainty that it will not have a significant effect or physical change to the environment.
(Requires 4/5ths affirmative vote)

(b) Presentation and approval of the City's audited Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2015-2016 by Cropper Accountancy Corporation, independent Certified Public Accountant firm, and concept direction regarding the disposition of FY 2015-16 General Fund excess monies ($204,902). (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 FY 2015-2016 CAFR of the City of Clayton, and provide instruction to staff regarding further consideration of the disposition of General Fund excess monies.

(c) Consideration of a proposal by Clayton Valley Little League to permanently install a fixed outfield baseball fence on Sports Field No. 3 at Clayton Community Park, and discussion of the need and funds to renovate the 1992-installed turf playing field and/or all fields at Clayton Community Park (Fields 1-4). (View Here)
(Maintenance Supervisor)

Staff recommendation: Following staff presentation and opportunity for public comments, that City Council provide general policy direction and funding source guidance to staff regarding these recreational field matters.

(d) Continued consideration of Mayor Geller's request for the City to initiate a feasibility study for construction of a second public restroom in the Clayton Town Center area. (View Here)
(Mayor Geller)

Staff recommendation: Following staff presentation and opportunity for public comments, that City Council provide policy direction and funding source guidance to staff regarding this matter.

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

10. RECESS THE CITY COUNCIL MEETING – Mayor Geller.
(until after the conclusion of the Clayton Finance Authority meeting)

11. RECONVENE THE CITY COUNCIL MEETING – Mayor Geller.

12. CLOSED SESSION

(a) *Government Code Section 54957*
Public Employee Annual Performance Evaluation
Position Title: City Manager

(b) *Government Code Section 54957.6*
Conference with Labor Negotiators
Agency designated representatives: Mayor Geller, Vice Mayor Diaz
Unrepresented employee: City Manager

Report out from Closed Session: Mayor Geller

13. ADJOURNMENT

The next regularly scheduled meeting of the City Council will be November 15, 2016.

# # # # #

* CLAYTON FINANCING AUTHORITY *

November 1, 2016

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

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 January 19, 2016. (View Here)

(b) Approve the Clayton Financing Authority's Audited Financial Statement for Fiscal Year 2015-2016. (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.

# # # # #

Agenda Date: 11-01-2016
Agenda Item: 3a

CITY OF CLAYTON
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Approved:
Gary A. Napper City Manager

STAFF REPORT

INFORMATION ONLY

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: RICK ANGRISANI, CITY ENGINEER

DATE: NOVEMBER 1, 2016

SUBJECT: CORRESPONDENCE FROM FEMA, DATED SEPT. 21, 2016 REGARDING FLOOD HAZARD DETERMINATIONS AND ISSUANCE OF AN UPDATED FLOOD INSURANCE RATE MAP ("FIRM").

RECOMMENDATION

None. No action required – information only.

BACKGROUND

In the 1970s, the Federal Emergency Management Agency ("FEMA") began preparing flood studies and flood maps for the entire country. The City of Clayton received its first map in December, 1979. Since then, updated maps have been issued in September, 2001 and June, 2009. As mortgage holders became more demanding (with some pushing by FEMA) regarding the requirement of resulting flood insurance, real property owners within FEMA floodplains began requesting Letters of Map Change (LOMC) to have their properties removed from the Flood Hazard Areas. There are currently fourteen LOMC's approved in the City.

Last November 2015, we received notification of proposed flood hazard determinations affecting our FIRM's and the Flood Insurance Study ("FIS") report for the City. Recently, the Mayor received a letter (see attached) from the Federal Emergency Management Agency ("FEMA") stating that the appeal period for the proposed flood hazard determinations has elapsed and that the revised FIRM's would become effective on March 21, 2017.

IMPACT DISCUSSION

Twelve of the current LOMC's will continue in effect after the new maps are published next year (four lots in Westwood, the Rachel Ranch subdivision and several lots along Southbrook and Alexander Place). These lots will be officially re-certified after the new maps become effective. Therefore, there are no impacts to these areas.

Two of the LOMC's (one on Alexander Place and one on Blackpoint Place) have been superseded due to revised topographic information developed by FEMA during its surveys of portions of the area creeks. The FEMA letter did not state whether or not those two lots are now out of the floodplain. Staff has been in contact with FEMA personnel and is waiting for additional information. Upon receipt, we will notify the affected property owners regarding the status of their properties.

Finally, the recent FEMA letter requires that all of the standards specified in Paragraph 60.3(d) of the National Flood Insurance Program ("NFIP") be enacted in a legally enforceable document. Staff reviewed Chapter 15.58, Flood Damage Prevention, of the Municipal Code (Ordinances 251 and 361). The requirements of Paragraph 60.3(d) have been satisfied.

FISCAL IMPACT

None.

CONCLUSION

The City's ordinances and regulations are in conformance with the NFIP requirements and no changes are needed at this time.

Attachments: FEMA Letter dated September 21, 2016

Federal Emergency Management Agency

Washington, D.C. 20472

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

IN REPLY REFER TO:
115-I

September 21, 2016

The Honorable Howard Geller
Mayor, City of Clayton
City Hall
6000 Heritage Trail
Clayton, California 94517

Community: City of Clayton,
Contra Costa County, California
Community No.: 060027
Map Panels Affected: See FIRM Index

Dear Mayor Geller:

On November 25, 2015, you were notified of proposed modified flood hazard determinations (FHDs) affecting the Flood Insurance Rate Map (FIRM) and Flood Insurance Study (FIS) report for the City of Clayton. The statutory 90-day appeal period that was initiated on December 11, 2015, when the Department of Homeland Security's Federal Emergency Management Agency (FEMA) published a notice of proposed FHDs for your community in the *Contra Costa Times*, has elapsed.

FEMA received no valid requests for changes in the FHDs. Therefore, the determination of the Agency as to the FHDs for your community is considered final. The final FHDs will be published in the *Federal Register* as soon as possible. The modified FHDs and revised map panels, as referenced above, will be effective as of March 21, 2017, and revise the FIRM that were in effect prior to that date. For insurance rating purposes, the community number and new suffix code for the panels being revised are indicated above and on the map and must be used for all new policies and renewals.

The modifications are pursuant to Section 206 of the Flood Disaster Protection Act of 1973 (Public Law 93-234) and are in accordance with the National Flood Insurance Act of 1968, as amended (Title XIII of the Housing and Urban Development Act of 1968, Public Law 90-448), 42 U.S.C. 4001-4128, and 44 CFR Part 65. Because of the modifications to the FIRM and FIS report for your community made by this map revision, certain additional requirements must be met under Section 1361 of the 1968 Act, as amended, within 6 months from the date of this letter. Prior to March 21, 2017, your community is required, as a condition of continued eligibility in the National Flood Insurance Program (NFIP), to adopt or show evidence of adoption of floodplain management regulations that meet the standards of Paragraph 60.3(d) of the NFIP regulations. These standards are the minimum requirements and do not supersede any State or local requirements of a more stringent nature.

It must be emphasized that all the standards specified in Paragraph 60.3(d) of the NFIP regulations must be enacted in a legally enforceable document. This includes the adoption of the effective FIRM and FIS report to which the regulations apply and the modifications made by this map revision. Some of the standards should already have been enacted by your community. Any additional requirements can be met by taking one of the following actions:

1. Amending existing regulations to incorporate any additional requirements of Paragraph 60.3(d);
2. Adopting all the standards of Paragraph 60.3(d) into one new, comprehensive set of regulations; or

3. Showing evidence that regulations have previously been adopted that meet or exceed the minimum requirements of Paragraph 60.3(d).

Communities that fail to enact the necessary floodplain management regulations will be suspended from participation in the NFIP and subject to the prohibitions contained in Section 202(a) of the 1973 Act as amended.

A Consultation Coordination Officer (CCO) has been designated to assist your community with any difficulties you may be encountering in enacting the floodplain management regulations. The CCO will be the primary liaison between your community and FEMA. For information about your CCO, please contact:

Mr. Eric Simmons
Engineer, FEMA Region IX
1111 Broadway, Suite 1200
Oakland, California 94607
(510) 627-7100

To assist your community in maintaining the FIRM, we have enclosed a Summary of Map Actions to document previous Letter of Map Change (LOMC) actions (i.e., Letters of Map Amendment (LOMAs), Letters of Map Revision (LOMRs)) that will be superseded when the revised FIRM panels referenced above become effective. Information on LOMCs is presented in the following four categories: (1) LOMCs for which results have been included on the revised FIRM panels; (2) LOMCs for which results could not be shown on the revised FIRM panels because of scale limitations or because the LOMC issued had determined that the lots or structures involved were outside the Special Flood Hazard Area as shown on the FIRM; (3) LOMCs for which results have not been included on the revised FIRM panels because the flood hazard information on which the original determinations were based is being superseded by new flood hazard information; and (4) LOMCs issued for multiple lots or structures where the determination for one or more of the lots or structures cannot be revalidated through an administrative process like the LOMCs in Category 2 above. LOMCs in Category 2 will be revalidated through a single letter that reaffirms the validity of a previously issued LOMC; the letter will be sent to your community shortly before the effective date of the revised FIRM and will become effective 1 day after the revised FIRM becomes effective. For the LOMCs listed in Category 4, we will review the data previously submitted for the LOMA or LOMR request and issue a new determination for the affected properties after the revised FIRM becomes effective.

The FIRM panels have been computer-generated. Once the FIRM and FIS report are printed and distributed, the digital files containing the flood hazard data for the entire county can be provided to your community for use in a computer mapping system. These files can be used in conjunction with other thematic data for floodplain management purposes, insurance purchase and rating requirements, and many other planning applications. Copies of the digital files or paper copies of the FIRM panels may be obtained by calling our FEMA Map Information eXchange (FMIX), toll free, at 1-877-FEMA-MAP (1-877-336-2627). In addition, your community may be eligible for additional credits under our Community Rating System if you implement your activities using digital mapping files.

If you have any questions regarding the necessary floodplain management measures for your community or the NFIP in general, we urge you to call the Director, Mitigation Division of FEMA in Oakland, California, at (510) 627-7100 for assistance. If you have any questions concerning mapping issues in general or the enclosed Summary of Map Actions, please call our FMIX at the number shown above. Additional information and resources your community may find helpful regarding the NFIP and floodplain management, such as *The National Flood Insurance Program Code of Federal Regulations*, *Answers to Questions About the NFIP*, *Use of Flood Insurance Study (FIS) Data as Available Data*, *Frequently Asked Questions Regarding the Effect that Revised Flood Hazards have on Existing Structures*, and *National Flood Insurance Program Elevation Certificate and Instructions*, can be found on our website at http://www.floodmaps.fema.gov/lfd. Paper copies of these documents may also be obtained by calling our FMIX.

Sincerely,

Luis Rodriguez, P.E., Chief
Engineering Management Branch
Federal Insurance and Mitigation Administration

Enclosure:
Final Summary of Map Actions

cc: Community Map Repository
Rick Angrisani, City Engineer, City of Clayton

FINAL SUMMARY OF MAP ACTIONS

Community: CLAYTON, CITY OF　　　　Community No: 060027

To assist your community in maintaining the Flood Insurance Rate Map (FIRM), we have summarized below the previously issued Letter of Map Change (LOMC) actions (i.e., Letters of Map Revision (LOMRs) and Letters of Map Amendment (LOMAs)) that will be affected when the revised FIRM becomes effective on March 21, 2017.

1. LOMCs Incorporated

The modifications effected by the LOMCs listed below will be reflected on the revised FIRM. In addition, these LOMCs will remain in effect until the revised FIRM becomes effective.

LOMC	Case No.	Date Issued	Project Identifier	Old Panel	New Panel
			NO CASES RECORDED		

2. LOMCs Not Incorporated

The modifications effected by the LOMCs listed below will not be reflected on the revised FIRM panels because of scale limitations or because the LOMC issued had determined that the lot(s) or structure(s) involved were outside the Special Flood Hazard Area, as shown on the FIRM. These LOMCs will remain in effect until the revised FIRM becomes effective. These LOMCs will be revalidated free of charge 1 day after the revised FIRM becomes effective through a single revalidation letter that reaffirms the validity of the previous LOMCs.

LOMC	Case No.	Date Issued	Project Identifier	Old Panel	New Panel
LOMR-F	95-09-702A	08/31/1995	SUBDIV 6001, WESTWOOD, LOT 59 – 1542 HAVILAND PLACE	0600270001B	06013C0304G
LOMR-F	95-09-869A	09/06/1995	SUBDIV 6001, WESTWOOD, LOT 57 – 1550 HAVILAND PLACE	0600270001B	06013C0304G
LOMR-F	95-09-821A	09/06/1995	SUBDIV 6001, WESTWOOD, LOT 35 – 1559 O'HARA COURT	0600270001B	06013C0304G
LOMR-F	96-09-1019A	08/20/1996	SUBDIV 4827, SILVER CREEK UNIT 1, LOT 25 – 343 ALEXANDER PLACE	0600270001B	06013C0304G
LOMR-F	97-09-359A	01/22/1997	SUBDIV 4827, SILVER CREEK UNIT 1, LOT 24 – 337 ALEXANDER PLACE	0600270001B	06013C0304G
LOMA	02-09-340A	01/25/2002	SUBDIV 3162, SOUTHBROOK, LOT 44 – 5587 SOUTHBROOK DRIVE	0600270001C	06013C0304G
LOMA	02-09-438A	02/20/2002	SUBDIV 3162, SOUTHBROOK, LOTS 1, 45 & 46 – 9 EASTBROOK COURT, 5593 & 5599 SOUTHBROOK DRIVE	0600270001C	06013C0304G
LOMA	02-09-573A	03/13/2002	SUBDIV 3162, SOUTHBROOK, LOT 14 – 5586 SOUTHBROOK DRIVE	0600270001C	06013C0304G

FINAL SUMMARY OF MAP ACTIONS

Community: CLAYTON, CITY OF Community No: 060027

LOMC	Case No.	Date Issued	Project Identifier	Old Panel	New Panel
LOMA	02-09-1147A	07/19/2002	SUBDIV 3162, SOUTHBROOK, LOT 43 – 1542 NORTH EL CAMINO DRIVE	0600270001C	06013C0304G
LOMR-F	02-09-1217A	09/18/2002	SUBDIV 6001, WESTWOOD, LOT 36 – 1563 O'HARA COURT	0600270001C	06013C0304G
LOMR-F	03-09-0826A	05/09/2003	RACHEL RANCH COURT, LOTS 1-8	0600270001C	06013C0304G
LOMA	10-09-3617A	09/28/2010	(70-RS) 5574 SOUTHBROOK DRIVE – LOT 25, SUBDIV. 3162, SOUTHBROOK	06013C0304F	06013C0304G

3. LOMCs Superseded

The modifications effected by the LOMCs listed below have not been reflected on the Final revised FIRM panels because they are being superseded by new detailed flood hazard information or the information available was not sufficient to make a determination. The reason each is being superseded is noted below. These LOMCs will no longer be in effect when the revised FIRM becomes effective.

LOMC	Case No.	Date Issued	Project Identifier	Reason Determination Will be Superseded
LOMA	02-09-198A	12/21/2001	SUBDIV 4827, SILVER CREEK UNIT 1, LOT 18 – 301 ALEXANDER PLACE	5
LOMA	04-09-0774A	05/07/2004	TRACT 4515, JEFFREY RANCH, LOT 41 – 734 BLACK POINT PLACE	5

1. Insufficient information available to make a determination.
2. Lowest Adjacent Grade and Lowest Finished Floor are below the proposed Base Flood Elevation.
3. Lowest Ground Elevation is below the proposed Base Flood Elevation.
4. Revised hydrologic and hydraulic analyses.
5. Revised topographic information.

4. LOMCs To Be Redetermined

The LOMCs in Category 2 above will be revalidated through a single revalidation letter that reaffirms the validity of the determination in the previously issued LOMC. For LOMCs issued for multiple lots or structures where the determination for one or more of the lots or structures has changed, the LOMC cannot be revalidated through this administrative process. Therefore, we will review the data previously submitted for the LOMC requests listed below and issue a new determination for the affected properties after the effective date of the revised FIRM.

LOMC	Case No.	Date Issued	Project Identifier	Old Panel	New Panel
			NO CASES RECORDED		

MINUTES
OF THE
REGULAR MEETING
CLAYTON CITY COUNCIL

Agenda Date: 11-01-2016

Agenda Item: 3b

TUESDAY, October 18, 2016

1. **CALL TO ORDER & ROLL CALL** – The meeting was called to order at 7:01 p.m. by Mayor Geller in Hoyer Hall, Clayton Community Library, 6125 Clayton Road, Clayton, CA. Councilmembers present: Mayor Geller and Councilmembers Haydon and Pierce. Councilmembers absent: Vice Mayor Diaz and Councilmember Shuey. Staff present: City Manager Gary Napper, City Attorney Mala Subramanian, Community Development Director Mindy Gentry, and City Clerk/HR Manager Janet Brown.

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

3. **CONSENT CALENDAR**

It was moved by Councilmember Haydon, seconded by Councilmember Pierce, to approve the Consent Calendar as submitted. (Passed; 3-0 vote).

(a) Approved the minutes of the regular meeting of October 4, 2016.

(b) Approved Financial Demands and Obligations of the City.

(c) Approved City Response No. 2 to Civil Grand Jury No. 1615, "Truancy and Chronic Absence in Contra Costa County Schools."

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 2016.

Mayor Geller and Mt. Diablo Elementary School first grade teacher Mrs. Huarco presented Certificates to students Preston Marks and Brady Bahorski.

Mayor Geller and Diablo View Middle School Principal Patti Bannister presented Certificates to students Timmy Onakoya and Kellie Hintzoglou.

5. **REPORTS**

(a) Planning Commission – No meeting held.
(b) Trails and Landscaping Committee – No meeting held.
(c) City Manager/Staff –

City Manager Napper indicated Chief of Police Chris Wenzel will provide a report this evening.

Police Chief Wenzel introduced Clayton's newest Police Officer, Ashley Wright, to the City Council. Officer Wright thanked the City Council for the opportunity to ensure the safety of this community and she looks forward to many years of service here.

Chief Wenzel also reported on a recent one-day homeless event, "Project Hope," which occurred at the Antioch Fairgrounds. The Clayton Police Department was able to send 5-6 homeless residents to the one-day event for free assistance. Police staff was also provided with a list of local and county resources available to assist the homeless.

(d) City Council - Reports from Council liaisons to Regional Committees, Commissions and Boards.

Councilmember Pierce participated in many campaign information activities and attended meetings of the Associated Bay Area Governments, the Contra Costa Transportation Authority, several meetings of the Metropolitan Transportation Commission, participated on an interview panel to hire a new Executive Director for Transportation Partnership and Cooperation (TRANSPAC), the Clayton Historical Society Keller Ranch historical monument dedication ceremony, and served as acting Executive Director at the recent Contra Costa Mayors' Conference hosted by the City of Martinez.

Councilmember Haydon attended the Contra Costa Mayors' Conference in Martinez, and the Quilts of Honor Bocce Tournament in downtown Clayton.

Mayor Geller attended the Contra Costa Mayors' Conference in Martinez, and also the Quilts of Honor Bocce Tournament.

(e) Other – Introduction of City Council candidates (present at the meeting)

Mayor Geller invited candidates in attendance to share a few comments, if they wished.

Allen Lampo advised this evening he would provide his goals and reasoning for running for City Council. He noted he has volunteered a lot in Clayton and is seeking to do more for the community. Based on his background he would like to bring his expertise to assist with Concerts in The Grove. He also supports the idea of adding additional permanent restrooms in the downtown as there are multiple events occurring in the downtown; the goal would be to eliminate the need to rent port-a-potties. Mr. Lampo advised he is a member of Mt. Diablo Interpretive Association and Regional Parks Foundation and would like to organize an Arbor Day Celebration in Clayton. He would also like to involve the Contra Costa County Realtors Association to go over some of his ideas for possibilities for use of the City's vacant property downtown. He stated he has many more ideas to involve the park system and Mt. Diablo and he is hoping to provide a fresh prospective on the City Council.

Julie Pierce declined the opportunity.

6. <u>PUBLIC COMMENT ON NON - AGENDA ITEMS</u> – None.

7. <u>PUBLIC HEARINGS</u> – None.

8. ACTION ITEMS

(a) Consider the adoption of an interim Urgency Ordinance No. 469 placing a local moratorium on the operation or establishment of parolee homes and community supervision programs within the city of Clayton.

Community Development Director Mindy Gentry recommended this item be continued to the next regular City Council meeting as the law requires a 4/5ths affirmative vote to enact the proposed moratorium and there is an insufficient number of Councilmembers present to meet that requirement.

Mayor Geller opened the floor to receive public comment; no public comments were offered.

No Action was taken on this item; deferred to the next City Council meeting.

(b) Consider a request by Clayton Valley Garden Club for use of City-owned real property at the Keller Ranch House site for a home base where it could grow plants, store supplies, hold propagation and potting parties, and community workshops as a community service in conjunction with its plant sales.

Mayor Geller provided a brief background of the request by the Clayton Valley Garden Club. He invited Linda Cruz from the Clayton Valley Garden Club to provide a more detailed report to the Council regarding its request to use the Keller Ranch House site.

Ms. Cruz, Clayton Valley Garden Club's Program Chair and past Club President, outlined the many programs put on by the Garden Club which benefit the community. If they are able to use the Keller Ranch House site for its stated purposes, it could expand current and additional community outreach. Ms. Cruz noted the Clayton Valley Garden Club was established in 1997 as a non-profit 501 (c)(3) organization and is a Blue Ribbon Club as members of the Diablo Foothills District of the California Garden Clubs, Inc. and the National Garden Club. She also noted the club is very active with 98 members. The club raises funds each year by hosting an annual plant sale. Ms. Cruz indicated should the City allow the club to use the Keller Ranch site as its home base, it would be able to have more than one plant sale each year and provide more educational and planting workshops to community; perhaps the club could even restore the Elodia Keller Ranch garden which was on the grounds there. She also confirmed their cultivated plants would be placed in raised planters above the ground with no digging into the property so as not to disturb the Native American grounds.

Councilmember Pierce advised there is no available water source at the Keller Ranch House site and inquired on how water would get to the site for the plants and activities? Ms. Cruz said water would be trucked in however, she has heard there may be a water source already at the site. Councilmember Pierce noted she is unsure of any existing water source available at the site. She also inquired if the Clayton Valley Garden Club holds the types of events they are proposing, would there by sufficient parking? What about restroom facilities? Ms. Cruz advised parking and restrooms are available at the nearby Library.

Mayor Geller opened the matter to receive public comments.

Nadine Findley, Vice President, Clayton Valley Garden Club, noted the club's gardens are currently spread throughout Clayton and Concord, with some members having approximately 1,000 plants. Ms. Findley further advised the Garden Club has assisted local schools with the start of their gardens with students learning math and science through plants. The maintenance of the school gardens is provided by students, teachers and parents. Ms. Findley also mentioned the Clayton Valley Garden Club was in charge of establishing the landscaping of Daffodil Hill.

Mayor Geller closed public comments

Councilmember Pierce advised she is reluctant to move forward with this proposal as other community groups have expressed similar interests in the use of the Keller Ranch site for additional storage, etc. In fairness, those groups have not been invited to submit alternative proposals. She is also concerned with the long-term maintenance of the property, and the availability and ability of volunteers to sustain that effort.

Councilmember Haydon is favorable to the concept; however, he shares concerns about the logistics in the reality of the proposal, as there are many issues that still need to be resolved.

Councilmember Pierce recalled the City already adopted a Keller Ranch Master Plan, noting the costs to restore the grounds and building on the property as very costly, in the millions. She expressed concern with conflicts posed with approved uses contemplated in that Master Plan.

Mayor Geller inquired if the Clayton Valley Garden Club might be able to grow plants suitable for replanting in the City's various medians and rights of way? That would be a beneficial partnership. He also inquired on the current location of the Clayton Valley Garden Club workshops? Ms. Cruz responded the Garden Club could certainly explore replanting the medians with approved City plants, but many of the club's plants are succulents and the City's approved plant list does not allow those. She added workshops and seminars are currently being held at Diamond Terrace by the club.

City Manager Napper noted this proposal would result in a City lease agreement which would outline responsibilities for maintenance and care of the land and address additional issues such as utilities, trash and security.

Robb Kingsbury, Clayton Valley Garden Club, advised surrounding communities have working farms that were started from garden clubs within their communities. Mr. Kingsbury urged the City Council to take this opportunity and provide guidance to the Clayton Valley Garden Club and to step forward as a leading community and be part of solving the issue of global warming through plants and education.

Mayor Geller suggested Ms. Cruz contact Community Development Director Mindy Gentry to assist the Clayton Garden Club in preparing a formal request considering all of the logistics and a potential lease of the Keller Ranch property.

(c) Consider Mayor Geller's request for the City to commence a feasibility study for construction of a second public restroom in the Clayton Town Center area.

Mayor Geller provided a brief background noting there are many community events that would benefit from additional permanent restrooms in downtown Clayton; however, he acknowledged that with expected attendance at some of these events, portable restrooms would still be needed. Mayor Geller would like staff research to determine the cost for such a project including sewer and water hook-ups, permits, location options, and funding considerations. He noted the City Manager earlier calculated there are 22 days out of the calendar year when community event attendance supports the need for additional restroom facilities but he still believed the idea has merit and should be researched by staff.

Councilmember Pierce advised prior to this evening she performed her own research and learned the cost of a public restroom could be anywhere from $200,000 to $350,000 and that did not include all of site prep work and other components for a complete restroom. She indicated the City probably would not have the funds available for this project, and she does not consider this item as a high priority need of the City. She has observed at the Concert in The Grove series that the nearby portable restrooms across the street from the park are not being used as much as they could.

Councilmember Haydon confirmed he has received questions from concert attendees about the City installing an additional restroom in the downtown and would like to respond with an approximate cost to expand the existing restroom or add an additional location.

Mayor Geller opened the matter to receive public comments.

Allen Lampo advised he is in favor of obtaining quotes to add an additional restroom in downtown Clayton and is available to assist in obtaining the feasibility costs for a second public restroom in the downtown, if needed.

Mayor Geller closed public comments.

City Manager Napper commented the City Council must also consider the ongoing maintenance costs of a second public restroom, including sewer and water services; as is often the case on these capital improvements, the long term maintenance, operational and repair costs of such public facilities overtake the initial capital construction expense.

Mayor Geller requested this item be brought back to the next City Council meeting to allow input from the Councilmembers absent this evening.

No action taken – item continued to the November 1st Council meeting.

9. <u>COUNCIL ITEMS</u> – None.

10. <u>CLOSED SESSION</u>

Mayor Geller announced the City Council would go into a closed session to discuss the subject matters listed below:

(a) *Government Code Section 54956.8,* Conferences with Real Property Negotiator.

1. <u>Real Property</u>: 264 Stranahan Circle, Clayton, CA (APN 119-620-033).
Instructions to City Negotiator: City Manager Gary Napper, regarding price and terms of payment.
Negotiating Party: Libuska Erich, real property owner.

2. <u>Real Property</u>: 6005 Main Street, Clayton, CA (APN: 118-560-010-1).
Instructions to City Negotiators: City Manager Gary Napper, and Mr. Edward Del Beccaro, Managing Director, Transwestern, regarding price and terms of payment.
Negotiating Party: Joshua Reed, Director of Real Estate, Pacific Union Land Investors, LLC.

Report out from Closed Session (9:18 p.m.)
Mayor Geller reported the City Council received information from its negotiators regarding these matters but no reportable action was taken.

11. **ADJOURNMENT**– on call by Mayor Geller, the City Council adjourned its meeting at 9:19 p.m.

The next regularly scheduled meeting of the City Council will be November 1, 2016.

# # # # #

Respectfully submitted,

____
Janet Brown, City Clerk

APPROVED BY THE CLAYTON CITY COUNCIL

____
Howard Geller, Mayor

# # # # #

CITY OF CLAYTON
Founded 1857... Incorporated 1964

Agenda Date 11/1/2016

Agenda Item: 3c.

Approved
Gary A. Napper
City Manager

STAFF REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: Kevin Mizuno, FINANCE MANAGER

DATE: 11/1/16

SUBJECT: INVOICE SUMMARY

RECOMMENDATION:

Approve the following Invoices:

10/14/2016	Cash Requirements	$ 160,364.86
10/25/2016	ADP Payroll week 43, PPE 10/23/16	$ 83,761.78

Total $244,126.64

Attachments:
Cash Requirements Report dated 10/26/2016 (5 pages)
ADP payroll report for week 43 (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	11/1/2016	11/1/2016	481461576	Payroll fees PPE 10/9/16	$160.73	$0.00		$160.73
				Totals for ADP, LLC:	*$160.73*	*$0.00*		*$160.73*
All City Management Services, Inc.								
All City Management Services, Inc.	11/1/2016	11/1/2016	45234	School crossing guard services 9/25/16-10/8/1	$509.10	$0.00		$509.10
				Totals for All City Management Services, Inc.:	*$509.10*	*$0.00*		*$509.10*
American Fidelity Assurance Company								
American Fidelity Assurance Company	11/1/2016	11/1/2016	B527831	November Supplemental Insurance	$257.54	$0.00		$257.54
American Fidelity Assurance Company	11/1/2016	11/1/2016	1332641D	March FSA	$728.31	$0.00		$728.31
American Fidelity Assurance Company	11/1/2016	11/1/2016	1332643A	May FSA	$728.31	$0.00		$728.31
American Fidelity Assurance Company	11/1/2016	11/1/2016	1332644A	June FSA	$728.31	$0.00		$728.31
American Fidelity Assurance Company	11/1/2016	11/1/2016	1332645A	July FSA	$728.31	$0.00		$728.31
American Fidelity Assurance Company	11/1/2016	11/1/2016	1332646A	August FSA	$728.31	$0.00		$728.31
American Fidelity Assurance Company	11/1/2016	11/1/2016	1332647A	September FSA	$728.31	$0.00		$728.31
American Fidelity Assurance Company	11/1/2016	11/1/2016	1332648A	October FSA	$728.31	$0.00		$728.31
				Totals for American Fidelity Assurance Company:	*$5,355.71*	*$0.00*		*$5,355.71*
Bay Area Barricade Serv.								
Bay Area Barricade Serv.	11/1/2016	11/1/2016	0341227-IN	Driving gloves, trash grabbers, safety glasses	$410.39	$0.00		$410.39
				Totals for Bay Area Barricade Serv.:	*$410.39*	*$0.00*		*$410.39*
Bay Area News Group East Bay (CCT)								
Bay Area News Group East Bay (CCT)	11/1/2016	11/1/2016	0005835160	Legal Ads 2016 Arterial Rehab - 10/17 & 10/	$1,706.24	$0.00		$1,706.24
				Totals for Bay Area News Group East Bay (CCT):	*$1,706.24*	*$0.00*		*$1,706.24*
Shelley Beardsley								
Shelley Beardsley	11/1/2016	11/1/2016	HH102216	Deposit refund for Hoyer Hall 10/22/16	$200.00	$0.00		$200.00
				Totals for Shelley Beardsley:	*$200.00*	*$0.00*		*$200.00*
CalPERS Health								
CalPERS Health	11/1/2016	11/1/2016	2143	November Medical	$33,735.86	$0.00		$33,735.86
				Totals for CalPERS Health:	*$33,735.86*	*$0.00*		*$33,735.86*
CalPERS Retirement								
CalPERS Retirement	11/1/2016	11/1/2016	102316	Retirement PPE 10/23/16	$13,773.71	$0.00		$13,773.71
CalPERS Retirement	11/1/2016	11/1/2016	CC102416	City Council Retirement ending 10/24/16	$182.70	$0.00		$182.70
				Totals for CalPERS Retirement:	*$13,956.41*	*$0.00*		*$13,956.41*
City of Concord								
City of Concord	11/1/2016	11/1/2016	54680	Business card printing	$118.57	$0.00		$118.57
				Totals for City of Concord:	*$118.57*	*$0.00*		*$118.57*
Concord Garden Equipment								
Concord Garden Equipment	11/1/2016	11/1/2016	534157	Chain saw service, 2 back pack sprayers	$450.02	$0.00		$450.02

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
Concord Garden Equipment	11/1/2016	11/1/2016	534156	Sharpen hedge blades x3	$165.00	$0.00		$165.00
				Totals for Concord Garden Equipment:	*$615.02*	*$0.00*		*$615.02*
Contra Costa County Sheriff - Forensic Svc Div (Lab)								
Contra Costa County Sheriff - Forensic S	11/1/2016	11/1/2016	CLPD-1609	September Alcohol tests	$200.00	$0.00		$200.00
Contra Costa County Sheriff - Forensic S	11/1/2016	11/1/2016	CLPD-316	Blood withdrawal services July-September 20	$236.25	$0.00		$236.25
				Totals for Contra Costa County Sheriff - Forensic Svc Div (Lab):	*$436.25*	*$0.00*		*$436.25*
Cropper Accountancy Corp								
Cropper Accountancy Corp	11/1/2016	11/1/2016	1224	2nd Progress billing for audit ending 6/30/16	$20,223.00	$0.00		$20,223.00
				Totals for Cropper Accountancy Corp:	*$20,223.00*	*$0.00*		*$20,223.00*
De Lage Landen Financial Services, Inc.								
De Lage Landen Financial Services, Inc.	11/1/2016	11/1/2016	51963401	November copier lease	$342.17	$0.00		$342.17
				Totals for De Lage Landen Financial Services, Inc.:	*$342.17*	*$0.00*		*$342.17*
Environtech Enterprises								
Environtech Enterprises	11/1/2016	11/1/2016	A001A-3A-16	Thistle abatement May-June	$4,000.00	$0.00		$4,000.00
Environtech Enterprises	11/1/2016	11/1/2016	A001B-3B-16	Mustard, yellow star thistle abatement May-Ju	$6,000.00	$0.00		$6,000.00
				Totals for Environtech Enterprises:	*$10,000.00*	*$0.00*		*$10,000.00*
Fjellbo & Son Const Inc								
Fjellbo & Son Const Inc	11/1/2016	11/1/2016	CAP0154	Deposit refund for 6054 Clayton View Ln	$1,689.79	$0.00		$1,689.79
				Totals for Fjellbo & Son Const Inc:	*$1,689.79*	*$0.00*		*$1,689.79*
Geoconsultants, Inc.								
Geoconsultants, Inc.	11/1/2016	11/1/2016	18837	October Well monitoring	$1,546.50	$0.00		$1,546.50
				Totals for Geoconsultants, Inc.:	*$1,546.50*	*$0.00*		*$1,546.50*
Hammons Supply Company								
Hammons Supply Company	11/1/2016	11/1/2016	95506	City Hall Janitorial supplies	$173.64	$0.00		$173.64
				Totals for Hammons Supply Company:	*$173.64*	*$0.00*		*$173.64*
Health Care Dental Trust								
Health Care Dental Trust	11/1/2016	11/1/2016	216814	November Dental	$2,839.18	$0.00		$2,839.18
				Totals for Health Care Dental Trust:	*$2,839.18*	*$0.00*		*$2,839.18*
ICMA Retirement Corporation								
ICMA Retirement Corporation	11/1/2016	11/1/2016	17150	Annual plan fee for Q2 FY 17, 457 Plan	$125.00	$0.00		$125.00
				Totals for ICMA Retirement Corporation:	*$125.00*	*$0.00*		*$125.00*
Ken Joiret								
Ken Joiret	11/1/2016	11/1/2016	2016MC	Sound for 2016 Mayors' Conference	$200.00	$0.00		$200.00
				Totals for Ken Joiret:	*$200.00*	*$0.00*		*$200.00*
Arlene Kikkawa-Nielsen								
Arlene Kikk[illegible]ielsen	11/1/2016	11/1/2016	October2016	October Li[illegible] Volunteer Coordinator	$900.00	$0.00		$900.00

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
Arlene Kikkawa-Nielsen	11/1/2016	11/1/2016	November2016	November Library Volunteer Coordinator	$900.00	$0.00		$900.00
				Totals for Arlene Kikkawa-Nielsen:	*$1,800.00*	*$0.00*		*$1,800.00*
LarryLogic Productions								
LarryLogic Productions	11/1/2016	11/1/2016	1610	CIty Council meeting 10/18/16	$300.00	$0.00		$300.00
				Totals for LarryLogic Productions:	*$300.00*	*$0.00*		*$300.00*
MPA								
MPA	11/1/2016	11/1/2016	S3Q1603	Reimbursment of Medicare Tax for Dan John	$83.60	$0.00		$83.60
MPA	11/1/2016	11/1/2016	November	November Life/LTD	$1,727.51	$0.00		$1,727.51
				Totals for MPA:	*$1,811.11*	*$0.00*		*$1,811.11*
NBS Govt. Finance Group								
NBS Govt. Finance Group	11/1/2016	11/1/2016	916000027	Interim Arbitrage Analysis 6/7/07-9/2/16	$1,200.00	$0.00		$1,200.00
				Totals for NBS Govt. Finance Group:	*$1,200.00*	*$0.00*		*$1,200.00*
PERMCO, Inc.								
PERMCO, Inc.	11/1/2016	11/1/2016	10645	General Engineering services 10/8/16-10/21/1	$4,881.00	$0.00		$4,881.00
PERMCO, Inc.	11/1/2016	11/1/2016	10646	CAP Inspections 10/8/16-10/21/16	$83.00	$0.00		$83.00
PERMCO, Inc.	11/1/2016	11/1/2016	10647	Prep plans, bid pkg, CIP10425, 10/8/16-10/21/	$427.00	$0.00		$427.00
PERMCO, Inc.	11/1/2016	11/1/2016	10648	Review plans/COA, prep of exhibits, St John'	$721.25	$0.00		$721.25
PERMCO, Inc.	11/1/2016	11/1/2016	10649	Prep final plans/bidding, inspection CIP 1043	$4,621.50	$0.00		$4,621.50
PERMCO, Inc.	11/1/2016	11/1/2016	10650	Grand Jury response - GHAD, 10/8/16-10/21/	$291.88	$0.00		$291.88
				Totals for PERMCO, Inc.:	*$11,025.63*	*$0.00*		*$11,025.63*
PG&E								
PG&E	11/1/2016	11/1/2016	102116	Electricity 9/22/16-10/20/16	$3,792.86	$0.00		$3,792.86
PG&E	11/1/2016	11/1/2016	101416	Electricity/Gas 8/23/16-9/21/16	$19,384.34	$0.00		$19,384.34
				Totals for PG&E:	*$23,177.20*	*$0.00*		*$23,177.20*
Pond M Solutions								
Pond M Solutions	11/1/2016	11/1/2016	44	October fountain maintenance	$650.00	$0.00		$650.00
Pond M Solutions	11/1/2016	11/1/2016	41	Fountain, replace top cover of sand filter & fa	$1,054.00	$0.00		$1,054.00
				Totals for Pond M Solutions:	*$1,704.00*	*$0.00*		*$1,704.00*
Psychological Resources Inc.								
Psychological Resources Inc.	11/1/2016	11/1/2016	7157	Pre-employment screening, Wright	$475.00	$0.00		$475.00
				Totals for Psychological Resources Inc.:	*$475.00*	*$0.00*		*$475.00*
R&S Erection of Concord								
R&S Erection of Concord	11/1/2016	11/1/2016	99601	Replace drive manual chain hoist, roll-up doo	$743.00	$0.00		$743.00
				Totals for R&S Erection of Concord:	*$743.00*	*$0.00*		*$743.00*
Riso Products of Sacramento								
Riso Products of Sacramento	11/1/2016	11/1/2016	162664	Copier contract 10/18/16-11/17/16	$94.86	$0.00		$94.86
				Totals for Riso Products of Sacramento:	*$94.86*	*$0.00*		*$94.86*

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
Roto-Rooter Sewer/Drain Service								
Roto-Rooter Sewer/Drain Service	11/1/2016	11/1/2016	J-1204-16	Install water heaters, faucet in courtyard restro	$1,585.57	$0.00		$1,585.57
Roto-Rooter Sewer/Drain Service	11/1/2016	11/1/2016	J-1188-16	Cleaned sewer lines in restroom, Library	$209.75	$0.00		$209.75
				Totals for Roto-Rooter Sewer/Drain Service:	*$1,795.32*	*$0.00*		*$1,795.32*
Standard Chair of Gardner								
Standard Chair of Gardner	11/1/2016	11/1/2016	INV249844	Heritage lamp repair/return	$95.00	$0.00		$95.00
				Totals for Standard Chair of Gardner:	*$95.00*	*$0.00*		*$95.00*
US Bank - Corp Pmt System CalCard								
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	UPS, shipping fee	$6.80	$0.00		$6.80
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	Covenant filing, fee	$22.50	$0.00		$22.50
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	American Planning Association Conference	$455.00	$0.00		$455.00
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	United, airfare to Burbank for Planning Confe	$168.70	$0.00		$168.70
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	Ed's, food for volunteers	$78.12	$0.00		$78.12
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	Central storage, rent	$115.00	$0.00		$115.00
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	New employee keys, shop tools	$205.30	$0.00		$205.30
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	CCP materials	$221.91	$0.00		$221.91
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	Landscape lighting	$42.42	$0.00		$42.42
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	Library lighting	$54.46	$0.00		$54.46
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	Equipment cover, landscape lighting, tools	$788.31	$0.00		$788.31
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	The Grove supplies	$39.87	$0.00		$39.87
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	PAPA certification, Mark	$160.00	$0.00		$160.00
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	East Bay Tire, 6-2007 F450	$2,192.55	$0.00		$2,192.55
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	East Bay Tire, 4-1999 F450	$1,435.03	$0.00		$1,435.03
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	Fuel	$676.33	$0.00		$676.33
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	Landscape fuel	$981.86	$0.00		$981.86
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	Office supplies	$507.96	$0.00		$507.96
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	ID Cards, Holster, cabinet straps	$348.64	$0.00		$348.64
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	Drano	$8.13	$0.00		$8.13
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	Zero tool kit	$50.13	$0.00		$50.13
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	Lunch during training, Starick	$21.82	$0.00		$21.82
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	Fuel	$1,474.75	$0.00		$1,474.75
US Bank - Corp Pmt System CalCard	11/1/2016	11/1/2016	Stmt ending 9/22/16	Car washes, lfit replacement for trailer	$119.98	$0.00		$119.98
				Totals for US Bank - Corp Pmt System CalCard:	*$10,175.57*	*$0.00*		*$10,175.57*
Verizon Wireless								
Verizon Wireless	11/1/2016	11/1/2016	977288868	Cell service 9/2/16-10/1/16	$66.19	$0.00		$66.19
				Totals for Verizon Wireless:	*$66.19*	*$0.00*		*$66.19*
Wells Fargo Bank, N.A.								
Wells Fargo Bank, N.A.	11/1/2016	11/1/2016	1345836	Lydia Lane Sewe paying agent fee 8/7/16-8/6	$500.00	$0.00		$500.00
				Totals for Wells Fargo Bank, N.A.:	*$500.00*	*$0.00*		*$500.00*
Workers.co								
Workers.co	11/1/2016	11/1/2016	116820	Seasonal [illegible] week end 10/2/16	$5,667.62	$0.00		$5,667.62

Workers.com	11/1/2016	11/1/2016	116900	Seasonal workers week end 10/9/16	$5,390.80	$0.00	$5,390.80
				Totals for Workers.com:	*$11,058.42*	*$0.00*	*$11,058.42*
				GRAND TOTALS:	**$160,364.86**	**$0.00**	**$160,364.86**

0 Employees With Overflow Statement
0 Overflow Statement 1 Total Statement
Tot Cks/Vchrs:0000000030 Tot Docs in all:0000000033

	First No.	Last No.	Total
Checks:	ADPCHECK	ADPCHECK	0000000004
Vouchers:	0000430001	0000430026	0000000026

Earnings Statement

Z7L TOTAL DOCUMENT
CITY OF CLAYTON
LOCATION 0001

CHECK STUFFING, RECONCILIATION

83761.78	GROSS
58830.89	NET PAY (INCLUDING ALL DEPOSITS)
10339.52	FEDERAL TAX
84.97	SOCIAL SECURITY
1159.47	MEDICARE
.00	MEDICARE SURTAX
.00	SUI TAX
3274.57	STATE TAX
.00	LOCAL TAX
66396.08	DEDUCTIONS
2507.17	NET CHECK

COMPANY CODE Z7L
CITY OF CLAYTON
TOTAL DOCUMENT
LOCATION 0001

NON-NEGOTIABLE - VOID - NON-NEGOTIABLE
NON-NEGOTIABLE - VOID - NON-NEGOTIABLE
NON-NEGOTIABLE - VOID - NON-NEGOTIABLE
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NON-NEGOTIABLE - VOID - NON-NEGOTIABLE

CITY OF CLAYTON
Founded 1857... Incorporated 1964

Agenda Date: 11-01-2016

Agenda Item: 3d

Approved:

Gary A. Napper
City Manager

STAFF REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: MAINTENANCE SUPERVISOR

DATE: November 1 2016

SUBJECT: AWARD OF NEGOTIATED CONTRACTS
PLANTING OF 52 RIGHT-OF-WAY TREES ON KELLER RIDGE DRIVE

RECOMMENDATION

By minute motion, approve the following actions:

1. Award a negotiated contract to Diablo Landscape in the amount of $59,800 for replacement/installation of fifty-two (52) trees on Keller Ridge Drive (LMD Project No. 2015-03) with the finding it constitutes the lowest responsible negotiated contract;

2. Award a negotiated contract to Waraner Brothers Tree Service) in the amount of $4,400 for the removal of forty-four (44) declining London Plane trees on Keller Ridge Drive; and

3. Authorize the allocation of an additional $18,200 from the Landscape Maintenance District unobligated reserve (Fund 210) to gap-fund the project cost difference between the original project budget of $46,000 and the negotiated project contract costs of $64,200.

BACKGROUND

Due to a significant decline in the original London Plane trees located within the City's roadway landscape along Keller Ridge Drive, combined with the damaging impact these trees have made to the sidewalks adjacent to these planter areas, it was determined that a plan be made for the replacement of these trees. Maintenance staff submitted a proposed replacement plan to the Trails and Landscaping Committee for input and review; after discussion the citizen advisory committee's recommendation was forward to the Clayton City Council. The Clayton City Council considered and approved the tree replacement plan at its regular public meeting held on April 5 2016.

The recommended project plan approved by the City Council (5-0) is to switch to a medium size tree (instead of the large street trees that exist now) using a multi-species tree design (Chinese Huckleberry; Chinese Pistache; Eastern Redbud).

Following that approval, Maintenance staff prepared a bid packet to replace fifty-two (52) trees identified for replacement along Keller Ridge Drive using the approved concept plan incorporating three (3) tree species in the multi-tree design. The project was put out to bid in the middle of June with all bids due by July 12 2016. At the deadline for bids, the City did not receive a single bid for the project. After the failure of not receiving any bids, Maintenance staff consulted with the City Attorney who indicated given that fact, the City may negotiate with qualified landscape companies to obtain the best pricing for the project; staff then began to contact landscaping firms that do landscape installation work to solicit negotiated quotes for the work.

Staff was finally able to get two quotes: one from Pacheco Brother Gardening, Inc., at a total cost of $87,516 and the other quote from Diablo Landscaping at a total cost of $59,800.00. No other companies solicited for the work chose to bid the project. These negotiated quotes were for the replanting of the trees to include all materials needed to plant the trees to City specifications, including the trees and the installation of an irrigation bubbler.

AWARD OF CONTRACT

The scope of work by the Diablo Landscape quote is to supply and install fifty-two (52) 24" box trees and all necessary supplies to plant the trees to City plans and specifications. The quote also includes the repair and installation of one bubbler for each newly-installed tree. The total cost for the above work from Diablo Landscape is $59,800.

The City's desired work specifications did not include the removal of the forty-four (44) existing declining trees that have been selected for replacement as landscape firms contacted for this replanting work do not have the necessary equipment (i.e. tall crane) to remove the existing trees. Maintenance staff therefore obtained a separate quote from Waraner Brothers Tree Services (the City's primary tree contractor) for its removal of the forty-four (44) existing trees in the amount of $4,400.00.

FISCAL IMPACT

The Clayton Landscape Maintenance District is a voter-approved Community Facilities District (CFD 2007-1) and functions using special local real property tax revenues for its maintenance and operation. In June 2016 residents of Clayton overwhelmingly voted to renew the District for an additional ten (10). The annual revenues from this parcel tax are considered a "Restricted-Use Fund" and can only be used within the Clayton Landscape Maintenance District for its operations which include the maintenance, repair, or replacement of district features.

In the approved Fiscal Year Budget for 2016-17 there is a $46,000 capital improvement project for the replacement of the public roadway trees along Keller Ridge Drive. With the lack of competitive bids prompting the requirement to obtain negotiated contracts for this proposed work, the total negotiated project cost of $64,200 (Diablo Landscape of $59,800 and Waraner Brothers Tree Service of $4,400) exceeds the allocated funding. Should the

City Council wish to move forward with this priority improvement project of the Landscape Maintenance District, it will be necessary to allocate additional District funds to the project ($18,200).

The Clayton Landscape Maintenance District's unobligated cash reserves are projected to be $793,268 at the end of the Fiscal Year 2016-17. An allocation of $18,200 is necessary to gap-fund this desired improvement project, which amount is requested by Council action and will result in an ending cash reserve balance of $775,068

Exhibits: 1. Diablo Landscape Quote [4 pp.]
2. Pacheco Brothers Quote [4 pp.]
3. Waraner Brothers Estimate [1 pg.]
4. Site Plan [3 pp.]

EXHIBIT 1

PROPOSAL TO THE CITY COUNCIL

CITY OF CLAYTON

CALIFORNIA

FOR: **KELLER RIDGE DRIVE TREE REPLACEMENT PROJECT (LMD PROJECT No. 2015-3)**

NAME OF BIDDER: Diablo Lawnscape

BUSINESS ADDRESS: P.O. Box 1143 Clayton CA 94517

CONTACT NAME: Jared Markle PHONE NO.: 925-381-3757

LOCATION

The work to be done and referred to herein is in the City of Clayton, County of Contra Costa, State of California. The work is to be constructed in accordance with the Plans and Specifications, and the current City of Clayton Standard Plans and Specifications, and the General Prevailing Wage Rates.

The work to be done is delineated in the Special Provisions.

TO: City Council, City of Clayton, California

The undersigned, as bidder, declares that the only persons or parties interested in this proposal as principals are those named herein; that this proposal is made without collusion with any other person, firm or corporation and that he has carefully examined the location of the proposed work, the annexed proposed form of contract, and the plans therein referred to; and he proposes and agree that if this proposal is accepted, he will contract with the City of Clayton to provide all necessary machinery, tools, apparatus and other means of construction, and to do all the work and furnish all the materials specified in the contract, in a manner and time therein prescribed, and according to the requirements of the Engineer as therein set forth, and that he will take in full payment thereof the following item prices, to wit:

BASE BID:

KELLER RIDGE DRIVE TREE REPLACEMENT PROJECT (LMD PROJECT No. 2015-3)					
Item #	**Description**	**Quantity**	**Unit**	**Unit Price**	**Total**
1	Supply & install tree	52	EA	$850.00	$44,200.00
2	Irrigation repair and installation per tree	52	EA	$300.00	$15,600.00
TOTAL BASE BID					$59,800.00

Note: The bid amount used for determination of the low bidder shall be the Total Base Bid.

All work to be performed in strict accordance with the plans and specifications provided by the City.

The names of all persons interested in the foregoing proposal as principals are as follows:

IMPORTANT — If bidder or other interested person is a corporation, state legal name of corporation, also names of the president, secretary, treasurer and manager thereof; if a co-partnership, state true name of firm; if bidder or other interested person is an individual, state first and last names in full. If signature is by agent, other than an officer of a corporation or a member of a partnership, a Power of Attorney must be on file with the City prior to opening bids or submitted with the bid; otherwise, the bid will be disregarded as irregular and unauthorized.

n/a

Licensed in accordance with an act providing for the registration of Contractors, License No. 958849.

Owner

Jared@diablolawnscape.com

SIGNATURE/TITLE OF BIDDER/E-MAIL ADDRESS

Business Address: P.O. Box 1143, Clayton CA 94517

Date: 10/12/16

Note: Signatures must be properly authorized.

LIST OF SUBCONTRACTORS

As required under the provisions of Section 4104 et seq. of the California Public Contract Code, any person making a bid or offer to perform the work, shall in his or her bid or offer, set forth: (a) The name and location of the place of business of each subcontractor who will perform work or labor or render service to the prime contractor in or about the construction of the work or improvement, or a subcontractor licensed by the State of California who, under subcontractor to the primary contractor specially fabricates and installs a portion of the work or improvement according to detailed drawings contained in the plans and specifications, in an amount in excess of one-half of 1 percent (0.5%) of the prime contractor's total bid: (b) The portion of the work which will be done by each such subcontractor under this act. The prime contractor shall list only one (1) subcontractor for each such portion as defined by the prime contractor in his or her bid.

Following is a list of subcontractors: N/A

Name	Address	License #	DIR #	Work to be Performed

NON-COLLUSION AFFIDAVIT

State of California)
County of Contra Costa) ss.
)

Jared L. Markle, being first duly sworn, deposes and says that he or she is Owner of Diablo Lawnscape, the party making the foregoing bid, that the bid is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation; that the bid is genuine and not collusive or sham; that the bidder, has not directly or indirectly induced or solicited any other bidder to put in a false or sham bid, and has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham bid, or that anyone shall refrain from bidding; that the bidder has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the bid price, or of the bidder or any other bidder, or to secure any advantage against the public body awarding the contract of anyone interested in the proposed contract; that all statements contained in the bid are true; and further, that the bidder has not, directly or indirectly, submitted his or her bid price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, or paid, and will not pay, any fee to any corporation, partnership, company association, organization, bid depository, or to any member or agent thereto to effectuate a collusive or sham bid.

SIGNATURE OF BIDDER

P.O. Box 1143
Clayton, CA 94517
BUSINESS ADDRESS

NOTE: Signatures must be properly notarized.

EXHIBIT 2

PROPOSAL TO THE CITY COUNCIL

CITY OF CLAYTON

CALIFORNIA

FOR: KELLER RIDGE DRIVE TREE REPLACEMENT PROJECT (LMD PROJECT No. 2015-3)

NAME OF BIDDER: PACHECO BROTHERS GARDENING INC.

BUSINESS ADDRESS: 20973 CABOT BLVD. HAYWARD CA. 94545

CONTACT NAME: GARY PACHECO PHONE NO.: 510 732-6330

LOCATION

The work to be done and referred to herein is in the City of Clayton, County of Contra Costa, State of California. The work is to be constructed in accordance with the Plans and Specifications, and the current City of Clayton Standard Plans and Specifications, and the General Prevailing Wage Rates.

The work to be done is delineated in the Special Provisions.

TO: City Council, City of Clayton, California

The undersigned, as bidder, declares that the only persons or parties interested in this proposal as principals are those named herein; that this proposal is made without collusion with any other person, firm or corporation and that he has carefully examined the location of the proposed work, the annexed proposed form of contract, and the plans therein referred to; and he proposes and agree that if this proposal is accepted, he will contract with the City of Clayton to provide all necessary machinery, tools, apparatus and other means of construction, and to do all the work and furnish all the materials specified in the contract, in a manner and time therein prescribed, and according to the requirements of the Engineer as therein set forth, and that he will take in full payment thereof the following item prices, to wit:

BASE BID:

KELLER RIDGE DRIVE TREE REPLACEMENT PROJECT (LMD PROJECT No. 2015-3)					
Item #	Description	Quantity	Unit	Unit Price	Total
1	Supply & install tree	52	EA	1,193.00	62,036.00
2	Irrigation repair and installation per tree	52	EA	490.00	25,480.00
TOTAL BASE BID					#87,516.00

Note: The bid amount used for determination of the low bidder shall be the Total Base Bid.

All work to be performed in strict accordance with the plans and specifications provided by the City.

The names of all persons interested in the foregoing proposal as principals are as follows:

IMPORTANT If bidder or other interested person is a corporation, state legal name of corporation, also names of the president, secretary, treasurer and manager thereof; if a co-partnership, state true name of firm; if bidder or other interested person is an individual, state first and last names in full. If signature is by agent, other than an officer of a corporation or a member of a partnership, a Power of Attorney must be on file with the City prior to opening bids or submitted with the bid; otherwise, the bid will be disregarded as irregular and unauthorized.

GEORGE A. PACHECO JR. PRES.

LYNN D. PACHECO SEC.

GARY L PACHECO V.P.

Licensed in accordance with an act providing for the registration of Contractors, License No. 486789.

C-27, A, B & C-33

Gary L. Pacheco

VICE PRES.

gary@pachecobrothers.com

SIGNATURE/TITLE OF BIDDER/E-MAIL ADDRESS

Business Address: 20973 CABOT BLVD. HAYWARD CA 94545

Date: 9-29-16

Note: Signatures must be properly authorized.

LIST OF SUBCONTRACTORS

As required under the provisions of Section 4104 et seq. of the California Public Contract Code, any person making a bid or offer to perform the work, shall in his or her bid or offer, set forth: (a) The name and location of the place of business of each subcontractor who will perform work or labor or render service to the prime contractor in or about the construction of the work or improvement, or a subcontractor licensed by the State of California who, under subcontractor to the primary contractor specially fabricates and installs a portion of the work or improvement according to detailed drawings contained in the plans and specifications, in an amount in excess of one-half of 1 percent (0.5%) of the prime contractor's total bid: (b) The portion of the work which will be done by each such subcontractor under this act. The prime contractor shall list only one (1) subcontractor for each such portion as defined by the prime contractor in his or her bid.

Following is a list of subcontractors:

Name	Address	License #.	DIR #	Work to be Performed
	NONE			

PUBLIC WORKS CONTRACTOR REGISTRATION CERTIFICATION
LABOR CODE - SECTION 1861

PUBLIC WORKS CONTRACTOR REGISTRATION CERTIFICATION

Pursuant to Labor Code sections 1725.5 and 1771.1, all contractors and subcontractors that wish to bid on, be listed in a bid proposal, or enter into a contract to perform public work must be registered with the Department of Industrial Relations. See http://www.dir.ca.gov/Public-Works/PublicWorks.html for additional information.

No bid will be accepted nor any contract entered into without proof of the contractor's and subcontractors' current registration with the Department of Industrial Relations to perform public work.

Contractor hereby certifies that it is aware of the registration requirements set forth in Labor Code sections 1725.5 and 1771.1 and is currently registered as a contractor with the Department of Industrial Relations.

Name of Contractor: PACHECO BROTHERS GARDENING INC.

DIR Registration Number: 1000001754

Contractor further acknowledges:

1. Contractor shall maintain a current DIR registration for the duration of the project.

2. Contractor shall include the requirements of Labor Code sections 1725.5 and 1771.1 in its contract with subcontractors and ensure that all subcontractors are registered at the time of contract award and maintain registration status for the duration of the project.

3. Failure to submit this form or comply with any of the above requirements may result in the rescission of the contract award.

Signature: Gary L Pacheco

Name and Title: GARY L. PACHECO V.P.

Dated: 9-29-16

EXHIBIT 3

Waraner Bros. Tree Service

P.O. Box 142
Clayton, Ca. 94517
(925) 831-2323 Fax 925-673-1567

Estimate

Date	Estimate #
10/13/2016	4010

Project

Name / Address

CITY OF CLAYTON
6000 Heritage Trail
Clayton, Ca 94517

ED WARANER (925) 250-0335
ARBORIST LICENSE #WE3386A
CONTRACTORS LICENSE #642272
BONDED, LICENSED AND FULLY INSURED
ALL WORK DONE ACCORDING TO I.S.A STANDARDS
wbtree2000@yahoo.com
www.waranerbrostree.com

Billing Information

TREE REMOVALS

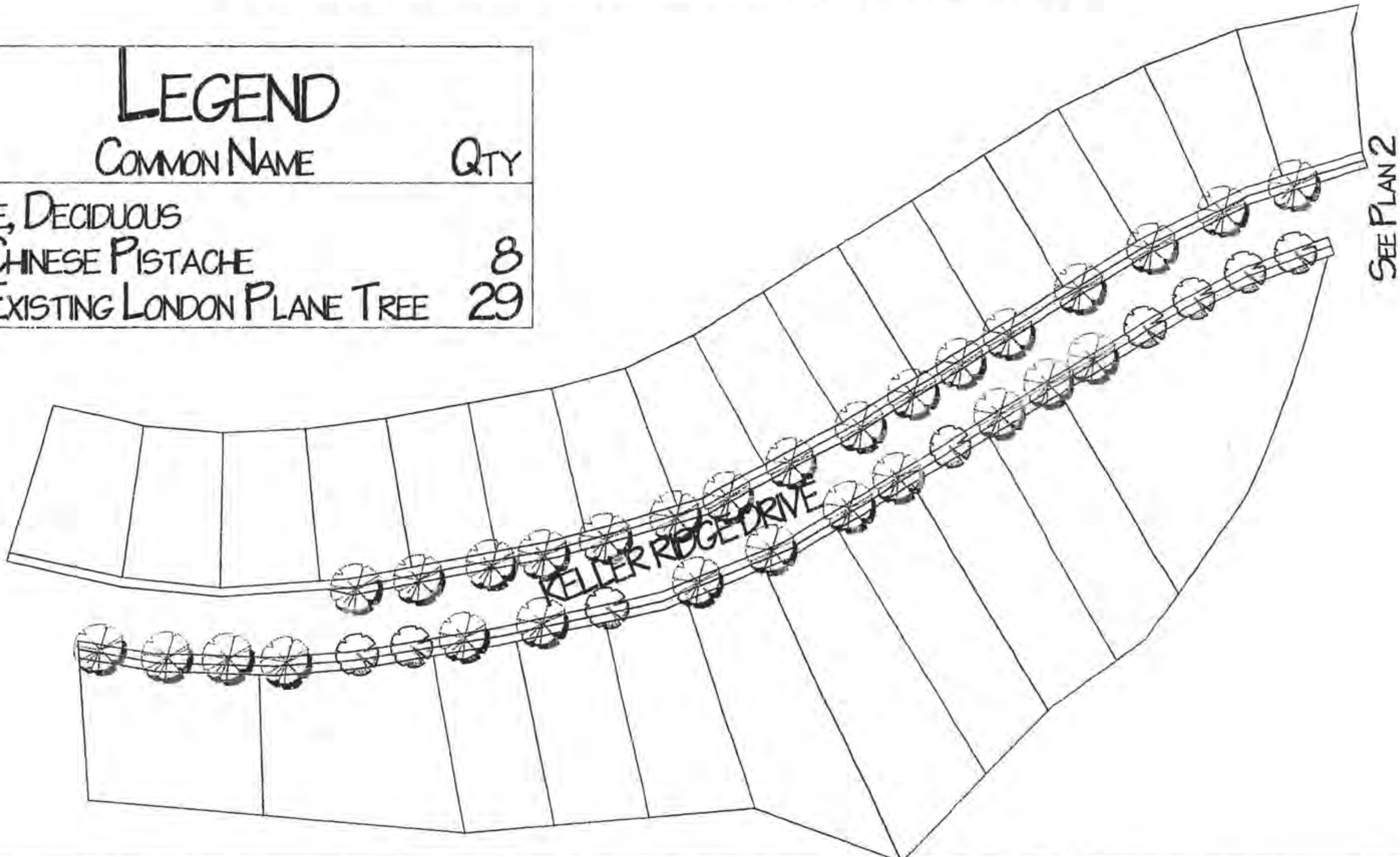
Description	Qty	Cost	Total
THE FOLLOWING PROPOSAL IS AN ESTIMATE FOR THE REMOVALS OF 44 SYCAMORE TREES ON KELLER RIDGE. ALL WOOD WILL BE REMOVED FROM PREMISES. TOTAL CLEAN UP OF ALL BRUSH AND TRIMMINGS.			
LOCATION: KELLER RIDGE			
REMOVE 44 SYCAMORE TREES		4,400.00	4,400.00
ALL WORK WILL BE DONE AS ACCORING TO I.S.A. STANDARDS			

Total	$4,400.00

NOTE: EXISTING LONDON PLANE TREES INDICATE TREES THAT WILL REMAIN

LEGEND

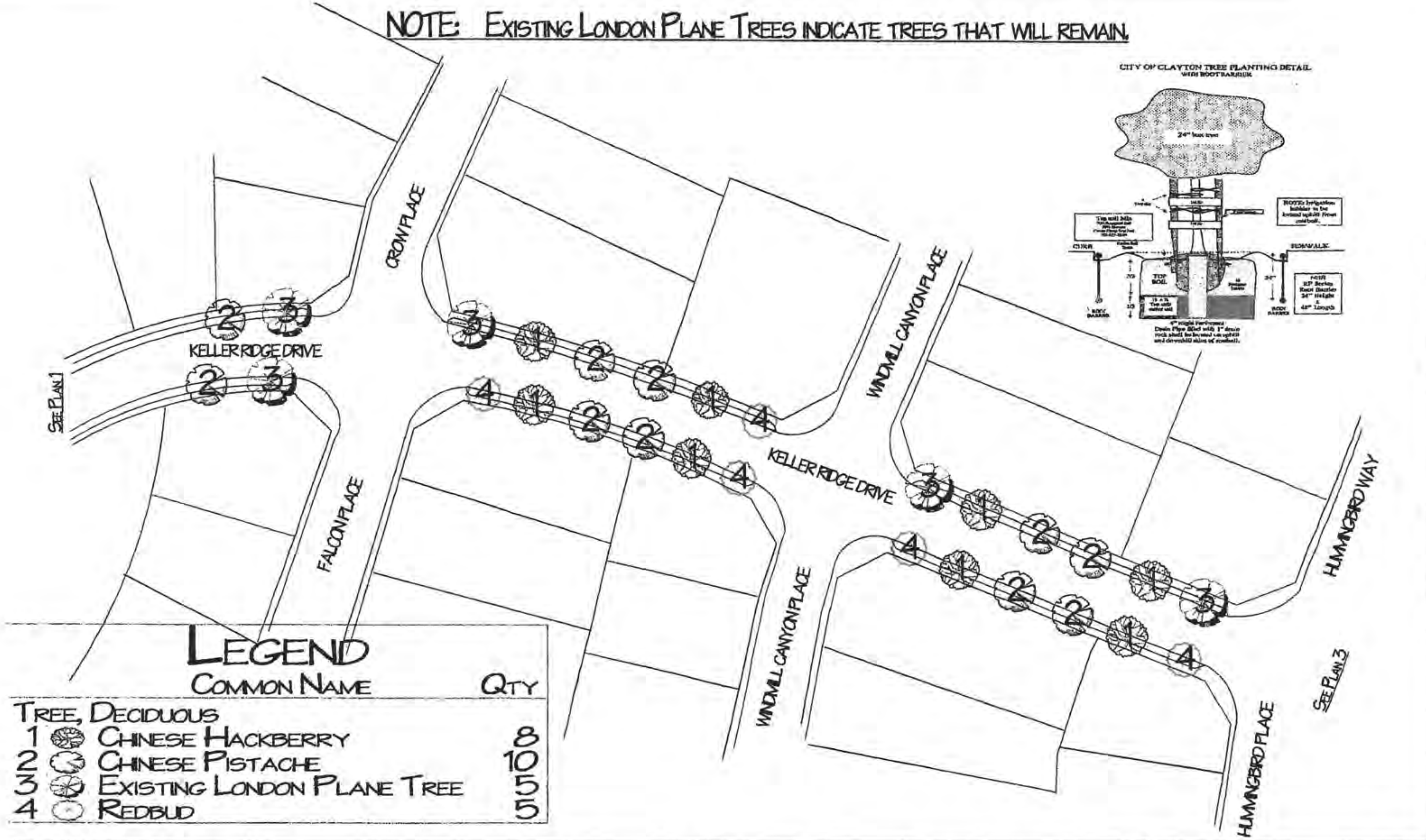
COMMON NAME	QTY
TREE, DECIDUOUS	
CHINESE PISTACHE	8
EXISTING LONDON PLANE TREE	29



Revision #:	Scale:	Landscape Plan: PLan 1	Landscape Design by:	CITY OF CLAYTON
Date: 6/14/2016	1" = 30'	Keller Ridge Tree Replacement		

EXHIBIT 4

NOTE: EXISTING LONDON PLANE TREES INDICATE TREES THAT WILL REMAIN.

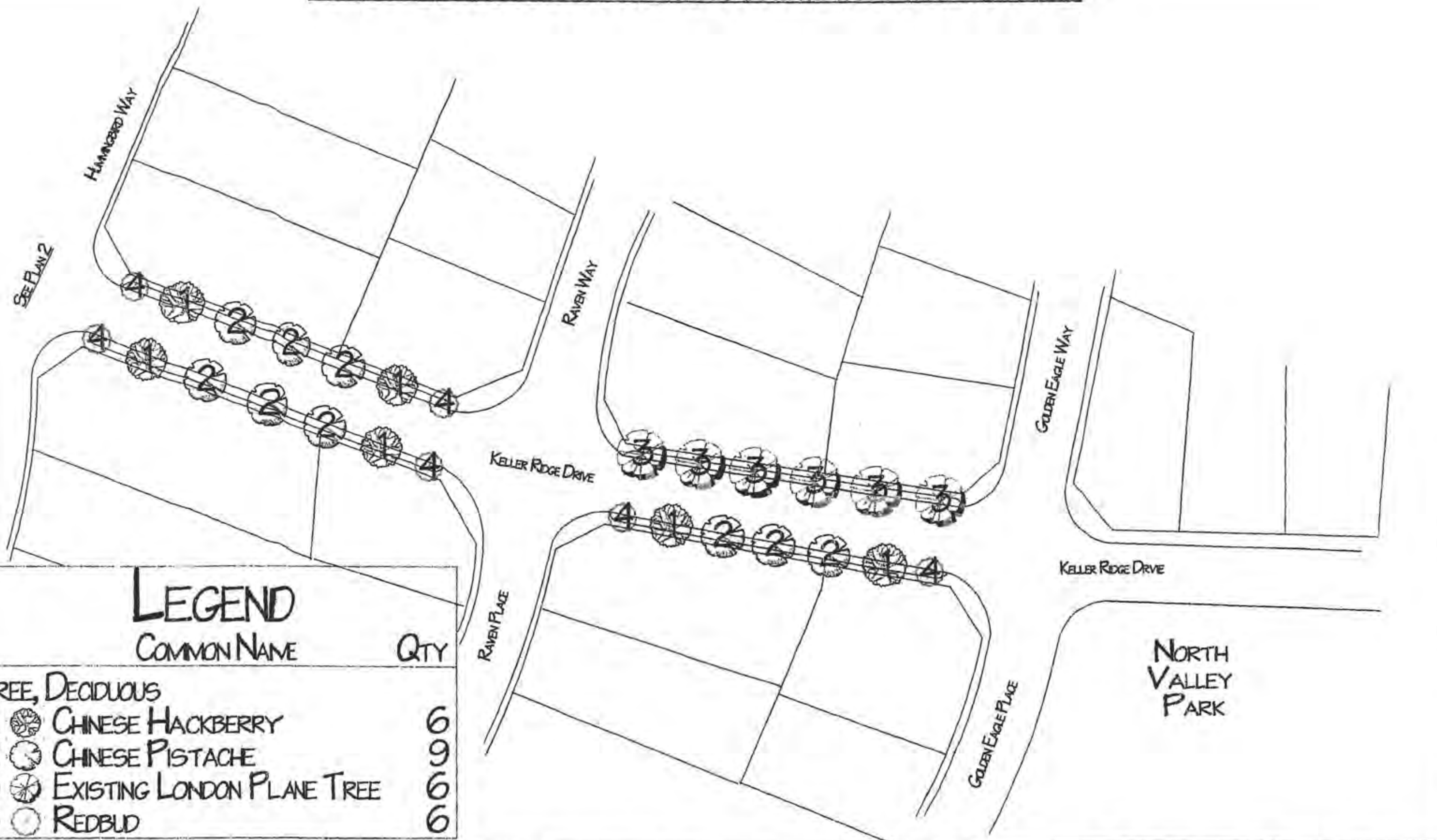


LEGEND

COMMON NAME	QTY
TREE, DECIDUOUS	
1 CHINESE HACKBERRY	8
2 CHINESE PISTACHE	10
3 EXISTING LONDON PLANE TREE	5
4 REDBUD	5

Revision #:	Scale:	Landscape Plan: 2	Landscape Design by: CITY OF CLAYTON
Date: 6/14/2016	1" = 30'	Keller Ridge Tree Replacement	

NOTE: EXISTING LONDON PLANE TREES INDICATE TREES THAT WILL REMAIN.



LEGEND

COMMON NAME	QTY
TREE, DECIDUOUS	
1 CHINESE HACKBERRY	6
2 CHINESE PISTACHE	9
3 EXISTING LONDON PLANE TREE	6
4 REDBUD	6

Revision #:	Scale:	Landscape Plan: Plan 3	Landscape Design by: CITY OF CLAYTON
Date: 6/14/2016	1" = 30'	Keller Ridge Tree Replacement	

Agenda Date: 11-01-2016
Agenda Item: 3e

CITY OF CLAYTON
Founded 1857 . . Incorporated 1964

STAFF REPORT

Approved:
Gary A. Napper
City Manager

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: RICK ANGRISANI, CITY ENGINEER

DATE: NOVEMBER 1, 2016

SUBJECT: RESOLUTION APPROVING AN ADMINISTERING AGENCY-STATE AGREEMENT FOR FEDERAL-AID PROJECTS NO. 04-5386F15 AND PROGRAM SUPPLEMENT NO. F007, AS REQUIRED, TO RECEIVE FEDERAL FUNDING FOR CERTAIN TRANSPORTATION PROJECTS.

RECOMMENDATION

Approve attached Resolution.

BACKGROUND

In order to actually receive federal funds, the City is signatory to an Administering-Agency-State Master Agreement ("Master Agreement") with the State Department of Transportation ("Caltrans"). This agreement establishes the terms and conditions when receiving federal funds for a project. The Master Agreement is then augmented with a Program Supplement Agreement for each approved federal aid project.

The current Master Agreement was approved in 2009 (Agreement No. 04-5386R). The State has prepared a new, updated agreement to incorporate legislative changes that have occurred since that time. This is a standard agreement prepared by the State and is non-negotiable. An agency either executes the agreement as-is or it forgoes the federal funds.

In addition, staff has been provided the Program Supplement No. F007 for our 2016 Collector Street Rehabilitation Program, CIP Project No. 10425, which is being funded with Surface Transportation Program (STP) funds.

FISCAL IMPACT

Failure to approve and execute either the Master Agreement or the Program Supplement would preclude the City from ever receiving federal funds for transportation projects.

CONCLUSION

Based upon the above, staff recommends the City Council adopt this Resolution approving the Administering Agency-Staff Master Agreement No. 04-5386F15 and the Program Supplement No. F007, and authorize the City Manager to execute said agreement and supplement on behalf of the City.

Attachments: Resolution
Administering Agency-State Master Agreement No. 04-5386F15
Program Supplement No. F007

RESOLUTION NO. - 2016

A RESOLUTION APPROVING THE ADMINISTERING AGENCY-STATE MASTER AGREEMENT NO. 04-5386F15 AND PROGRAM SUPPLEMENT NO. F007 AND AUTHORIZING THE CITY MANAGER TO EXECUTE SAID AGREEMENTS ON BEHALF OF THE CITY OF CLAYTON.

THE CITY COUNCIL
City of Clayton, California

WHEREAS, the City of Clayton is eligible to receive Federal and/or State funding for certain transportation projects, through the California Department of Transportation ("Caltrans"); and

WHEREAS, Caltrans has prepared a new Master Agreement (No. 04-5386F15) and a Program Supplement (No. F007) for the Collector Street Rehabilitation Project (CIP Project No. 10425); and

WHEREAS, Master Agreements and Program Supplements with Caltrans must be executed by the City before Federal and/or State funds may be claimed; and

WHEREAS, the City Council wishes to delegate authorization to execute these agreements, and any amendments thereto, to the City Manager;

NOW, THEREFORE, IT IS HEREBY RESOLVED by the City Council of Clayton, California, as follows:

1) The City Council hereby approves the attached Administering Agency-State Master Agreement No. 04-5386F15 and Program Supplement No. F007.
2) The City Manager is hereby authorized to execute, on behalf of the City of Clayton, said Master Agreement and Program Supplement and any amendments thereto.

PASSED, APPROVED and ADOPTED by the City Council of Clayton, California at a regular public meeting thereof held on the 1st day of November 2016 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

THE CITY COUNCIL OF CLAYTON, CA

____
Howard Geller, Mayor

ATTEST:

____
Janet Brown, City Clerk

****

I hereby certify that the foregoing resolution was duly and regularly passed by the City Council of Clayton, California at a regular meeting held on November 1, 2016.

____
Janet Brown, City Clerk

ADMINISTERING AGENCY-STATE AGREEMENT FOR
FEDERAL-AID PROJECTS

04 City of Clayton

District Administering Agency

Agreement No. 04-5386F15

This AGREEMENT, is entered into effective this _______ day of ____________, 20 , by and between City of Clayton, hereinafter referred to as "ADMINISTERING AGENCY," and the State of California, acting by and through its Department of Transportation (Caltrans), hereinafter referred to as "STATE", and together referred to as "PARTIES" or individually as a "PARTY."

RECITALS:

1. WHEREAS, the Congress of the United States has enacted the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 and subsequent Transportation Authorization Bills to fund transportation programs; and

2. WHEREAS, the Legislature of the State of California has enacted legislation by which certain federal-aid funds may be made available for use on local transportation related projects of public entities qualified to act as recipients of these federal-aid funds in accordance with the intent of federal law; and

3. WHEREAS, before federal funds will be made available for a specific program project, ADMINISTERING AGENCY and STATE are required to enter into an agreement to establish terms and conditions applicable to the ADMINISTERING AGENCY when receiving federal funds for a designated PROJECT facility and to the subsequent operation and maintenance of that completed facility.

NOW, THEREFORE, the PARTIES agree as follows:

ARTICLE I - PROJECT ADMINISTRATION

1. This AGREEMENT shall have no force or effect with respect to any program project unless and until a project-specific "Authorization/Agreement Summary", herein referred to as "E-76" document, is approved by STATE and the Federal Highway Administration (FHWA).

2. The term "PROJECT", as used herein, means that authorized transportation related project and related activities financed in part with federal-aid funds as more fully-described in an "Authorization/ Agreement Summary" or "Amendment/Modification Summary", herein referred to as "E-76" or "E-76 (AMOD)" document authorized by STATE and the Federal Highway Administration (FHWA).

3. The E-76/E-76 (AMOD) shall designate the party responsible for implementing PROJECT, type of work and location of PROJECT.

4. The PROGRAM SUPPLEMENT sets out special covenants as a condition for the ADMINISTERING AGENCY to receive federal-aid funds from/through STATE for designated PROJECT. The PROGRAM SUPPLEMENT shall also show these federal funds that have been initially encumbered for PROJECT along with the matching funds to be provided by ADMINISTERING AGENCY and/or others. Execution of PROGRAM SUPPLEMENT by the PARTIES shall cause ADMINISTERING AGENCY to adopt all of the terms of this AGREEMENT as though fully set forth therein in the PROGRAM SUPPLEMENT. Unless otherwise expressly delegated in a resolution by the governing body of ADMINISTERING AGENCY, and with written concurrence by STATE, the PROGRAM SUPPLEMENT shall be approved and managed by the governing body of ADMINISTERING AGENCY.

5. ADMINISTERING AGENCY agrees to execute and return each project-specific PROGRA SUPPLEMENT within ninety (90) days of receipt. The PARTIES agree that STATE may suspenu future authorizations/obligations and invoice payments for any on-going or future federal-aid project performed by ADMINISTERING AGENCY if any project-specific PROGRAM SUPPLEMENT is not returned within that ninety (90) day period unless otherwise agreed by STATE in writing.

6. ADMINISTERING AGENCY further agrees, as a condition to the release and payment of federal funds encumbered for the PROJECT described in each PROGRAM SUPPLEMENT, to comply with the terms and conditions of this AGREEMENT and all of the agreed-upon Special Covenants or Remarks incorporated within the PROGRAM SUPPLEMENT, and Cooperative/Contribution Agreement where appropriate, defining and identifying the nature of the specific PROJECT.

7. Federal, state and matching funds will not participate in PROJECT work performed in advance of the approval of the E-76 or E-76 (AMOD), unless otherwise stated in the executed project-specific PROGRAM SUPPLEMENT. ADMINISTERING AGENCY agrees that it will only proceed with the work authorized for that specific phase(s) on the project-specific E-76 or E-76 (AMOD). ADMINISTERING AGENCY further agrees to not proceed with future phases of PROJECT prior to receiving an E-76 (AMOD) from STATE for that phase(s) unless no further federal funds are needed or for those future phase(s).

Transportation Improvement Program (FSTIP) prior to ADMINISTERING AGENCY submitting the "Request for Authorization"

9. ADMINISTERING AGENCY shall conform to all state statutes, regulations and procedures (including those set forth in the Local Assistance Procedures Manual and the Local Assistance Program Guidelines, hereafter collectively referred to as "LOCAL ASSISTANCE PROCEDURES") relating to the federal-aid program, all Title 23 Code of Federal Regulation (CFR) and 2 CFR part 200 federal requirements, and all applicable federal laws, regulations, and policy and procedural or instructional memoranda, unless otherwise specifically waived as designated in the executed project-specific PROGRAM SUPPLEMENT.

10. If PROJECT is not on STATE-owned right of way, PROJECT shall be constructed in accordance with LOCAL ASSISTANCE PROCEDURES that describes minimum statewide design standards for local agency streets and roads. LOCAL ASSISTANCE PROCEDURES for projects off the National Highway System (NHS) allow STATE to accept either the STATE's minimum statewide design standards or the approved geometric design standards of ADMINISTERING AGENCY. Additionally, for projects off the NHS, STATE will accept ADMINISTERING AGENCY-approved standard specifications, standard plans, materials sampling and testing quality assurance programs that meet the conditions described in the then current LOCAL ASSISTANCE PROCEDURES.

11. If PROJECT involves work within or partially within STATE-owned right-of-way, that PROJECT shall also be subject to compliance with the policies, procedures and standards of the STATE Project Development Procedures Manual and Highway Design Manual and, where appropriate, an executed Cooperative Agreement between STATE and ADMINISTERING AGENCY that outlines the PROJECT responsibilities and respective obligations of the PARTIES. ADMINISTERING AGENCY and its contractors shall each obtain an encroachment permit through STATE prior to commencing any work within STATE rights of way or work which affects STATE facilities.

12. When PROJECT is not on the State Highway System but includes work to be performed by a railroad, the contract for such work shall be prepared by ADMINISTERING AGENCY or by STATE, as the PARTIES may hereafter agree. In either event, ADMINISTERING AGENCY shall enter into an agreement with the railroad providing for future maintenance of protective devices or other facilities installed under the contract.

13. If PROJECT is using STATE funds, the Department of General Services, Division of the State Architect, or its designee, shall review the contract PS&E for the construction of buildings, structures, sidewalks, curbs and related facilities for accessibility and usability. ADMINISTERING AGENCY shall not award a PROJECT construction contract for these types of improvements until the State Architect has issued written approval stating that the PROJECT plans and specifications comply with the provisions of sections 4450 and 4454 of the California Government Code, if applicable. Further requirements and guidance are provided in Title 24 of the California Code of Regulations.

14. ADMINISTERING AGENCY will advertise, award and administer PROJECT in accordance with the current LOCAL ASSISTANCE PROCEDURES unless otherwise stated in the executed project-specific PROGRAM SUPPLEMENT.

of each PROJECT. While consultants may perform supervision and inspection work for PROJECT with a fully qualified and licensed engineer. ADMINISTERING AGENCY shall provide a full-time employee to be in responsible charge of each PROJECT who is not a consultant.

16. ADMINISTERING AGENCY shall submit PROJECT-specific contract award documents to STATE's District Local Assistance Engineer within sixty (60) days after contract award. A copy the award documents shall also be included with the submittal of the first invoice for a construction contract by ADMINISTERING AGENCY.

17. ADMINISTERING AGENCY shall submit the final report documents that collectively constitute a "Report of Expenditures" within one hundred eighty (180) days of PROJECT completion. Failure by ADMINISTERING AGENCY to submit a "Report of Expenditures" within one hundred eighty (180) days of project completion will result in STATE imposing sanctions upon ADMINISTERING AGENCY in accordance with the current LOCAL ASSISTANCE PROCEDURES.

18. ADMINISTERING AGENCY shall comply with: (i) section 504 of the Rehabilitation Act of 1973 which prohibits discrimination on the basis of disability in federally assisted programs; (ii) the Americans with Disabilities Act (ADA) of 1990 which prohibits discrimination on the basis of disability irrespective of funding; and (iii) all applicable regulations and guidelines issued pursuant to both the Rehabilitation Act and the ADA.

19. The Congress of the United States, the Legislature of the State of California and the Governor of the State of California, each within their respective jurisdictions, have prescribed certain nondiscrimination requirements with respect to contract and other work financed with public funds. ADMINISTERING AGENCY agrees to comply with the requirements of the FAIR EMPLOYMENT PRACTICES ADDENDUM (Exhibit A attached hereto) and the NONDISCRIMINATION ASSURANCES (Exhibit B attached hereto). ADMINISTERING AGENCY further agrees that a agreement entered into by ADMINISTERING AGENCY with a third party for performance of PROJECT-related work shall incorporate Exhibits A and B (with third party's name replacing ADMINISTERING AGENCY) as essential parts of such agreement to be enforced by that third party as verified by ADMINISTERING AGENCY.

1. No contract for the construction of a federal-aid PROJECT shall be awarded until all necessary rights of way have been secured. Prior to the advertising for construction of PROJECT, ADMINISTERING AGENCY shall certify and, upon request, shall furnish STATE with evidence that all necessary rights of way are available for construction purposes or will be available by the time of award of the construction contract.

2. ADMINISTERING AGENCY agrees to indemnify and hold STATE harmless from any liability that may result in the event the right of way for a PROJECT, including, but not limited to, being clear as certified or if said right of way is found to contain hazardous materials requiring treatment or removal to remediate in accordance with Federal and State laws. The furnishing of right of way as provided for herein includes, in addition to all real property required for the PROJECT, title free and clear of obstructions and encumbrances affecting PROJECT and the payment, as required by applicable law, of relocation costs and damages to remainder real property not actually taken but injuriously affected by PROJECT. ADMINISTERING AGENCY shall pay, from its own non-matching funds, any costs which arise out of delays to the construction of PROJECT because utility facilities have not been timely removed or relocated, or because rights of way were not available to ADMINISTERING AGENCY for the orderly prosecution of PROJECT work.

3. Subject to STATE approval and such supervision as is required by LOCAL ASSISTANCE PROCEDURES over ADMINISTERING AGENCY's right of way acquisition procedures, ADMINISTERING AGENCY may claim reimbursement from federal funds for expenditures incurred in purchasing only the necessary rights of way needed for the PROJECT after crediting PROJECT with the fair market value of any excess property retained and not disposed of by ADMINISTERING AGENCY.

4. When real property rights are to be acquired by ADMINISTERING AGENCY for a PROJECT, said ADMINISTERING AGENCY must carry out that acquisition in compliance with all applicable State and Federal laws and regulations, in accordance with State procedures as published in State's current LOCAL ASSISTANCE PROCEDURES and STATE's Right-of-Way Manual, subject to STATE oversight to ensure that the completed work is acceptable under the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

5. Whether or not federal-aid is to be requested for right of way, should ADMINISTERING AGENCY, in acquiring right of way for PROJECT, displace an individual, family, business, farm operation, or non-profit organization, relocation payments and services will be provided as set forth in 49 CFR, Part 24. The public will be adequately informed of the relocation payments and services which will be available, and, to the greatest extent practicable, no person lawfully occupying real property shall be required to move from his/her dwelling or to move his/her business or farm operation without at least ninety (90) days written notice from ADMINISTERING AGENCY. ADMINISTERING AGENCY will provide STATE with specific assurances, on each portion of the PROJECT, that no person will be displaced until comparable decent, safe and sanitary replacement housing is available within a reasonable period of time prior to displacement, and that ADMINISTERING AGENCY's relocation program is realistic and adequate to provide orderly, timely and efficient relocation of PROJECT-displaced persons as provided in 49 CFR, Part 24.

in the name of the ADMINISTERING AGENCY or their assignee. also record an Agreement Declaring Restrictive Covenants (ADRC) as a separate document incorporating the assurances included within Exhibits A and B and Appendices A, B, C and D of this AGREEMENT, as appropriate.

ARTICLE III - MAINTENANCE AND MANAGEMENT

1. ADMINISTERING AGENCY will maintain and operate the property acquired, developed, constructed, rehabilitated, or restored by PROJECT for its intended public use until such time as the parties might amend this AGREEMENT to otherwise provide. With the approval of STATE, ADMINISTERING AGENCY or its successors in interest in the PROJECT property may transfer this obligation and responsibility to maintain and operate PROJECT property for that intended public purpose to another public entity.

2. Upon ADMINISTERING AGENCY's acceptance of the completed federal-aid construction contract or upon contractor being relieved of the responsibility for maintaining and protecting PROJECT, ADMINISTERING AGENCY will be responsible for the maintenance, ownership, liability, and the expense thereof, for PROJECT in a manner satisfactory to the authorized representatives of STATE and FHWA and if PROJECT falls within the jurisdictional limits of another Agency or Agencies, it is the duty of ADMINISTERING AGENCY to facilitate a separate maintenance agreement(s) between itself and the other jurisdictional Agency or Agencies providing for the operation, maintenance, ownership and liability of PROJECT. Until those agreements are executed, ADMINISTERING AGENCY will be responsible for all PROJECT operations, maintenance, ownership and liability in a manner satisfactory to the authorized representatives of STATE and FHWA. If, within ninety (90) days after receipt of notice from STATE that a PROJECT, or any portion thereof, is not being properly operated and maintained and ADMINISTERING AGENCY has not satisfactorily remedied the conditions complained of, the approval of future federal-aid projects of ADMINISTERING AGENCY will be withheld until the PROJECT shall have been put in a condition of operation and maintenance satisfactory to STATE and FHWA. The provisions of this section shall not apply to a PROJECT that has been vacated through due process of law with STATE's concurrence.

3. PROJECT and its facilities shall be maintained by an adequate and well-trained staff of engineers and/or such other professionals and technicians as PROJECT reasonably requires. Said operations and maintenance staff may be employees of ADMINISTERING AGENCY, another unit of government, or a contractor under agreement with ADMINISTERING AGENCY. All maintenance will be performed at regular intervals or as required for efficient operation of the complete PROJECT improvements.

1. All contractual obligations of STATE are subject to the appropriation of resources by the Legislature and the allocation of resources by the California Transportation Commission (CTC).

2. STATE'S financial commitment of federal funds will occur only upon the execution of tl AGREEMENT, the authorization of the project-specific E-76 or E-76 (AMOD), the execution of each project-specific PROGRAM SUPPLEMENT, and STATE's approved finance letter.

3. ADMINISTERING AGENCY may submit signed invoices in arrears for reimbursement of participating PROJECT costs on a regular basis once the project-specific PROGRAM SUPPLEMENT has been executed by STATE.

4. ADMINISTERING AGENCY agrees, as a minimum, to submit invoices at least once every six (6) months commencing after the funds are encumbered on either the project-specific PROGRAM SUPPLEMENT or through a project-specific finance letter approved by STATE. STATE reserves the right to suspend future authorizations/obligations, and invoice payments for any on-going or future federal-aid project by ADMINISTERING AGENCY if PROJECT costs have not been invoiced by ADMINISTERING AGENCY for a six (6) month period.

5. Invoices shall be submitted on ADMINISTERING AGENCY letterhead that includes the address of ADMINISTERING AGENCY and shall be formatted in accordance with LOCAL ASSISTANCE PROCEDURES.

6. ADMINISTERING AGENCY must have at least one copy of supporting backup documentation for costs incurred and claimed for reimbursement by ADMINISTERING AGENCY. ADMINISTERING AGENCY agrees to submit supporting backup documentation with invoices requested by State. Acceptable backup documentation includes, but is not limited to, agency's progress payment to the contractors, copies of cancelled checks showing amounts made payable to vendors and contractors, and/or a computerized summary of PROJECT costs.

7. Payments to ADMINISTERING AGENCY can only be released by STATE as reimbursement of actual allowable PROJECT costs already incurred and paid for by ADMINISTERING AGENCY.

8. Indirect Cost Allocation Plans/Indirect Cost Rate Proposals (ICAP/ICRP), Central Service Cost Allocation Plans and related documentation are to be prepared and provided to STATE (Caltrans Audits & Investigations) for review and approval prior to ADMINISTERING AGENCY seeking reimbursement of indirect costs incurred within each fiscal year being claimed for State and federal reimbursement. ICAPs/ICRPs must be prepared in accordance with the requirements set forth in 2 CFR, Part 200, Chapter 5 of the Local Assistance Procedural Manual, and the ICAP/ICRP approval procedures established by STATE.

9. Once PROJECT has been awarded, STATE reserves the right to de-obligate any excess federal funds from the construction phase of PROJECT if the contract award amount is less than the obligated amount, as shown on the PROJECT E-76 or E-76 (AMOD).

10. STATE will withhold the greater of either two (2) percent of the total of all federal funds encumbered for each PROGRAM SUPPLEMENT or $40,000 until ADMINISTERING AGENCY submits the Final Report of Expenditures for each completed PROGRAM SUPPLEMENT PROJECT.

11. The estimated total cost of PROJECT, the amount of federal funds obligated, and the required matching funds may be adjusted by mutual consent of the PARTIES hereto with a finance letter, a detailed estimate, if required, and approved E-76 (AMOD). Federal-aid funding may be increased to cover PROJECT cost increases only if such funds are available and FHWA concurs with that increase.

12. When additional federal-aid funds are not available, ADMINISTERING AGENCY agrees that the payment of federal funds will be limited to the amounts authorized on the PROJECT specific E-76 / E-76 (AMOD) and agrees that any increases in PROJECT costs must be defrayed with ADMINISTERING AGENCY's own funds.

13. ADMINISTERING AGENCY shall use its own non-federal funds to finance the local share of eligible costs and all expenditures or contract items ruled ineligible for financing with federal funds. STATE shall make the determination of ADMINISTERING AGENCY's cost eligibility for federal fund financing of PROJECT costs.

14. ADMINISTERING AGENCY will reimburse STATE for STATE's share of costs for work performed by STATE at the request of ADMINISTERING AGENCY. STATE's costs shall include overhead assessments in accordance with section 8755.1 of the State Administrative Manual.

15. Federal and state funds allocated from the State Transportation Improvement Program (STIP) are subject to the timely use of funds provisions enacted by Senate Bill 45, approved in 1997, and subsequent STIP Guidelines and State procedures approved by the CTC and STATE.

16. Federal funds encumbered for PROJECT are available for liquidation for a period of six (6) years from the beginning of the State fiscal year the funds were appropriated in the State Budget. State funds encumbered for PROJECT are available for liquidation only for six (6) years from the beginning of the State fiscal year the funds were appropriated in the State Budget. Federal or state funds not liquidated within these periods will be reverted unless a Cooperative Work Agreement (CWA) is submitted by ADMINISTERING AGENCY and approved by the California Department of Finance (per Government Code section 16304). The exact date of fund reversion will be reflected in the STATE signed finance letter for PROJECT.

17. Payments to ADMINISTERING AGENCY for PROJECT-related travel and subsistence (per diem) expenses of ADMINISTERING AGENCY forces and its contractors and subcontractors claimed for reimbursement or as local match credit shall not exceed rates authorized to be paid rank and file STATE employees under current State Department of Personnel Administration (DPA) rules. If the rates invoiced by ADMINISTERING AGENCY are in excess of DPA rates, ADMINISTERING AGENCY is responsible for the cost difference, and any overpayments inadvertently paid by STATE shall be reimbursed to STATE by ADMINISTERING AGENCY on demand within thirty (30) days of such invoice.

18. ADMINISTERING AGENCY agrees to comply with 2 CFR, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirement for Federal Awards.

19. ADMINISTERING AGENCY agrees, and will assure that its contractors and subcontractors will be obligated to agree, that Contract Cost Principles and Procedures, 48 CFR, Federal Acquisition Regulations System, Chapter 1, Part 31, et seq., shall be used to determine the allowability of individual PROJECT cost items.

20. Every sub-recipient receiving PROJECT funds under this AGREEMENT shall comply with 2 CFR, Part 200, 23 CFR, 48 CFR Chapter 1, Part 31, Local Assistance Procedures, Public Contract Code (PCC) 10300-10334 (procurement of goods), PCC 10335-10381 (non-A&E services), and other applicable STATE and FEDERAL regulations.

21. Any PROJECT costs for which ADMINISTERING AGENCY has received payment or credit that are determined by subsequent audit to be unallowable under 2 CFR, Part 200, 23 CFR, 48 CFR, Chapter 1, Part 31, and other applicable STATE and FEDERAL regulations, are subject to repayment by ADMINISTERING AGENCY to STATE.

22. Should ADMINISTERING AGENCY fail to refund any moneys due upon written demand by STATE as provided hereunder or should ADMINISTERING AGENCY breach this AGREEMENT by failing to complete PROJECT without adequate justification and approval by STATE, then, within thirty 30 days of demand, or within such other period as may be agreed to in writing between the PARTIES, STATE, acting through the State Controller, the State Treasurer, or any other public entity or agency, may withhold or demand a transfer of an amount equal to the amount paid by or owed to STATE from future apportionments, or any other funds due ADMINISTERING AGENCY from the Highway Users Tax Fund or any other sources of funds, and/or may withhold approval of future ADMINISTERING AGENCY federal-aid projects.

23. Should ADMINISTERING AGENCY be declared to be in breach of this AGREEMENT or otherwise in default thereof by STATE, and if ADMINISTERING AGENCY is constituted as a joint powers authority, special district, or any other public entity not directly receiving funds through the State Controller, STATE is authorized to obtain reimbursement from whatever sources of funding are available, including the withholding or transfer of funds, pursuant to Article IV - 22, from the constituent entities comprising a joint powers authority or by bringing of an action against ADMINISTERING AGENCY or its constituent member entities, to recover all funds provided by STATE hereunder.

24. ADMINISTERING AGENCY acknowledges that the signatory party represents the ADMINISTERING AGENCY and further warrants that there is nothing within a Joint Powers Agreement, by which ADMINISTERING AGENCY was created, if any exists, that would restrict or otherwise limit STATE's ability to recover State funds improperly spent by ADMINISTERING AGENCY in contravention of the terms of this AGREEMENT.

AUDITS, THIRD PARTY CONTRACTING, RECORDS RETENTION AND REPORTS

1. STATE reserves the right to conduct technical and financial audits of PROJECT work and records and ADMINISTERING AGENCY agrees, and shall require its contractors and subcontractors to agree, to cooperate with STATE by making all appropriate and relevant PROJECT records available for audit and copying as required by paragraph three (3) of ARTICLE V.

2. ADMINISTERING AGENCY, its contractors and subcontractors shall establish and maintain a financial management system and records that properly accumulate and segregate reasonable, allowable, and allocable incurred PROJECT costs and matching funds by line item for the PROJECT. The financial management system of ADMINISTERING AGENCY, its contractors and all subcontractors shall conform to Generally Accepted Accounting Principles, enable the determination of incurred costs at interim points of completion, and provide support for reimbursement payment vouchers or invoices sent to or paid by STATE.

3. ADMINISTERING AGENCY, ADMINISTERING AGENCY's contractors and subcontractors, and STATE shall each maintain and make available for inspection and audit by STATE, the California State Auditor, or any duly authorized representative of STATE or the United States all books, documents, papers, accounting records, and other evidence pertaining to the performance of such contracts, including, but not limited to, the costs of administering those various contracts and ADMINISTERING AGENCY shall furnish copies thereof if requested. All of the above referenced parties shall make such AGREEMENT, PROGRAM SUPPLEMENT and contract materials available at their respective offices at all reasonable times during the entire PROJECT period and for three (3) years from the date of submission of the final expenditure report by the STATE to the FHWA.

4. ADMINISTERING AGENCY is required to have an audit in accordance with the Single Audit Act of 2 CFR 200 if it expends $750,000 or more in Federal Funds in a single fiscal year. The Federal Funds received under a PROGRAM SUPPLEMENT are a part of the Catalogue of Federal Domestic Assistance (CFDA) 20.205.

5. ADMINISTERING AGENCY agrees to include all PROGRAM SUPPLEMENTS adopting the terms of this AGREEMENT in the schedule of projects to be examined in ADMINISTERING AGENCY's annual audit and in the schedule of projects to be examined under its single audit prepared in accordance with 2 CFR, Part 200.

6. ADMINISTERING AGENCY shall not award a non-A&E contract over $5,000, construction contract over $10,000, or other contracts over $25,000 (excluding professional service contracts of the type which are required to be procured in accordance with Government Code sections 4525 (d), (e) and (f)) on the basis of a noncompetitive negotiation for work to be performed under this AGREEMENT without the prior written approval of STATE. Contracts awarded by ADMINISTERING AGENCY, if intended as local match credit, must meet the requirements set forth in this AGREEMENT regarding local match funds.

shall contain provisions 5, 6, 17, 19 and 20 of ARTICLE IV. FISCAL PROVISIONS, and provisions 1, 2, and 3 of this ARTICLE V AUDITS, THIRD-PARTY CONTRACTING RECORDS RETENTION AND REPORTS.

8. To be eligible for local match credit, ADMINISTERING AGENCY must ensure that local match funds used for a PROJECT meet the fiscal provisions requirements outlined in ARTICLE IV in the same manner as required of all other PROJECT expenditures.

9. In addition to the above, the pre-award requirements of third-party contractor/consultants with ADMINISTERING AGENCY should be consistent with the LOCAL ASSISTANCE PROCEDURES.

1. By execution of this AGREEMENT ADMINISTERING AGENCY certifies, to the best of the signatory officer's knowledge and belief, that:

A. No federal or state appropriated funds have been paid or will be paid, by or on behalf of ADMINISTERING AGENCY, to any person for influencing or attempting to influence an officer or employee of any STATE or federal agency, a member of the State Legislature or United States Congress, an officer or employee of the Legislature or Congress, or any employee of a Member of the Legislature or Congress in connection with the awarding of any STATE or federal contract, including this AGREEMENT, the making of any STATE or federal loan, the entering into of any cooperative contract, and the extension, continuation, renewal, amendment, or modification of any STATE or federal contract, grant, loan, or cooperative contract.

B. If any funds other than federal appropriated funds have been paid, or will be paid, to any person for influencing or attempting to influence an officer or employee of any federal agency, a member of Congress, an officer or employee of Congress or an employee of a member of Congress in connection with this AGREEMENT, grant, local, or cooperative contract, ADMINISTERING AGENCY shall complete and submit Standard Form-LLL, "Disclosure Form to Rep Lobbying," in accordance with the form instructions.

C. This certification is a material representation of fact upon which reliance was placed when this AGREEMENT and each PROGRAM SUPPLEMENT was or will be made or entered into. Submission of this certification is a prerequisite for making or entering into this AGREEMENT imposed by Section 1352, Title 31, United States Code. Any party who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

2. ADMINISTERING AGENCY also agrees by signing this AGREEMENT that the language of this certification will be included in all lower tier sub-agreements which exceed $100,000 and that all such sub-recipients shall certify and disclose accordingly.

1. ADMINISTERING AGENCY agrees to use all state funds reimbursed hereunder only for transportation purposes that are in conformance with Article XIX of the California State Constitution and the relevant Federal Regulations.

2. This AGREEMENT is subject to any additional restrictions, limitations, conditions, or any stat enacted by the State Legislature or adopted by the CTC that may affect the provisions, terms, or funding of this AGREEMENT in any manner.

3. ADMINISTERING AGENCY and the officers and employees of ADMINISTERING AGENCY, when engaged in the performance of this AGREEMENT, shall act in an independent capacity and not as officers, employees or agents of STATE or the federal government.

4. Each project-specific E-76 or E-76 (AMOD), PROGRAM SUPPLEMENT and Finance Letter shall separately establish the terms and funding limits for each described PROJECT funded under the AGREEMENT. No federal or state funds are obligated against this AGREEMENT.

5. ADMINISTERING AGENCY certifies that neither ADMINISTERING AGENCY nor its principals are suspended or debarred at the time of the execution of this AGREEMENT. ADMINISTERING AGENCY agrees that it will notify STATE immediately in the event a suspension or a debarment occurs after the execution of this AGREEMENT.

6. ADMINISTERING AGENCY warrants, by execution of this AGREEMENT, that no person or selling agency has been employed or retained to solicit or secure this AGREEMENT upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by ADMINISTERING AGENCY for the purpose of securing business. For breach violation of this warranty, STATE has the right to annul this AGREEMENT without liability, pay only for the value of the work actually performed, or in STATE's discretion, to deduct from the price of consideration, or otherwise recover, the full amount of such commission, percentage, brokerage, or contingent fee.

7. In accordance with Public Contract Code section 10296, ADMINISTERING AGENCY hereby certifies under penalty of perjury that no more than one final unappealable finding of contempt of court by a federal court has been issued against ADMINISTERING AGENCY within the immediate preceding two (2) year period because of ADMINISTERING AGENCY's failure to comply with an order of a federal court that orders ADMINISTERING AGENCY to comply with an order of the National Labor Relations Board.

8. ADMINISTERING AGENCY shall disclose any financial, business, or other relationship with STATE, FHWA or Federal Transit Administration (FTA) that may have an impact upon the outcome of this AGREEMENT. ADMINISTERING AGENCY shall also list current contractors who may have a financial interest in the outcome of this AGREEMENT.

9. ADMINISTERING AGENCY hereby certifies that it does not have nor shall it acquire any financial or business interest that would conflict with the performance of PROJECT under this AGREEMENT.

through rebates. kickbacks or other unlawful consideration either promised or paid to any STATE employee. For breach or violation of this warranty STATE shall have the right. in its discretion. to terminate this AGREEMENT without liability, to pay only for the work actually performed, or to deduct from the PROGRAM SUPPLEMENT price or otherwise recover the full amount of such rebate, kickback, or other unlawful consideration.

11. Any dispute concerning a question of fact arising under this AGREEMENT that is not disposed of by agreement shall be decided by the STATE's Contract Officer who may consider any written or verbal evidence submitted by ADMINISTERING AGENCY. The decision of the Contract Officer, issued in writing, shall be conclusive and binding on the PARTIES on all questions of fact considered and determined by the Contract Officer.

12. Neither the pending of a dispute nor its consideration by the Contract Officer will excuse ADMINISTERING AGENCY from full and timely performance in accordance with the terms of this AGREEMENT.

13. Neither ADMINISTERING AGENCY nor any officer or employee thereof is responsible for any injury, damage or liability occurring by reason of anything done or omitted to be done by STATE, under or in connection with any work, authority or jurisdiction arising under this AGREEMENT. It is understood and agreed that STATE shall fully defend, indemnify and save harmless the ADMINISTERING AGENCY and all of its officers and employees from all claims, suits or actions of every name, kind and description brought forth under, including, but not limited to, tortious, contractual, inverse condemnation and other theories or assertions of liability occurring by reason of anything done or omitted to be done by STATE under this AGREEMENT.

14. Neither STATE nor any officer or employee thereof shall be responsible for any injury, damage or liability occurring by reason of anything done or omitted to be done by ADMINISTERING AGENCY under, or in connection with, any work, authority or jurisdiction arising under this AGREEMENT. It is understood and agreed that ADMINISTERING AGENCY shall fully defend, indemnify and save harmless STATE and all of its officers and employees from all claims, suits or actions of every name, kind and description brought forth under, including, but not limited to, tortious, contractual, inverse condemnation or other theories or assertions of liability occurring by reason of anything done or omitted to be done by ADMINISTERING AGENCY under this AGREEMENT.

15. STATE reserves the right to terminate funding for any PROJECT upon written notice to ADMINISTERING AGENCY in the event that ADMINISTERING AGENCY fails to proceed with PROJECT work in accordance with the project-specific PROGRAM SUPPLEMENT, the bonding requirements if applicable, or otherwise violates the conditions of this AGREEMENT and/or PROGRAM SUPPLEMENT, or the funding allocation such that substantial performance is significantly endangered.

Termination. ADMINISTERING AGENCY either cures the default involved or, if not reasonably susceptible of cure within said thirty (30) day period, ADMINISTERING AGENCY proceeds thereafter to complete the cure in a manner and time line acceptable to STATE. Any such termination shall be accomplished by delivery to ADMINISTERING AGENCY of a Notice of Termination, which notice shall become effective not less than thirty (30) days after receipt, specifying the reason for the termination, the extent to which funding of work under this AGREEMENT is terminated and the date upon which such termination becomes effective, if beyond thirty (30) days after receipt. During the period before the effective termination date, ADMINISTERING AGENCY and STATE shall meet to attempt to resolve any dispute. In the event of such termination, STATE may proceed with the PROJECT work in a manner deemed proper by STATE. If STATE terminates funding for PROJECT with ADMINISTERING AGENCY, STATE shall pay ADMINISTERING AGENCY the sum due ADMINISTERING AGENCY under the PROGRAM SUPPLEMENT and/or STATE approved finance letter prior to termination, provided, however, ADMINISTERING AGENCY is not in default of the terms and conditions of this AGREEMENT or the project-specific PROGRAM SUPPLEMENT and that the cost of PROJECT completion to STATE shall first be deducted from any sum due ADMINISTERING AGENCY.

17. In case of inconsistency or conflicts with the terms of this AGREEMENT and that of a project-specific PROGRAM SUPPLEMENT, the terms stated in that PROGRAM SUPPLEMENT shall prevail over those in this AGREEMENT.

18. Without the written consent of STATE, this AGREEMENT is not assignable by ADMINISTERING AGENCY either in whole or in part.

19. No alteration or variation of the terms of this AGREEMENT shall be valid unless made in writing and signed by the PARTIES, and no oral understanding or agreement not incorporated herein shall be binding on any of the PARTIES.

IN WITNESS WHEREOF, the PARTIES have executed this AGREEMENT by their duly authorized officers.

STATE OF CALIFORNIA DEPARTMENT OF TRANSPORTATION	City of Clayton
By________________________	By________________________
________________________	________________________
Chief, Office of Project Implementation Division of Local Assistance	________________________ City of Clayton Representative Name & Title (Authorized Governing Body Representative)
Date ____________________	Date ____________________

FAIR EMPLOYMENT PRACTICES ADDENDUM

1. In the performance of this Agreement, ADMINISTERING AGENCY will not discriminate against any employee for employment because of race, color, sex, sexual orientation, religion, ancestry or national origin, physical disability, medical condition, marital status, political affiliation, family and medical care leave, pregnancy leave, or disability leave. ADMINISTERING AGENCY will take affirmative action to ensure that employees are treated during employment without regard to their race, sex, sexual orientation, color, religion, ancestry, or national origin, physical disability, medical condition, marital status, political affiliation, family and medical care leave, pregnancy leave, or disability leave. Such action shall include, but not be limited to, the following: employment; upgrading; demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. ADMINISTERING AGENCY shall post in conspicuous places, available to employees for employment, notices to be provided by STATE setting forth the provisions of this Fair Employment section.

2. ADMINISTERING AGENCY, its contractor(s) and all subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code Section 1290-0 et seq.), and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285.0 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code, Section 12900(a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations are incorporated into this AGREEMENT by reference and made a part hereof as if set forth in full. Each of the ADMINISTERING AGENCY'S contractors and all subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreements, as appropriate.

3. ADMINISTERING AGENCY shall include the nondiscrimination and compliance provisions of this clause in all contracts and subcontracts to perform work under this AGREEMENT.

4. ADMINISTERING AGENCY will permit access to the records of employment, employment advertisements, application forms, and other pertinent data and records by STATE, the State Fair Employment and Housing Commission, or any other agency of the State of California designated by STATE, for the purposes of investigation to ascertain compliance with the Fair Employment section of this Agreement.

5. Remedies for Willful Violation:

(a) STATE may determine a willful violation of the Fair Employment provision to have occurred upon receipt of a final judgment to that effect from a court in an action to which ADMINISTERING AGENCY was a party, or upon receipt of a written notice from the Fair Employment and Housing Commission that it has investigated and determined that ADMINISTERING AGENCY has violated the Fair Employment Practices Act and had issued an order under Labor Code Section 1426 which has become final or has obtained an injunction under Labor Code Section 1429.

(b) For willful violation of this Fair Employment Provision. STATE shall have the right to terminate this Agreement either in whole or in part, and any loss or damage sustained by STATE in securing the goods or services thereunder shall be borne and paid for by ADMINISTERING AGENCY and by the surety under the performance bond, if any, and STATE may deduct from any moneys due or thereafter may become due to ADMINISTERING AGENCY, the difference between the pr. named in the Agreement and the actual cost thereof to STATE to cure ADMINISTERING AGENCY's breach of this Agreement.

NONDISCRIMINATION ASSURANCES

ADMINISTERING AGENCY HEREBY AGREES THAT, as a condition to receiving any federal financial assistance from the STATE, acting for the U.S. Department of Transportation, it will comply with Title VI of the Civil Rights Act of 1964, 78 Stat. 252, 42 U.S.C. 2000d-42 U.S.C. 2000d-4 (hereinafter referred to as the ACT), and all requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, "Nondiscrimination in Federally-Assisted Programs of the Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964" (hereinafter referred to as the REGULATIONS), the Federal-aid Highway Act of 1973, and other pertinent directives, to the end that in accordance with the ACT, REGULATIONS, and other pertinent directives, no person in the United States shall, on the grounds of race, color, sex, national origin, religion, age or disability, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity for which ADMINISTERING AGENCY receives federal financial assistance from the Federal Department of Transportation. ADMINISTERING AGENCY HEREBY GIVES ASSURANCE THAT ADMINISTERING AGENCY will promptly take any measures necessary to effectuate this agreement. This assurance is required by subsection 21.7(a) (1) of the REGULATIONS.

More specifically, and without limiting the above general assurance, ADMINISTERING AGENCY hereby gives the following specific assurances with respect to its federal-aid Program:

1. That ADMINISTERING AGENCY agrees that each "program" and each "facility" as defined in subsections 21.23 (e) and 21.23 (b) of the REGULATIONS, will be (with regard to a "program") conducted, or will be (with regard to a "facility") operated in compliance with all requirements imposed by, or pursuant to, the REGULATIONS.

2. That ADMINISTERING AGENCY shall insert the following notification in all solicitations for bids for work or material subject to the REGULATIONS made in connection with the federal-aid Program and, in adapted form, in all proposals for negotiated agreements:

ADMINISTERING AGENCY hereby notifies all bidders that it will affirmatively insure that in any agreement entered into pursuant to this advertisement, minority business enterprises will be afforded full opportunity to submit bids in response to this invitation and will not be discriminated against on the grounds of race, color, sex, national origin, religion, age, or disability in consideration for an award.

3. That ADMINISTERING AGENCY shall insert the clauses of Appendix A of this assurance in every agreement subject to the ACT and the REGULATIONS.

4. That the clauses of Appendix B of this Assurance shall be included as a covenant running with the land, in any deed effecting a transfer of real property, structures, or improvements thereon, or interest therein.

5. That where ADMINISTERING AGENCY receives federal financial assistance to construct a facility, or part of a facility, the Assurance shall extend to the entire facility and facilities operated in connection therewith.

6. That where ADMINISTERING AGENCY receives federal financial assistance in the form, or for the acquisition, of real property or an interest in real property, the Assurance shall extend to rigl to space on, over, or under such property.

7. That ADMINISTERING AGENCY shall include the appropriate clauses set forth in Appendix C and D of this Assurance, as a covenant running with the land, in any future deeds, leases, permits, licenses, and similar agreements entered into by the ADMINISTERING AGENCY with other parties:

Appendix C;

(a) for the subsequent transfer of real property acquired or improved under the federal-aid Program; and

Appendix D;

(b) for the construction or use of or access to space on, over, or under real property acquired, or improved under the federal-aid Program.

8. That this assurance obligates ADMINISTERING AGENCY for the period during which federal financial assistance is extended to the program, except where the federal financial assistance is to provide, or is in the form of, personal property or real property or interest therein, or structures, or improvements thereon, in which case the assurance obligates ADMINISTERING AGENCY or a transferee for the longer of the following periods:

(a) the period during which the property is used for a purpose for which the federal financial assistance is extended, or for another purpose involving the provision of similar services or benefits; or

(b) the period during which ADMINISTERING AGENCY retains ownership or possession of the property.

9. That ADMINISTERING AGENCY shall provide for such methods of administration for the program as are found by the U.S. Secretary of Transportation, or the official to whom he delegates specific authority, to give reasonable guarantee that ADMINISTERING AGENCY, other recipients, sub-grantees, applicants, sub-applicants, transferees, successors in interest, and other participants of federal financial assistance under such program will comply with all requirements imposed by, or pursuant to, the ACT, the REGULATIONS, this Assurance and the Agreement.

10. That ADMINISTERING AGENCY agrees that the United States and the State of California have a right to seek judicial enforcement with regard to any matter arising under the ACT, the REGULATIONS, and this Assurance.

11. ADMINISTERING AGENCY shall not discriminate on the basis of race, religion, age, disability, color, national origin or sex in the award and performance of any STATE assisted contract or in the administration on its DBE Program or the requirements of 49 CFR Part 26. ADMINISTERING AGENCY shall take all necessary and reasonable steps under 49 CFR Part 26 to ensure non-discrimination in the award and administration of STATE assisted contracts. ADMINISTERING AGENCY'S DBE Implementation Agreement is incorporated by reference in this AGREEMENT. Implementation of this program is a legal obligation and failure to carry out its terms shall be treated as a violation of this agreement. Upon notification to the recipient of its failure to carry out its approved DBE Implementation Agreement, STATE may impose sanctions as provided for under 49 CFR Part 26 and may, in appropriate cases, refer the matter for enforcement under 18 USC 1001 and/or the Program Fraud Civil Remedies Act of 1985 (31USC 3801 et seq.)

THESE ASSURANCES are given in consideration of and for the purpose of obtaining any and all federal grants, loans, agreements, property, discounts or other federal financial assistance extended after the date hereof to ADMINISTERING AGENCY by STATE, acting for the U.S. Department of Transportation, and is binding on ADMINISTERING AGENCY, other recipients, subgrantees, applicants, sub-applicants, transferees, successors in interest and other participants in the federal-aid Highway Program.

APPENDIX A TO EXHIBIT B

During the performance of this Agreement, ADMINISTERING AGENCY, for itself, its assigne and successors in interest (hereinafter collectively referred to as ADMINISTERING AGENCY) agrees as follows:

(1) Compliance with Regulations: ADMINISTERING AGENCY shall comply with the regulations relative to nondiscrimination in federally assisted programs of the Department of Transportation, Title 49, Code of Federal Regulations, Part 21, as they may be amended from time to time, (hereinafter referred to as the REGULATIONS), which are herein incorporated by reference and made a part of this agreement.

(2) Nondiscrimination: ADMINISTERING AGENCY, with regard to the work performed by it during the AGREEMENT, shall not discriminate on the grounds of race, color, sex, national origin, religion, age, or disability in the selection and retention of sub-applicants, including procurements of materials and leases of equipment. ADMINISTERING AGENCY shall not participate either directly or indirectly in the discrimination prohibited by Section 21.5 of the REGULATIONS, including employment practices when the agreement covers a program set forth in Appendix B of the REGULATIONS.

(3) Solicitations for Sub-agreements, Including Procurements of Materials and Equipment: In all solicitations either by competitive bidding or negotiation made by ADMINISTERING AGENCY for work to be performed under a Sub-agreement, including procurements of materials or leases of equipment, each potential sub-applicant or supplier shall be notified by ADMINISTERIN AGENCY of the ADMINISTERING AGENCY's obligations under this Agreement and the REGULATIONS relative to nondiscrimination on the grounds of race, color, or national origin.

(4) Information and Reports: ADMINISTERING AGENCY shall provide all information and reports required by the REGULATIONS, or directives issued pursuant thereto, and shall permit access to ADMINISTERING AGENCY's books, records, accounts, other sources of information, and its facilities as may be determined by STATE or FHWA to be pertinent to ascertain compliance with such REGULATIONS or directives. Where any information required of ADMINISTERING AGENCY is in the exclusive possession of another who fails or refuses to furnish this information, ADMINISTERING AGENCY shall so certify to STATE or the FHWA as appropriate, and shall set forth what efforts ADMINISTERING AGENCY has made to obtain the information.

(5) Sanctions for Noncompliance: In the event of ADMINISTERING AGENCY's noncompliance with the nondiscrimination provisions of this agreement, STATE shall impose such agreement sanctions as it or the FHWA may determine to be appropriate, including, but not limited to:

(a) withholding of payments to ADMINISTERING AGENCY under the Agreement within a reasonable period of time, not to exceed 90 days; and/or

(b) cancellation, termination or suspension of the Agreement, in whole or in part.

(6) Incorporation of Provisions: ADMINISTERING AGENCY shall include the provisions of paragraphs (1) through (6) in every sub-agreement, including procurements of materials and leases of equipment, unless exempt by the REGULATIONS, or directives issued pursuant thereto. ADMINISTERING AGENCY shall take such action with respect to any sub-agreement or procurement as STATE or FHWA may direct as a means of enforcing such provisions including sanctions for noncompliance, provided, however, that, in the event ADMINISTERING AGENCY becomes involved in, or is threatened with, litigation with a sub-applicant or supplier as a result of such direction, ADMINISTERING AGENCY may request STATE enter into such litigation to protect the interests of STATE, and, in addition, ADMINISTERING AGENCY may request the United States to enter into such litigation to protect the interests of the United States.

PROJECT real property, structures or improvements thereon, or interest therein from the United States.

(GRANTING CLAUSE)

NOW, THEREFORE, the U.S. Department of Transportation, as authorized by law, and upon t condition that ADMINISTERING AGENCY will accept title to the lands and maintain the project constructed thereon, in accordance with Title 23, United States Code, the Regulations for the Administration of federal-aid for Highways and the policies and procedures prescribed by the Federal Highway Administration of the Department of Transportation and, also in accordance with and in compliance with the Regulations pertaining to and effectuating the provisions of Title VI of the Civil Rights Act of 1964 (78 Stat. 252; 42 U.S.C. 2000d to 2000d-4), does hereby remise, release, quitclaim and convey unto the ADMINISTERING AGENCY all the right, title, and interest of the U.S. Department of Transportation in, and to, said lands described in Exhibit "A" attached hereto and made a part hereof.

(HABENDUM CLAUSE)

TO HAVE AND TO HOLD said lands and interests therein unto ADMINISTERING AGENCY and its successors forever, subject, however, to the covenant, conditions, restrictions and reservations herein contained as follows, which will remain in effect for the period during which the real property or structures are used for a purpose for which federal financial assistance is extended or for another purpose involving the provision of similar services or benefits and shall be binding on ADMINISTERING AGENCY, its successors and assigns.

ADMINISTERING AGENCY, in consideration of the conveyance of said lands and interests in lands, does hereby covenant and agree as a covenant running with the land for itself, successors and assigns,

(1) that no person shall on the grounds of race, color, sex, national origin, religion, age or disability, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination with regard to any facility located wholly or in part on, over, or under such lands hereby conveyed (;) (and) *

(2) that ADMINISTERING AGENCY shall use the lands and interests in lands so conveyed, in compliance with all requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Non-discrimination in federally-assisted programs of the Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended (;) and

(3) that in the event of breach of any of the above-mentioned nondiscrimination conditions, the U.S. Department of Transportation shall have a right to re-enter said lands and facilities on said land, and the above-described land and facilities shall thereon revert to and vest in and become the absolute property of the U.S. Department of Transportation and its assigns as such interest existed prior to this deed.*

* Reverter clause and related language to be used only when it is determined that such a clause is necessary in order to effectuate the purposes of Title VI of the Civil Rights Act of 1964.

The following clauses shall be included in any and all deeds, licenses, leases, permits, or similar instruments entered into by ADMINISTERING AGENCY, pursuant to the provisions of Assurance 7(a) of Exhibit B.

The grantee (licensee, lessee, permittee, etc., as appropriate) for himself, his heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree (in the case of deeds and leases add "as covenant running with the land") that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this (deed, license, lease, permit, etc.) for a purpose for which a U.S. Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, the (grantee, licensee, lessee, permittee, etc.), shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, U.S. Department of Transportation, Subtitle A, Office of Secretary, Part 21, Nondiscrimination in federally-assisted programs of the Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

(Include in licenses, leases, permits, etc.)*

That in the event of breach of any of the above nondiscrimination covenants, ADMINISTERING AGENCY shall have the right to terminate the (license, lease, permit etc.) and to re-enter and repossess said land and the facilities thereon, and hold the same as if said (license, lease, permit, etc.) had never been made or issued.

(Include in deeds)*

That in the event of breach of any of the above nondiscrimination covenants, ADMINISTERING AGENCY shall have the right to re-enter said land and facilities thereon, and the above-described lands and facilities shall thereupon revert to and vest in and become the absolute property of ADMINISTERING AGENCY and its assigns.

* Reverter clause and related language to be used only when it is determined that such a clause is necessary in order to effectuate the purposes of Title VI of the Civil Rights Act of 1964.

The following shall be included in all deeds, licenses, leases, permits, or similar agreements entered into by the ADMINISTERING AGENCY, pursuant to the provisions of Assurance 7 (b) of Exhibit B.

The grantee (licensee, lessee, permittee, etc., as appropriate) for himself, his personal representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree (in the case of deeds, and leases add "as a covenant running with the land") that:

(1) no person on the ground of race, color, sex, national origin, religion, age or disability, shall be excluded from participation in, denied the benefits of, or otherwise subjected to discrimination in the use of said facilities;

(2) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the ground of race, color, sex, national origin, religion, age or disability shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination; and

(3) that the (grantee, licensee, lessee, permittee, etc.,) shall use the premises in compliance with the Regulations.

(Include in licenses, leases, permits, etc.)*

That in the event of breach of any of the above nondiscrimination covenants, ADMINISTERING AGENCY shall have the right to terminate the (license, lease, permit, etc.) and to re-enter ar repossess said land and the facilities thereon, and hold the same as if said (license, lease, perm..., etc.) had never been made or issued.

(Include in deeds)*

That in the event of breach of any of the above nondiscrimination covenants, ADMINISTERING AGENCY shall have the right to re-enter said land and facilities thereon, and the above-described lands and facilities shall thereupon revert to and vest in and become the absolute property of ADMINISTERING AGENCY, and its assigns.

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* Reverter clause and related language to be used only when it is determined that such a clause is necessary in order to effectuate the purposes of Title VI of the Civil Rights Act of 1964.

PROGRAM SUPPLEMENT NO. F007
to
ADMINISTERING AGENCY-STATE AGREEMENT
FOR FEDERAL-AID PROJECTS NO 04-5386F15

Adv Project ID 0415000387
Date: September 26, 2016
Location: 04-CC-0-CYTN
Project Number: STPL-5386(010)
E.A. Number:
Locode: 5386

This Program Supplement hereby adopts and incorporates the Administering Agency-State Agreement for Federal Aid which was entered into between the Administering Agency and the State on and is subject to all the terms and conditions thereof. This Program Supplement is executed in accordance with Article I of the aforementioned Master Agreement under authority of Resolution No. approved by the Administering Agency on (See copy attached).

The Administering Agency further stipulates that as a condition to the payment by the State of any funds derived from sources noted below obligated to this PROJECT, the Administering Agency accepts and will comply with the special covenants or remarks set forth on the following pages.

PROJECT LOCATION:

Keller Ridge Drive from Eagle Peak Avenue to Elk Drive

TYPE OF WORK: Rehabilitate Roadway **LENGTH:** 0.0(MILES)

Estimated Cost	Federal Funds		Matching Funds		
	Z240	$386,000.00	LOCAL		OTHER
$499,716.00			$96,372.00		$17,344.00

CITY OF CLAYTON

By ______________________

Title ______________________

Date ______________________

Attest ______________________

STATE OF CALIFORNIA
Department of Transportation

By ______________________
Chief, Office of Project Implementation
Division of Local Assistance

Date ______________________

I hereby certify upon my personal knowledge that budgeted funds are available for this encumbrance:

Accounting Officer ______________________ **Date** 9/27/16 $386,000.00

Chapter	Statutes	Item	Year	Program	BC	Category	Fund Source	AMOUNT

STATE OF CALIFORNIA, DEPARTMENT OF TRANSPORTATION

PROGRAM SUPPLEMENT AND CERTIFICATION FORM

PSCF (REV. 01/2010)

TO: **STATE CONTROLLER'S OFFICE**
Claims Audits
3301 "C" Street, Rm 404
Sacramento, CA 95816

DATE PREPARED: **9/26/2016**

PROJECT NUMBER: **0415000387**

REQUISITION NUMBER / CONTRACT NUMBER: **RQS #041700000305**

FROM:
DEPARTMENT OF TRANSPORTATION

SUBJECT:
ENCUMBRANCE DOCUMENTS

VENDOR / CONTRACTOR:
CITY OF CLAYTON

CONTRACT AMOUNT:
$386,000.00

PROCUREMENT TYPE:
LOCAL ASSISTANCE

I HEREBY CERTIFY UPON MY OWN PERSONAL KNOWLEDGE THAT BUDGETED FUNDS ARE AVAILABLE FOR THIS ENCUMBRANCE AND PURPOSE OF THE EXPENDITURE STATED ABOVE.

CHAPTER	STATUTES	ITEM	YEAR	PEC / PECT	TASK / SUBTASK	AMOUNT
10	2015	2660-102-0890	2016	20.30.010.810	2620/0400	$386,000.00
					TOTAL	**$386,000.00**

ADA Notice For individuals with sensory disabilities, this document is available in alternate formats. For information, call (915) 654-6410 of TDD (916) -3880 or write Records and Forms Management, 1120 N. Street, MS-89, Sacramento, CA 95814.

SPECIAL COVENANTS OR REMARKS

1. A. The ADMINISTERING AGENCY will advertise, award and administer this project in accordance with the current published Local Assistance Procedures Manual.

B. ADMINISTERING AGENCY agrees that it will only proceed with work authorized for specific phase(s) with an "Authorization to Proceed" and will not proceed with future phase(s) of this project prior to receiving an "Authorization to Proceed" from the STATE for that phase(s) unless no further State or Federal funds are needed for those future phase(s).

C. STATE and ADMINISTERING AGENCY agree that any additional funds which might be made available by future Federal obligations will be encumbered on this PROJECT by use of a STATE-approved "Authorization to Proceed" and Finance Letter. ADMINISTERING AGENCY agrees that Federal funds available for reimbursement will be limited to the amounts obligated by the Federal Highway Administration.

D. Award information shall be submitted by the ADMINISTERING AGENCY to the District Local Assistance Engineer within 60 days of project contract award and prior to the submittal of the ADMINISTERING AGENCY'S first invoice for the construction contract.

Failure to do so will cause a delay in the State processing invoices for the construction phase. Attention is directed to Section 15.7 "Award Package" of the Local Assistance Procedures Manual.

E. ADMINISTERING AGENCY agrees, as a minimum, to submit invoices at least once every six months commencing after the funds are encumbered for each phase by the execution of this Project Program Supplement Agreement, or by STATE's approval of an applicable Finance Letter. STATE reserves the right to suspend future authorizations/obligations for Federal aid projects, or encumbrances for State funded projects, as well as to suspend invoice payments for any on-going or future project by ADMINISTERING AGENCY if PROJECT costs have not been invoiced by ADMINISTERING AGENCY for a six-month period.

If no costs have been invoiced for a six-month period, ADMINISTERING AGENCY agrees to submit for each phase a written explanation of the absence of PROJECT activity along with target billing date and target billing amount.

ADMINISTERING AGENCY agrees to submit the final report documents that collectively constitute a "Report of Expenditures" within one hundred eighty (180) days of PROJECT completion. Failure of ADMINISTERING AGENCY to submit a "Final Report of Expenditures" within 180 days of PROJECT completion will result in STATE imposing sanctions upon ADMINISTERING AGENCY in accordance with the current Local Assistance Procedures Manual.

F. Administering Agency shall not discriminate on the basis of race, religion, age, disability, color, national origin, or sex in the award and performance of any Federal-assisted contract or in the administration of its DBE Program Implementation Agreement. The Administering Agency shall take all necessary and reasonable steps under 49 CFR Part 26 to ensure nondiscrimination in the award and administration of Federal-assisted contracts. The Administering Agency's DBE Implementation Agreement is incorporated by reference in this Agreement. Implementation of the DBE Implementation Agreement, including but not limited to timely reporting of DBE commitments and utilization, is a legal obligation and failure to carry out its terms shall be treated as a violation of this Agreement. Upon notification to the Administering Agency of its failure to carry out its DBE Implementation Agreement, the State may impose sanctions as provided for under 49 CFR Part 26 and may, in appropriate cases, refer the matter for enforcement under 18 U.S.C. 1001 and/or the Program Fraud Civil Remedies Act of 1986 (31 U.S.C. 3801 et seq.).

G. Any State and Federal funds that may have been encumbered for this project are available for disbursement for limited periods of time. For each fund encumbrance the limited period is from the start of the fiscal year that the specific fund was appropriated within the State Budget Act to the applicable fund Reversion Date shown on the State approved project finance letter. Per Government Code Section 16304, all project funds not liquidated within these periods will revert unless an executed Cooperative Work Agreement extending these dates is requested by the ADMINISTERING AGENCY and approved by the California Department of Finance.

ADMINISTERING AGENCY should ensure that invoices are submitted to the District Local Assistance Engineer at least 75 days prior to the applicable fund Reversion Date to avoid the lapse of applicable funds. Pursuant to a directive from the State Controller's Office and the Department of Finance; in order for payment to be made, the last date the District Local Assistance Engineer can forward an invoice for payment to the Department's Local Programs Accounting Office for reimbursable work for funds that are going to revert at the end of a particular fiscal year is May 15th of the particular fiscal year. Notwithstanding the unliquidated sums of project specific State and Federal funding remaining and available to fund project work, any invoice for reimbursement involving applicable funds that is not received by the Department's Local Programs Accounting Office at least 45 days prior to the applicable fixed fund Reversion Date will not be paid. These unexpended funds will be irrevocably reverted by the Department's Division of Accounting on the applicable fund Reversion Date.

H. As a condition for receiving federal-aid highway funds for the PROJECT, the Administering Agency certifies that NO members of the elected board, council, or other key decision makers are on the Federal Government Exclusion List. Exclusions can be found at www.sam.gov.

2. A. ADMINISTERING AGENCY shall conform to all State statutes, regulations and procedures (including those set forth in the Local Assistance Procedures Manual and the Local Assistance Program Guidelines, hereafter collectively referred to as "LOCAL ASSISTANCE PROCEDURES") relating to the federal-aid program, all Title 23 Code of

Federal Regulation (CFR) and 2 CFR Part 200 federal requirements, and all applicable federal laws, regulations, and policy and procedural or instructional memoranda, unless otherwise specifically waived as designated in the executed project-specific PROGRAM SUPPLEMENT.

B. Invoices shall be submitted on ADMINISTERING AGENCY letterhead that includes the address of ADMINISTERING AGENCY and shall be formatted in accordance with LOCAL ASSISTANCE PROCEDURES.

C. ADMINISTERING AGENCY must have at least one copy of supporting backup documentation for costs incurred and claimed for reimbursement by ADMINISTERING AGENCY. ADMINISTERING AGENCY agrees to submit supporting backup documentation with invoices if requested by State. Acceptable backup documentation includes, but is not limited to, agency's progress payment to the contractors, copies of cancelled checks showing amounts made payable to vendors and contractors, and/or a computerized summary of PROJECT costs.

D. Indirect Cost Allocation Plan/Indirect Cost Rate Proposals (ICAP/ICRP), Central Service Cost Allocation Plans and related documentation are to be prepared and provided to STATE (Caltrans Audits & Investigations) for review and approval prior to ADMINISTERING AGENCY seeking reimbursement of indirect costs incurred within each fiscal year being claimed for State and federal reimbursement. ICAPs/ICRPs must be prepared in accordance with the requirements set forth in 2 CFR, Part 200, Chapter 5 of the Local Assistance Procedural Manual, and the ICAP/ICRP approval procedures established by STATE.

E. STATE will withhold the greater of either two (2) percent of the total of all federal funds encumbered for each PROGRAM SUPPLEMENT or $40,000 until ADMINISTERING AGENCY submits the Final Report of Expenditures for each completed PROGRAM SUPPLEMENT PROJECT.

F. Payments to ADMINISTERING AGENCY for PROJECT-related travel and subsistence (per diem) expenses of ADMINISTERING AGENCY forces and its contractors and subcontractors claimed for reimbursement or as local match credit shall not exceed rates authorized to be paid rank and file STATE employees under current State Department of Personnel Administration (DPA) rules. If the rates invoiced by ADMINISTERING AGENCY are in excess of DPA rates, ADMINISTERING AGENCY is responsible for the cost difference, and any overpayments inadvertently paid by STATE shall be reimbursed to STATE by ADMINISTERING AGENCY on demand within thirty (30) days of such invoice.

G. ADMINISTERING AGENCY agrees to comply with 2 CFR, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirement for Federal Awards.

H. ADMINISTERING AGENCY agrees, and will assure that its contractors and subcontractors will be obligated to agree, that Contract Cost Principles and Procedures, 48 CFR, Federal Acquisition Regulations System, Chapter 1, Part 31, et seq., shall be used to determine the allowability of individual PROJECT cost items.

I. Every sub-recipient receiving PROJECT funds under this AGREEMENT shall comply with 2 CFR, Part 200, 23 CFR, 48 CFR Chapter 1, Part 31, Local Assistance Procedures, Public Contract Code (PCC) 10300-10334 (procurement of goods), PCC 10335-10381 (non-A&E services), and other applicable STATE and FEDERAL regulations.

J. Any PROJECT costs for which ADMINISTERING AGENCY has received payment or credit that are determined by subsequent audit to be unallowable under 2 CFR, Part 200, 23 CFR, 48 CFR, Chapter 1, Part 31, and other applicable STATE and FEDERAL regulations, are subject to repayment by ADMINISTERING AGENCY to STATE.

K. STATE reserves the right to conduct technical and financial audits of PROJECT WORK and records and ADMINISTERING AGENCY agrees, and shall require its contractors and subcontractors to agree, to cooperate with STATE by making all appropriate and relevant PROJECT records available for audit and copying as required by the following paragraph:

ADMINISTERING AGENCY, ADMINISTERING AGENCY'S contractors and subcontractors, and STATE shall each maintain and make available for inspection and audit by STATE, the California State Auditor, or any duly authorized representative of STATE or the United States all books, documents, papers, accounting records, and other evidence pertaining to the performance of such contracts, including, but not limited to, the costs of administering those various contracts and ADMINISTERING AGENCY shall furnish copies thereof if requested. All of the above referenced parties shall make such AGREEMENT, PROGRAM SUPPLEMENT, and contract materials available at their respective offices at all reasonable times during the entire PROJECT period and for three (3) years from the date of submission of the final expenditure report by the STATE to the FHWA.

L. ADMINISTERING AGENCY, its contractors and subcontractors shall establish and maintain a financial management system and records that properly accumulate and segregate reasonable, allowable, and allocable incurred PROJECT costs and matching funds by line item for the PROJECT. The financial management system of ADMINISTERING AGENCY, its contractors and all subcontractors shall conform to Generally Accepted Accounting Principles, enable the determination of incurred costs at interim points of completion, and provide support for reimbursement payment vouchers or invoices set to or paid by STATE.

M. ADMINISTERING AGENCY is required to have an audit in accordance with the Single Audit Act of 2 CFR 200 if it expends $750,000 or more in Federal Funds in a single fiscal year of the Catalogue of Federal Domestic Assistance.

N. ADMINISTERING AGENCY agrees to include all PROGRAM SUPPLEMENTS adopting the terms of this AGREEMENT in the schedule of projects to be examined in

ADMINISTERING AGENCY's annual audit and in the schedule of projects to be examined under its single audit prepared in accordance with 2 CFR, Part 200.

O. ADMINISTERING AGENCY shall not award a non-A&E contract over $5,000, construction contracts over $10,000, or other contracts over $25,000 [excluding professional service contracts of the type which are required to be procured in accordance with Government Code sections 4525 (d), (e) and (f)] on the basis of a noncompetitive negotiation for work to be performed under this AGREEMENT without the prior written approval of STATE. Contracts awarded by ADMINISTERING AGENCY, if intended as local match credit, must meet the requirements set forth in this AGREEMENT regarding local match funds.

P. Any subcontract entered into by ADMINISTERING AGENCY as a result of this AGREEMENT shall contain provisions B, C, F, H, I, K, and L under Section 2 of this agreement.

CITY OF CLAYTON
Founded 1857 .. Incorporated 1964

Agenda Date: 11-01-2016
Agenda Item: 3F

Approved:

Gary A. Napper
City Manager

STAFF REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: KEVIN MIZUNO, FINANCE MANAGER

DATE: NOVEMBER 1, 2016

SUBJECT: INVESTMENT PORTFOLIO REPORT – FIRST QUARTER FY 2016-17

RECOMMENDATION

It is recommended the City Council accept the City Investment Portfolio Report for the first quarter of fiscal year 2016-17 ending September 30, 2016.

BACKGROUND

Pursuant to the section XIII of the City of Clayton Investment Policy, last revised on April 21, 2015, the Finance Manager is required to submit a quarterly investment report to the City Council. This quarterly report is also designed to meet the local agency reporting requirements outlined in *California Government Code* section 53646. The first quarter 2016-17 fiscal year report is provided herein.

DISCUSSION

With the first quarter of the fiscal year completed, interest earnings for the General Fund is $20,688 to-date, or 34.48% of forecasted General Fund interest revenues per the 2016-17 fiscal year adopted budget of $60,000. City-wide investment earnings solely attributable to pooled investments (i.e. not related to cash with fiscal agents such as bond proceeds) through the first quarter of fiscal year 2016-17 totaled $44,777. Approximately 0.80% of the current City Investment Pool (the Pool) is invested in Local Agency Investment Funds (LAIF). The LAIF quarterly apportionment rate was 0.60%, which is a slight increase (0.05%) from a rate of 0.55% in the preceding quarter. This is also a noticeable improvement compared to the LAIF apportionment rate of 0.32% one year ago on September 30, 2015. Investments in certificates of deposit comprised approximately 85.86% of the City investment portfolio as of the quarter ended September 30, 2016 and were the highest yielding investment type with a collective weighted average interest rate of 1.53%. Approximately 7.72% of the pool is made up of cash deposits and low (0.01%) interest bearing money market funds, available for normal operating cash flow purposes. Federal Agency Notes, authorized by the revised April 21, 2015 investment policy, were the second highest yielding investment type making up approximately 5.62% of the portfolio with a weighted average interest rate of 1.50%. This relatively small proportion of government agency notes is due to several such investments being called following continuous Fed announcements that long-postponed interest rate growth will be addressed cautiously with any increases to come slowly, if at all. One government agency note issuance of $200,000 was called during this quarter with the proceeds being reinvested into certificates of deposit.

The market value of the total investment portfolio was approximately $12,574,769, which is $127,275 (or 1.02%) higher than total carrying value as of September 30, 2016. This marginal difference demonstrates how the conservative nature of the City's investment strategy mitigates the risk of the City incurring large unrealized losses in market declines. Simultaneously, given less risk being incurred, more predictable and modest investment returns will be realized following this same strategy.

In conclusion, for the first quarter ending September 30, 2016, the City of Clayton Investment Portfolio is being managed in accordance with the City's investment policy. In addition, the City's cash management program provides sufficient liquidity to meet the next six month's expenditures. The attached City of Clayton Investment Holdings Summary – First Quarter of Fiscal Year 2016-17 (Attachment 1) provides additional analysis and the specific investment reporting criteria required by *California Government Code* section 53646.

FISCAL IMPACT

The acceptance of this report has no direct fiscal impact to the City of Clayton.

Respectively submitted,

T. Kevin Mizuno...

T. Kevin Mizuno, CPA
Finance Manager

Attachment 1: City of Clayton Investment Holdings Summary – First Quarter of Fiscal Year 2016-17 (July 1, 2016 – September 30, 2016)

City o. ...layton
Investment Holdings Summary
Quarter Ending: September 30, 2016

ATTACHMENT 1

Investment Account	Investment Type	Institution	CUSIP	Carrying Value	Rate	Current Yield	Settlement Date	Maturity Date	Market Value
Local Agency Investment Fund (LAIF)	Local Agency Pool	LAIF	n/a	100,016.92	0.60%	0.60%	n/a	n/a	100,047.53
UBS Financial Services Inc.	Cash	BS Bank Sa Deposit Account	n/a	-	0.00%	0.00%	n/a	n/a	-
	Money Market Fund	RMA Government Portfolio	n/a	105,408.85	0.01%	0.01%	n/a	n/a	105,408.85
	Certificate of Deposit	Capital One Bank U, VA	140420QP8	99,000.00	1.00%	1.00%	11/5/14	11/7/16	99,048.51
	Certificate of Deposit	Firstbank P R Sant Pr	33764JQ57	198,000.00	1.00%	1.00%	12/20/13	12/20/16	198,211.86
	Certificate of Deposit	Marlin Bus Bk, UT	57116AGM4	50,000.00	1.00%	1.00%	7/17/13	1/17/17	50,071.00
	Certificate of Deposit	BMW Bk Na Salt Lak, UT	05568PV95	198,000.00	1.75%	1.74%	4/13/12	4/13/17	199,332.54
	Certificate of Deposit	Comenity Cap Bk, UT	20033ABN5	245,000.00	1.20%	1.19%	7/5/13	7/5/17	246,090.25
	Certificate of Deposit	Midwest Bk, IL	59828PBT6	245,000.00	1.15%	1.14%	7/15/13	7/17/17	246,617.00
	Certificate of Deposit	Santander Bank NA, DE	80280JLP4	100,000.00	1.00%	1.00%	2/10/16	8/17/17	100,314.00
	Certificate of Deposit	First Bk Highland, IL	319141CG0	247,000.00	1.10%	1.10%	8/21/14	8/28/17	247,827.45
	Certificate of Deposit	Capital One Bk, VA	140420PP9	99,000.00	1.35%	1.35%	10/1/14	10/2/17	99,349.47
	Certificate of Deposit	Dollar Bk, PA	25665QAM7	198,000.00	1.20%	1.19%	11/17/14	11/17/17	198,976.14
	Certificate of Deposit	Banco Santander, PR	059646RZ4	245,000.00	1.20%	1.19%	1/23/15	1/23/18	247,180.50
	Certificate of Deposit	Oriental B&T, PR	686184WU2	200,000.00	1.15%	1.14%	2/10/16	2/20/18	201,100.00
	Certificate of Deposit	First Bus Bk, WI	31938QK78	200,000.00	1.15%	1.14%	3/31/15	4/2/18	200,884.00
	Certificate of Deposit	American Exp Cent, UT	02587DPT9	100,000.00	1.70%	1.69%	7/5/13	7/5/18	100,843.00
	Certificate of Deposit	Compass Bank, AL	20451PAU0	150,000.00	1.55%	1.53%	7/10/13	7/10/18	152,220.00
	Certificate of Deposit	Goldman Sachs Bank, NY	38147JHW5	100,000.00	1.75%	1.72%	7/10/13	7/10/18	101,477.00
	Certificate of Deposit	Cit Bank, UT	17284CHW7	146,000.00	1.80%	1.77%	7/17/13	7/17/18	148,141.82
	Certificate of Deposit	First Financial NW, WA	32022MAG3	100,000.00	1.14%	1.14%	1/28/16	8/20/18	101,049.00
	Certificate of Deposit	Bank Baroda New York, NY	0606245Q2	247,000.00	2.05%	2.01%	10/18/13	10/18/18	251,912.83
	Certificate of Deposit	Sallie Mae Bank, UT	795450QS7	147,000.00	2.05%	2.01%	10/23/13	10/23/18	150,085.53
	Certificate of Deposit	American Express C, UT	02587DWJ3	100,000.00	2.00%	1.96%	11/28/14	11/28/18	102,072.00
	Certificate of Deposit	Sallie Mae Bank, UT	795450RT4	100,000.00	2.00%	1.96%	12/11/13	12/11/18	102,178.00
	Certificate of Deposit	Keybank NA, IN	49306SVY9	100,000.00	1.53%	1.52%	1/20/16	1/22/19	101,999.00
	Certificate of Deposit	Discover Bank, DE	254672GC6	150,000.00	1.60%	1.57%	1/28/15	1/28/19	153,145.50
	Certificate of Deposit	Preferred Bank, CA	740367ER4	197,000.00	1.20%	1.19%	3/9/16	3/29/19	198,893.17
	Certificate of Deposit	First Savings Bank, IN	33621LBV4	99,000.00	1.15%	1.15%	5/4/16	5/24/19	99,040.59
	Certificate of Deposit	UBS Bank, UT	90348JAS9	200,000.00	1.20%	1.20%	6/9/16	6/17/19	200,632.00
	Certificate of Deposit	Discover Bank, DE	2546712E9	100,000.00	2.00%	1.95%	7/9/14	7/9/19	102,478.00
	Certificate of Deposit	Synchrony Bank, UT	87164XBQ8	100,000.00	2.05%	2.00%	7/11/14	7/11/19	102,479.00
	Certificate of Deposit	Third Fed S&L Assn, OH	88413QAY4	200,000.00	1.50%	1.46%	2/19/15	8/19/19	205,654.00
	Certificate of Deposit	First Financial NW, WA	32022MAJ7	147,000.00	1.45%	1.45%	2/10/16	8/19/19	147,058.80
	Certificate of Deposit	Eagle B&T Co, AR	26942ADC4	150,000.00	1.60%	1.60%	3/6/15	9/6/19	150,145.50
	Certificate of Deposit	Park Natl Bk Newar, OH	700654AT3	240,000.00	2.15%	2.10%	9/12/14	9/12/19	246,259.20
	Certificate of Deposit	GE Capital Bank UT	36162YF24	145,000.00	1.80%	1.74%	1/16/15	1/16/20	149,789.35
	Certificate of Deposit	Wells Fargo Bk Na Sd Us	94986TTT4	197,000.00	1.25%	1.24%	4/30/15	4/30/20	198,069.71
	Certificate of Deposit	Comenity Bank, DE	981996XS5	100,000.00	2.30%	2.31%	6/30/15	7/1/20	99,656.00
	Certificate of Deposit	World'S Foremost B, NE	9159919E5	200,000.00	2.30%	2.32%	8/6/15	8/6/20	198,662.00
	Certificate of Deposit	Merrick Bk, UT	59013JHE2	149,000.00	1.90%	1.86%	8/20/15	8/20/20	152,504.48
	Certificate of Deposit	JP Morgan Chase, OH	48125YZB3	200,000.00	1.25%	1.25%	1/26/16	2/10/21	200,700.00
	Certificate of Deposit	Synchrony Bank, UT	87164XLH7	94,000.00	1.70%	1.66%	2/25/16	3/4/21	96,034.16
	Certificate of Deposit	UBS Bank, UT	90348JAU4	50,000.00	1.50%	1.50%	7/20/16	7/20/21	49,976.00
	Certificate of Deposit	Synchrony Bank, UT	87164XNA0	50,000.00	1.45%	1.45%	7/22/16	7/22/21	49,950.00
	Government Agency	FHLMC	3134G8VZ9	250,000.00	1.25%	1.25%	3/29/16	4/21/21	249,960.00
	Total UBS Financial Services Inc.			6,737,408.85					6,803,477.21

ATTACHMENT 1

City of Clayton
Investment Holdings Summary
Quarter Ending: September 30, 2016

Investment Account	Investment Type	Institution	CUSIP	Carrying Value	Rate	Current Yield	Settlement Date	Maturity Date	Market Value
Morgan Stanley	Money Market Fund	Morgan Stanley		11,469.35	0.01%	0.01%	n/a	n/a	11,469.35
	Certificate of Deposit	Investors Savings Bank, NJ	46176PDX0	49,000.00	0.90%	0.45%	3/27/15	3/27/17	49,086.24
	Certificate of Deposit	CIT Salt Lake City, UT	17284CBL7	48,000.00	0.90%	0.89%	4/10/13	4/10/17	48,084.48
	Certificate of Deposit	Citizens National, Putnam, CT	176252AQ7	100,000.00	1.20%	0.89%	7/13/13	7/13/17	100,647.00
	Certificate of Deposit	Whitney Bank, MS	966594AM5	157,000.00	1.20%	1.19%	8/12/15	8/14/17	157,602.88
	Certificate of Deposit	Investors Savings Bank, NJ	46176PDY8	100,000.00	1.20%	1.19%	3/26/15	3/26/18	100,515.00
	Certificate of Deposit	Bank of North Carolina, NC	06414QUC1	200,000.00	1.50%	1.48%	1/16/15	4/16/18	201,950.00
	Certificate of Deposit	Bank Leumi, NY	063248FQ6	100,000.00	1.05%	1.04%	6/23/16	6/15/18	100,233.00
	Certificate of Deposit	BMO Harris, IL	05581WHF5	197,000.00	1.05%	1.04%	6/23/16	6/22/18	197,451.13
	Certificate of Deposit	Compass Bank, AL	20451PMD5	100,000.00	1.50%	1.48%	6/30/15	7/2/18	100,842.00
	Certificate of Deposit	Mercantile Bank of Grand Rapids, MI	58740XYT1	147,000.00	1.65%	1.61%	8/14/13	8/14/18	149,787.12
	Certificate of Deposit	First Bank PR Santurce, PR	33767AUJ8	50,000.00	1.45%	1.42%	1/20/16	1/22/19	50,932.00
	Certificate of Deposit	Webster Bank, CT	94768NKJ2	100,000.00	1.35%	1.32%	1/20/16	1/28/19	101,755.00
	Certificate of Deposit	Homebank, NA	43738AFU5	200,000.00	1.50%	1.47%	3/30/15	3/29/19	203,798.00
	Certificate of Deposit	Ally Bank, UT	02006LZR7	100,000.00	1.20%	1.19%	4/14/16	4/15/19	100,814.00
	Certificate of Deposit	State Bank of India, ILL	856283YN0	198,000.00	1.65%	1.62%	5/28/15	5/28/19	200,960.10
	Certificate of Deposit	First Business Bank, WI	31938QL85	50,000.00	1.50%	1.47%	6/11/15	6/11/19	50,754.00
	Certificate of Deposit	Ally Bank, UT	02006LE66	148,000.00	1.25%	1.24%	6/23/16	6/24/19	148,421.80
	Certificate of Deposit	Barclays Bank, DE	06740KHK6	149,000.00	2.10%	2.04%	7/23/14	7/23/19	152,720.53
	Certificate of Deposit	American Express Bank FSB, UT	02587CAJ9	247,000.00	2.00%	1.95%	7/24/14	7/24/19	253,258.98
	Certificate of Deposit	BMW, UT	05580afa7	50,000.00	1.20%	1.20%	8/26/16	8/26/19	49,985.50
	Certificate of Deposit	Comenity Bank, DE	20099A7A9	100,000.00	2.10%	2.07%	8/27/14	8/27/19	101,050.00
	Certificate of Deposit	JPM, OH	48126XCP8	48,000.00	1.25%	1.24%	8/31/16	8/31/19	48,004.32
	Certificate of Deposit	Capital One Bank Glen Allen, VA	140420QF0	130,000.00	2.15%	2.08%	10/16/14	10/16/19	133,788.20
	Certificate of Deposit	State Bk India, NY	8562842P8	50,000.00	2.25%	2.17%	8/27/14	10/17/19	51,697.00
	Certificate of Deposit	The Privatebank & Trust Co., IL	74267GUU9	100,000.00	1.90%	1.84%	1/23/15	1/23/20	103,237.00
	Certificate of Deposit	American Express Centurion Bank, UT	02587DXE3	47,000.00	1.95%	1.90%	1/30/15	1/30/20	48,226.70
	Certificate of Deposit	Peoples United Bank, CT	71270QML7	151,000.00	1.75%	1.70%	3/4/15	3/4/20	155,327.66
	Certificate of Deposit	Everbank, FL	29976DVW7	200,000.00	1.75%	1.70%	3/30/15	3/30/20	205,822.00
	Certificate of Deposit	HSBC Bank, VA	40434ASZ3	247,000.00	1.25%	1.24%	3/30/15	3/30/20	247,459.42
	Certificate of Deposit	CIT Bank, UT	17284DBM3	50,000.00	2.00%	1.95%	6/3/15	6/3/20	51,274.50
	Certificate of Deposit	Capital One, NA, Mclean, VA	14042E4Y3	245,000.00	2.25%	2.17%	7/22/15	7/22/20	253,489.25
	Certificate of Deposit	Beneficial Mut, PA	08173QBT2	200,000.00	1.35%	1.35%	10/7/16	10/7/20	200,000.00
	Certificate of Deposit	Wells Fargo, SD	9497485W3	50,000.00	1.75%	1.73%	6/17/16	6/17/21	50,356.50
	Certificate of Deposit	Enerbank USA, UT	29266N3H8	50,000.00	1.45%	1.45%	8/26/16	8/26/21	49,951.00
	Certificate of Deposit	Privatebank, IL	74267GVM6	147,000.00	1.50%	1.50%	8/30/16	8/30/21	146,841.24
	Government Agency	Federal Farm Credit Bank	3133EGEX9	200,000.00	1.67%	1.66%	6/9/16	6/14/21	200,002.00
	Government Agency	Federal Home Loan Bank	3130A8HH9	250,000.00	1.62%	1.61%	6/16/16	6/23/21	250,050.00
	Total Morgan Stanley			4,766,469.35					4,827,644.90
Bank of America (book balance)	Cash (checking account)	Bank of America		843,599.43	0.00%	0.00%	n/a	n/a	843,599.43

Broker/Institution	Carrying Value	Percentage of Portfolio	Weighted Average Yield to Maturity	W.A.M. (yrs)	Market Value
Local Agency Investment Fund (LAIF)	100,017	0.80%	0.60%	0.64	100,048
UBS Financial Services Inc.	6,737,409	54.13%	1.47%	2.45	6,803,477
Morgan Stanley	4,766,469	38.29%	1.58%	3.17	4,827,645
Bank of America (book balance)	843,599	6.78%	0.00%	0.00	843,599
Total investment Portfolio	12,447,495	100.00%			12,574,769

2016-17 Budgeted Interest - General Fund	$	60,000
2016-17 Actual Interest Revenue to date (7/1/16 - 9/30/16)		20,688
Percent of General Fund Budget Realized		34.48%
Quarterly Weighted Average Annual Yield*		1.41%
2016-17 Total Pooled Investment Income To Date (7/1/16 - 9/30/16)	$	44,777

**This calculation excludes the City's non-interest bearing pooled checking account with Bank of America*

I verify that this investment portfolio is in conformity with State laws and the City of Clayton's investment policy. The City's cash management program provides sufficient liquidity to meet the next six month's expenditures.

T. Kevin Mizuno 10/17/16

Kevin Mizuno, Finance Manager Date

M C Hw 10/22/16

Merle Bufford/City Treasurer Date

Agenda Date: 11-01-2016

Agenda Item: 3g

CITY OF CLAYTON
Founded 1857 . . Incorporated 1964

Approved:

Gary A. Napper
City Manager

AGENDA REPORT

TO: **HONORABLE MAYOR AND COUNCILMEMBERS**

FROM: **JANET BROWN, CITY CLERK/ HR MANAGER**

DATE: **November 1, 2016**

SUBJECT: **Multi-Year Agreement with Konica Minolta Business Solutions (Konica Minolta) for a Konica Minolta Bizhub C658 Copier Lease and Maintenance Agreement**

RECOMMENDATION

Authorize the City Manager to enter into a 36-month lease agreement with Konica Minolta Business Solutions for a new fixed lease and maintenance agreement for a Konica Minolta Bizhub C658 copier.

BACKGROUND

In November 2013, the Council approved a 3 year (36 month) lease agreement for a Konica Minolta C654e document copier with Caltronics Business Systems. The 3-year lease expires on December 16, 2016. The copier is located on the third floor of City Hall and is used for all agenda copying, notices, letters; basically all copying done for the administration of the City. This copier also serves as a printer for the Administrative staff.

The existing Konica Minolta machine has performed well and met the City's expectations and needs. Today's monthly cost of the lease equipment is $296.65 plus tax and the maintenance contract is $381.20 (based on an average of 8,610 black and white copies at $0.0049 and 6,763 colored copies at .05), for a total monthly cost of $677.85 ($8,134 per year).

Staff requires machines to have the following capabilities: color copying, stapling, 2/3 hole punching, tri-folding, and the ability to print on thick paper for posters. By inclusion of these features on the current copier, previous City expenses for outsourcing these jobs were eliminated.

NEW LEASE PROPOSALS

With the current copier lease expiring staff contacted vendors in hopes of finding that lease prices and maintenance contract prices had fallen in the last 36 months. In October 2016 staff contacted two (2) vendors regarding options for copier leases and maintenance agreements.

Copier Recommended – Konica Minolta C658

Staff recommends Council approve the multi-year lease and maintenance agreement with Konica Minolta Business Solutions for a replacement Konica Minolta C658, a copier similar in speed to the City's current machine.

This copier saves staff time due to high speed production; coupled with a 36 month lease, it will allow the City to maintain a highly functioning copier for the duration of the lease. This also allows the City the opportunity to replace the copier in three years with an even more efficient and better priced unit as the price for technological advances has become more competitive. Advances in copier products on the market are ever changing and a short lease term allows the City to continue to access the best deals on the market.

Since staff has previously worked with Konica Minolta Business Solutions and is satisfied with their service and because they provided the best price of the machine, staff is recommending the City Council approve the contract. Konica Minolta also locked in the lease price and maintenance agreement price for the term of the lease.

Alternative Lease Options

A Smile Business Solutions representation came into our office to view the area and provide a quote on a Xerox machine that would meet our day-to-day needs. An email was received by staff noting they are unable to provide a quote as the machine is much larger than our space allows.

FISCAL IMPACT

The current lease the City has with Konica Minolta is a 36 month lease that ends on December 16, 2016. Konica Minolta has provided a fixed lease and maintenance rate therefore the prices are set for the duration of the contract. Pricing includes all delivery, setup installation, training, upgrade of the current lease and return of the Bizhub 654e (In 2013, the return fee charged to the City was $400.00) relieving the City of Clayton all obligations to lease #25265133.

	Current	New
Monthly Lease:	$296.65	$281.38
Maintenance Contract:	$381.20	$380.34
TOTAL:	$677.85	$661.72
Annual Cost:	$8,134.20	$7,940.64
Budget Savings:	$193.56 per year	

There is a one-time $75.00 documentation fee that will appear on our first month's lease invoice that is assessed by the leasing company.

Conclusion

Staff recommends the City Council authorize the City Manager to enter into a 36 month lease agreement with Konica Minolta Business Solutions for its C658 copier.

Attachments: A. Email from Smile Business Solutions (1 pages)
B. Lease Agreement from Konica Minolta (5 pages)

Janet Brown

ATTACHMENT A

From: Connie Smith <CSmith@smilebpi.com>
Sent: Friday, October 21, 2016 12:28 PM
To: Janet Brown
Subject: Smile Business Products

Hi Janet,

I looked at the configuration chart and if I put the folding unit on this machine, it will be too big for the space you currently have your copier in. So, unless you have a larger space available, I am not going to be able to provide you a quote.

Let me know if you have any questions or if there is anything else that I can do for you.

Thank you for the opportunity!

Connie Smith
Government Account Manager
Phone: (209) 858-4410
Mobile:
Fax: (209) 858-4407
E-mail: CSmith@smilebpi.com
www.smilebpi.com

CALTRONICS BUSINESS SYSTEMS
"Trust Your Documents To Us"

ATTACHMENT B

Order Form

Customer Ship To:	**Customer Bill To:**
Name: City of Clayton	Name: City of Clayton
Address: 6000 Heritage Trail	Address: 6000 Heritage Trail
City: Clayton	City: Clayton
State: CA Zip: 94517	State: CA Zip: 94517

Contact Information

	Name	Phone	Email Address
Primary	Janet Brown	(925) 673-7304	jbrown@ci.clayton.ca.us
IT			
Delivery	Janet Brown	(925) 673-7304	jbrown@ci.clayton.ca.us
Meter	Janet Brown	(925) 673-7304	jbrown@ci.clayton.ca.us
E-info			

Equipment Ordered

Qty	Make	Model	New	Remfg	Preconfig	Description
1	Bizhub	C658	X			Doc Feeder, Large Capacity Tray, Staple Finisher, 2/3 Hole Punch, and Power Tamer

☐ See Schedule A for Additional Equipment

Notes: Pricing includes all delivery, setup, installation, and training. Pricing also includes the upgrade of the current lease on the Bizhub C654e relieving The City of Clayton all obligations to lease #25265133.

Sales Representative

Delivery Details

Date Required

Delivery Location ☐ Stairs ☐ Elevator Requires Certificate of Insurance for Delivery/Training/Service ☐ Yes ☐ No

Equipment Pick Up ☐ Trade In ☐ Storage ☐ Disposal

☐ Lease Return | Lease Company | Lease #

Make RICOH | Model | Serial # | ☐ See Schedule B for Additional Equipment

Payment Terms

Purchase

Price | Sales Tax | Total Due $ 0.00 | PO # | ☐ COD ☐ Credit Card ☐ Term ☐ Other

Lease

Payment Amount $ 281.38 (plus tax) | Frequency ☑ Monthly ☐ Qtly ☐ Other | Term 36 | Buy Out ☑ FMV ☐ $1 ☐ 10%

Authorization To Release Credit : The undersigned authorizes and instructs any person, consumer reporting agency or banking institution to compile and furnish the above named business, credit grantor and/or supplier and/or their respective designee with any information it may have in response to an inquiry from the above name business, credit grantor and/or supplier and/or their respective designees. The undersigned further states that all of the above statements are true and complete and are made to the above name business, credit grantor and/or supplier and/or their respective designees to obtain a contract. All information is confidential.

Authorization / Acceptance

Customer Authorization | **Federal Tax ID# (Required)** | **Social Security Number**

Signature | Print Name | Title | Date

Accepted by Caltronics Business Systems

Signature | Print Name | Title | Date

Customer has read, understands and agrees to the Terms and Conditions as stated. This agreement is non-cancelable.

Caltronics Business Systems

Lease Agreement ("Lease")

LESSEE					
Full Legal Name: City of Clayton				Purchase Order Requisition Number	Phone Number: (925) 673-7304
Billing Address: 6000 Heritage Trail	City: Clayton	State: CA	Zip: 94517	County: Contra Costa	Send Invoice to Attention of:

EQUIPMENT				
Make	Model Number	Serial Number	Quantity	Description (Attach Separate Schedule A If Necessary)
Bizhub	C658		1	Doc Feeder, Large Capacity Tray, Staple Finisher, 2/3 Hole Punch, and Power Tamer

PAYMENT INFORMATION						
Number of Lease Payments	Lease Payment	(PLUS)	Applicable Sales Tax	(EQUALS)	Total Lease Payment
36	$ 281.38	+		=	
		+		=	
		+		=	

Term of Lease in Months: 36

Payment Frequency: ☑ Monthly ☐ Quarterly ☐ Other____

End of Lease Option: ☑ FMV ☐ 10% ☐ $1 ☐ Other____

End of Lease Purchase Option shall be FMV unless another option is selected.

Security Deposit	(PLUS)	First Period Payment	(PLUS)	Other	(EQUALS)	Total Payment Enclosed
	+		+		=	

TERMS AND CONDITIONS

1. Definitions: The words "you" and "your" refer to the customer named above, "we", "us" or "our"(s)" refers to the Lessor of the equipment identified above ("Equipment").

2. Lease: We hereby agree to lease to you, and you agree to lease from us, the Equipment. You authorize us to adjust the Lease Payments by not more than fifteen percent (15%) if the cost of the Equipment or taxes is more or less than the supplier's estimate. You promise to pay us according to the payment schedule show above, in advance, beginning on the day the Equipment is delivered and thereafter until all amounts are paid. LEASE PAYMENTS MUST BE PAID EVEN IF THE EQUIPMENT IS DAMAGED, DESTROYED, STOLEN OR NO LONGER USABLE, AND ARE NOT SUBJECT TO SET-OFFs, DEFENSE OR COUNTERCLAIM FOR ANY REASON WHATSOEVER. The Total Initial Payment is due upon your signing of the Lease. If any Lease payment is not paid by the due date, you agree to pay a late charge of seven percent (7%) for each payment, but in no event more than the maximum late charges allowed by law. You agree to pay $25.00 for each check returned unpaid. Once we accept the Lease, you MAY NOT CANCEL it at any time during the Lease term. The Lease automatically renews for consecutive twelve month periods unless you, at least 60 days before the end of the term, send us a written notice that you do not want to renew. Provided you are not in default, on 60 days written notice to us, you may purchase the Equipment at the end of the Lease term at the purchase option stated plus all applicable taxes. WE WILL HAVE NO LIABILITIES TO YOU FOR LOST PROFITS OR OTHER CONSEQUENTIAL OR INCIDENTAL DAMAGES BASED UPON ANY WARRANTY OR STRICT LIABILITY OR OTHERWISE. At the end of the Lease or renewal period, you will return the Equipment in the same condition as received, less normal wear and tear, to a location designated by us within 25 days and continue to make Lease payments until the Equipment is returned. You agree to prepay all crating and delivery costs and to insure the Equipment being shipped for its full replacement value. You agree to pay a documentation fee of $75.00.

3. Delivery and Acceptance: You are responsible, at your own cost, to arrange for delivery and installation of the Equipment (unless such costs are included in the cost of the Equipment to us). Acceptance of the Equipment occurs upon delivery. When you receive the Equipment, you agree to inspect it and to verify by telephone or in writing such information as we may require.

4. Warranties: EQUIPMENT IS SOLD AS-IS, WHERE-IS, WITH NO EXPRESS OR IMPLIED WARRANTY OF ANY KIND INCLUDING WARRANTIES OF MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE. We transfer to you for the term of the Lease any warranties made by manufacturer or supplier to us.

YOU ALSO ACKNOWLEDGE THAT NO ONE IS AUTHORIZED TO WAIVE OR CHANGE ANY TERM, PROVISION OR CONDITION OF THIS LEASE AND EXCEPT FOR THE MANUFACTURER WARRANTIES, MAKE ANY REPRESENTATION OR WARRANTY ABOUT THIS LEASE OR THE EQUIPMENT. WE SHALL NOT BE LIABLE FOR SPECIAL, RESULTING, OR CONSEQUENTIAL DAMAGES OR LOSS OF PROFIT OCCASIONED BY ANY BREACH OF WARRANTY OR REPRESENTATION OR RESULTING FROM THE USE OR PERFORMANCE OF THE EQUIPMENT. YOUR OBLIGATION TO PAY IN FULL ANY AMOUNT DUE UNDER THE LEASE WILL NOT BE AFFECTED BY ANY DISPUTE, CLAIM, COUNTERCLAIM, DEFENSE OR OTHER RIGHT WHICH YOU MAY HAVE OR ASSERT AGAINST THE SUPPLIER OR THE EQUIPMENT MANUFACTURER.

5. Security Deposit: At our option, any security deposit made hereunder may be applied to any past due amount due hereunder. Upon notification you shall promptly restore the security deposit to its full amount as stated above. The security deposit is non-interest bearing. If you have complied with all of the conditions of the Lease, the security deposit shall be refunded to you after you have returned the Equipment to us.

6. Title: Unless you have a $1.00 purchase option, we will have title to the Equipment. If you have a $1.00 purchase option and/or the Lease is deemed to be security agreement, you grant us a security interest in the Equipment and all proceeds therefrom. Although the Equipment may become attached to real estate, it remains personal property and you agree not to permit a lien to be placed upon the Equipment or to remove the Equipment without our prior written consent. You also agree to allow us to inspect the Equipment at any time during normal business hours. You authorize us to file a copy of this Lease as a financing statement and appoint us as attorney-in-fact to execute and file, on your behalf, financing statements covering the collateral. You hereby waive any and all rights and remedies granted you by Section 2A-508-2A-522 of the Uniform Commercial Code.

7. Location of Equipment: You will keep and use the Equipment only at the address shown above. You agree that the Equipment will not be removed from this location unless you receive in writing permission in advance to move it. All replacement parts and repairs will become our property.

8. Use of Equipment: You represent that the Equipment will be used for business purposes, and not for personal, family or household purposes.

9. Insurance: You will obtain property damage insurance covering the Equipment and its use during the term of this Lease and liability insurance acceptable to us. You further agree to have us named as sole loss payee and additional insured and provide proof of insurance upon request. If you do not provide proof of insurance within 10 days of our request, we have the right, but not the duty, to obtain such insurance covering the Equipment and its use, at your expense. You agree to pay all premiums and our fees for placing and maintaining such insurance, on which we make a profit . If damage or loss should occur you must promptly repair or replace the Equipment with like Equipment, in working order, that is acceptable to us and transfer clear title to such Equipment to us.

10. Taxes: You agree to pay when due, or reimburse us for, all taxes, fees and penalties, relating to use or ownership of the Equipment, levied or assessed by any state, federal or local government or agency, including any taxes paid up front. We will file any required personal property tax, use tax, or other tax returns, unless we agree otherwise in writing. We may charge you a fee for administering property tax filings or for collecting any other taxes, assessments or fees and remitting them to the appropriate authorities. You will indemnify us on an after-tax basis against the loss of any tax benefits anticipated when we accept this Lease arising out or your acts or omissions.

11. Service Charge: The invoice generated for the payments under this Lease may include charges for the servicing of the Equipment. Such servicing charges stand alone and have no relation to the other terms and conditions of this Lease. The inclusion of the service charges on the Lease invoice is at your request for a consolidated invoice. The terms and conditions of the service provided are per a separated agreement.

12. Assignment: YOU HAVE NO RIGHT TO SELL, TRANSFER, ASSIGN OR SUBLEASE ANY INTEREST YOU HAVE IN THIS LEASE OR THE EQUIPMENT. WE MAY, WITHOUT NOTICE, SELL TRANSFER OR ASSIGN OUR INTEREST IN THIS LEASE. THE EQUIPMENT OR ANY LEASE PAYMENTS OR OTHER SUMS DUE. YOU AGREE THAT IF WE DO SO, THE NEW LESSOR WILL HAVE THE SAME RIGHTS AND BENEFITS THAT WE NOW HAVE, BUT, WILL NOT HAVE TO PERFORM ANY OF OUR OBLIGATION. YOU AGREE THAT THE RIGHTS OF THE NEW LESSOR WILL NOT BE SUBJECT TO ANY CLAIMS, SET-OFFS, OR DEFENSES THAT YOU MAY HAVE AGAINST US. IF YOU ARE GIVEN NOTICE OF A NEW LESSOR, YOU AGREE TO RESPOND TO ANY REQUESTS ABOUT THIS LEASE AND IF DIRECTED, TO PAY THE NEW LESSOR ALL RENT AND ALL AMOUNTS DUE UNDER THIS LEASE. In the event that we assign any of our obligations under this Lease, we shall remain primarily responsible to perform those obligations. You agree that any claim or defense you may have relating to those obligations must be asserted only against us and not any new Lessor.

13. Default: Any of the following events or conditions will constitute your default of this agreement: (a) your failure to pay any rent or any sum due on the date due; (b) failure to observe, keep or perform any term, covenant or condition of this Lease, or any other agreement that is made with us; (c) if you or any guarantor dies, becomes insolvent, stops doing business as a concern; (d) you merge, consolidate, transfer all or substantially all of your assets or you make an assignment for the benefit of creditors or you undergo a substantial deterioration in your financial condition; or (e) if you or any guarantor shall file or have filed against you or your guarantor a petition for liquidation, reorganization, or adjustment of debt under federal or state bankruptcy or insolvency law.

14. Remedies: Upon occurrence of default, we may do any or all of the following after providing a written notice of default: (a) demand immediate payment of any sums then due and owing under this Lease; plus (b) declare immediately due and payable, sue for and receive all remaining Lease payments to become due during the remainder of the term of this Lease, plus an amount equal to the purchase option stated above or if no purchase option is given, a reasonable estimate of th fair market value of like Equipment as of the originally scheduled end of the Lease term ("Residual"), with the remainir Lease payments and Residual discounted at 3% per annum, plus charge you interest at the rate per month of 1.5% on al amounts due as from the default date until paid (but not exceeding the maximum rate permitted by law), all late fees and any other fees associated with the enforcement of our remedies including reasonable attorney's fees and costs; (c) repossess the Equipment or require you to return the Equipment as provided in this Lease; (d) terminate any other agreements that we may have with you; and/or, (e) pursue any other legal remedy that we may have. If the Equipment is returned or repossessed, such return or repossession of the Equipment will not constitute a termination of this Lease unless we expressly notify you in writing. If the Equipment is returned or repossessed, we will sell or re-rent the Equipment at terms we determine, with or without notice to you, and apply the net proceeds (after deducting any related expenses) to your obligations with you remaining liable for any deficiency and with any excess being retained by us.

15. Indemnity: You assume the entire risk of loss, destruction of, or damage to the Equipment from any cause until the Equipment is returned to or purchased from Lessor, whichever comes first. You further assume the risk of liability arising from the possession of the Equipment and hold us harmless and defend us from all claims and liabilities arising from the possession or use of the Equipment. Your indemnity obligation will continue after the termination of the Lease.

16. Miscellaneous: The Lease is a Finance Lease as defined in Article 2A of the Uniform Commercial Code ("UCC"). Any provision of this Lease which is unenforceable in any jurisdiction shall be considered non-binding in that jurisdiction without invalidating the remaining provisions of the Lease and will not make that provision non-binding in any other jurisdiction. Notices must be given in writing and shall be effective when deposited in the U.S. mail addressed to the party as indicated above.

17. Choice of Law: This Lease has been made in and except for local filing requirements is governed and construed in accordance with the laws of the State of California or the state where our assignee has it principal offices and you agree that non-exclusive personal jurisdiction over you and subject jurisdiction over the Equipment shall be with the courts of the State of California or the state where our assignee has its principal offices. You waive trial by jury in any action against you.

18. Customer PO: You agree that any Purchase Orders issued to us covering this Equipment is issued for purposes of authorization and/or your internal use only and none of its terms and conditions shall modify the terms of this Agreement.

19. Entire Agreement: This Lease contains the entire agreement between you and us and no modification of this Lease shall be effective unless in writing and signed by the parties.

20. Faxed Signatures: You agree that a facsimile copy of the Lease and facsimile copies of all documents executed with the Lease with facsimile signatures may be treated as an original and will be admissible as evidence of the Lease.

LESSEE SIGNATURE		
You agree that this is a non-cancelable lease. The Equipment is: ☑ NEW ☐ USED		
Signature		Date
Title	Print Name	
Legal Name of Corporation: City of Clayton		

LESSOR	
Caltronics Business Systems	
Commencement Date	Lease Number
Accepted By:	

ACCEPTANCE			
The Equipment has been received, put in use, is in good working order and is satisfactory and acceptable.			
Signature	Print Name	Title	Date

GUARANTY		
I unconditionally guaranty prompt payment of all the Lessee's obligations under the Lease. The Lessor is not required to proceed against the Lessee or the Equipment or enforce other remedies before proceeding against me. I waive notice of acceptance and all other notices or demands of any kind to which I may be entitled. I consent to any extensions or modification granted to the Lessee and the release and/or compromise of any obligations of the Lessee or any other guarantors without releasing me from my obligations. This is a continuing guaranty and will remain in effect in the event of my death and may be enforced by or for the benefit of any assignee or successor of the Lessor. **This guaranty is governed by and construed in accordance with the laws of the State of California or the state where our assignee has its principal office and I consent to non-exclusive jurisdiction of any state or federal court in the State of California or the state where our assignee has its principal office and waive trial by jury.**		
Signature	Print Name	Date

08CAL/

CALTRONICS BUSINESS SYSTEMS
"Trust Your Documents To Us"

Prestige Maintenance Agreement

Installed Location:

Name City of Clayton
Address 6000 Heritage Trail
City Clayton
State CA Zip 94517

Customer Bill To:

Name City of Clayton
Address 6000 Heritage Trail
City Clayton
State CA Zip 94517

Primary Contact

Name: Janet Brown
Phone: (925) 673-7304
Email: jbrown@ci.clayton.ca.us

Meter Contact

Name: Janet Brown
Phone: (925) 673-7304
Email: jbrown@ci.clayton.ca.us

Start Date: ______ to ______

Billing Cycle

☑ Monthly ☐ Quarterly ☐ Annual

			Per Copy Rate		Contracted Usage		Base
ID #	Model	Serial Number	Color	B/W	Color	B/W	Charge
	C658		.05	.0049			

Caltronics Guarantee

- This agreement assures that the equipment will be serviced by factory trained field technicians and includes all service, parts and supplies.
- Parts and Supplies - Caltronics uses only OEM and top quality supplies to service and supply your system.
- Free Loaner - Caltronics will provide a free loaner of equal or greater capability in the event that it cannot be repaired onsite.
- Call Ahead Program - A technician will call you within two business hours of receiving your service request. If the issue cannot be resolved by phone, you will be given an estimated time of arrival.

Pricing does not include paper, staples, applicable taxes and freight charges.

Power requirements may include a dedicated line and receptacle as described on the Site Requirements Form.

Authorization / Acceptance

Customer Authorization

Signature	Print Name	Title	Date

Accepted by Caltronics Business Systems

Signature	Print Name	Title	Date

CALTRONICS BUSINESS SYSTEMS
"Trust Your Documents To Us"

Customer Bill To: City of Clayton
Address 6000 Heritage Trail
City Clayton
State CA Zip 94517

Prestige Maintenance Agreement - Terms and Conditions

1) **Description:** This managed service contract will cover all unscheduled repairs upon request by customer during the hours of 8:00 AM to 5:00 PM., Monday thru Friday, on the equipment listed herein. Service outside of Caltronics normal working hours shall be provided on an "if available" basis and customer shall pay Caltronics it's "after hours rate" then in effect.

2) **Commencement:** This is an annual contract, billed monthly, quarterly or annually in advance. The contract will commence upon delivery to customer. This contract qualifies for automatic renewal after 12 months from the contract start date, unless written notification of intent to cancel is received 30 days prior to the renewal date. See section 9 for cancellation details.

3) **Charges**: The minimum monthly payment and all other sums are due and payable to Caltronics. In return for payment, customer is entitled to produce copies and prints up to the allowance listed on the contract. Any copies or prints produced in excess of the allowance will be billed at the rate listed on the contract. The minimum monthly payment and excess copy rates are subject to an automatic increase not to exceed 10% every 12 months. Supplies will be allocated based on manufacturer's specified yields. We reserve the right to charge customers for excess supply usage. Loaner machines will be charged at the customer's current per copy rate. Per copy charges based on single sided sheet of paper up to 8 1/2 x 14.

4) **The sales tax** included on your contract invoice corresponds to the use of tangible personal property which includes toner usage. Customer agrees to pay sales tax as required by the State Board of Equalization.

5) **Meters**: Customer is responsible for providing Caltronics a meter reading on all equipment under contract on the billing date. If customer fails to provide an accurate meter reading, customer agrees to accept estimated meters based on service history for billing purposes. Caltronics may enable machines to automatically report meters and machine related information to better service our customers. It is the responsibility of the customer to ensure that the correct settings and/or defaults are set in the machine, print driver or applications when it relates to color copies/prints. Customers will be responsible for copies/prints produced based solely on the color (if applicable) and b/w meter readings as indicated by the machine.

6) **Relocation:** It is strongly recommended that our personnel prepare equipment prior to a move and reinstall equipment immediately following a move. Labor will be charged at our current hourly rates. If relocation is effected by the customer, Caltronics reserves the right to examine the machine at the new site. If repairs are required Caltronics will submit a quote for the repairs. If charges are approved by the customer, Service Contract will resume at the new site (after repairs). If not accepted by the customer, the Service Contract will be canceled effective immediately with not further obligation to either party.

7) **Assignment:** This agreement is non-transferable, non-assignable, non-refundable, and becomes void upon sale or transfer of the equipment. *Caltronics may apply any unused portion of maintenance charges towards future purchases with Caltronics at its sole discretion.*

8) **Breach or Default:** Caltronics may withhold service or terminate this agreement if the Customer fails to comply with any of the items and conditions of this agreement, or acquires a past due balance for services rendered and/or products sold of more than 30 days from date of invoice. Customer agrees to pay reasonable attorney fees and legal expenses incurred in exercising any of its rights and remedies upon breach of agreement. Caltronics reserves the right to terminate this agreement if the machine becomes obsolete and parts and/or supplies become unavailable. Service by anyone other than Caltronics, or use of parts or supplies from anyone other than Caltronics will void this agreement.

9) **Cancellation:** In the event of cancellation by the customer prior to the expiration date, Caltronics will bill and customer will be obligated to pay early termination charges equaling at least 50% of the remaining contract term based on the average dollar amount of the last 6 months of billing.

10) **Items not included:** A)Freight charges on toner B) relocation of equipment, C) coverage for non-OEM peripherals, D) 3rd party "compliance" firms hired by customer, E) damage caused by misuse or neglect, theft, vandalism, environmental conditions beyond manufacturers recommendation, power related issues, fire, water. Caltronics will not be responsible for direct, incidental, or consequential damages, including but not limited to damages arising out of the use of or performance of software, equipment, or any economic loss.

11) Issues caused by customers computer hardware/software, including applications, are not covered under this agreement. Any changes, modifications, or upgrades to customers network, including applications and operating systems necessitating a call from a technician are not covered by this agreement and will be billed at our current hourly rate.

12) The terms of this agreement may not be altered or amended unless authorized in writing by an officer of Caltronics. All other agreements or commitments for service and supplies are rendered invalid with the approval of this agreement. This agreement shall be governed by the laws of the state of California.

Authorization / Acceptance

Customer Authorization

Signature	**Print Name**	**Title**	**Date**

Accepted by Caltronics Business Systems

Signature	Print Name	Title	Date

CALTRONICS BUSINESS SYSTEMS
"Trust Your Documents To Us"

Customer Ship To: City of Clayton
Address 6000 Heritage Trail
City Clayton
State CA Zip 94517

Site Requirements

This form explains the specific A/C power requirements of the equipment we offer. It is the customer's responsibility to ensure the installation site has the *required* power line and receptable types before any of these models are installed. The Caltronics' installation or service technicians are not allowed to alter the power cord or outlet, or deviate from the below requirements.

The use of any type of adapter or extension cord is strictly prohibited and may void your warranty or service agreement.

120 Volts at 15 Amps

Recommended: Dedicated Circuit; *Recommended Isolated* ***GROUND***

5-15R

Required: Approx. 0 - 0.5 Volts between Neutral & Ground connection. 120VAC +/- 5%

Black and White					Color					KIP	
20	181	284e	420	3320	C10	C203	C280	C353	C3100P	300	3000
25e	200	350	421	4020	C20	C220	C284	C360	C3110	600A	3100
36	222	360	423	4050	C25	C224	C284e	C364	C3350	700M	7100
40P	223	361	454e	4750	C30P	C224e	C300	C364e	C3850	720	
42	224e	362	500		C31P	C250	C350	C450	C3850FS	770	
160	250	363	501		C35	C252	C351	C454e	C258	2100	
161	282	364e	554e		C40P	C253	C352	C308		2300	
180	283	227	287		C200						

120 Volts at 20 Amps

REQUIRED: Dedicated Circuit; *Recommended Isolated* ***GROUND***

5-20R

Required: Approx. 0 - 0.5 Volts between Neutral & Ground connection. 120VAC +/- 5%

Black and White			Color			KIP
454	600	750	C451	C552DS	C654	5000
454e	601	751	C452	C554	C654e	
552	652	754	C454	C554e	C754	
554	654	754e	C454e	C650	C754e	
554e	654e	808	C550	C652	C658	
			C552	C652DS		

220 Volts at 20 Amps

6-20R

REQUIRED Dedicated Circuit;
Recommended Isolated ***GROUND***

Required: Approx. 220 Volts AC +/- 5% between each Hot & Ground connection. 208V-240V, 60Hz

Black & White		Color	Kip	
920	1050	C500	80	9000
950	1050e	C5500	7000	9900
951	1050P	C5501	7700	C7800
	1050eP	C6500	7770	
		C6501	7900	
		C65hc	7970	

220 Volts at 30 Amps

L6-30R

REQUIRED Dedicated Circuit;
Recommended Isolated ***GROUND***

Required: Approx. 220 Volts AC +/- 5% between each Hot & Ground

Black & White		Color	
1051	1200P	C1060	C6000
1052	1250	C1060L	C7000
1200	1250P	C1070	C7000P
	2250P	C1070P	C8000
		C1085	
		C1100	

I have read the above conditions and agree to the Site Requirement Terms:

Customer Authorization

Signature	Print Name	Title	Date

Agenda Date: 11-01-2016

Agenda Item: 4a.

declaring

November 2nd, 2016

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 2nd; and

WHEREAS, Contra Costa County Community Awareness Emergency Response Group - CAER - is sponsoring the 15th 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, Howard Geller, Mayor, on behalf of the Clayton City Council, do hereby proclaim November 2nd, 2016 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.

CARTER DUDLEY

for

"Doing the Right Thing"

at

Mt. Diablo Elementary School

by exemplifying great "Respect"

October 2016

Agenda Date: 11-01-2016

Agenda Item: 4b

EVA LEAVER-SOLANO

for

"Doing the Right Thing"

at

Mt. Diablo Elementary School

by exemplifying great "Respect"

October 2016

Agenda Item: 8a

Approved:

Gary A. Napper
City Manager

CITY OF CLAYTON
Founded 1857... Incorporated 1964

STAFF REPORT

TO: HONORABLE MAYOR AND COUNCIL MEMBERS

FROM: MINDY GENTRY, COMMUNITY DEVELOPMENT DIRECTOR

DATE: NOVEMBER 1, 2016

SUBJECT: ADOPTION OF AN URGENCY ORDINANCE PROHIBITING THE ESTABLISHMENT AND OPERATION OF COMMUNITY SUPERVISION PROGRAMS AND PAROLEE HOMES

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:

1a. Motion to have the City Clerk read the Ordinance No. 469 by title and number only and waive further reading; and

2b. Following the City Clerk's reading; by motion approve Ordinance No. 469 to prohibit the establishment, construction, and operation of Community Supervision Programs and parolee homes for 45 days. (ZOA-08-16) (**Attachment 1**).

BACKGROUND/DISCUSSION

On October 1, 2011, the Public Safety Realignment Act (Assembly Bill 109) went into effect transferring responsibility for supervising specified inmates and parolees from the California Department of Correction and Rehabilitation to counties. The Contra Costa County Board of Supervisors adopted the Contra Costa County Realignment Plan on October 4, 2011. The County's Realignment Plan called for the establishment of community programs for employment support and placement services, mentoring and family reunification services, short and long-term housing access, and civil legal services.

Currently, the type of support services being provided by the County's Community Supervision Program, which are provided to parolees and probationers, are not defined in the Clayton Municipal Code. As such some of these services (similar to family counseling) could be characterized as Professional Office, which are permitted by right in the Limited Commercial (LC) District and are allowable on the second story of buildings in the Town Center Specific Plan.

Recently, the City received an inquiry from a County contractor/grantee that is a service provider for the County's Community Supervision Program. The inquiry was regarding the City's regulations for establishing residences for those that have been previously incarcerated. While the intent of the Community Supervision Program is laudable by providing support programs to parolees and probationers to reduce recidivism and assist these individuals in becoming productive members of society, recidivism rates however indicate that these types of services and homes raise 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 these uses were to be located near sensitive uses such as parks, schools, or day care centers.

The California Department of Correction and Rehabilitation in its *2015 Outcome Evaluation Report – An Examination of Offenders Released in Fiscal Year 2011-2012* (**Attachment 2**) indicates the recidivism rate in Contra Costa County for years one, two and three following release is 43.4 percent, 46.7 percent, and 48.8 percent respectively. These rates raise public safety concerns regarding the operation or establishment of the Community Supervision Program and parolee homes within the City of Clayton without examining their potential impacts.

REQUESTED ACTION

By adoption of a local moratorium via urgency Ordinance, the prohibition for these Community Supervision Program uses and parolee homes would last for 45 days unless extended further, pursuant to California Government Code. The intent is not to permanently ban these uses but rather to allow the City the opportunity to study appropriate locations, concentrations, distances from sensitive uses such as school, parks, and day care facilities, and adopt operational requirements such as hours of operations. This prohibition would not apply to any existing social service provider that may be currently operating within the City; however this moratorium would not allow for an expansion of the use. To staff's knowledge there are no known operators currently within the city limits.

It is foreseen the moratorium will require further time extension by the City Council as it is unlikely staff will complete its analyses and preparation of new draft law to address this matter; plus additional time is necessary for submittal of the proposed ordinance to the Planning Commission for its hearing and recommendation to the City Council.

ENVIRONMENTAL

Adoption of the urgency Ordinance is not subject to California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3) because this activity is covered by the general rule that CEQA applies only to projects, which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question will have a significant effect on the environment, the activity is not subject to CEQA.

FISCAL IMPACT

There is no direct fiscal impact; however there will be staff time associated with the preparation of the ordinance to address the Community Supervision Program and parolee homes.

ATTACHMENTS

1. Ordinance No. 469 [4 pp.]
2. *2015 Outcome Evaluation Report – An Examination of Offenders Released in Fiscal Year 2011-2012* [87 pp.]

ATTACHMENT 1

ORDINANCE NO. 469

AN URGENCY ORDINANCE MAKING FINDINGS AND ESTABLISHING A TEMPORARY MORATORIUM ON THE ESTABLISHMENT AND OPERATION OF PAROLEE HOMES AND COMMUNITY SUPERVISION PROGRAMS

THE CITY COUNCIL

City of Clayton, California

THE CITY COUNCIL OF THE CITY OF CLAYTON DOES HEREBY FIND AS FOLLOWS:

WHEREAS, Government Code Section 65858 provides that for the purpose of protecting the public safety, health and welfare, a City Council may adopt, without following the procedures otherwise required prior to the adoption of a zoning ordinance, as an urgency measure, an interim ordinance, by a vote of four-fifths (4/5) majority, prohibiting any uses that may be in conflict with a contemplated general plan, specific plan, or zoning proposal that the legislative body, planning commission or the planning department is considering or studying or intends to study within a reasonable time; and

WHEREAS, the City of Clayton ("City") and surrounding communities have seen an increased interest in the establishment of group homes and community supervision programs for parolees and probationers; and

WHEREAS, this interest is due, in part, to AB 109 and the increased number of parolees, probationers and others subject to post-release supervision. Specifically, the *2015 Outlook Evaluation Report – An Examination of Offenders Released in Fiscal Year 2010-11 Report* by the California Department of Corrections and Rehabilitation (CDCR), indicates that the statewide recidivism rate of offenders is 44.6 percent with 80 percent of those offenders returning to prison within the first year of release. The CDCR report indicates the percentage of recidivism after one, two, and three-year periods within Contra Costa County are 43.4, 46.7, and 48.8 respectively; and

WHEREAS, citizens of the City have expressed significant concerns regarding the impacts that a proliferation of parolee/probationer homes may have on the community, including, but not limited to, impacts on traffic and parking, excessive delivery times and durations, commercial and/or institutional services offered in private residences, more frequent trash collection, daily arrival of staff who live off-site, loss of affordable rental housing, violations of boardinghouse and illegal dwelling unit regulations, obvious business operations, secondhand smoke, and nuisance behaviors such as excessive noise, litter, and loud offensive language; and

WHEREAS, the City anticipates receiving requests for the construction, establishment and operation of Community Supervision Programs (as defined below) within the City. However, this use is not defined in the Clayton Municipal Code and applying current commercial zoning regulations may not take into account potential impacts of Community

Supervision Programs on the surrounding community such as loitering and increased calls for service and particularly impacts on sensitive uses such as schools and parks; and

WHEREAS, the City has commenced a study of appropriate regulations for these uses, but additional planning and research are necessary before the City can adopt any permanent regulation; and

WHEREAS, any parolee/probationer homes or community supervision programs established prior to the adoption of comprehensive regulations may do so in areas that would be inconsistent with surrounding uses and would be immediately detrimental to the public peace, health, safety, and welfare; and

WHEREAS, should those uses be allowed to proceed, such uses could conflict with, and defeat the purpose of, the proposal to study and adopt new regulations regarding these uses.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CLAYTON DOES ORDAIN AS FOLLOWS:

Section 1. **Recitals and Findings.** The above recitals are true and correct and are hereby incorporated into this Ordinance.

Section 2. **Moratorium.** In accordance with the authority granted to the City Council of Clayton under Government Code Section 65858, from and after the date of this Ordinance, no use permit, variance, building permit, business license or other applicable entitlement for use or expansion of an existing use shall be approved or issued by the City for the establishment or operation of a Parolee Home or Community Supervision Program for a period of forty-five (45) days. For purposes of this ordinance, Parolee Home shall be defined as "any residential or commercial building, structure, unit or use, whether owned and/or operated by an individual or for-profit or non-profit entity, which houses between two or more parolees, unrelated by blood, marriage, or legal adoption, in exchange for monetary or non-monetary consideration given and/or paid by the parolee and/or any individual or public/private entity on behalf of the parolee. Parolee Home shall not mean any state-licensed residential care facility."

For purposes herein, Community Supervision Program shall be defined as "any facility, building, structure or location, where an organization, whether private, public, institutions of education, not for-profit, or for-profit, provide re-entry services, excepting housing, to previously incarcerated persons or persons who are attending programs in-lieu of incarceration including, but not limited to: employment support and placement services, peer and mentoring services, and resource centers. Included in this definition are services provided to Parolees."

Parolee shall include probationer, and shall mean any of the following: "(1) an individual convicted of a federal crime, sentenced to a United States Federal Prison, and received conditional and revocable release in the community under the supervision of a Federal parole officer; (2) an individual who is serving a period of supervised community custody, as defined in Penal Code Section 3000, following a term of imprisonment in a State prison, and is under the jurisdiction of the California Department of Correction, Parole and Community Services Division; (3) a person convicted of a felony who has received a suspension of the imposition or execution of a sentence and an order of conditional and revocable release in the community under the supervision of a probation officer; and (4) an adult or juvenile individual sentenced to a term in the California Youth Authority and received conditional revocable release in the community under the supervision of a Youth Authority parole officer. As used herein, the term parolee includes parolees, probationers, and/or persons released to post-release community supervision under the "Post-release Community Supervision Act of 2011" (Penal Code Section 3450 et seq.) as amended or amended in the future."

Section 3. **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 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 4. **CEQA.** The City Council finds, under CEQA Guidelines section 15061(b)(3), that this Ordinance is exempt from the requirements of CEQA in that the activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The City Council, therefore, directs that a Notice of Exemption be filed with the County Clerk of the County of Contra Costa in accordance with the CEQA Guidelines.

Section 5. **Effective Date and Publication.** This Ordinance shall become effective immediately upon adoption if adopted by at least a four-fifths vote of the City Council and shall be in effect for 45 days from the date of adoption unless extended by the City Council as provided for in the Government Code. This Ordinance shall be published or posted as required by law.

PASSED, APPROVED and ADOPTED by the City Council of the City of Clayton, California at a regular public meeting thereof held on the 1st day of November, 2016, by the following four-fifths vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

THE CITY COUNCIL OF CLAYTON, CA

Howard Geller, Mayor

ATTEST

Janet Brown, City Clerk

APPROVED AS TO FORM

Malathy Subramanian, City Attorney

APPROVED BY ADMINISTRATION

Gary A. Napper, City Manager

I hereby certify that the foregoing Ordinance was duly adopted and passed at a regular meeting of the City Council held on November 1, 2016.

Janet Brown, City Clerk

ATTACHMENT 2

California Department of Corrections and Rehabilitation

2015 Outcome Evaluation Report

An Examination of Offenders Released in Fiscal Year 2010-11

Office of Research
August 2016

You can obtain reports by contacting the Department of Corrections and Rehabilitation at the following address:

California Department of Corrections and Rehabilitation
Office of Research, Research and Evaluation Branch
1515 S Street, Suite 221N
Sacramento, California 95811
916.323.2919

Or

On the internet at:
http://www.cdcr.ca.gov/adult_research_branch/

CDCR Office of Research
"Providing quality research, data analysis and evaluation to implement evidence-based programs and practices, strengthen policy, inform management decisions and ensure accountability."

Produced by

Scott Kernan, Secretary
Kenneth Pogue, Undersecretary
Bryan Beyer, Director
Office of Research
Wayne Babby, Deputy Director
Denise Allen, Chief of Research
Kevin Grassel, Systems Software Specialist III
Matthew Nakao, Section Chief (A)
Kendra Jensen, Research Program Specialist II
Christopher Nguyen, Assistant Information Systems Analyst

This report would not have been possible without the generous support of others. Specifically, the Office of Research would like to thank the following: the Department of Justice for the data-sharing agreement that allows us to examine arrests and convictions; and Ursula Sanchez from the Office of Research for providing data quality assurance and the tables and charts provided in this report.

For questions regarding the contents of this report, please contact
Denise Allen, Chief of Research

STATE OF CALIFORNIA — DEPARTMENT OF CORRECTIONS AND REHABILITATION EDMUND G. BROWN JR., GOVERNOR

OFFICE OF THE SECRETARY
P. O. Box 942883
Sacramento, CA 94283-0001

Dear Colleagues:

The mission of the California Department of Corrections and Rehabilitation (CDCR) is to protect the public by safely and securely supervising adult and juvenile offenders, providing effective rehabilitation and treatment, and integrating offenders successfully into the community. Consistent with this purpose, we hold ourselves accountable for data-driven policies informed by the latest research on what works in corrections and rehabilitation.

As a part of this commitment, I am pleased to present the sixth in a series of annual reports on the outcomes of offenders released from CDCR correctional institutions. This report features measures of recidivism, which we can use to track improvement and compare our performance with that of other states that are similarly situated.

This report is a tangible result of our commitment to transparency and accountability. My hope is that this information will provide new insights to policy-makers and correctional stakeholders that will be useful in moving the State forward with regard to efforts that increase public safety through the reduction of recidivism.

Sincerely,

SCOTT KERNAN
Secretary

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List of Tables and Figures

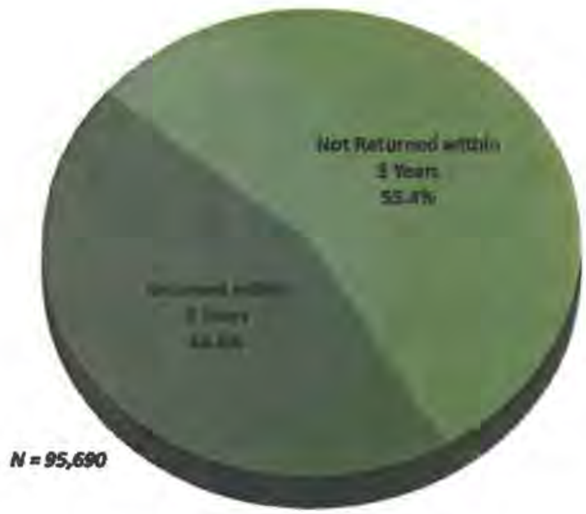
Tables

Figures

Executive Summary

Between July 1, 2010 and June 30, 2011 (Fiscal Year 2010-11), 95,690 offenders were released from a California Department of Corrections and Rehabilitation (CDCR) adult institution and tracked for three years following the date of their release. The three-year return-to-prison rate for the 95,690 offenders who comprise the Fiscal Year 2010-11 release cohort is 44.6 percent, which is a 9.7 percentage point decrease from the Fiscal Year 2009-10 rate of 54.3 percent. Fiscal Year 2010-11 marks the fifth consecutive year the three-year return-to-prison rate has declined and is the most substantial decrease to-date. As shown in Figure A, Fiscal Year 2010-11 also marks the first cohort of offenders where more offenders did not return to prison during the three-year follow-up period (55.4 percent or 53,029 offenders) than returned to State prison (44.6 percent or 42,661 offenders).

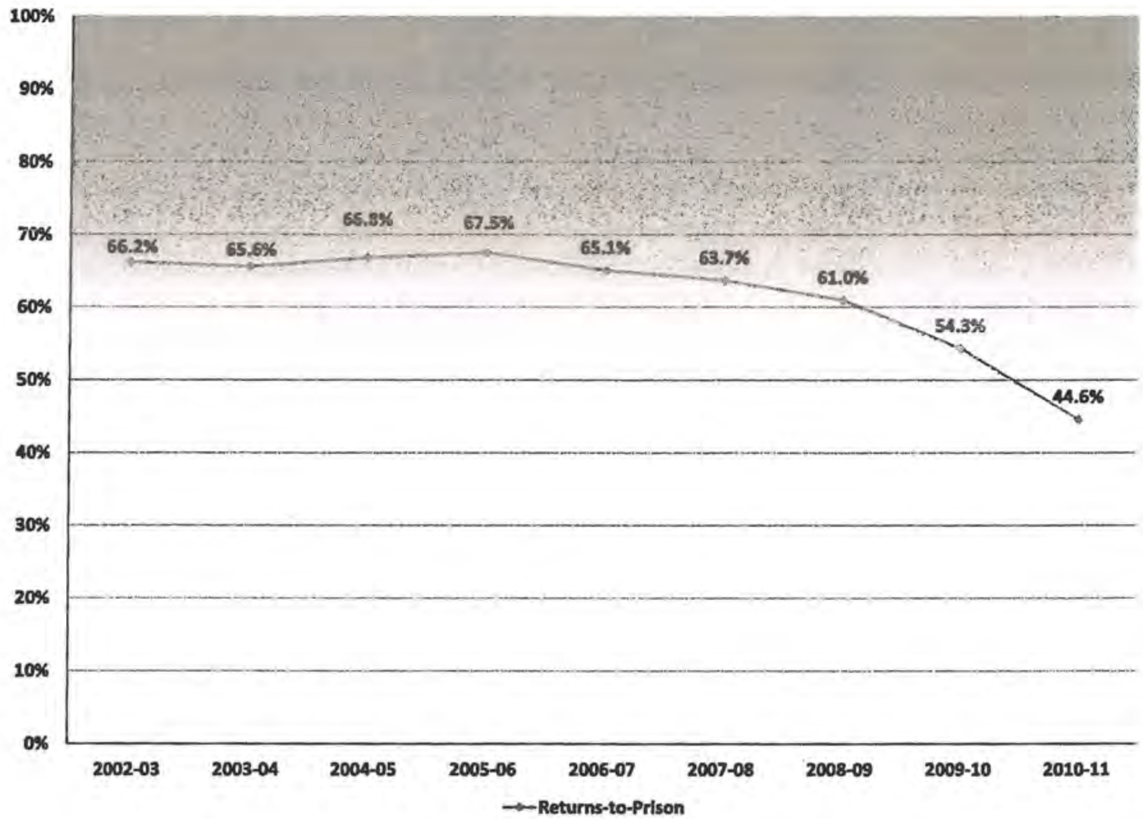
Figure A. Three-Year Outcomes for Offenders Released from State Prison in Fiscal Year 2010-11



As shown in Figure B, the three-year return-to-prison rate decreased by 6.7 percentage points between Fiscal Years 2008-09 and 2009-10, followed by a drastic decline between Fiscal Years 2009-10 and 2010-11 (9.7 percentage points). Some of the decrease in the three-year return-to-prison rate is attributed to the implementation of the Public Safety Realignment Act (Realignment) in October 2011. Although each of the offenders in the Fiscal Year 2010-11 cohort were released pre-Realignment, Realignment was in effect for varying amounts of time during each offender's three-year follow-up period, contributing to a decline in the number of offenders returning for parole violations, which decreased by 7.6 percentage points between the Fiscal Year 2009-10 and 2010-11 release cohorts (37.9 percent and 30.3 percent of the total releases in each cohort, respectively), and accounted for some of the decrease in the three-year return-to-prison rate.

Impacts of Realignment were also observed in other types of return categories: returns for property crimes decreased 1.5 percentage points between Fiscal Years 2009-10 and 2010-11 (6.2 percent and 4.7 percent of the release cohorts, respectively) and returns for drug crimes decreased 1.1 percentage points (4.5 percent and 3.4 percent of the release cohorts, respectively). Crimes against persons, which tend to be more serious and/or violent, increased slightly (0.4 of a percentage point) from 3.6 percent of the release cohort in Fiscal Year 2009-10 to 4 percent of the release cohort in Fiscal Year 2010-11. Realignment's impact on the number of offenders returning for parole violations and property and drug crimes is largely expected, as many parole violators and non-serious, non-violent, and non-sex registrant offenders now serve their sentences in county jail, rather than State prison. In future years, the number of offenders returning for property and drug crimes is expected to decline further due to the impacts of Proposition 47, which was passed in November 2014 and mandates a misdemeanor sentence, instead of a felony for some property and drug offenses.[1]

Figure B. Three-Year Return-to-Prison Rate for Offenders Released in Fiscal Year 2002-03 through Fiscal Year 2010-11



In addition to returns to prison, Appendix A examines arrests and convictions at one-, two-, and three-year intervals. With the implementation of Realignment and subsequent decreases in returns to prison for parole violations, a potentially offsetting increase in arrests and convictions was anticipated by some criminal justice experts. As shown in Appendix A, a slight increase in both arrests and convictions was observed following the immediate implementation of Realignment, however, the initial uptick in the one-year arrest and conviction rate was followed by a more substantial decrease. A further examination

[1] The Safe Neighborhoods and Schools Act full text version: https://oag.ca.gov/system/files/initiatives/pdfs/130060%20(130060%20(Neighborhood%20and%20School%20Funding)).pdf

of arrests and convictions among the Fiscal Year 2009-10 and Fiscal Year 2010-11 release cohorts (Appendix B) shows little change in the number of offenders arrested or convicted during the three-year follow-up period for drug crimes, property crimes, and crimes against persons. Although a longer follow-up period is needed to examine the full impact of Realignment, preliminary findings show that decreases in parole violations and the three-year return-to-prison rate have not been offset by a spike in arrests and convictions.

Similar to other cohorts examined by the CDCR, most offenders in the Fiscal Year 2010-11 release cohort returned to State prison within the first year of their release. Of the 42,661 offenders who returned to prison during the three-year follow-up period, 33 percent (14,093 offenders) returned within the first three months of their release and over half (58.8 percent or 25,085 offenders) returned within the first six months of their release. After one year of follow-up, 81.6 percent (34,810 offenders) of the 42,661 offenders who returned to prison during the three-year follow-up period, had returned.

The three-year return-to-prison rate for the 37,568 re-releases, offenders released after a parole violation, is substantially higher (60.9 percent or 22,884 offenders) than the 58,122 first releases, offenders released for the first time on their current term (34 percent or 19,777 offenders). Offenders with a serious offense also returned to State prison at a higher rate than other offenders; offenders with a serious offense had a three-year return-to-prison rate of 48.4 percent (6,418 offenders), violent offenders had a rate of 38.4 percent (4,091 offenders), and offenders without a serious or violent offense had a rate of 44.8 percent (32,152 offenders).

While a large portion of the release cohort was paroled to Los Angeles County (26 percent of the cohort or 24,904 offenders), Los Angeles County has one of the lowest three-year return-to-prison rates (32.3 percent) among all California counties. Los Angeles County also has the lowest rate among the top 12 counties with the largest number of CDCR releases. Three-year return-to-prison rates for each of California's counties are provided in Appendix D of this report.

An examination of the three-year return-to-prison rate based on offender demographics shows younger offenders return to State prison at higher rates than older offenders. In general, as the age of the offender increases, their likelihood of completing the three-year follow-up period without returning to prison also increases. Offenders ages 18 – 19 returned to prison at the highest rate (59.1 percent or 440 offenders) of all age groups, while offenders 60 and over returned to State prison at the lowest rate (31.1 percent or 573 offenders) of all age groups, a difference of 28 percentage points.

The Bureau of Justice Statistics (BJS) estimates that 69.2 percent of offenders in state prisons regularly used drugs prior to their incarceration and 56 percent used drugs in the month before committing their offense.[2] According to BJS, 53 percent of offenders in state prisons in the United States are estimated to meet the criteria for drug dependence or abuse, but only 15 percent of those offenders were reported to participate in drug treatment programs with a trained professional.[3] Empirical research shows that

[2] U.S. Department of Justice, Bureau of Justice Statistics "Special Report: Drug Use and Dependence, State and Federal Prisoners, 2004". p. 2, http://www.bjs.gov/content/pub/pdf/dudsfp04.pdf

[3] U.S. Department of Justice, Bureau of Justice Statistics "Special Report: Drug Use and Dependence, State and Federal Prisoners, 2004". p. 1 and p. 9, http://www.bjs.gov/content/pub/pdf/dudsfp04.pdf

participation in substance use treatment is associated with lower rates of future drug use and reoffending, demonstrating the importance of both in-prison substance abuse treatment and post-release aftercare.

The CDCR offenders who received in-prison substance abuse treatment (SAT) and/or aftercare demonstrate positive outcomes when compared to offenders who do not receive in-prison SAT or aftercare. Offenders who received in-prison SAT and completed aftercare (919 offenders) returned to State prison at a rate of 15.3 percent (or 141 offenders), while offenders who did not receive any form of in-prison SAT or aftercare (81,743 offenders) returned to prison at a rate of 46.5 percent (or 38,030 offenders), slightly above (1.9 percentage points) the overall three-year return-to-prison rate of 44.6 percent. The 31.2 percentage point difference between the two groups of offenders is one of the most remarkable differences observed in this report and suggests participation in SAT and completion of aftercare has a positive effect on the outcomes of offenders. As shown in the following sections of this report, offenders who received some form of in-prison SAT or aftercare, consistently returned to prison at lower rates (15.3 percent for offenders who participate in SAT and complete aftercare and 34.4 percent for offenders who participate in SAT and receive some aftercare) than the overall three-year return-to-prison rate of 44.6 percent and at a substantially lower rate than offenders who do not receive any form of in-prison SAT or aftercare (46.5 percent).

To enable comparison of reoffending rates among CDCR offenders over time, one-, two-, and three-year arrest, conviction, and return-to-prison rates are provided in Appendix A of this report. Appendix C contains the three-year return-to-prison rate by offender demographics and characteristics for the Fiscal Year 2009-10 and Fiscal Year 2010-11 release cohorts and finally, Appendix D contains the three-year return-to-prison rate by county of parole. The CDCR will continue to update and report arrest, conviction, and return-to-prison data with the goal of spurring discussion around the best possible ways to reduce returns to prison and better protect public safety.

Key Findings

Three-Year Return-to-Prison Rate

- **Between July 1, 2010 and June 30, 2011 (Fiscal Year 2010-11), 95,690 offenders were released from California's State prisons. Of these offenders, 42,661 offenders returned to State prison within three years of their release for a three-year return-to-prison rate of 44.6 percent.**

- **The Fiscal Year 2010-11 rate (44.6 percent) is a 9.7 percentage point decrease from the Fiscal Year 2009-10 rate of 54.3 percent.**

- **Fiscal Year 2010-11 marks the fifth year in a row the three-year return-to-prison rate has decreased and also marks the most substantial decrease over the last five fiscal years.**

Type of Return and the Impact of Realignment

- **Although all of the 95,690 offenders released in Fiscal Year 2010-11 were released pre-Realignment, Realignment was in effect for varying amounts of time during an offender's three-year follow-up period depending on their date of release.**

- **Some of the 9.7 percentage point decrease in the three-year return-to-prison rate between Fiscal Years 2009-10 and 2010-11 is attributed to a decrease in parole violations, which decreased 7.6 percentage points between Fiscal Years 2009-10 and 2010-11 (37.9 percent and 30.3 percent of the release cohorts, respectively).**

- **Returns for property crimes decreased 1.5 percentage points between Fiscal Years 2009-10 and 2010-11 (6.2 percent and 4.7 percent of the release cohorts, respectively) and returns for drug crimes decreased 1.1 percentage points (4.5 percent and 3.4 percent of the release cohorts, respectively). Crimes against persons, which tend to be more serious and/or violent, increased slightly (0.4 of a percentage point) from 3.6 percent of the release cohort in Fiscal Year 2009-10 to 4 percent of the release cohort in Fiscal Year 2010-11.**

- **As Realignment is in effect for longer amounts of time during each offender's follow-up period and as offenders continue to be released post-Realignment, the number of returns for parole violations is expected to decrease with future cohorts studied by the CDCR. With the passage of Proposition 47 in November 2014, continued decreases in drug and property crimes are also expected in future cohorts examined by the CDCR.**

Offender Outcomes by Offender Demographics

- **Male offenders comprised over 90 percent of the release cohort (90.5 percent or 86,571 offenders) and their three-year return-to-prison rate (46.4 percent) is 19.3 percentage points higher than female offenders (27.1 percent), who comprised 9.5 percent (9,119 female offenders) of the release cohort.**

- **Younger offenders returned to prison at higher rates than older offenders. Offenders ages 18 – 19 (0.8 percent of the release cohort or 744 offenders) returned to prison at the highest rate (59.1 percent) of any age group and offenders 60 and over (1.9 percent of the release cohort or 1,844 offenders) returned to prison at the lowest rate (31.1 percent) of any age group.**

- **Nearly 80 percent of the release cohort was released to 12 California counties. Los Angeles County had the largest number of releases (26 percent of the release cohort or 24,904 offenders) and had the lowest three-year return-to-prison rate (32.3 percent) among the 12 counties with the largest number of releases.**

Offender Outcomes by Offender Characteristics

- **Offenders committed for property crimes (33.2 percent of the release cohort or 31,756 offenders) have the highest three-year return-to-prison rate (47.4 percent) of any commitment offense category, while offenders committed for drug crimes (25.5 percent of the release cohort or 24,445 offenders) have the lowest rate (40 percent) of any commitment offense category.**

- **Although the majority of offenders released (86.1 percent of the release cohort or 82,392 offenders) served a determinate sentence, offenders sentenced to an indeterminate sentence (lifers), who comprised less than one percent of the release cohort (398 offenders), have a substantially lower return-to-prison rate (6.3 percent) than those serving a determinate sentence (43.6 percent).**

- **Of the 392 lifers released by the Board of Parole Hearings (BPH), 0.8 percent returned to prison with a new term.**

- **The 8,989 offenders (9.4 percent of the release cohort) required to register as sex offenders (sex registrants) have a higher three-year return-to-prison rate (56.1 percent) than non-sex registrants (43.4 percent). Over 90 percent (4,579 returns) of the total returns to prison for sex registrants (5,041 returns) were for parole violations (90.8 percent).**

- **Offenders committed for an offense that was serious (13.9 percent of the release cohort or 13,268 offenders) returned to prison at a higher rate (48.4 percent), than offenders without a serious or violent offense (75 percent of the release cohort or 71,769 offenders) with a rate of 44.8 percent. Offenders committed for a violent offense (11.1 percent of the release cohort or 10,653 offenders) returned to prison at a rate of 38.4 percent.**

- Offenders with a California Static Risk Score (CSRA) score of high (54.7 percent of the release cohort or 52,331 offenders) returned to prison at a higher rate (55.9 percent), than offenders with a score of moderate (26.2 percent of the release cohort or 25,108 offenders) with a rate of 35.9 percent, and offenders with a score of low (18.2 percent of the release cohort or 17,421 offenders) with a rate of 23.6 percent.

- For the second year in a row, offenders who received in-prison substance abuse treatment and completed aftercare (919 offenders), returned to prison at a substantially lower rate (15.3 percent) than the 81,743 offenders who did not receive substance abuse treatment (46.5 percent). Three-year return-to-prison rates show that offenders who receive in-prison substance abuse treatment and some form of aftercare consistently have lower rates of return than offenders who do not receive substance abuse treatment.

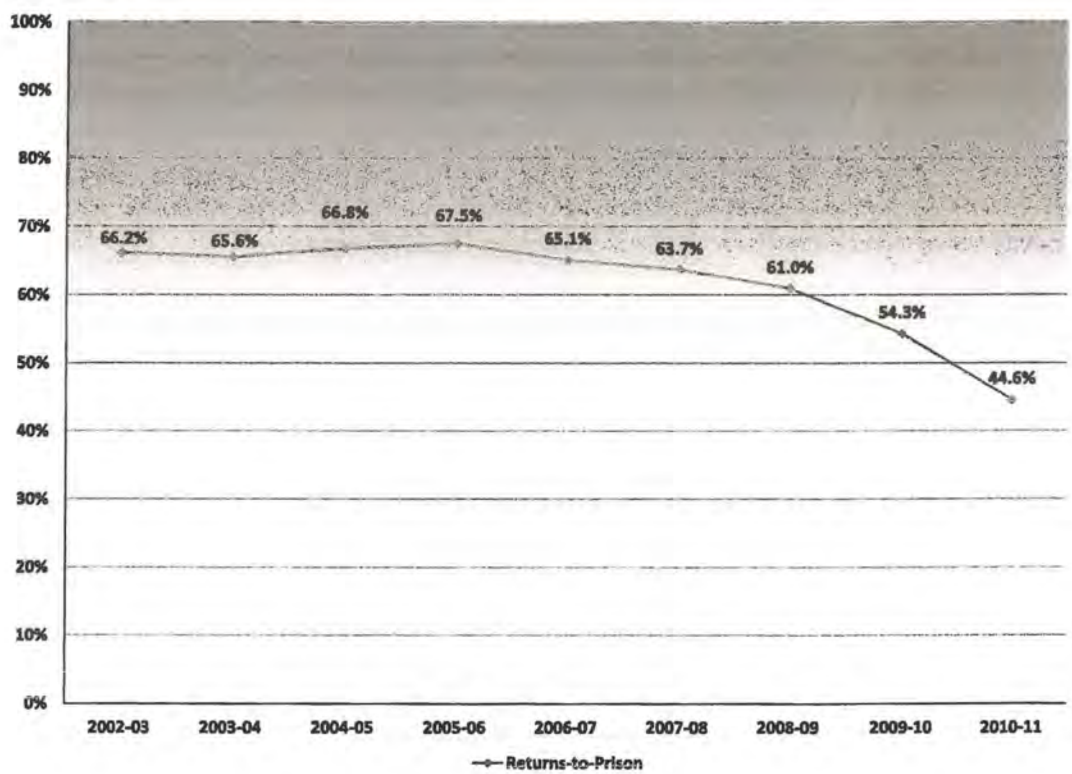
California Department of Corrections and Rehabilitation
2015 Outcome Evaluation Report

1 Introduction

The California Department of Corrections and Rehabilitation (CDCR) presents the 2015 Outcome Evaluation Report, our sixth report in an annual series, which examines the return-to-prison rate of offenders released from California adult institutions during a given fiscal year. This year's report presents the three-year return-to-prison rate for the 95,690 offenders released from CDCR adult institutions between July 1, 2010 and June 30, 2011 (Fiscal Year 2010-11), in addition to arrest and conviction data. This report also provides return-to-prison rates by offender demographics (e.g. age, gender) and characteristics (e.g. commitment offense category, sentence type) to CDCR executives, lawmakers, and other correctional stakeholders with an interest in reoffending behavior and reducing recidivism among California's offender population.

The three-year return-to-prison rate for the 95,690 offenders released in Fiscal Year 2010-11 is 44.6 percent, a 9.7 percentage point decrease from the Fiscal Year 2009-10 rate of 54.3 percent. As shown in Figure A, the three-year return-to-prison rate has trended downward since the Fiscal Year 2005-06 release cohort, with the most substantial decreases occurring between Fiscal Years 2008-09 and 2009-10 (6.7 percentage points) and Fiscal Years 2009-10 and 2010-11 (9.7 percentage points).

Figure A. Three-Year Return-to-Prison Rates for Offenders Released in Fiscal Year 2002-03 through Fiscal Year 2010-11

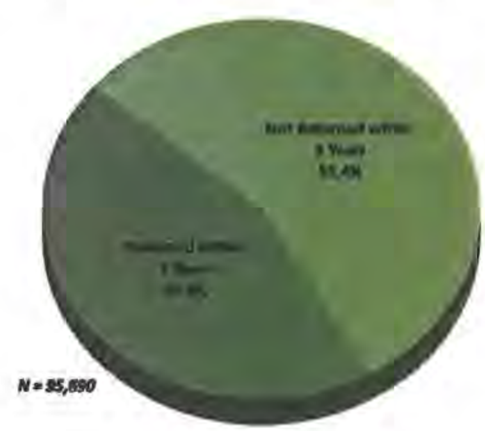


For the first time since the CDCR began reporting the rate in Fiscal Year 2002-03, more offenders did not return to prison during the three-year follow-up period (55.4 percent of the release cohort or 53,029 offenders) than returned to State prison (44.6 percent of the release cohort or 42,661 offenders). The substantial decreases in the three-year return-to-prison rates over the last two fiscal years are largely attributed to Assembly Bill (AB) 109, California's Public Safety Realignment Act (Realignment), which requires most non-serious, non-violent, and non-sex registrant offenders be sentenced to county jail, rather than State prison. Realignment also changed the parole revocation process so that only offenders previously sentenced to a life-term can be revoked to prison and all other parole revocations are served in county jails. Returns to State prison for parole violations decreased 7.6 percentage points between Fiscal Year 2009-10 (37.9 percent of the release cohort) and Fiscal Year 2010-11 (30.3 percent of the release cohort), contributing to the decrease in the three-year return-to-prison rate of 44.6 percent.

Impacts of Realignment were also observed in other types of return categories: returns for property crimes decreased 1.5 percentage points between Fiscal Years 2009-10 and 2010-11 (6.2 percent and 4.7 percent of the release cohorts, respectively) and returns for drug crimes decreased 1.1 percentage points (4.5 percent and 3.4 percent of the release cohorts, respectively). Crimes against persons, which tend to be more serious and violent, increased slightly (0.4 of a percentage point) from 3.6 percent of the release cohort in Fiscal Year 2009-10 to 4 percent of the release cohort in Fiscal Year 2010-11. As intended by Realignment, decreases in parole violations and slight decreases in drug crimes and property crimes are expected, as many parole violators and non-serious, non-violent, and non-sex registrant offenders will serve their sentences in county jail, rather than State prison. Slight increases in crimes against persons may be observed as more serious and violent offenders are sentenced to and returned to State prison. The impact of Realignment on the types of returns to State prison are discussed in greater detail in the following sections of this report.

All of the offenders in the Fiscal Year 2010-11 cohort were released pre-Realignment and depending on their date of release, Realignment was in effect for varying amounts of time during the offenders' three-year follow-up period. Although the majority of the Fiscal Year 2011-12 cohort will be released post-Realignment, the Fiscal Year 2012-13 release cohort will be the first cohort where all offenders are released post-Realignment and a full three-year follow-up period will occur. At this time, the CDCR will be able to fully examine the impact of Realignment on CDCR offenders.

Figure B. Three-Year Outcomes for Offenders Released from State Prison in Fiscal Year 2010-11



2 Evaluation Design

2.1 Return-to-Prison Definition

The Board of State and Community Corrections (BSCC) defines recidivism as "conviction of a new felony or misdemeanor committed within three years of release from custody or committed within three years of placement on supervision for a previous criminal conviction". The BSCC definition allows for other measures of recidivism, including supplemental measures. Supplemental measures of recidivism may include new arrests, returns to custody, criminal filings, or supervision violations. While arrest and conviction data are provided in the appendices of this report, the CDCR continues to use a supplemental measure, the three-year return-to-prison rate, as its primary measure of recidivism.

The three-year return-to-prison rate is defined as follows:

"An individual convicted of a felony[4] and incarcerated in a CDCR adult institution who was released to parole, discharged after being paroled, or directly discharged during Fiscal Year (FY) 2010-11 and subsequently returned to State prison[5] within three years of their release date."

The return-to-prison rate is calculated using the ratio of the number of offenders in the release cohort who returned to prison during the follow-up period, to the total number of offenders in the release cohort, multiplied by 100.

$$\text{Return-to-Prison Rate} = \frac{\text{Number Returned}}{\text{Release Cohort}} \times 100$$

Appendix A of this report provides supplemental recidivism rates using arrest and conviction data, in addition to returns to prison. Three-year rates for each of these supplemental measures are available for FY 2002-03 through 2010-11. One-year and two-year rates are available for FY 2011-12 and one-year rates for FY 2012-13.

2.2 Methods

This report provides return-to-prison rates at one-, two-, and three-year intervals for the 95,690 offenders released from CDCR's Division of Adult Institutions (DAI) between July 1, 2010 and June 30, 2011 (FY 2010-11). The release cohort includes; 1) Offenders who were directly discharged from CDCR; 2) Offenders who were released to parole for the first time on their current term; and 3) Offenders who were released to parole on their current term prior to FY 2010-11, returned to prison on this term, and were then re-released during FY 2010-11. Rates of return are further examined according to offender demographics (e.g. gender, age, race/ethnicity) and offender characteristics (e.g. commitment offense, sentence type).

[4] Due to reporting limitations, civil addicts are excluded.

[5] This may include individuals who returned to prison pending revocation, but whose cases are "continued on parole" or dismissed.

2.3 Data Sources

Data were extracted from the CDCR Strategic Offender Management System (SOMS), CDCR's system of record, to identify offenders released between July 1, 2010 and June 30, 2011 and to determine which released offenders returned to State prison during the three-year follow-up period.

Arrest and conviction data, included in the appendices of this report, were obtained from the Department of Justice (DOJ) Criminal Justice Information System (CJIS) and the California Law Enforcement Telecommunications System (CLETS).

2.4 Data Limitations

Data quality is important with all analyses performed by the CDCR's Office of Research. The intent of this report is to provide summary (aggregate) information, rather than individual information. The aggregate data are strong when a large number of records (releases) are available for analysis, but are less robust as subgroups are influenced by nuances associated with each case. Therefore, caution should be exercised when interpreting results associated with fewer records. Return-to-prison rates are only presented for offender releases (i.e. denominators) that are equal to or greater than 30.

Return-to-prison rates are fixed at three years, meaning the follow-up period is considered complete and no further analyses are performed. Arrests and conviction data presented in the appendices of this report may see slight fluctuations, particularly as the one-year and two-year rates are updated in subsequent reporting years. These data are routinely updated in accordance with criminal justice system processing. As data become available, subsequent reports will be updated.

The CDCR transitioned to SOMS in 2013 from CDCR's legacy system of record Offender Based Information Systems (OBIS), which included the integration of paper files into one automated system. As a result, CDCR data are more reliable and reporting is more comprehensive. As with any data system, data entry issues may cause data quality issues. The CDCR has implemented remedy processes and business rules to enhance the data contained within SOMS.

3 Description of FY 2010-11 Release Cohort

Between July 1, 2010 and June 30, 2011, 95,690 offenders were released from CDCR adult institutions. Of these offenders, 58,122 offenders (60.7 percent) were first releases and 37,568 offenders (39.3 percent) were re-releases. A first release refers to the first release on the current term for offenders with a new admission or offenders who returned for a parole violation with a new term. Any subsequent release on the same (current) term is a re-release. The following sections provide demographics and characteristics of the 95,690 offenders released during FY 2010-11 and comprise the 2015 Outcome Evaluation cohort.

3.1 Offender Demographics

Gender

Of the 95,690 offenders released in FY 2010-11, 86,571 offenders were male (90.5 percent) and 9,119 offenders were female (9.5 percent).

Age at Release

Offenders ages 25 – 29 comprised the largest number of releases (19.4 percent or 18,550 offenders) in FY 2010-11, followed by offenders ages 30 – 34 (17.1 percent or 16,401 offenders) and offenders ages 35 – 39 (13.1 percent or 12,528 offenders). Offenders ages 18 – 19 comprised the smallest number of releases (0.8 percent or 744 offenders), followed by offenders ages 60 and over (1.9 percent or 1,844 offenders). Nearly 90 percent of the releases (87 percent) were between the ages of 20 to 49.

Race/Ethnicity

Nearly 40 percent of the FY 2010-11 release cohort (38.9 percent or 37,190 offenders) were Hispanic/Latino, followed by White (29.6 percent or 28,323 offenders), and Black/African American (26.4 percent or 25,238 offenders). Over 3 percent (3.1 percent or 3,008 offenders) belonged to the other race/ethnicity category, 1.1 percent (1,063 offenders) were American Indian/Alaskan Native, and 0.9 percent (868 offenders) were Asian/Pacific Islander.

County of Parole

Twenty-six percent (24,904 offenders) of the FY 2010-11 cohort were released to Los Angeles County, followed by San Bernardino County (8.4 percent or 8,018 offenders), and Orange County (7.1 percent or 6,804 offenders). Nearly 80 percent (79.6 percent or 76,215 offenders) were released to the 12 counties presented in Table 1, 19.2 percent (18,367 offenders) were released to all other California counties, and 1.2 percent (1,108 offenders) were directly discharged.

Table 1. Demographics of Offenders Released in Fiscal Year 2010-11

Demographics		Number	Percent
Total		95,690	100.0%
Release Type			
	First Release	58,122	60.7%
	Re-Release	37,568	39.3%
Gender			
	Male	86,571	90.5%
	Female	9,119	9.5%
Age at Release			
	18 - 19	744	0.8%
	20 - 24	12,666	13.2%
	25 - 29	18,550	19.4%
	30 - 34	16,401	17.1%
	35 - 39	12,528	13.1%
	40 - 44	12,390	12.9%
	45 - 49	10,716	11.2%
	50 - 54	6,865	7.2%
	55 - 59	2,986	3.1%
	60 and over	1,844	1.9%
Race/Ethnicity			
	Hispanic/Latino	37,190	38.9%
	White	28,323	29.6%
	Black/African American	25,238	26.4%
	American Indian/Alaskan Native	1,063	1.1%
	Asian/Pacific Islander	868	0.9%
	Other	3,008	3.1%
County of Parole			
	Los Angeles County	24,904	26.0%
	San Bernardino County	8,018	8.4%
	Orange County	6,804	7.1%
	San Diego County	6,431	6.7%
	Riverside County	6,201	6.5%
	Sacramento County	5,698	6.0%
	Alameda County	4,022	4.2%
	Fresno County	3,699	3.9%
	Kern County	3,681	3.8%
	San Joaquin County	2,363	2.5%
	Santa Clara County	2,776	2.9%
	Stanislaus County	1,618	1.7%
	All Others	19,475	20.4%
	None (Direct Discharge)	1,108	1.2%

3.2 Offender Characteristics

Commitment Offense

Nearly a third (33.2 percent or 31,756 offenders) of the FY 2010-11 release cohort were committed for property crimes, followed by crimes against persons (30 percent or 28,732 offenders), and drug crimes (25.5 percent or 24,445 offenders). Over 10 percent (11.2 percent or 10,757 offenders) were committed for other crimes.

Sentence Type

The majority of offenders released (86.1 percent or 82,392 offenders) served a determinate sentence. An additional 13.5 percent (12,900 offenders) served a determinate sentence as second strikers. A small portion of the release cohort (0.4 percent or 398 offenders) served an indeterminate sentence (lifers).

Sex Registration Requirement

Less than 10 percent of the release cohort (9.4 percent or 8,989 offenders) were required to register as sex offenders. Over 90 percent (90.6 percent or 86,701 offenders) did not have a sex registration requirement.

Serious/Violent Offenders

The majority of offenders released (75 percent or 71,769 offenders) do not have a serious or violent offense, 13.9 percent (13,268 offenders) had a serious offense, and 11.1 percent (10,653 offenders) had a violent offense.

Mental Health Status

Most offenders (82.2 percent or 78,705 offenders) did not have a mental health designation. Of those with a mental health designation, 15 percent (14,385 offenders) were assigned to the Correctional Clinical Case Management System, and 2.5 percent (2,422 offenders) were assigned to the Enhanced Outpatient Program. Less than one percent of offenders were assigned to a Mental Health Crisis Bed (119 offenders) or the Department of Mental Health (59 offenders).

CSRA Risk Score

The majority of offenders (54.7 percent or 52,331 offenders) had a California Static Risk Score (CSRA) score of high, followed by 26.2 percent (25,108 offenders) with a score of moderate, and 18.2 percent (17,421 offenders) with a score of low. Less than one percent of the release cohort (0.9 percent or 830 offenders) did not have a CSRA score.

Length of Stay

Of the 95,690 offenders released, 43.9 percent (42,018 offenders) had a length of stay of six months or less, 26.7 percent (25,592 offenders) had a stay of 7 – 12 months, and 9.5 percent (9,056 offenders) had a stay of 13 – 18 months. The number of offenders in each length of stay category decreases (with the exception of 5 – 10 years) as the length of stay increases. Less than one percent (0.5 percent or 474 offenders) had a length of stay of 15 years or longer.

Prior Returns to Custody

Of the total offenders released, 60.7 percent (58,057 offenders) did not have a prior return to custody on their current term, prior to release. Over 16 percent (16.1 percent or 15,431 offenders) had one prior return to custody on their current term, followed by 8.4 percent (7,997 offenders) with two prior returns on their current term. In general, the number of offenders decreases as the number of prior returns to custody increases.

Number of CDCR Stays Ever

Of the 95,690 offenders released, 27.6 percent (26,426 offenders) had one stay at a CDCR institution, followed by 13.4 percent (12,837 offenders) with two stays at a CDCR institution, and 9.6 percent (9,182 offenders) with three stays. The number of offenders in each category decreases as the number of stays increases, with the exception of 15 or more stays (6.6 percent or 6,338 offenders).

Table 2. Characteristics of Offenders Released in Fiscal Year 2010-11

Characteristics		Number	Percent
Commitment Offense Category			
	Property Crimes	31,756	33.2%
	Crimes Against Persons	28,732	30.0%
	Drug Crimes	24,445	25.5%
	Other Crimes	10,757	11.2%
Sentence Type			
	Determinate Sentencing Law	82,392	86.1%
	Second Strikers (Determinate Sentencing Law)	12,900	13.5%
	Lifers (Indeterminate Sentencing Law)	398	0.4%
Sex Registration Requirement			
	No	86,701	90.6%
	Yes	8,989	9.4%
Serious and/or Violent Offenders			
	Serious	13,268	13.9%
	Violent	10,653	11.1%
	Non-Serious/Non-Violent	71,769	75.0%
Mental Health Status			
	Correctional Clinical Case Management System	14,385	15.0%
	Enhanced Outpatient Program	2,422	2.5%
	Department of Mental Health	59	0.1%
	Mental Health Crisis Bed	119	0.1%
	None/No Mental Health Code	78,705	82.2%
CSRA Risk Score			
	Low	17,421	18.2%
	Moderate	25,108	26.2%
	High	52,331	54.7%
	N/A	830	0.9%
Length of Stay			
	Less than 6 Months	42,018	43.9%
	7 - 12 months	25,592	26.7%
	13 - 18 months	9,056	9.5%
	19 - 24 months	5,579	5.8%
	2 - 3 years	5,350	5.6%
	3 - 4 years	2,567	2.7%
	4 - 5 years	1,583	1.7%
	5 - 10 years	2,552	2.7%
	10 - 15 years	919	1.0%
	15 + years	474	0.5%

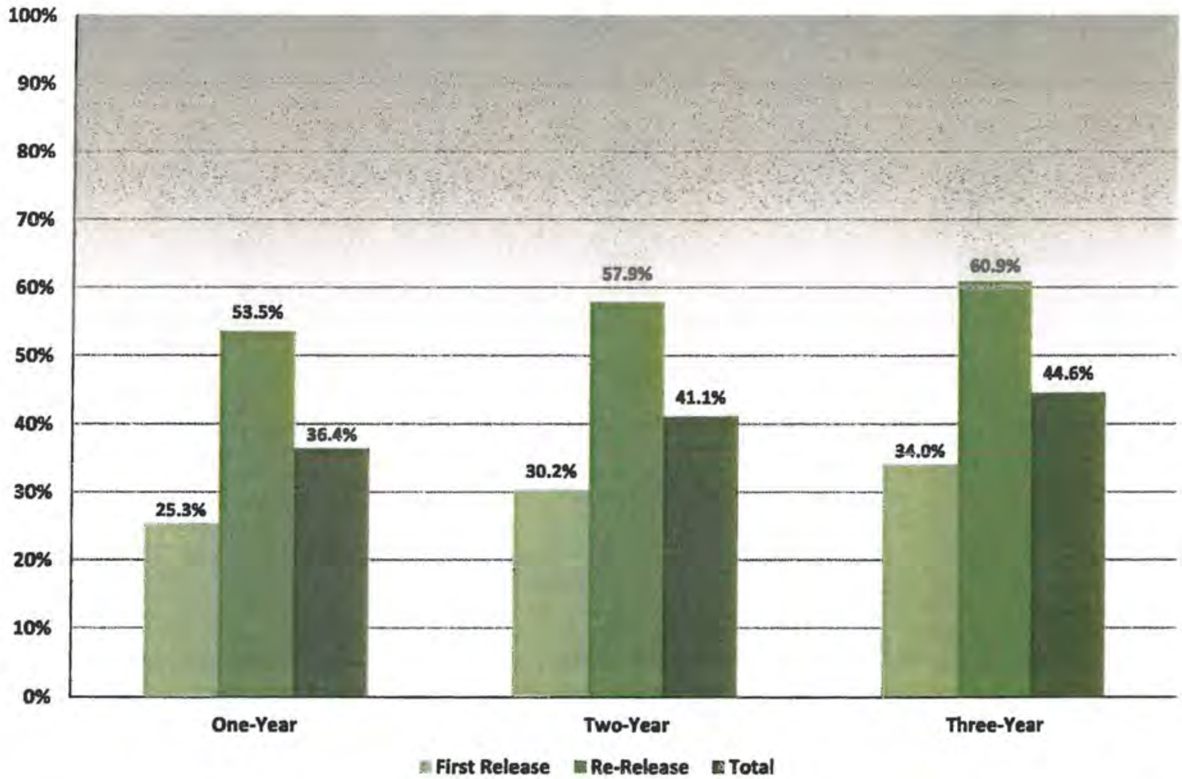
Table 2. Characteristics of Offenders Released in FY 2010-11 (continued)

Characteristics		Number	Percent
Prior Returns to Custody			
	0	58,057	60.7%
	1	15,431	16.1%
	2	7,997	8.4%
	3	5,116	5.3%
	4	3,412	3.6%
	5	2,230	2.3%
	6	1,380	1.4%
	7	889	0.9%
	8	538	0.6%
	9	265	0.3%
	10+	375	0.4%
Number of CDCR Stays Ever			
	1	26,426	27.6%
	2	12,837	13.4%
	3	9,182	9.6%
	4	7,658	8.0%
	5	6,376	6.7%
	6	5,303	5.5%
	7	4,432	4.6%
	8	3,734	3.9%
	9	3,188	3.3%
	10	2,826	3.0%
	11	2,296	2.4%
	12	2,072	2.2%
	13	1,613	1.7%
	14	1,409	1.5%
	15 +	6,338	6.6%

4 Three-Year Return-to-Prison Rate

4.1 Overall Return-to-Prison Rates for the FY 2010-11 Release Cohort

Figure 1. Return-to-Prison Rates for First Releases, Re-Releases, and the Total FY 2010-11 Release Cohort



The three-year return-to-prison rate for the 95,690 offenders released in FY 2010-11 is 44.6 percent. The largest number of offenders were returned within the first year following their release from State prison (34,810 offenders or 36.4 percent). In the second year of follow-up, an additional 4,521 offenders returned to State prison for a total of 39,331 offenders or 41.1 percent of the release cohort. In the third and final year of follow-up, an additional 3,330 offenders returned to State prison for a total of 42,661 offenders and a three-year return-to-prison rate of 44.6 percent.

As shown in the above figure and below table, re-releases return to State prison at substantially higher rates than first releases. Of the 37,568 re-releases, 60.9 percent returned to State prison within three years of their release. Of the 58,122 first releases, 34 percent returned to State prison within three years of their release. This pattern is consistent with other release cohorts examined by the CDCR. The three-year return-to-prison rate for the FY 2009-10 release cohort was 69 percent for re-releases and 44.1 percent for first releases (Appendix C).

Table 3. Return-to-Prison Rates for First-Releases, Re-Releases, and the Total FY 2010-11 Release Cohort

		One-Year		Two-Year		Three-Year	
Release Type	**Number Released**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**
First Release	58,122	14,702	25.3%	17,575	30.2%	19,777	34.0%
Re-Release	37,568	20,108	53.5%	21,756	57.9%	22,884	60.9%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

4.2 Time to Return

Figure 2. Three-Year Quarterly and Cumulative Rate of Return for the 42,661 Offenders Returning to Prison during the Three-Year Follow-Up Period

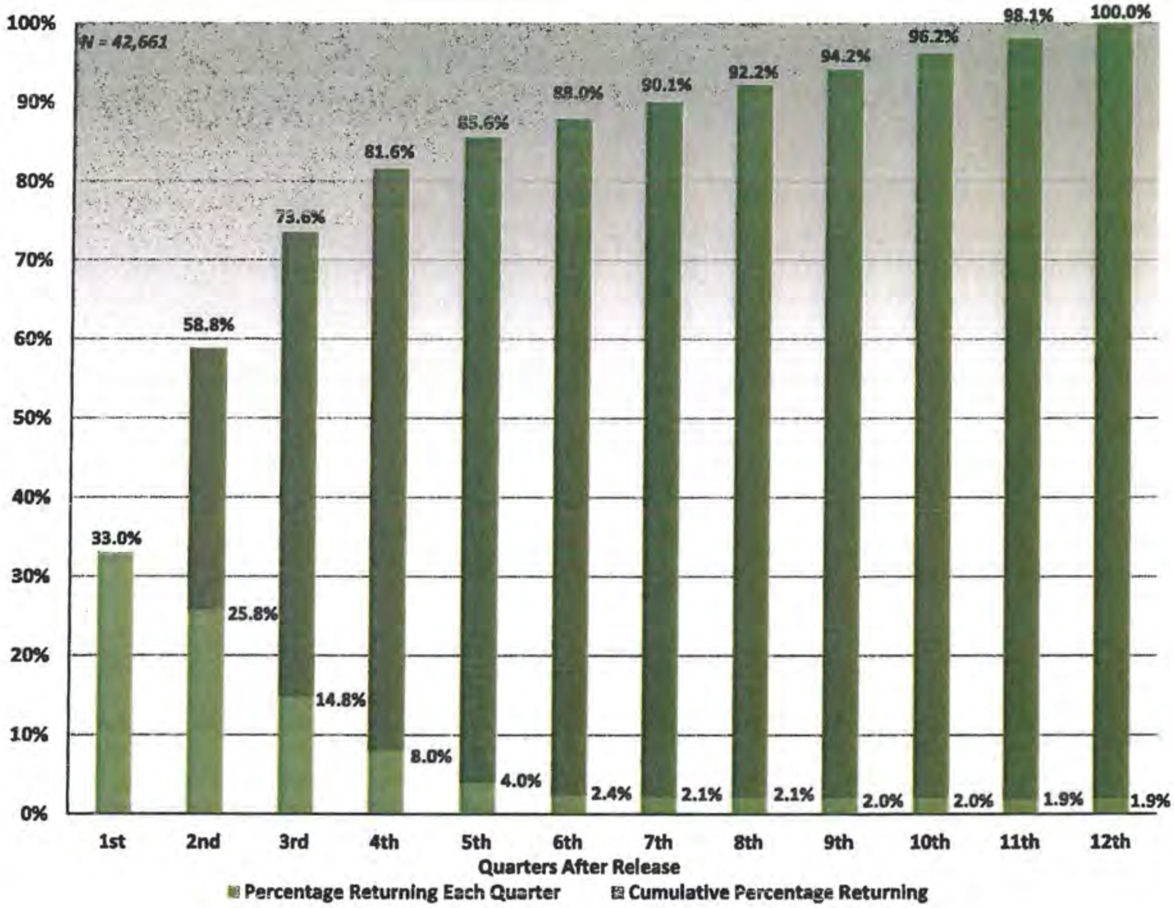


Figure 2 and Table 4 show the percentage of offenders who returned to prison during each quarter (three month period) over the three-year follow-up period, as well as the cumulative percentage of offenders who returned to prison each quarter over the three-year follow-up period. In order to examine how long offenders are in the community before recidivating, only the 42,661 offenders who returned to prison are represented in this section. The 12th quarter represents the final, cumulative results (i.e. 100 percent) of the 42,661 offenders that returned to prison.

Of the 42,661 offenders who returned to prison during the three-year follow-up period, nearly a third (33 percent) returned to prison during the first quarter following their release. Following the first quarter, the percentage of offenders returned during any subsequent quarter decreases. Over half (58.8 percent) of those who returned to prison were returned after being in the community for six or fewer months. Together, 81.6 percent of the offenders who returned to prison during the three-year follow-up period were returned within 12 months of release. Very few offenders (less than 2 percent of those returned) were returned during the final two quarters of the three-year follow-up period. These results

are consistent with other release cohorts examined by the Department; the majority of offenders who return to State prison are returned within the first year of their release.

Table 4. Three-Year Quarterly and Cumulative Rate of Return for the 42,661 Offenders Returning to Prison during the Three-Year Follow-Up Period

Quarters After Release	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th
Percentage Returning	33.0%	25.8%	14.8%	8.0%	4.0%	2.4%	2.1%	2.1%	2.0%	2.0%	1.9%	1.9%
Cumulative Percentage	33.0%	58.8%	73.6%	81.6%	85.6%	88.0%	90.1%	92.2%	94.2%	96.2%	98.1%	100.0%

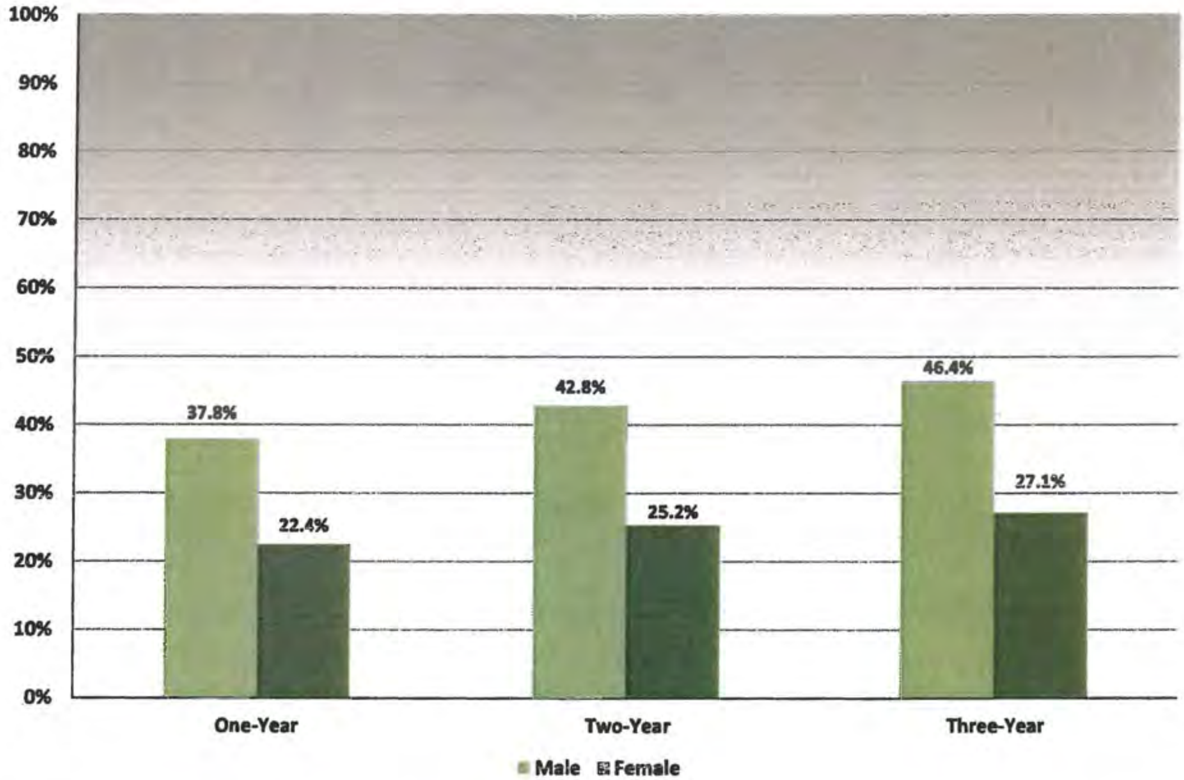
5 Return-to-Prison Rates by Offender Demographics and Characteristics

The following section presents one-year, two-year, and three-year return-to-prison rates for the 95,690 offenders released during FY 2010-11, by offender demographics (e.g. gender, age, race/ethnicity) and offender characteristics (e.g. release type, commitment offense category, mental health designation). Appendix C provides a comparison of the three-year return-to-prison rate by offender demographics and characteristics for the FY 2009-10 and the FY 2010-11 release cohorts.

5.1 Return-to-Prison Rates by Offender Demographics

5.1.1 Gender

Figure 3. Return-to-Prison Rates by Gender



Of the 95,690 offenders released in FY 2010-11, the vast majority (86,571 offenders or 90.5 percent) were male and 9,119 offenders (9.5 percent) were female. Male offenders returned to State prison at a substantially higher rate after three years of follow-up than female offenders (46.4 percent and 27.1 percent, respectively). As shown in the above figure and below table, the three-year return-to-prison rate for male offenders is 19.3 percentage points higher than the rate of female offenders.

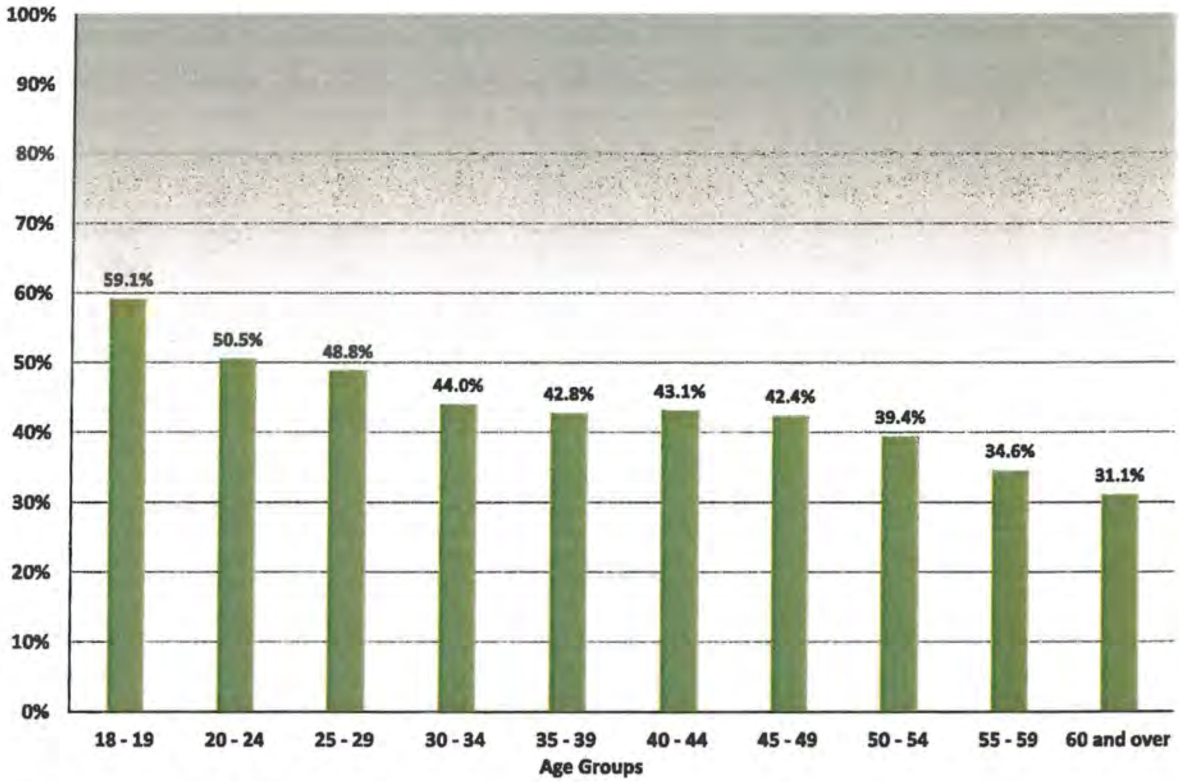
Both male and female offenders experienced a decline in their three-year return-to-prison rate between FY 2009-10 and FY 2010-11. As shown in Appendix C, the three-year return-to-prison rate decreased by 9.9 percentage points for male offenders between FY 2009-10 and FY 2010-11 (56.3 percent and 46.4 percent, respectively) and for female offenders, the three-year return-to-prison rate decreased by 10.3 percentage points (37.4 percent and 27.1 percent, respectively) between FY 2009-10 and FY 2010-11.

Table 5. Return-to-Prison Rates by Gender

		One-Year		Two-Year		Three-Year	
Gender	Number Released	Number Returned	Return Rate	Number Returned	Return Rate	Number Returned	Return Rate
Male	86,571	32,766	37.8%	37,029	42.8%	40,193	46.4%
Female	9,119	2,044	22.4%	2,302	25.2%	2,468	27.1%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

5.1.2 Age at Release

Figure 4. Three-Year Return-to-Prison Rate by Age at Release



Similar to other release cohorts observed by the CDCR, younger offenders (ages 18 – 24) returned to prison at higher rates than other age groups. While offenders ages 18 – 19 comprised a small portion of the release cohort (744 offenders or 0.8 percent), their three-year return-to-prison rate (59.1 percent) is higher than any other age group. Offenders ages 20 – 24 had a three-year return-to-prison rate of 50.5 percent and offenders ages 25 – 29 had a three-year return-to-prison rate of 48.8 percent. The return-to-prison rate continues to decrease as the age of the offender increases, with the exception of offenders ages 40 – 44, when the rate increases by 0.3 of a percentage point. Offenders ages 60 and over had the lowest return-to-prison rate among all age groups at 31.1 percent (or 573 offenders).

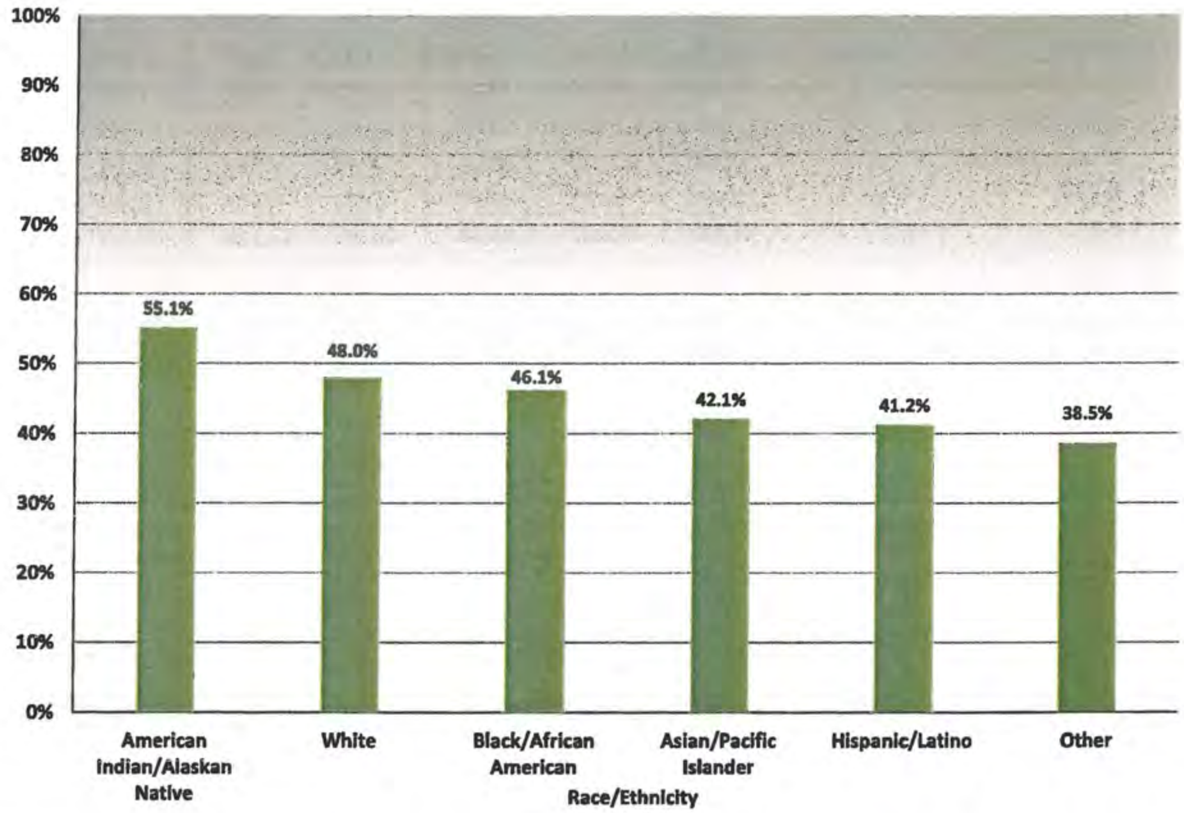
When compared to the FY 2009-10 release cohort, each age group saw a decline in the three-year return-to-prison rate. Offenders ages 20 – 24 saw the largest decrease in the three-year return-to-prison rate (10.8 percentage points) among any age group between FY 2009-10 and FY 2010-11 (61.3 percent and 50.5 percent, respectively). The smallest decrease (7 percentage points) in the three-year return-to-prison rate was observed in offenders ages 60 and over (38.1 percent and 31.1 percent, respectively) between FY 2009-10 and FY 2010-11 (Appendix C).

Table 6. Return-to-Prison Rates by Age at Release

		One-Year		Two-Year		Three-Year	
Age Groups	**Number Released**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**
18 - 19	744	336	45.2%	401	53.9%	440	59.1%
20 - 24	12,666	5,044	39.8%	5,841	46.1%	6,400	50.5%
25 - 29	18,550	7,304	39.4%	8,315	44.8%	9,052	48.8%
30 - 34	16,401	5,764	35.1%	6,616	40.3%	7,217	44.0%
35 - 39	12,528	4,429	35.4%	4,931	39.4%	5,357	42.8%
40 - 44	12,390	4,467	36.1%	4,967	40.1%	5,342	43.1%
45 - 49	10,716	3,802	35.5%	4,237	39.5%	4,543	42.4%
50 - 54	6,865	2,291	33.4%	2,524	36.8%	2,705	39.4%
55 - 59	2,986	867	29.0%	955	32.0%	1,032	34.6%
60 and over	1,844	506	27.4%	544	29.5%	573	31.1%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

5.1.3 Race/Ethnicity

Figure 5. Return-to-Prison Rates by Race/Ethnicity



The above figure and below table show return-to-prison rates by race/ethnicity. Although American Indian/Alaskan Native offenders comprised a small number of releases (1,063 offenders or 1.1 percent of the release cohort) their three-year return-to-prison rate is the highest (55.1 percent) among all race/ethnicity categories. The rate for American Indian/Alaskan Native offenders (55.1 percent) was followed by White offenders (48 percent), Black/African American offenders (46.1 percent), Asian or Pacific Islander offenders (42.1 percent), and Hispanic offenders (41.2 percent). The three-year return-to-prison rate for other offenders was 38.5 percent.

The three-year return-to-prison rate decreased for each race/ethnicity category between FY 2009-10 and FY 2010-11. Black/African American offenders saw the largest decrease at 12.3 percentage points (58.5 percent and 46.1 percent, respectively) and Asian/Pacific Islander offenders saw the smallest decrease at 3.9 percentage points (46 percent and 42.1 percent, respectively) between FY 2009-10 and FY 2010-11 (Appendix C).

Table 7. Return-to-Prison Rates by Race/Ethnicity

		One-Year		Two-Year		Three-Year	
Race/Ethnicity	**Number Released**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**
American Indian/Alaskan Native	1,063	495	46.6%	552	51.9%	586	55.1%
White	28,323	11,535	40.7%	12,728	44.9%	13,586	48.0%
Black/African American	25,238	9,370	37.1%	10,693	42.4%	11,644	46.1%
Asian/Pacific Islander	868	293	33.8%	327	37.7%	365	42.1%
Hispanic/Latino	37,190	12,115	32.6%	13,956	37.5%	15,321	41.2%
Other	3,008	1,002	33.3%	1,075	35.7%	1,159	38.5%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

5.1.4 County of Parole

Figure 6. Return-to-Prison Rates by County of Parole

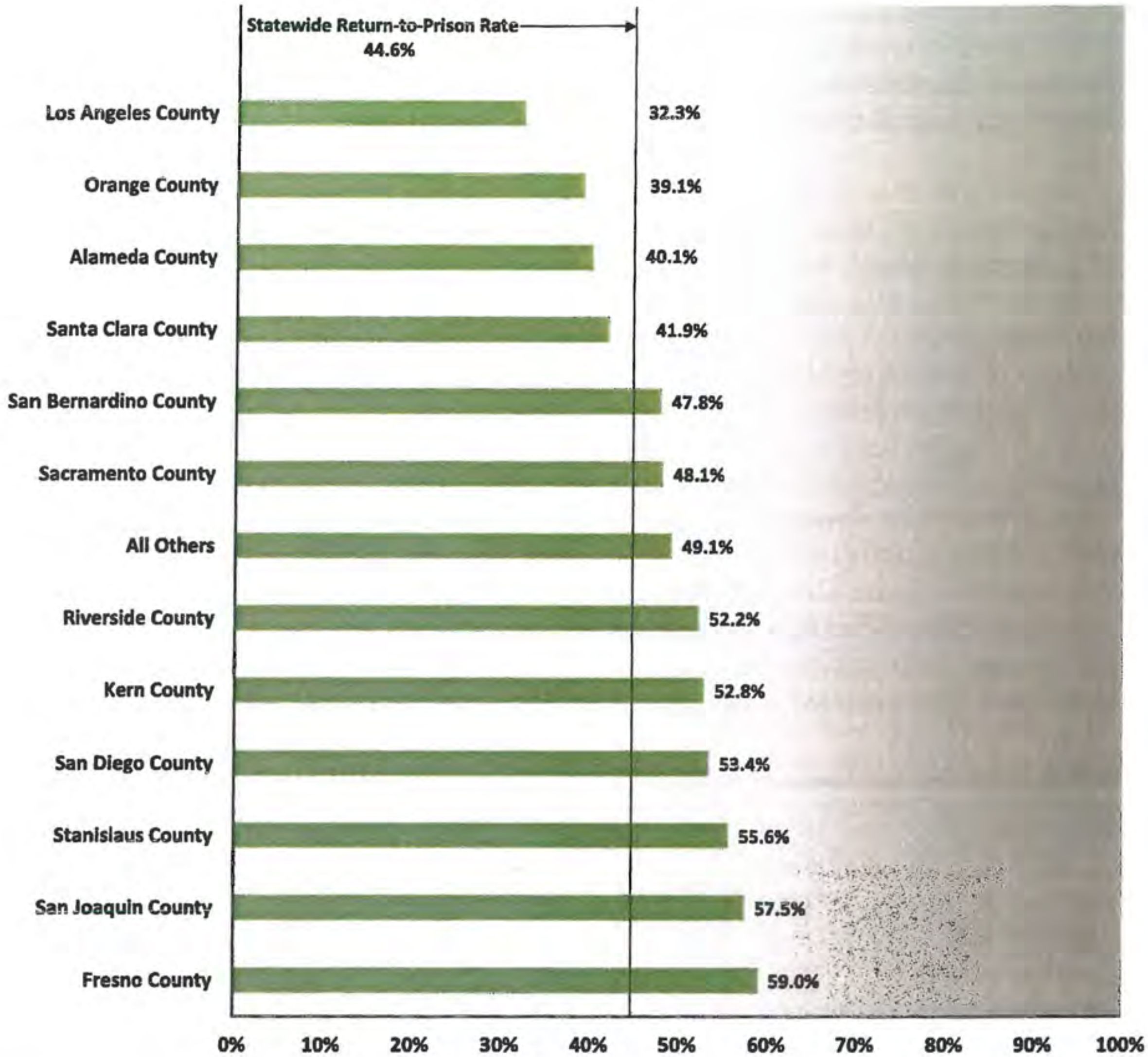


Figure 6 and Table 8 show return-to-prison rates for the 12 counties with the largest number of releases. Together, these 12 counties account for nearly 80 percent (79.6 percent or 76,215 offenders) of the offenders released in FY 2010-11. Approximately 20 percent (20.4 percent) were released to the remaining 46 California counties (all others) or were directly discharged. Three-year return-to-prison data for all other counties are presented in Appendix D of this report.

Los Angeles County had the largest number of releases (24,904 offenders) in FY 2010-11, accounting for 26 percent of the total releases. Los Angeles County also has the lowest three-year return-to-prison rate (32.3 percent) among the top 12 counties with the largest number of releases, followed by Orange County (39.1 percent), and Alameda County (40.1 percent). Among the top 12 counties with the largest number of releases, Fresno County has the highest return-to-prison rate (59 percent) among the top 12 counties, followed by San Joaquin County (57.5 percent), and Stanislaus County at (55.6 percent).

The number of offenders released to Los Angeles County (24,904 offenders or 20.4 percent of the release cohort) and the low three-year return-to-prison rate (32.3 percent) are factors which drive the overall three-year return-to-prison rate downward. When Los Angeles County is excluded from the examination, the State's three-year return-to-prison rate is 48.9 percent or 4.3 percentage points higher than the State's actual three-year return-to-prison rate of 44.6 percent.

Between FY 2009-10 and FY 2010-11 each of the top 12 counties with the largest number of releases saw a decrease in the three-year return-to-prison rate. Santa Clara County saw the largest decrease (13.1 percentage points), followed by San Bernardino County (12 percentage points), and Alameda County (11.5 percentage points). Orange County had the smallest decrease among the top 12 counties (5.6 percentage points), followed by Sacramento (5.7 percentage points), and Fresno (7.4 percentage points). A comparison of the three-year return-to-prison rate between the two fiscal years for each county is provided in Appendix C of this report.

The above data should be interpreted with caution because offenders may leave the county to which they were paroled, or offenders may be returned to prison in a county other than their county of parole. When an offender returns to prison in a county other than their county of parole, the return is still counted in the county to which they were paroled. Additionally, a small number of offenders (1,108 offenders or 1.2 percent of the release cohort) were directly discharged from State prison and have a low three-year return-to-prison rate (22.3 percent). One-year, two-year, and three-year return-to-prison rates for direct discharges and all California counties may be found in Appendix D of this report.

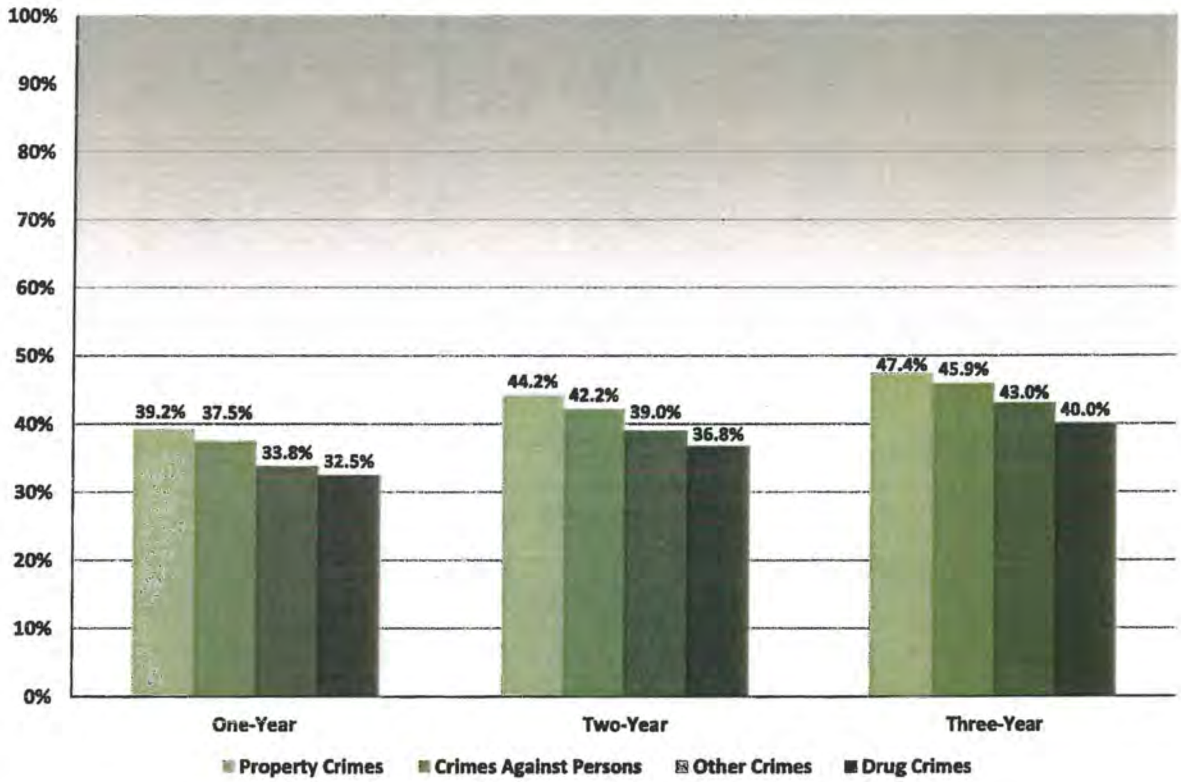
Table 8. Return-to-Prison Rates by County of Parole

		One-Year		Two-Year		Three-Year	
County of Parole	**Number Released**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**
Fresno County	3,699	1,958	52.9%	2,086	56.4%	2,184	59.0%
San Joaquin County	2,363	1,191	50.4%	1,280	54.2%	1,358	57.5%
Stanislaus County	1,618	778	48.1%	846	52.3%	900	55.6%
San Diego County	6,431	2,956	46.0%	3,240	50.4%	3,434	53.4%
Kern County	3,681	1,620	44.0%	1,805	49.0%	1,944	52.8%
Riverside County	6,201	2,721	43.9%	2,997	48.3%	3,237	52.2%
Sacramento County	5,698	2,388	41.9%	2,584	45.3%	2,739	48.1%
San Bernardino County	8,018	3,123	38.9%	3,548	44.3%	3,836	47.8%
Santa Clara County	2,776	977	35.2%	1,093	39.4%	1,164	41.9%
Alameda County	4,022	1,448	36.0%	1,549	38.5%	1,612	40.1%
Orange County	6,804	2,253	33.1%	2,498	36.7%	2,658	39.1%
Los Angeles County	24,904	5,229	21.0%	6,807	27.3%	8,032	32.3%
All Others	19,475	8,168	41.9%	8,998	46.2%	9,563	49.1%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

5.2 Return-to-Prison Rates by Offender Characteristics

5.2.1 Commitment Offense Category

Figure 7. Return-to-Prison Rates by Commitment Offense Category



The above figure and below table show the three-year return-to-prison rate by the offense an offender was committed to prison for (commitment offense category). Offenders committed for property crimes have the highest three-year return-to-prison rate of all commitment offense categories at 47.4 percent, followed by crimes against persons (45.9 percent), other crimes (43 percent), and drug crimes (40 percent). Offenders committing property crimes and crimes against persons comprise the largest number of releases (31,756 offenders and 28,732 offenders, respectively), followed by drug crimes (24,445 offenders), and other crimes (10,757 offenders).

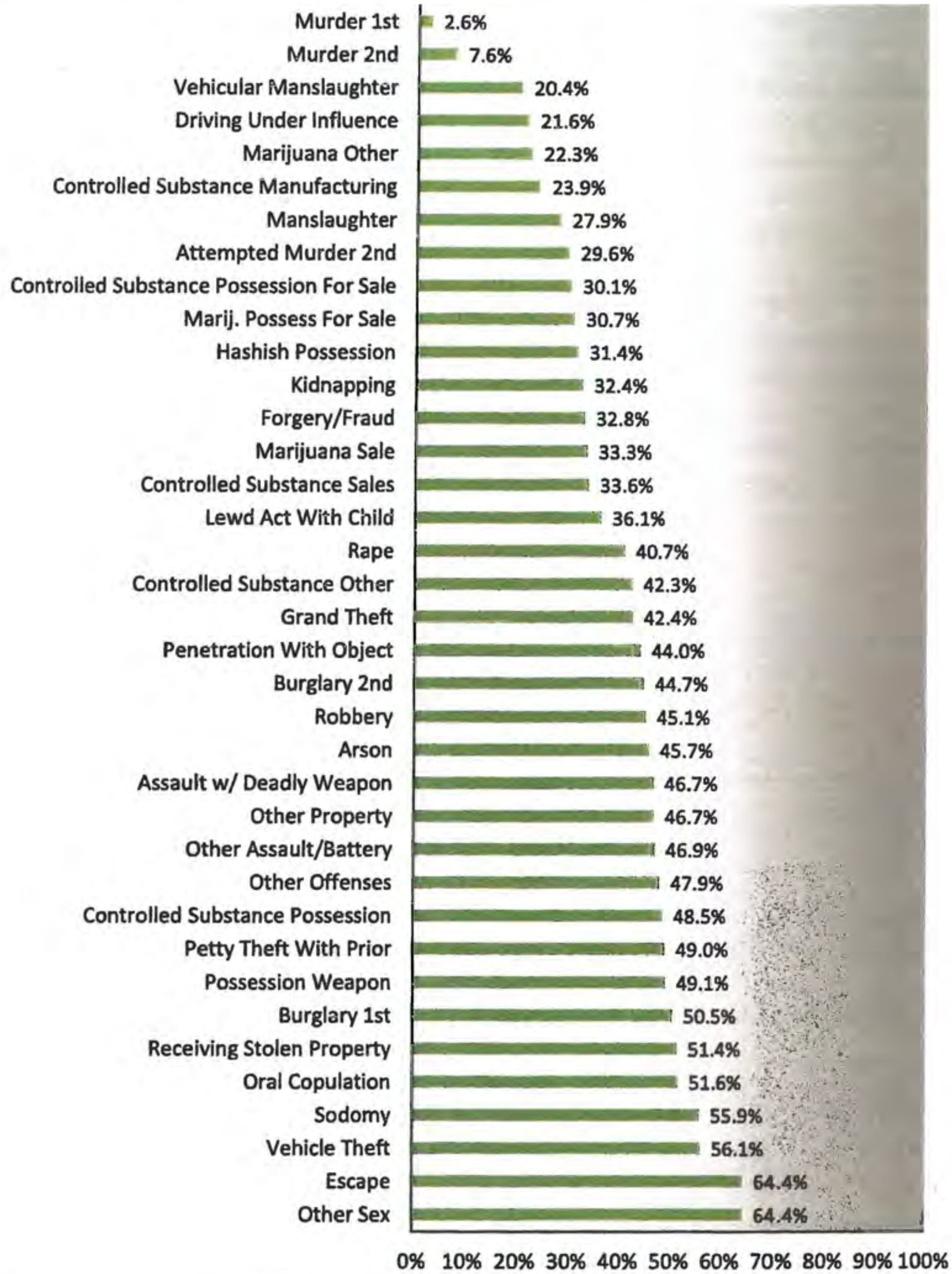
The three-year return-to-prison rate decreased for each commitment offense category between FY 2009-10 and FY 2010-11 (Appendix C). Property crimes saw the largest decrease (10.7 percentage points), between the two fiscal years (58.1 percent and 47.4 percent, respectively). Between FY 2009-10 and FY 2010-11, crimes against persons decreased by 9.5 percentage points (55.5 percent and 45.9 percent, respectively), as did drug crimes (49.5 percent and 40 percent, respectively). Between the two fiscal years, other crimes decreased by 9.3 percentage points (52.4 percent and 43 percent, respectively).

Table 9. Return-to-Prison Rates by Commitment Offense Category

		One-Year		Two-Year		Three-Year	
Commitment Offense Category	**Number Released**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**
Property Crimes	31,756	12,455	39.2%	14,030	44.2%	15,048	47.4%
Crimes Against Persons	28,732	10,782	37.5%	12,126	42.2%	13,196	45.9%
Other Crimes	10,757	3,632	33.8%	4,191	39.0%	4,630	43.0%
Drug Crimes	24,445	7,941	32.5%	8,984	36.8%	9,787	40.0%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

5.2.2 Commitment Offense

Figure 8. Three-Year Return-to-Prison Rate by Commitment Offense[6]



[6] "Marijuana Other" offenses include planting, cultivating, harvesting, or possessing marijuana; hiring, employing, using a minor in the unlawful transportation, sale, or peddling of marijuana to another minor, furnishing, giving, and/or offering marijuana to a minor. "CS Other" offenses include possession of a controlled substance in prison; soliciting, encouraging, inducing a minor to furnish, sell, offer a controlled substance; agreeing, consenting, offering to sell, furnish, and/or transport a CS. "Other Offenses" include false imprisonment, accessory, and/or malicious harassment. "Other Sex Offenses" including failing to register as a sex offender, unlawful sex with a minor, and/or indecent exposure.

As shown in Figure 8, the three-year return-to-prison rate varies substantially when examined by commitment offense. Offenders with a commitment offense of escape and other sex offenses returned to prison at the highest rates after three years of follow-up (each at 64.4 percent), followed by vehicle theft (56.1 percent or 2,475 offenders), and sodomy (55.9 percent or 19 offenders). Rates for offenders required to register as sex offenders (sex registrants) are provided later in this report.

Offenders with a commitment offense of first degree murder returned to prison at the lowest rate among all commitment offenses after three years of follow-up (2.6 percent or two offenders), followed by second degree murder (7.6 percent or 20 offenders), vehicular manslaughter (20.4 percent or 45 offenders), and driving under the influence (21.6 percent or 485 offenders). Return-to-prison rates were not calculated for categories with fewer than 30 releases.

Between FY 2009-10 and FY 2010-11, the three-year return-to-prison rate decreased across all commitment offense groups, with the exception of two; escape increased by 2.9 percentage points (from 61.5 percent to 64.4 percent) and vehicular manslaughter increased by 1.3 percentage points (from 19.1 percent to 20.4 percent). The largest decrease in the three-year return-to-prison rate was for hashish possession, which decreased 24.5 percentage points (from 55.9 percent to 31.4 percent) between FY 2009-10 and FY 2010-11 (Appendix C).

Table 10. Return-to-Prison Rates by Commitment Offense

		One-Year		Two-Year		Three-Year	
Offense	Number Released	Number Returned	Return Rate	Number Returned	Return Rate	Number Returned	Return Rate
Escape	45	25	55.6%	27	60.0%	29	64.4%
Other Sex	2,736	1,648	60.2%	1,712	62.6%	1,763	64.4%
Vehicle Theft	4,413	2,107	47.7%	2,357	53.4%	2,475	56.1%
Sodomy	34	17	50.0%	18	52.9%	19	55.9%
Oral Copulation	215	103	47.9%	107	49.8%	111	51.6%
Receiving Stolen Property	4,344	1,910	44.0%	2,111	48.6%	2,234	51.4%
Burglary 1st	3,345	1,229	36.7%	1,497	44.8%	1,690	50.5%
Possession Weapon	5,183	2,012	38.8%	2,318	44.7%	2,546	49.1%
Petty Theft With Prior	4,672	1,957	41.9%	2,155	46.1%	2,289	49.0%
CS Possession	12,439	4,999	40.2%	5,570	44.8%	6,032	48.5%
Other Offenses	3,075	1,188	38.6%	1,354	44.0%	1,474	47.9%
Other Assault/Battery	9,060	3,458	38.2%	3,902	43.1%	4,253	46.9%
Other Property	1,282	483	37.7%	550	42.9%	599	46.7%
Assault w/ Deadly Weapon	6,469	2,437	37.7%	2,770	42.8%	3,018	46.7%
Arson	210	83	39.5%	88	41.9%	96	45.7%
Robbery	5,847	1,902	32.5%	2,299	39.3%	2,635	45.1%
Burglary 2nd	7,943	2,936	37.0%	3,307	41.6%	3,548	44.7%
Penetration With Object	100	43	43.0%	43	43.0%	44	44.0%
Grand Theft	3,393	1,206	35.5%	1,342	39.6%	1,438	42.4%
CS Other	478	164	34.3%	186	38.9%	202	42.3%
Rape	432	161	37.3%	171	39.6%	176	40.7%
Lewd Act With Child	2,272	765	33.7%	796	35.0%	820	36.1%
CS Sales	2,337	621	26.6%	720	30.8%	786	33.6%
Marijuana Sale	384	102	26.6%	115	29.9%	128	33.3%
Forgery/Fraud	2,364	627	26.5%	711	30.1%	775	32.8%
Kidnapping	173	37	21.4%	50	28.9%	56	32.4%
Hashish Possession	70	17	24.3%	20	28.6%	22	31.4%
Marij. Possess For Sale	1,061	259	24.4%	300	28.3%	326	30.7%
CS Possession For Sale	7,412	1,735	23.4%	2,022	27.3%	2,230	30.1%
Attempted Murder 2nd	335	74	22.1%	86	25.7%	99	29.6%
Manslaughter	473	97	20.5%	115	24.3%	132	27.9%
CS Manufacturing	134	24	17.9%	29	21.6%	32	23.9%
Marijuana Other	130	20	15.4%	22	16.9%	29	22.3%
Driving Under Influence	2,244	324	14.4%	404	18.0%	485	21.6%
Vehicular Manslaughter	221	28	12.7%	37	16.7%	45	20.4%
Attempted Murder 1st	25	3	N/A	3	N/A	3	N/A
Murder 2nd	264	8	3.0%	15	5.7%	20	7.6%
Murder 1st	76	1	1.3%	2	2.6%	2	2.6%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

5.2.3 Sentence Type

Figure 9. Return-to-Prison Rates by Sentence Type

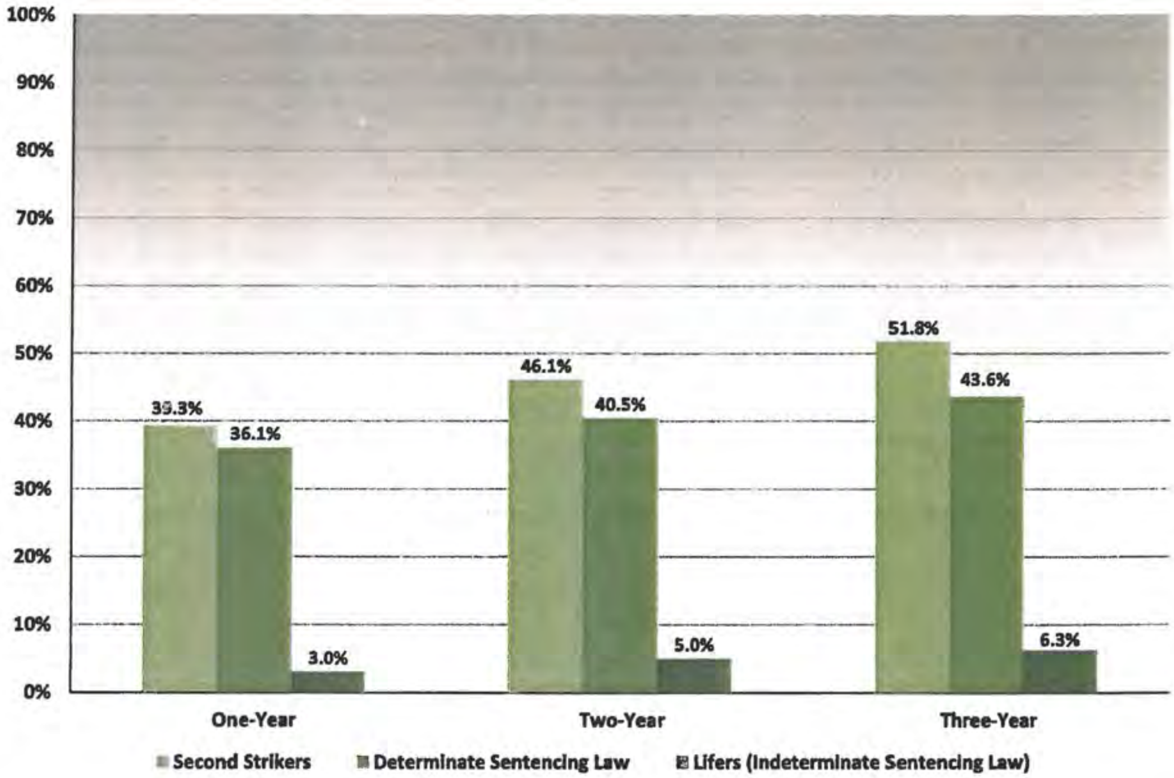


Figure 9 and Table 11 show return-to-prison rates by sentence type. Prior to this report, sentence type was categorized by offenders sentenced under Determinate Sentencing Law (DSL) and Indeterminate Sentencing Law (ISL). The majority of offenders sentenced in California serve a determinate term (a specified sentence length) and are released once they have served their sentence. Generally, offenders sentenced to an indeterminate term (lifers) are released only after the Board of Parole Hearings (BPH) has found them suitable for parole or the court orders their release. The above figure and below table show the number of offenders who served an indeterminate term, a determinate term, and the number of offenders that served a determinate term as second strikers.

Second strikers serving a determinate sentence returned to State prison after three years of follow-up at the highest rate (51.8 percent) of any sentence type. Second strikers comprised 13.5 percent of the release cohort (12,900 offenders). Other offenders who served a determinate sentence comprised 86.1 percent of the release cohort (82,392 offenders) and had a three-year return-to-prison rate of 43.6 percent. Lifers serving an indeterminate sentence comprised less than one percent of the release cohort (398 offenders) and had a three-year return-to-prison rate of 6.3 percent.

Each sentence type saw a decline in the three-year return-to-prison rate between FY 2009-10 and FY 2010-11 (Appendix C). Offenders serving a determinate term saw the largest decrease at 9.9 percentage points between FY 2009-10 and FY 2010-11 (53.5 percent and 43.6 percent, respectively), followed by second strikers at 8.9 percentage points (60.7 percent and 51.8 percent, respectively) and lifers at 3.1 percentage points (9.4 percent and 6.3 percent, respectively).

Table 11. Return-to-Prison Rates by Sentence Type

		One-Year		Two-Year		Three-Year	
Sentence Type	**Number Released**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**
Second Strikers (Determinate Sentencing Law)	12,900	5,072	39.3%	5,950	46.1%	6,681	51.8%
Determinate Sentencing Law	82,392	29,726	36.1%	33,361	40.5%	35,955	43.6%
Lifers (Indeterminate Sentencing Law)	398	12	3.0%	20	5.0%	25	6.3%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

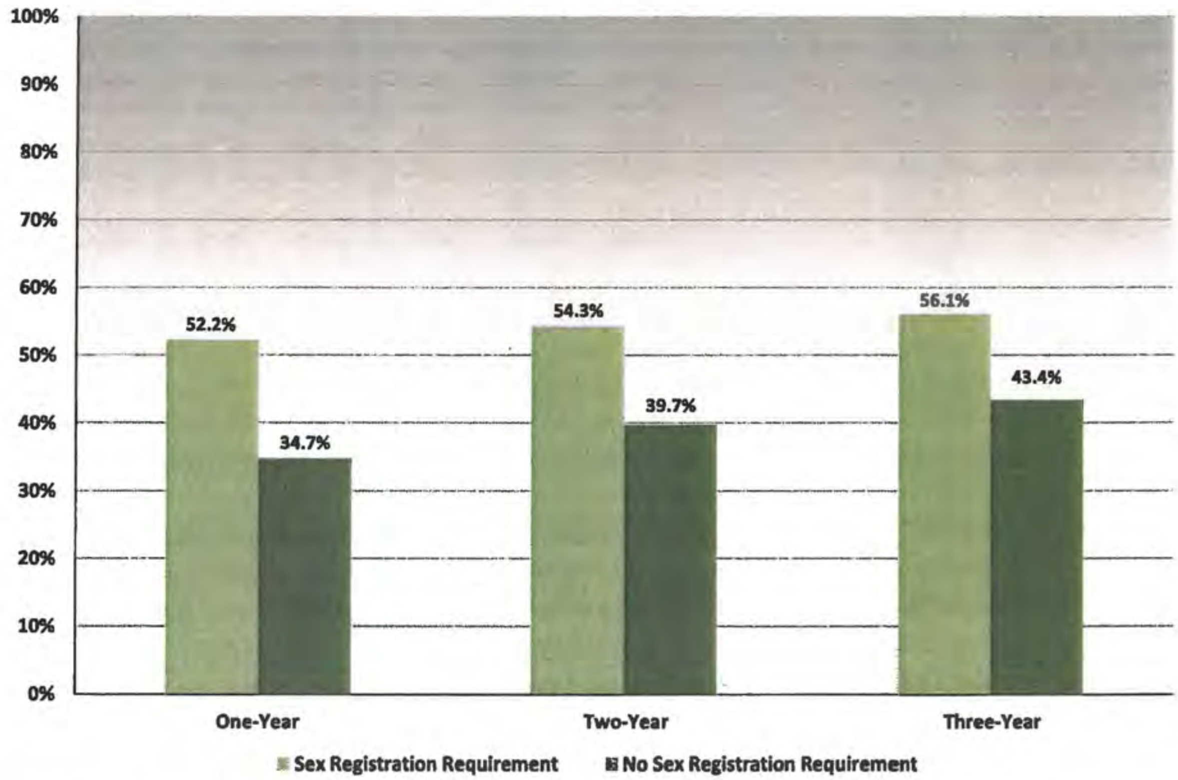
Offenders serving an indeterminate term may be released when the BPH has found them suitable for parole or after the court orders their release. Table 12 shows the number of lifers released by the BPH and by court order. Of the 398 offenders who served an indeterminate term and were released in FY 2010-11, six offenders were released due to a court order and 392 were released by BPH. All six of the offenders released due to a court order returned to prison for a parole violation within three years of their release. Of the 392 offenders released by the BPH, three offenders were returned with a new term, and 16 offenders were returned for a parole violation. Together, 19 offenders or 4.8 percent of the offenders released by the BPH returned to State prison in the three years following their release.

Table 12. Number Returned by Sentence Type and Release Type

		Returned with a New Term		Parole Violation Return		Total Number of Returns	
Reason for Release	**Number Released**	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Court Ordered	6	0	0.0%	6	100.0%	6	100.0%
Board of Parole Hearings (BPH)	392	3	0.8%	16	4.1%	19	4.8%
Total	**398**	**3**	**0.8%**	**22**	**5.5%**	**25**	**6.3%**

5.2.4 Sex Registrants

Figure 10. Return-to-Prison Rates by Sex Registration Requirement



The above figure and below table show the return-to-prison rates for offenders required to register as sex offenders (sex registrants). The three-year return-to-prison rate is 12.7 percentage points higher for sex registrants (56.1 percent) than non-sex registrants (43.4 percent). Between FY 2009-10 and FY 2010-11, the three-year return-to-prison rate for sex registrants decreased by 9.1 percentage points (65.2 percent and 56.1 percent, respectively) and the rate for non-sex registrants decreased by 10 percentage points (53.4 percent and 43.4 percent, respectively) as shown in Appendix C of this report.

Table 13. Return-to-Prison Rates by Sex Registration Flag

		One-Year		Two-Year		Three-Year	
Sex Registration Requirement	**Number Released**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**
Yes	8,989	4,694	52.2%	4,881	54.3%	5,041	56.1%
No	86,701	30,116	34.7%	34,450	39.7%	37,620	43.4%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

5.2.5 Recommitment Offense for Sex Registrants

Figure 11. Recommitment Offense for Sex Registrants

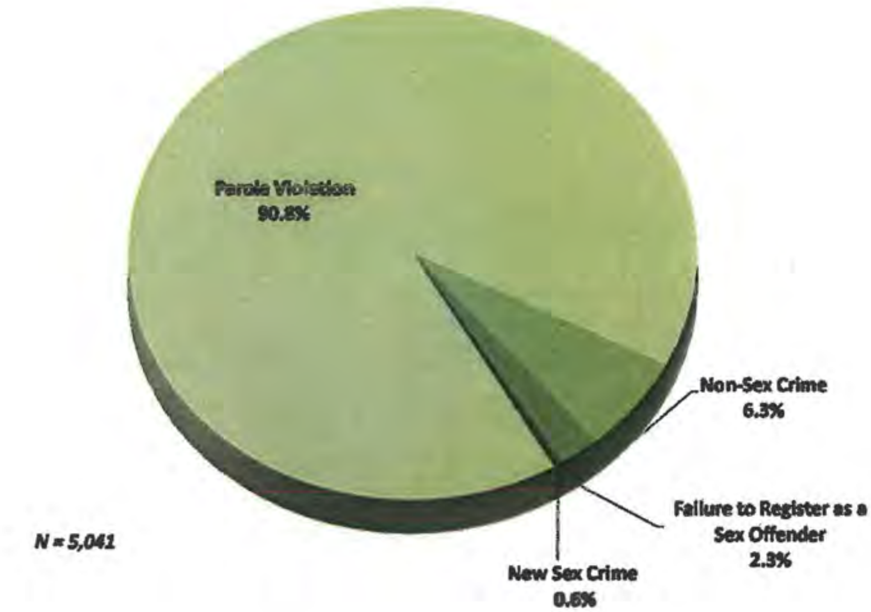


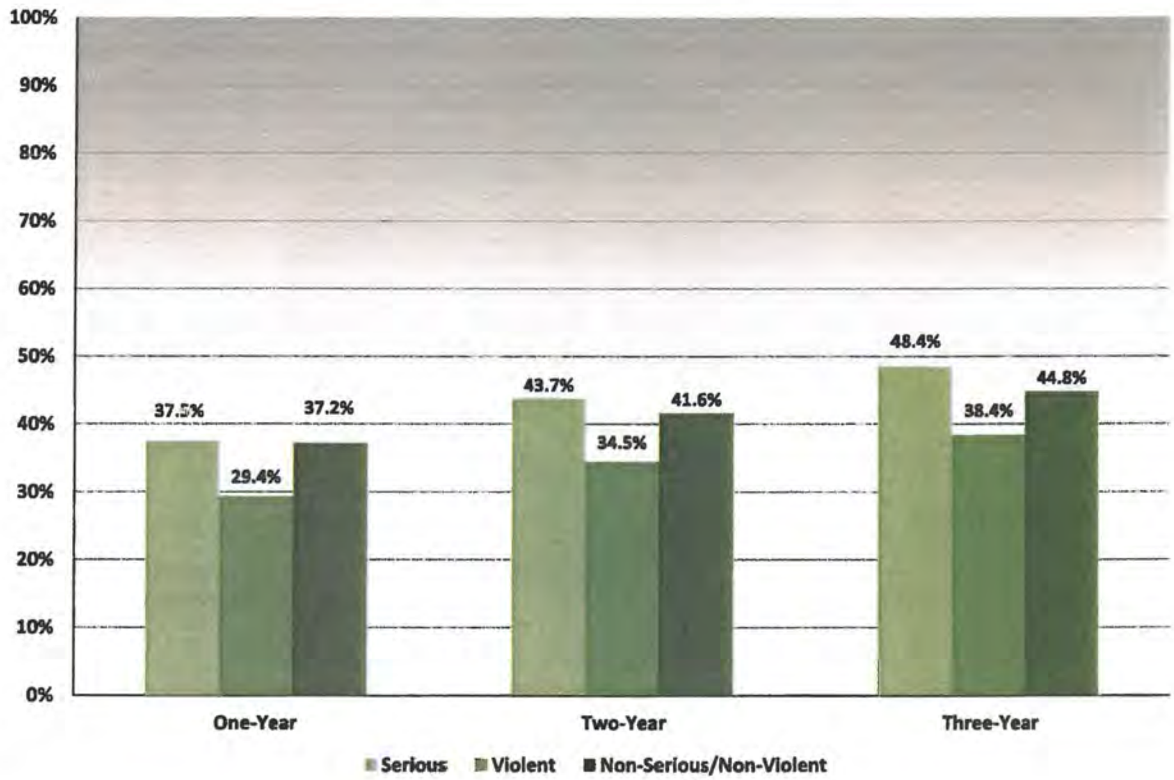
Figure 11 and Table 14 show the recommitment offense for the 5,041 sex registrants that returned to prison during the three-year follow-up period. Of the 5,041 sex registrants, the majority (4,579 offenders or 90.8 percent) returned for a parole violation, followed by 316 offenders (6.3 percent) with a new non-sex crime, and 115 offenders (2.3 percent) for failing to register as a sex offender. Thirty-one offenders (0.6 percent) were returned for a new sex crime.

Table 14. Recommitment Offense for Sex Registrants

	Returned	
Reason for Return-to-Prison	**Number**	**Percent**
Parole Violation	4,579	90.8%
New Non-Sex Crime	316	6.3%
Failure to Register as a Sex Offender	115	2.3%
New Sex Crime	31	0.6%
Total	**5,041**	**100.0%**

5.2.6 Serious and Violent Offenses

Figure 12. Return-to-Prison Rates for Offenders with a Serious or Violent Offense



The above figure and below table show return-to-prison rates for offenders with a serious offense or violent offense, and offenders with a non-serious and non-violent offense. In previous reports, serious and violent offenses were grouped together, rather than treated separately.

Of the 95,690 offenders released, the majority released (71,769 offenders) did not have a serious or violent offense, followed by 13,268 offenders with a serious offense, and 10,653 offenders with a violent offense. Offenders whose offense was serious returned to prison after three years of follow-up at a higher rate (48.4 percent) than offenders whose offense was not serious or violent (44.8 percent), and offenders whose offense was violent (38.4 percent).

Between FY 2009-10 and FY 2010-11 the three-year return-to-prison rate decreased among offenders committing each type of offense. The rate for offenders committing a violent offense had the most substantial decrease (10.7 percentage points) between the two fiscal years (49.1 percent and 38.4 percent, respectively). The rate for offenders committing a non-serious/non-violent offense decreased by 9.7 percentage points (54.5 percent and 44.8 percent, respectively) between the two fiscal years and the rate for offenders committing a violent offense decreased by 8.6 percentage points (57 percent and 48.4 percent, respectively) between FY 2009-10 and FY 2010-11 (Appendix C).

Table 15. Return-to-Prison Rates for Offenders with a Serious or Violent Offense

		One-Year		Two-Year		Three-Year	
Serious/Violent Offense	**Number Released**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**
Serious	13,268	4,979	37.5%	5,800	43.7%	6,418	48.4%
Violent	10,653	3,133	29.4%	3,672	34.5%	4,091	38.4%
Non-Serious/Non-Violent	71,769	26,698	37.2%	29,859	41.6%	32,152	44.8%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

5.2.7 Mental Health Status

Figure 13. Return-to-Prison Rates by Mental Health Status

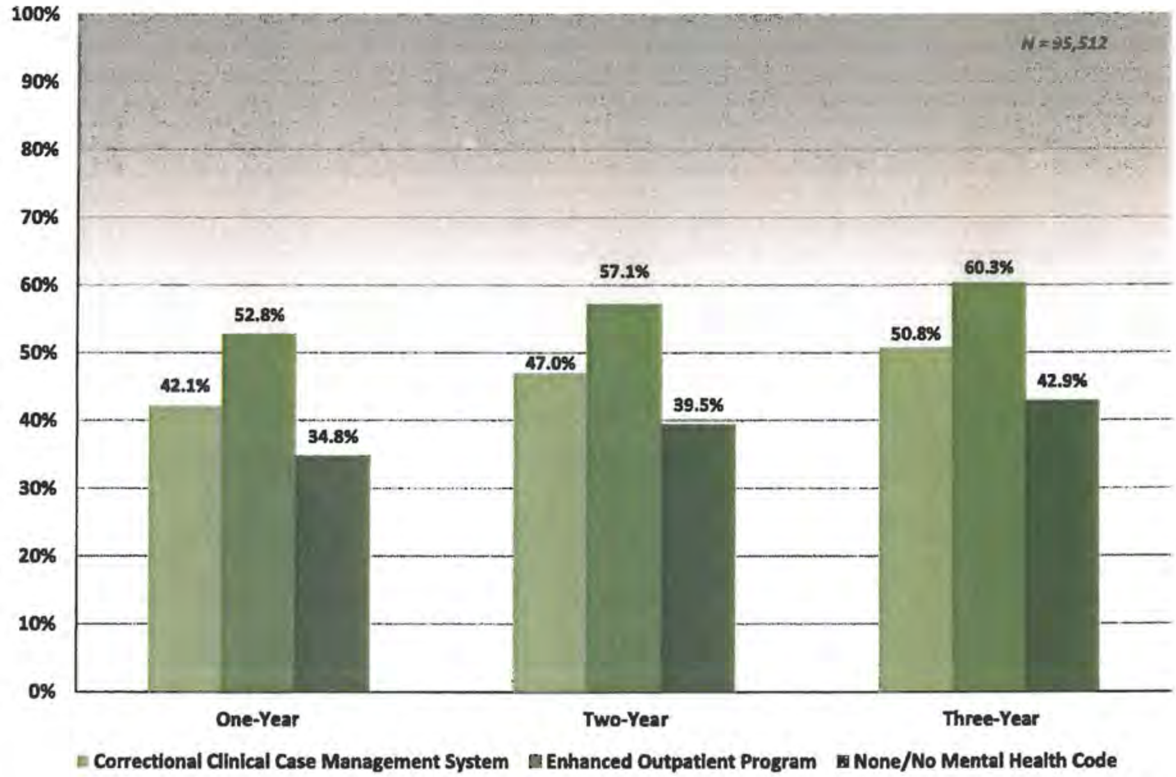


Figure 13 and Table 16 present return-to-prison rates by mental health designation for the three mental health categories with the largest number of releases. The majority of offenders (78,705 offenders or 82.2 percent) did not have a mental health designation and 17.8 percent (16,985 offenders) had a mental health designation. Fifteen percent of the release cohort was assigned to the Correctional Clinical Case Management System (CCCMS), 2.5 percent were assigned to the Enhanced Outpatient Program (EOP), and less than one percent were assigned to a Mental Health Crisis Bed (119 offenders or 0.1 percent) and the Department of State Hospitals (59 offenders or 0.1 percent).

Offenders assigned to the Department of State Hospitals returned to prison at the highest rate (62.7 percent) among all mental health designations after three years of follow-up. Over sixty percent (60.3 percent) of EOP offenders returned to prison, followed by 58 percent of offenders assigned to a Mental Health Crisis Bed, and 50.8 percent of CCCMS offenders. Offenders without a mental health designation returned at a rate of 42.9 percent after three years of follow-up.

As shown in Appendix C, between FY 2009-10 and FY 2010-11, the three-year return-to-prison rate decreased among each mental health category, with the exception of offenders assigned to the Department of State Hospitals because a rate was not calculated for these offenders in FY 2009-10 (only three offenders assigned to the Department of State Hospitals were released). Offenders assigned to a Mental Health Crisis Bed saw the largest decrease (15 percentage points) in the three-year return-to-

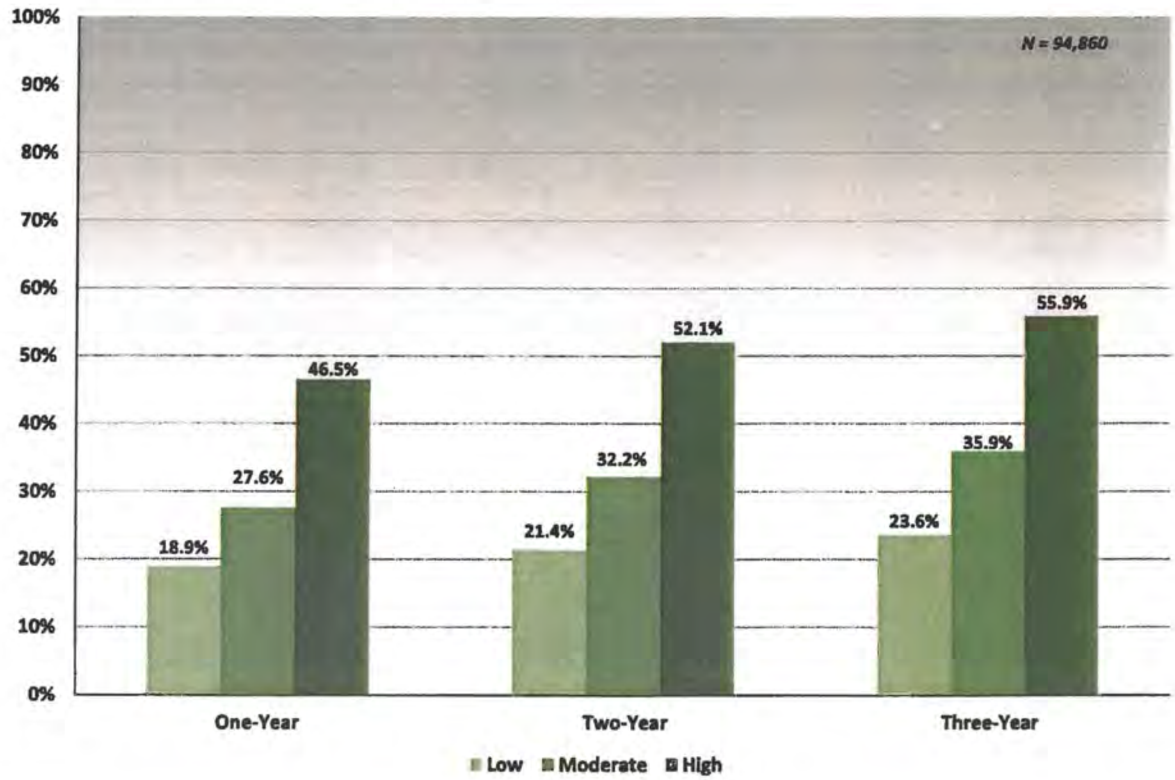
prison rate between FY 2009-10 and FY 2010-11 (73 percent and 58 percent, respectively), followed by EOP offenders with a 9.4 percentage point decrease (69.6 percent and 60.3 percent, respectively), and CCCMS offenders with an 8.6 percentage point decrease (59.3 percent and 50.8 percent, respectively). The three-year return-to-prison rate for offenders without a mental health designation decreased by 9.5 percentage points between the two fiscal years (52.4 percent and 42.9 percent, respectively).

Table 16. Return-to-Prison Rates by Mental Health Status

		One-Year		Two-Year		Three-Year	
Mental Health Code	**Number Released**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**
Department of State Hospitals	59	27	45.8%	33	55.9%	37	62.7%
Enhanced Outpatient Program	2,422	1,278	52.8%	1,384	57.1%	1,460	60.3%
Mental Health Crisis Bed	119	59	49.6%	68	57.1%	69	58.0%
Correctional Clinical Case Management System	14,385	6,054	42.1%	6,764	47.0%	7,301	50.8%
None/No Mental Health Code	78,705	27,392	34.8%	31,082	39.5%	33,794	42.9%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

5.2.8 Risk of Return to State Prison

Figure 14. Return-to-Prison Rates by Risk of Return



The California Static Risk Assessment (CSRA) is a tool used to calculate an offender's risk of being convicted of a new offense after release from prison. Based on their criminal history and demographics, offenders are designated as having a low, moderate, or high risk of being convicted of a new offense after release. High risk is further delineated into three sub-categories (high drug, high property, and high violence).

Nearly half of the offenders released in FY 2010-11 (54.7 percent or 52,331 offenders) had a CSRA score of high risk, followed by moderate risk (26.2 percent or 25,108 offenders), and low risk (18.2 percent 17,421 offenders). Less than one percent (0.8 percent or 830 offenders) did not have a CSRA score. The three-year return-to-prison rates for each risk category show the CSRA tool is predictive of reoffending; offenders with a score of high returned to State prison at the highest rate (55.9 percent) among all CSRA categories, followed by moderate risk (35.9 percent), and low risk (23.6 percent). Offenders without a CSRA score returned to prison at a rate of 34.5 percent after three years of follow-up.

Between FY 2009-10 and FY 2010-11, the three-year return-to-prison rate decreased for each CSRA category (Appendix C). High risk decreased by 11.5 percentage points between FY 2009-10 and FY 2010-11 (67.4 percent and 55.9 percent, respectively), moderate risk decreased by 8.8 percentage points (44.7 percent and 35.9 percent, respectively), and low risk decreased by 6.7 percentage points (30.4

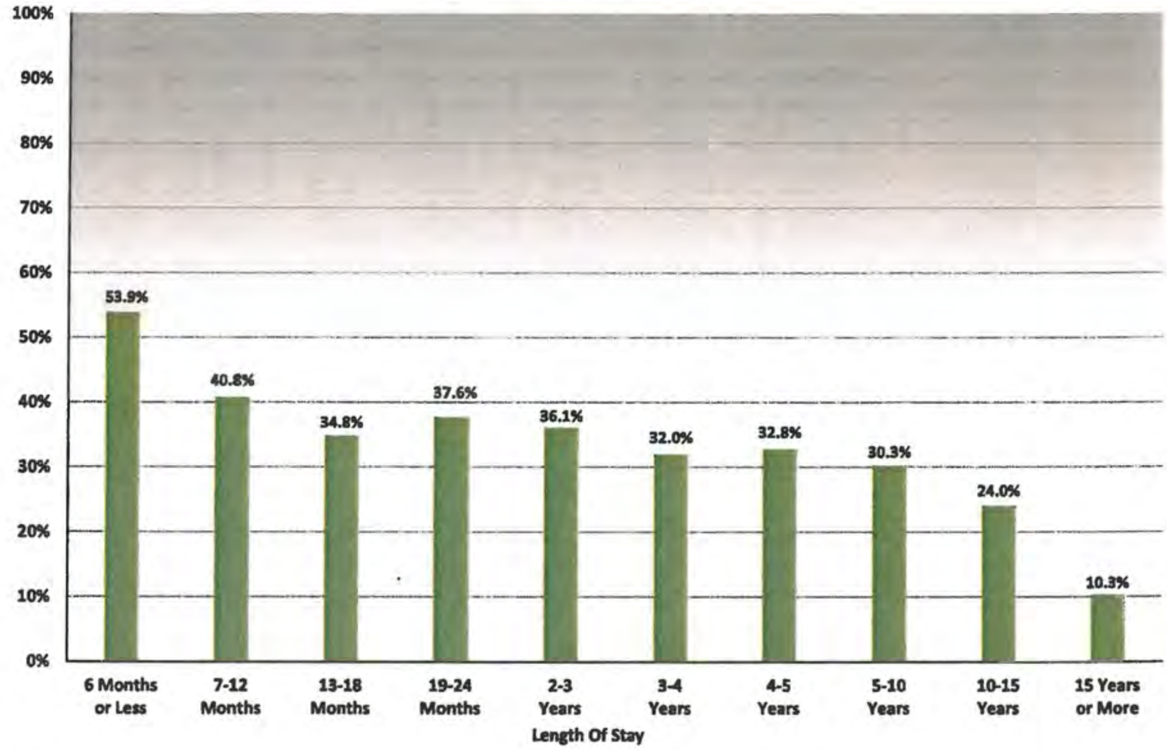
percent and 23.6 percent, respectively). The rate for offenders without a CSRA score decreased by 8.6 percentage points between FY 2009-10 and FY 2010-11 (43.1 percent and 34.5 percent, respectively).

Table 17. Return-to-Prison Rates by Risk of Return

		One-Year		Two-Year		Three-Year	
CSRA Score	**Number Released**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**
Low	17,421	3,287	18.9%	3,724	21.4%	4,117	23.6%
Moderate	25,108	6,941	27.6%	8,087	32.2%	9,023	35.9%
High	52,331	24,351	46.5%	27,258	52.1%	29,235	55.9%
N/A	830	231	27.8%	262	31.6%	286	34.5%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

5.2.9 Length of Stay

Figure 15. Three-Year Return-to-Prison Rate by Length of Stay



The above figure and below table show offenders' length of stay for their current term. The three-year return-to-prison rate is highest (53.9 percent or 22,653 offenders) for offenders who stayed six months or less. The rate drops 13.1 percentage points for offenders who stay between seven months to a year (40.8 percent or 10,441 offenders). After one year, the rate ranges from 37.6 percent (19 to 24 months) to 10.3 percent for offenders who stay 15 years or longer.

As shown in Appendix C, the three-year return-to-prison rate decreased for each length of stay category between FY 2009-10 and FY 2010-11. The largest decrease between the two fiscal years (14.5 percentage points) was seen for offenders staying between three to four years (46.5 percent and 32 percent, respectively). Although offenders who stay 15 years or longer had the lowest three-year return-to-prison rate (10.3 percent) among all length of stay categories, the decrease between FY 2009-10 and FY 2010-11 was the smallest at 6.8 percentage points.

Table 18. Return-to-Prison Rates by Length of Stay

		One-Year		Two-Year		Three-Year	
Length of Stay	Number Released	Number Returned	Return Rate	Number Returned	Return Rate	Number Returned	Return Rate
6 months or less	42,018	19,810	47.1%	21,489	51.1%	22,653	53.9%
7 - 12 months	25,592	8,332	32.6%	9,566	37.4%	10,441	40.8%
13 - 18 months	9,056	2,322	25.6%	2,803	31.0%	3,155	34.8%
19 - 24 months	5,579	1,464	26.2%	1,803	32.3%	2,099	37.6%
2 - 3 years	5,350	1,325	24.8%	1,668	31.2%	1,931	36.1%
3 - 4 years	2,567	539	21.0%	690	26.9%	821	32.0%
4 - 5 years	1,583	344	21.7%	437	27.6%	519	32.8%
5 - 10 years	2,552	507	19.9%	645	25.3%	772	30.3%
10 - 15 years	919	134	14.6%	187	20.3%	221	24.0%
15 years or more	474	33	7.0%	43	9.1%	49	10.3%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

5.2.10 Number of Returns to Custody Prior to Release

Figure 16. Three-Year Return-to-Prison Rate by Number of Returns to Custody on the Current Term Prior to Release

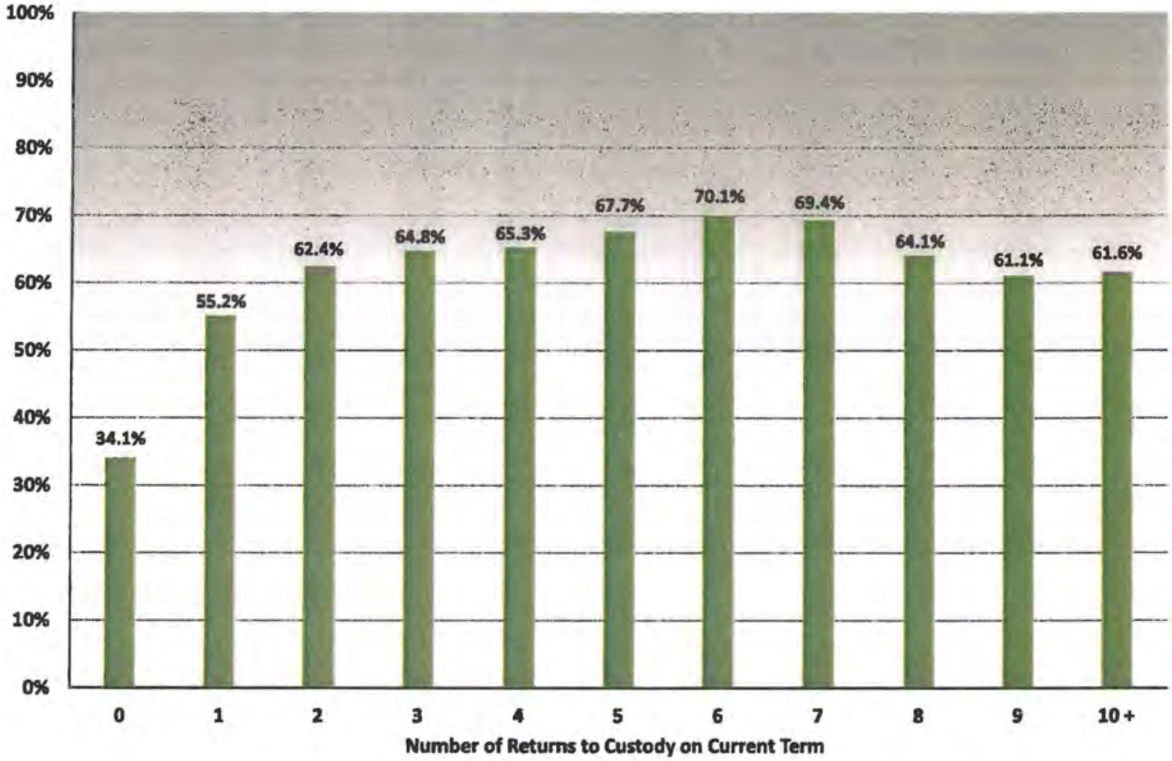


Figure 16 and Table 19 show return-to-prison rates by the number of times an offender returned to a CDCR adult institution on their current term, prior to their release. Offenders with no returns (zero returns), represent offenders released for the first time (i.e. these individuals have no prior returns for their current term). An offender with one return to custody (RTC) was previously released from CDCR on the current term and returned once on their current term.

Offenders without an RTC (zero RTCs) have the lowest three-year return-to-prison rate (34.1 percent or 19,778 offenders) of all RTC categories, followed by offenders with one return (55.2 percent or 8,513 offenders). The increase in the three-year return-to-prison rate between no RTCs and one RTC is substantial; 21.1 percentage points. From this point, the three-year return-to-prison rate is relatively stable and increased slightly with each return to custody, until the seventh return to custody. Offenders with six RTCs return at a rate of 70.1 percent and those with seven RTCs return at a rate of 69.4 percent. The rate decreases until a slight increase is observed between nine RTCs (61.1 percent) and 10 or more RTCs (61.6 percent).

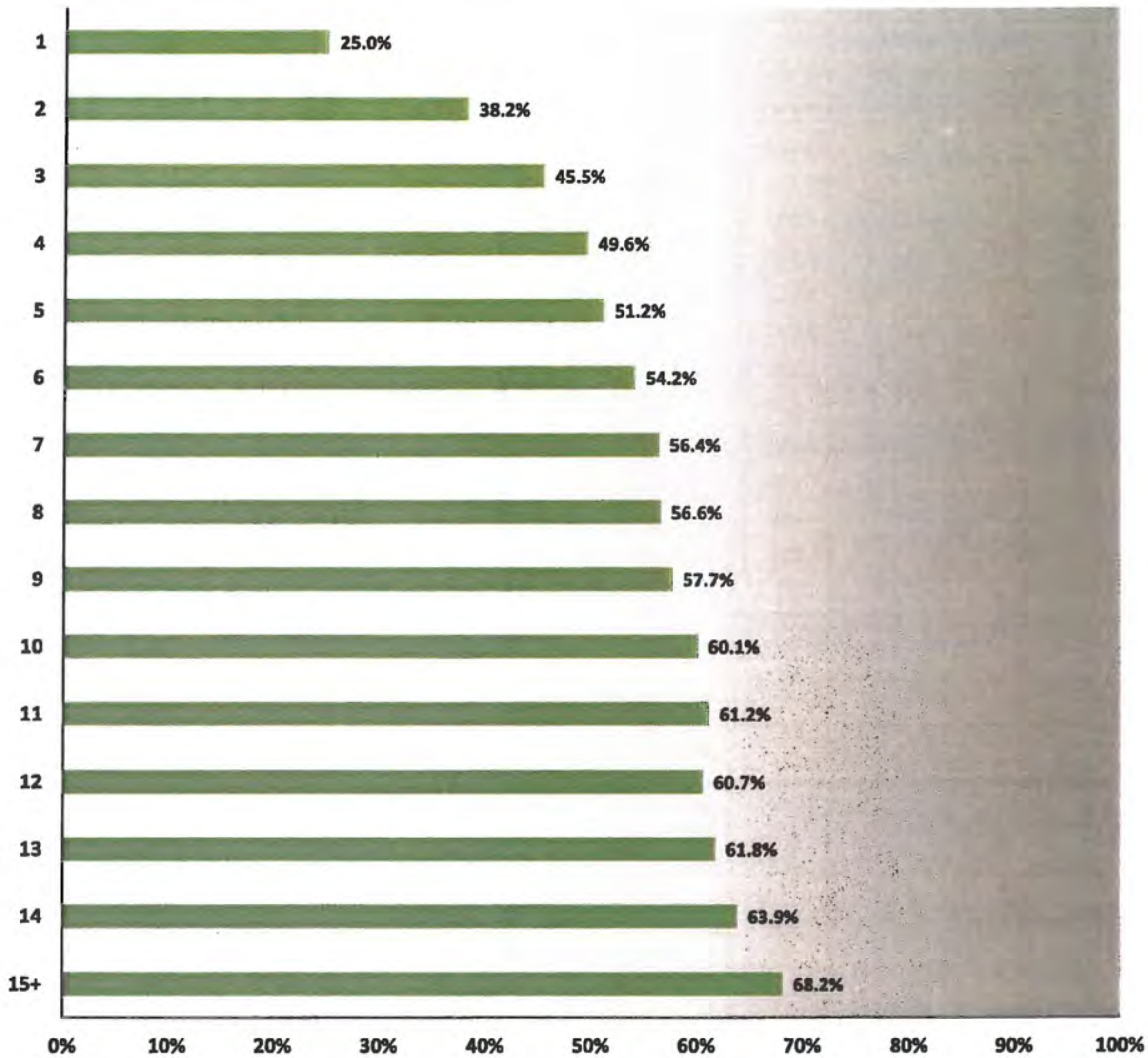
With the exception of seven RTCs (69.4 percent), the three-year return-to-prison rate decreased across all RTC categories between FY 2009-10 and FY 2010-11 (Appendix C). The largest decrease was observed at one RTC (11.3 percentage points) and the smallest decrease was at six or more RTCs (1.6 percentage points). The three-year return-to-prison rate remained the same at 69.4 percent for offenders with seven RTCs.

Table 19. Return-to-Prison Rates by Number of Returns to Custody on the Current Term Prior to Release

		One-Year		Two-Year		Three-Year	
Returns to Custody on Current Term	**Number Released**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**
0	58,057	14,708	25.3%	17,580	30.3%	19,778	34.1%
1	15,431	7,299	47.3%	8,031	52.0%	8,513	55.2%
2	7,997	4,352	54.4%	4,739	59.3%	4,994	62.4%
3	5,116	2,993	58.5%	3,170	62.0%	3,316	64.8%
4	3,412	2,001	58.6%	2,133	62.5%	2,229	65.3%
5	2,230	1,345	60.3%	1,439	64.5%	1,509	67.7%
6	1,380	871	63.1%	927	67.2%	967	70.1%
7	889	562	63.2%	600	67.5%	617	69.4%
8	538	319	59.3%	334	62.1%	345	64.1%
9	265	152	57.4%	158	59.6%	162	61.1%
10 +	375	208	55.5%	220	58.7%	231	61.6%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

5.2.11 Number of CDCR Stays Ever

Figure 17. Three-Year Return-to-Prison Rate by Total Number of Stays



A stay is defined as any period of time an offender is housed in a CDCR adult institution. Each time an offender returns to prison, it is considered a new stay, regardless of whether the return represents a new admission, a parole violation with a new term, or a return-to-prison following a parole violation. The number of stays is cumulative over any number of convictions or terms in an offender's criminal history.

Figure 17 and Table 20 show the three-year return-to-prison rate by the number of stays ever at a CDCR institution. As the number of stays increases, the three-year return-to-prison rate also increases, with the exception of 12 stays when the rate slightly decreases. The most substantial increase (13.2 percentage points) in the three-year return-to-prison rate occurs between one stay (25 percent) and two stays (38.2 percent). In general, the return-to-prison rate increases slightly with each stay, with the exception of 12 stays (60.7), where the rate decreases by half of a percentage point from 11 stays (61.2 percent). Offenders with one stay have the lowest three-year return-to-prison rate of all number of stay categories at 25 percent, while offenders with 15 or more stays have the highest rate at 68.2 percent.

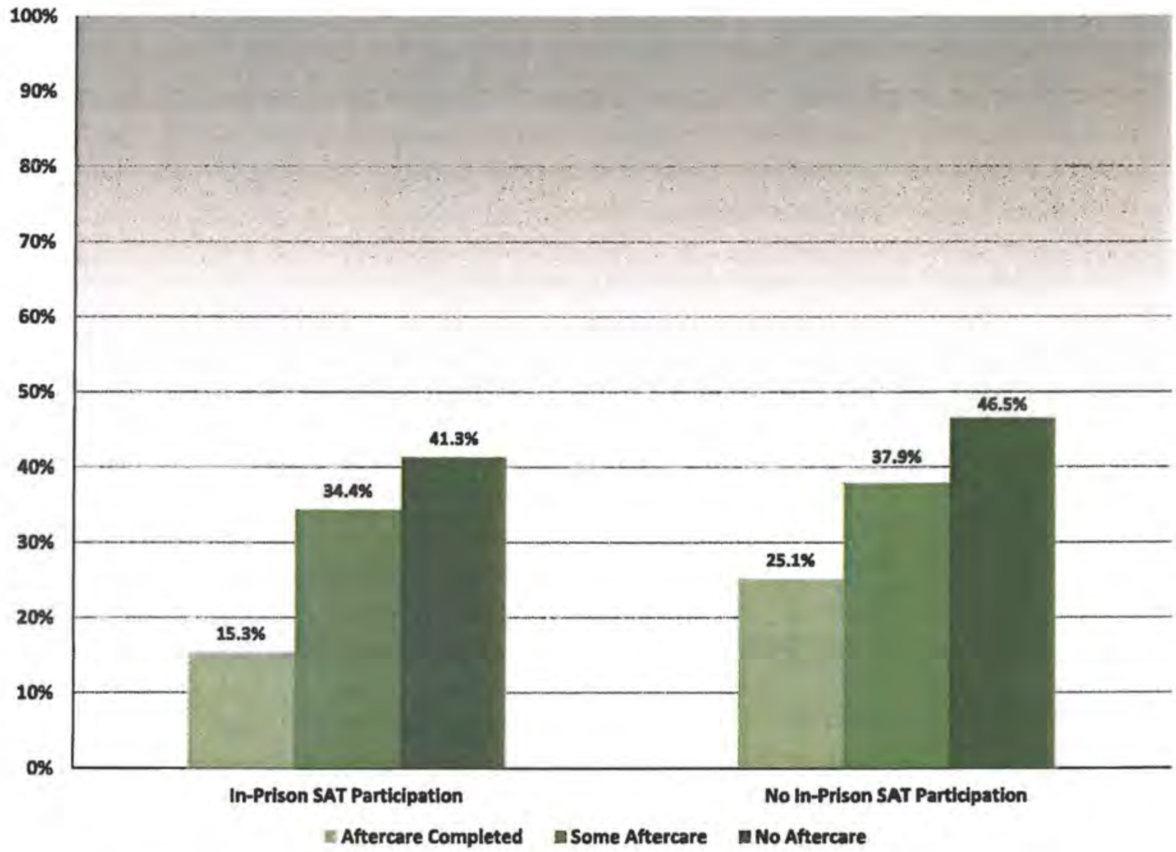
Between FY 2009-10 and FY 2010-11, the three-year return-to-prison rate decreased across every category of stays (Appendix C). The largest decrease (12.5 percentage points) between the two fiscal years was observed at offenders with 14 stays (76.4 percent and 63.9 percent, respectively). The smallest decrease (8.4 percent) was observed at offenders with one stay between FY 2009-10 and FY 2010-11 (33.5 percent and 25 percent, respectively).

Table 20. Return-to-Prison Rates by Total Number of Stays

		One-Year		Two-Year		Three-Year	
Stays	**Number Released**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**
1	26,426	4,843	18.3%	5,814	22.0%	6,615	25.0%
2	12,837	3,844	29.9%	4,464	34.8%	4,903	38.2%
3	9,182	3,305	36.0%	3,811	41.5%	4,174	45.5%
4	7,658	3,065	40.0%	3,504	45.8%	3,800	49.6%
5	6,376	2,673	41.9%	3,011	47.2%	3,265	51.2%
6	5,303	2,394	45.1%	2,667	50.3%	2,872	54.2%
7	4,432	2,057	46.4%	2,304	52.0%	2,501	56.4%
8	3,734	1,781	47.7%	1,975	52.9%	2,113	56.6%
9	3,188	1,556	48.8%	1,718	53.9%	1,840	57.7%
10	2,826	1,446	51.2%	1,587	56.2%	1,699	60.1%
11	2,296	1,216	53.0%	1,325	57.7%	1,405	61.2%
12	2,072	1,093	52.8%	1,199	57.9%	1,257	60.7%
13	1,613	861	53.4%	945	58.6%	997	61.8%
14	1,409	787	55.9%	855	60.7%	900	63.9%
15 +	6,338	3,889	61.4%	4,152	65.5%	4,320	68.2%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

5.2.12 In-Prison and Community-Based Substance Abuse Treatment Programs

Figure 18. Three-Year Return-to-Prison Rate by Substance Abuse Treatment Participation



In-prison substance abuse treatment (SAT) and community-based SAT programs are designed to expose offenders to a continuum of services during incarceration and facilitate successful re-entry into community living. Services include: substance abuse treatment, recovery services, social, cognitive and behavioral counseling, life skills training, health-related education, and relapse prevention services. Community-based substance abuse treatment programs (also referred to as "continuing care" or "aftercare") provide post-release substance abuse treatment services through Substance Abuse Services Coordination Agencies (SASCA). SASCAs are responsible for referring, placing, and tracking parolees in appropriate SAT programs.

Return-to-prison rates by participation in SAT and aftercare programs are presented in Figure 18 and Table 21. As shown in Table 21, offenders who received in-prison SAT and complete aftercare (919 offenders) have the lowest return-to-prison rate (15.3 percent or 141 offenders). The three-year return-to-prison rate increases by nearly 20 percentage points (from 15.3 percent to 34.4 percent) if an offender only receives some aftercare. Among offenders who received in-prison SAT, offenders who do not receive aftercare return-to-prison at the highest rate (41.3 percent). Overall, offenders who received in-prison SAT, regardless of aftercare, return-to-prison at a rate of 36.2 percent after three years of follow-up, which is 8.4 percentage points below the state-wide rate of 44.6 percent.

Participation in aftercare or community-based SAT, without in-prison SAT, is also associated with lower rates of return. Offenders who did not receive in-prison SAT, but completed aftercare have a three-year return-to-prison rate of 25.1 percent and offenders who complete some aftercare have a three-year return-to-prison rate of 37.9 percent. Offenders who do not receive in-prison SAT or aftercare return-to-prison at a rate of 46.5 percent, which is substantially higher than offenders who receive some form of in-prison SAT or aftercare, and is 1.9 percentage points higher than the state-wide rate of 44.6 percent.

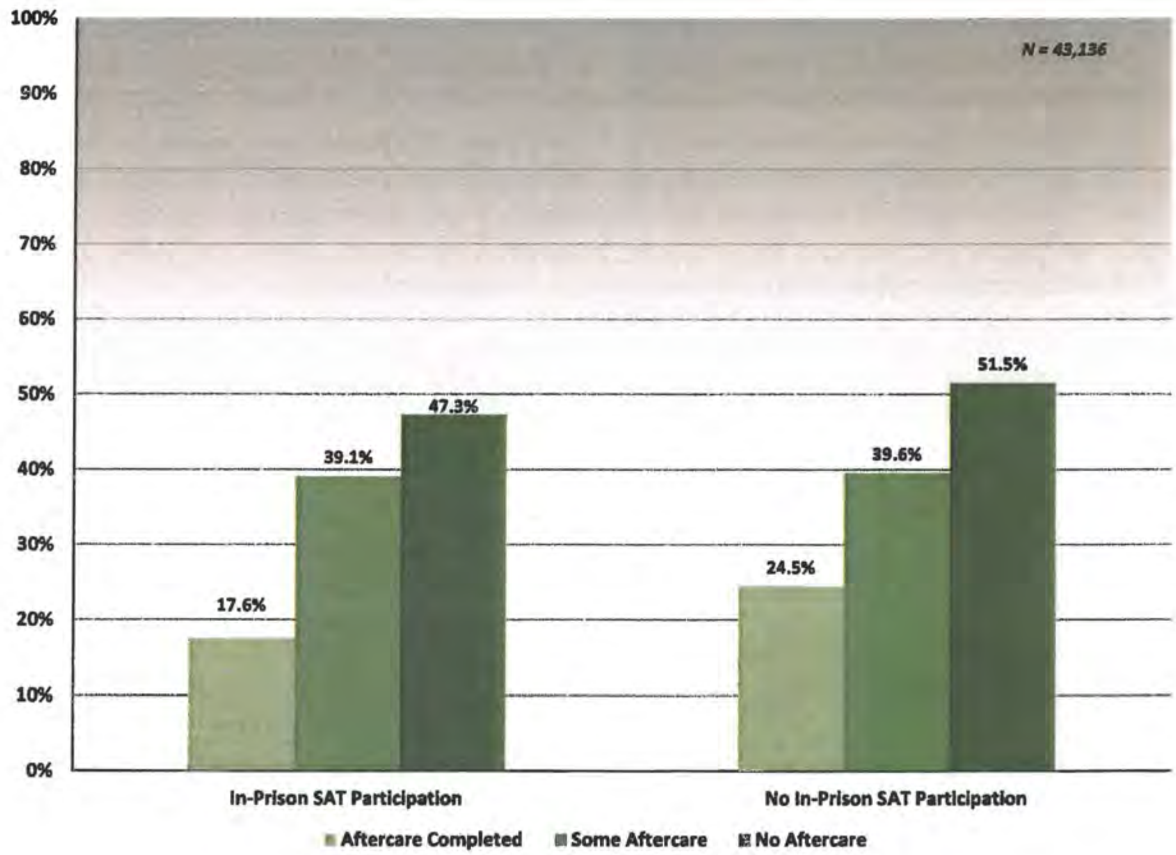
Lower return-to-prison rates among offenders who receive any form of in-prison SAT or aftercare demonstrates the value of these programs. The most substantial impact of SAT on reoffending is seen in offenders who receive in-prison SAT and complete aftercare; the rate for these offenders (15.3 percent) is 29.3 percentage points lower than the state-wide rate (44.6 percent) and 31.2 percentage points lower than the rate for offenders who do not participate in SAT or aftercare (46.5 percent).

Table 21. Return-to-Prison Rates by Substance Abuse Treatment Participation

		One-Year		Two-Year		Three-Year	
Substance Abuse Treatment Participation	**Number Released**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**
In-Prison SAT Participation							
Completed Aftercare	919	58	6.3%	98	10.7%	141	15.3%
Some Aftercare	858	210	24.5%	250	29.1%	295	34.4%
No Aftercare	4,064	1,280	31.5%	1,500	36.9%	1,678	41.3%
Subtotal	**5,841**	**1,548**	26.5%	**1,848**	31.6%	**2,114**	36.2%
No In-Prison SAT Participation							
Completed Aftercare	4,348	770	17.7%	957	22.0%	1,092	25.1%
Some Aftercare	3,758	1,044	27.8%	1,251	33.3%	1,425	37.9%
No Aftercare	81,743	31,448	38.5%	35,275	43.2%	38,030	46.5%
Subtotal	**89,849**	**33,262**	37.0%	**37,483**	41.7%	**40,547**	45.1%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,561**	**44.6%**

5.2.13 Return-to-Prison Rates by Substance Abuse Treatment Participation for Offenders with an Identified Treatment Need

Figure 19. Three-Year Return-to-Prison Rate by Substance Abuse Treatment Participation and Substance Abuse Need



The Correctional Offender Management and Profiling Alternative Sanctions (COMPAS) is an automated tool designed to assess offenders' criminogenic needs. The COMPAS is used by criminal justice agencies across the nation to inform decisions regarding placement, supervision, and case management of offenders. The needs assessment categorizes offenders as having no need, probable need, or a highly probable need for services and treatment in areas such as substance abuse, criminal thinking, and education. The COMPAS is used by CDCR and has been validated on its population. However, the COMPAS alone cannot reduce reoffending. The COMPAS is a tool that provides CDCR with information regarding an offender's individual needs. Information from the assessment can be used to place offenders in programming that can meet an offender's specific criminogenic needs. Use of the COMPAS, along with an appropriate (and well-implemented) evidence-based program should reduce reoffending.

Figure 19 and Table 22 show return-to-prison rates by COMPAS assessment and participation in SAT. Of the 95,690 offenders released in FY 2010-11, 72.1 percent of the release cohort (69,014 offenders) had a COMPAS assessment. Of those offenders, 45.1 percent (43,136 offenders) either had a probable need or a highly probable need for services and treatment, and 27.9 percent (26,676 offenders) did not have a need for treatment services.

Offenders with an identified treatment need and who received in-prison SAT and completed aftercare returned to prison at the lowest rate (17.6 percent) after three years of follow-up, followed by offenders who completed some aftercare (39.1 percent), and offenders who completed no aftercare (47.3 percent). Overall, offenders with a treatment need who received in-prison SAT, regardless of aftercare, returned to prison at a rate of 40.5 percent.

Offenders with an identified treatment need who did not receive in-prison SAT, but received some sort of aftercare, returned to prison at slightly higher rates than those who received in-prison SAT. Offenders with an identified treatment need who did not receive in-prison SAT but completed aftercare returned to prison at the lowest rate (24.5 percent) after three years of follow-up, followed by offenders who completed some aftercare (39.6 percent), and offenders who did not receive aftercare (51.5 percent). Offenders with an identified treatment need who did not receive in-prison SAT or aftercare are expected to return to State prison at higher rates. Their rate of return (51.5 percent) is 10.4 percentage points higher than offenders with no assessment/no treatment need (41.1 percent) and 6.9 percentage points higher than the state-wide rate (44.6 percent), demonstrating the importance of treatment for those with an identified treatment need.

Table 22. Return-to-Prison Rates by Substance Abuse Treatment Participation and Substance Abuse Need

		One-Year		Two-Year		Three-Year	
Substance Abuse Treatment Participation and Substance Abuse Need	Number Released	Number Returned	Return Rate	Number Returned	Return Rate	Number Returned	Return Rate
In-Prison SAT Participation/Had Substance Abuse Need							
Completed Aftercare	564	38	6.7%	68	12.1%	99	17.6%
Some Aftercare	537	157	29.2%	185	34.5%	210	39.1%
No Aftercare	2,027	748	36.9%	866	42.7%	959	47.3%
Subtotal	**3,128**	**943**	30.1%	**1,119**	35.8%	**1,268**	40.5%
No In-Prison SAT Participation/Had Substance Abuse Need							
Completed Aftercare	2,248	391	17.4%	482	21.4%	550	24.5%
Some Aftercare	1,886	559	29.6%	661	35.0%	746	39.6%
No Aftercare	35,874	15,406	42.9%	17,179	47.9%	18,473	51.5%
Subtotal	**40,008**	**16,356**	40.9%	**18,322**	45.8%	**19,769**	49.4%
No Assessment/No Substance Abuse Need Identified							
	52,554	17,511	33.3%	19,890	37.8%	21,624	41.1%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

6 Offender Outcomes and Type of Return to CDCR

6.1 Three-Year Outcomes for the Fiscal Year 2010-11 Release Cohort

Figure 20. Three-Year Outcomes for Fiscal Year 2010-11 Release Cohort

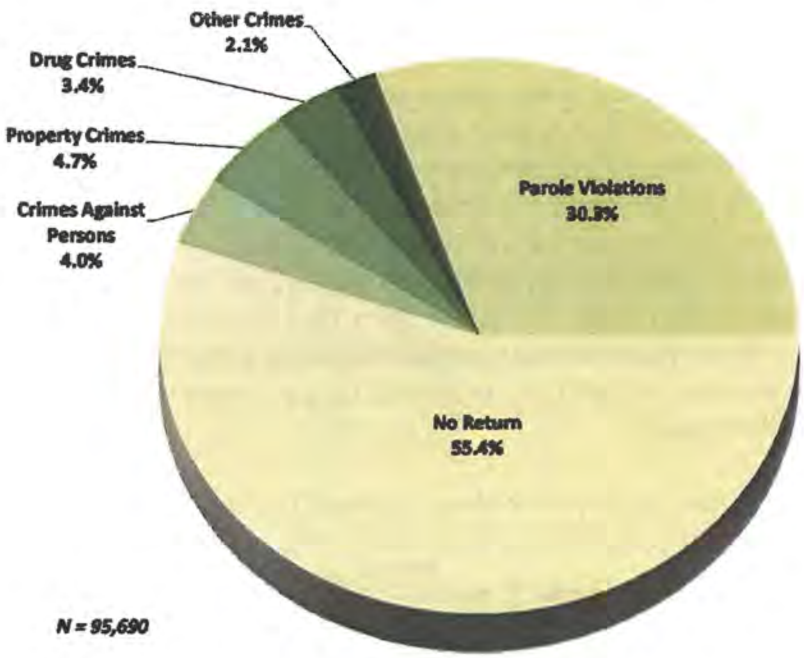


Figure 20 and Table 23 present outcomes for the 95,690 offenders released from prison during FY 2010-11. Of the 95,690 offenders released, 30.3 percent of the release cohort (29,028 offenders) returned to prison for parole violations and nearly 15 percent of the release cohort (14.2 percent or 13,633 offenders) returned to prison after conviction of a new criminal offense. Of the 13,633 offenders that returned after conviction of a new criminal offense, 4.7 percent of the release cohort (4,520 offenders) were returned for property crimes, followed by 4 percent of the release cohort (3,834 offenders) for crimes against persons, and 3.4 percent of the release cohort (3,279 offenders) for drug crimes. Over two percent of the release cohort (2.1 percent or 2,000 offenders) were convicted of other crimes and over 55 percent of the release cohort (55.4 percent or 53,029 offenders) completed the three-year follow-up period without returning to prison.

When examining the 95,690 offenders released in FY 2010-11, changes in the type/reason for returning to CDCR can largely be attributed to the implementation of Realignment in October 2011. Although each of the 95,690 offenders were released pre-Realignment, depending on their date of release, Realignment was in effect for various amounts of time during an offender's three-year follow-up period. Realignment changed the parole revocation process so that only offenders previously sentenced to a

life-term can be revoked to prison and all other parole revocations are served in county jail, instead of State prison.

An examination of returns to State prison for the last three release cohorts studied by the CDCR (FY 2008-09, FY 2009-10, and FY 2010-11) shows substantial decreases in returns to prison for parole violations. As shown in Table 23, 42.3 percent of the FY 2008-09 release cohort returned for parole violations. In FY 2008-09 there were more offenders returned for parole violations (42.3 percent of the release cohort or 47,793 offenders) than offenders who did not return to State prison during the three-year follow-up period (39 percent of the release cohort or 44,074 offenders). The percentage of offenders returned for parole violations decreased by 4.4 percentage points between FY 2008-09 (42.3 percent of the release cohort) and FY 2009-10 (37.9 percent of the release cohort) and the number of offenders who did not return to State prison during the three-year follow-up period increased by 6.7 percentage points (39 percent to 45.7 percent of the release cohorts, respectively).

The most substantial decrease in parole violations is noted between FY 2009-10 and FY 2010-11. While 37.9 percent of the FY 2009-10 release cohort returned for parole violations, the percentage decreased by 7.6 percentage points in FY 2010-11 to 30.3 percent of the release cohort. The number of offenders who completed the three-year follow-up period without returning to prison also saw a substantial increase; in FY 2009-10, 45.7 percent of the release cohort completed the three-year follow-up period without returning to prison and the number increased by 9.7 percentage points to 55.4 percent of the release cohort in FY 2010-11.

Realignment intended for offenders committing more serious and violent crimes, such as crimes against persons, to serve sentences in State prison, while low-level offenders who cycled in and out of prison, would serve their sentences in county jail. The percentage of offenders returning to State prison has changed according to Realignment's intent; the number of offenders returned for crimes against persons, which tend to be more serious and violent, have slowly increased over the last three release cohorts and the number of offenders returning for property and drug crimes have decreased.

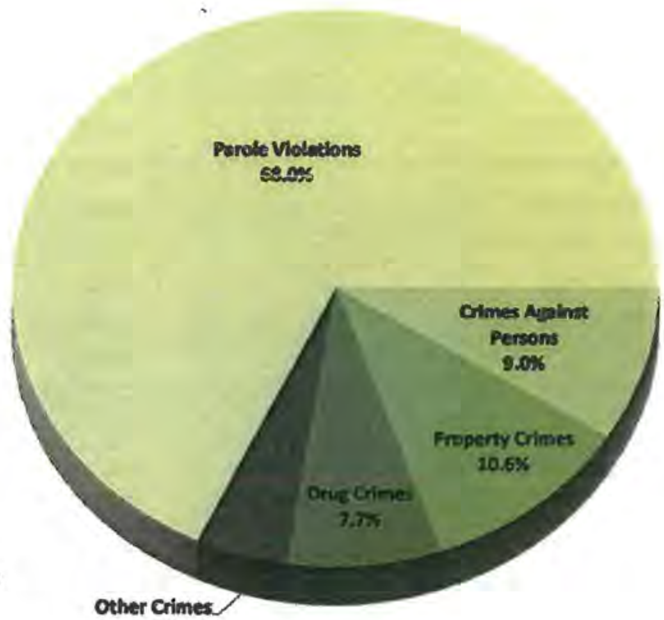
Between FY 2008-09 and FY 2009-10, crimes against persons increased by less than one percentage point (from 3.5 percent to 3.6 percent of the release cohorts, respectively). The increase between FY 2009-10 and FY 2010-11 was also slight; from 3.6 percent to 4 percent of the release cohorts. The decrease in property crimes and drug crimes were more substantial across the three release cohorts. Property crimes decreased from 7.1 percent to 6.2 percent of the release cohorts between FY 2008-09 and FY 2009-10 and from 6.2 percent to 4.7 percent of the release cohorts between FY 2009-10 and FY 2010-11. Drug crimes decreased from 5.6 percent of the release cohort in FY 2008-09 to 4.5 percent of the release cohort in FY 2009-10 and from 4.5 percent of the release cohort to 3.4 percent of the release cohort between FY 2009-10 and FY 2010-11. Other crimes have remained fairly consistent; 2.4 percent of the release cohort was returned for other crimes in FY 2008-09, 2.1 percent of the release cohort in FY 2009-10, and again, 2.1 percent of the release cohort in FY 2010-11.

Table 23. Three-Year Outcomes for Fiscal Year 2008-09, 2009-10, and 2010-11 Release Cohorts

	FY 2008-09		FY 2009-10		FY 2010-11	
Type of Return	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
No Return to Prison	44,074	39.0%	47,959	45.7%	53,029	55.4%
Crimes Against Persons	3,925	3.5%	3,771	3.6%	3,834	4.0%
Property Crimes	8,055	7.1%	6,541	6.2%	4,520	4.7%
Drug Crimes	6,299	5.6%	4,730	4.5%	3,279	3.4%
Other Crimes	2,731	2.4%	2,233	2.1%	2,000	2.1%
Parole Violations	47,793	42.3%	39,747	37.9%	29,028	30.3%
Total	**112,877**	**100.0%**	**104,981**	**100.0%**	**95,690**	**100.0%**

6.2 Type of Return for the Fiscal Year 2010-11 Offenders Returning to State Prison

Figure 21. Type of Return for the 42,661 Offenders Returned to State Prison Following Release in FY 2010-11



Of the 95,690 offenders released in FY 2010-11, 42,661 offenders (44.6 percent of the release cohort) returned to State prison within three years of their release. This section provides further analysis of the 42,661 returns to prison (excluding the 53,029 offenders that did not return to prison), in order to more closely examine the return types of offenders released in FY 2010-11. Of the total returns (42,661 offenders), parole violations (68 percent of all returns or 29,028 offenders) accounted for the largest number of returns, followed by property crimes (10.6 percent of all returns or 4,520 offenders), crimes against persons (9 percent of all returns or 3,834 offenders), and drug crimes (7.7 percent of all returns or 3,279 offenders). Other crimes comprised 4.7 percent (2,000 offenders) of all returns.

As intended under Realignment, most parole violators serve their sentences in county jail, rather than State prison, thus, decreases in parole violations have been observed since Realignment's passage in October 2011. However, due to the timing in which the FY 2010-11 cohort was released and the passage of Realignment in October 2011, parole violations still comprise a large number of the returns for the FY 2010-11 release cohort (68 percent of all returns). Each of the 95,690 offenders released in FY 2010-11 were released pre-Realignment, but Realignment was in effect for varying amounts of time during each offender's three-year follow-up period and many offenders were released into the community for a year or more when Realignment was implemented. An examination of the FY 2010-11 release cohort, as well as other CDCR cohorts, shows most offenders who return to State prison, return within the first year of their release. Over eighty percent (81.6 percent of the release cohort or 34,810 offenders) of the 42,661 offenders who were released in FY 2010-11 and returned to prison, returned within the first year of

their release. For most of these offenders, returns to prison for parole violations, rather than county jail, was possible because Realignment had not yet been implemented. As Realignment continues to be in place during a larger portion of future release cohorts' follow-up period, further decreases in returns to prison for parole violations are expected.

Table 24. Type of Return for the 42,661 Offenders Returned to State Prison Following Release in FY 2010-11

	Returned	
Type of Return	**Number**	**Percent**
Parole Violations	29,028	68.0%
Property Crimes	4,520	10.6%
Crime Against Persons	3,834	9.0%
Drug Crimes	3,279	7.7%
Other Crimes	2,000	4.7%
Total	**42,661**	**100.0%**

6.3 Impact of Realignment

Realignment became law on October 1, 2011 and requires most non-serious, non-violent, and non-sex registrant offenders be sentenced to and serve parole revocations in county jails, rather than State prison, with the intent of reducing the number of low-level offenders cycling in and out of California's prisons. Realignment also changed the State's system of post-release supervision so that most non-serious, non-violent, and non-sex registrant offenders are released to Post-Release Community Supervision (PRCS), which is administered by county probation departments; whereas most high-risk sex offenders, lifers, and offenders committing a serious or violent crime are released to parole and supervised by State parole agents. Realignment changed the parole revocation process so that only offenders previously sentenced to a life-term can be revoked to prison and all other parole revocations are served in county jails.

As shown in the time to return section of this report, a large number of offenders who return to State prison, return during the first and second quarters following their release, meaning that a large number of offenders had already returned to prison when Realignment was implemented in October 2011. Of the 95,690 offenders released during FY 2010-11, 33,666 offenders (35.2 percent) had returned to prison prior to the implementation of Realignment and 62,024 offenders (64.8 percent) had not returned to prison. The 33,666 offenders who returned to prison prior to the implementation of Realignment have been removed from this analysis in order to further examine the impacts of Realignment by analyzing only those offenders who did not return to prison prior to the implementation of Realignment (62,024 offenders). The 62,024 offenders were followed for a period ranging from one day to approximately 33 months, post-Realignment, before they were either returned to prison or completed the three-year follow-up period without returning to prison. Although each of the 95,690 offenders were followed for a full three-year follow-up period, regardless of whether they returned to prison prior to or after the implementation of Realignment, this section further examines the 62,024 offenders that did not return to prison prior to the implementation of Realignment.

Of the 62,024 offenders not returned to prison prior to the implementation of Realignment, 18.7 percent (11,598 offenders) were discharged from parole prior to the implementation of Realignment and 25.9 percent (16,051 offenders) remained on parole post-Realignment. Over half (55.4 percent or 34,375 offenders) were on parole when Realignment was implemented, but were later discharged from parole after Realignment was implemented.

Of the 11,598 offenders discharged from parole prior to the implementation of Realignment, 92.2 percent (10,696 offenders) completed the three-year follow-up period without returning to State prison and 7.8 percent (902 offenders) were returned to State prison with a new term. Of the 16,051 offenders who remained on parole post-Realignment, 63.2 percent (10,147 offenders) completed the three-year follow-up period without returning to State prison, 31.9 percent (5,122 offenders) were returned to CDCR with a new term, and 4.9 percent (782 offenders) were returned for parole violations. Of the 34,375 offenders who were on parole prior to the implementation of Realignment and were later discharged, 93.6 percent (32,186 offenders) completed the follow-up period without returning to State prison and 6.4 percent (2,189 offenders) were returned with a new term.

Until a CDCR cohort is released post-Realignment and an entire three-year follow-up period occurs, the full impact of Realignment on the State's return-to-prison rate will be unknown. It is expected the State's three-year return-to-prison will continue to decrease through the next two fiscal years of releases (FY 2011-12 and FY 2012-13 release cohorts). As the rate continues to be impacted by Realignment, the make-up of CDCR's offender population will be impacted as well. The CDCR will continue to examine changes to the State's three-year return-to-prison rate, the offender population, and arrest and conviction data when available.

Appendix A

Supplemental Recidivism Rates: Arrests, Convictions, and Returns to Prison

The below figures and tables present supplemental recidivism rates (arrests, convictions, and returns to prison) for adult offenders released from CDCR adult institutions. One-year rates are provided for FY 2002-03 through FY 2012-13 and provide the most years of comparative data.[7] Although only a one-year rate is provided for these years, it is a good indicator of recidivism (as previously indicated in this report) because over 80 percent of offenders who returned to prison, returned within the first year of release. In order to provide the most comprehensive data available, one-year rates are followed by two- and three-year supplemental recidivism rates.[8] Two-year supplemental recidivism rates are available for Fiscal Year 2002-03 through Fiscal Year 2011-12 and three-year rates are available for Fiscal Year 2002-03 through Fiscal Year 2010-11.

An examination of one-year return-to-prison rates by fiscal year, shows a substantial difference (26.6 percentage points) between the FY 2010-11 (36.4 percent) and FY 2011-12 release cohorts (9.8 percent). The decrease between the two rates was preceded and followed by less substantial decreases; the one-year return-to-prison rate decreased 5.6 percentage points between the FY 2009-10 and FY 2010-11 release cohorts and 3.2 percentage points between the FY 2011-12 and FY 2012-13 release cohorts. The one-year arrest and conviction rate remained relatively stable through the FY 2010-11 release cohort and both rates saw a slight increase with the FY 2011-12 release cohort; arrests increased 2.2 percentage points and convictions 3.5 percentage points. Following the increase in the arrest and convictions rates among the FY 2011-12 release cohort, both rates decreased with the FY 2012-13 release cohort. The FY 2012-13 one-year arrest rate (50.5 percent) was the lowest among all release cohorts examined. Similarly, the one-year conviction rate for the FY 2012-13 release cohort was 20.3 percent, which is the lowest one-year conviction rate since the FY 2002-03 rate of 19.7 percent. The FY 2011-12 time period (July 1, 2011 through June 30, 2012) encompassed the start of Realignment (October 2011) and may account for the increase in arrests and convictions, and the substantial decrease in returns to State prison, as the state and counties adjusted to the new system.

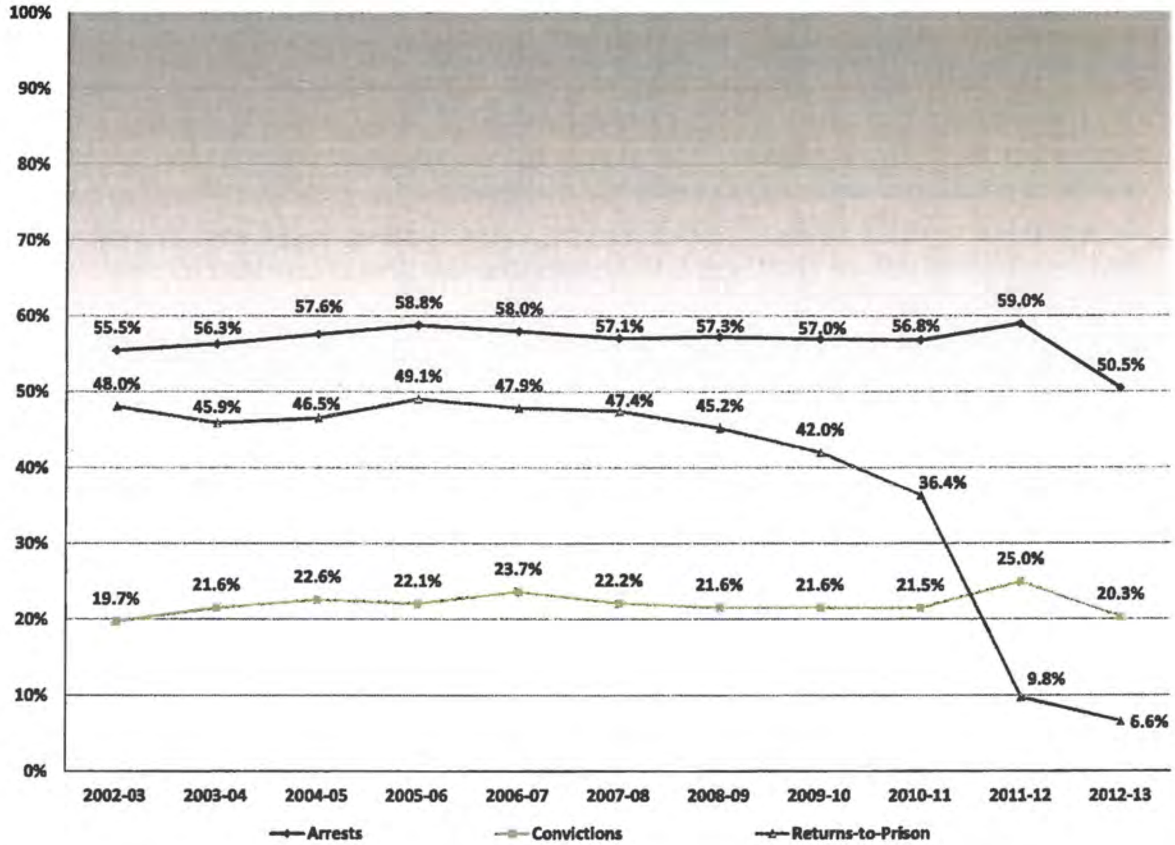
Similar patterns are found in the two-year arrest, conviction, and return-to-prison rates, although less pronounced. Between the FY 2009-10 and FY 2010-11 release cohorts, the two-year return-to-prison rate decreased 11 percentage points, while the two-year arrest and conviction rates slightly increased (0.8 of a percentage point and 1.3 percentage points, respectively). Between FY 2010-11 and FY 2011-12, the two-year return-to-prison rate decreased 22.9 percentage points, while the two-year arrest and conviction rates saw another slight increase (0.5 of a percentage point and 2.3 percentage points, respectively). When examining the three-year arrest, conviction, and return-to-prison rates, arrests and convictions remained relatively stable between the FY 2009-10 and 2010-11 release cohorts (arrests

[7] The arrest, conviction, and return-to-prison data contained in these figures and charts were extracted in April 2016 to minimize the effects of the time lag of data entry into the State's systems.

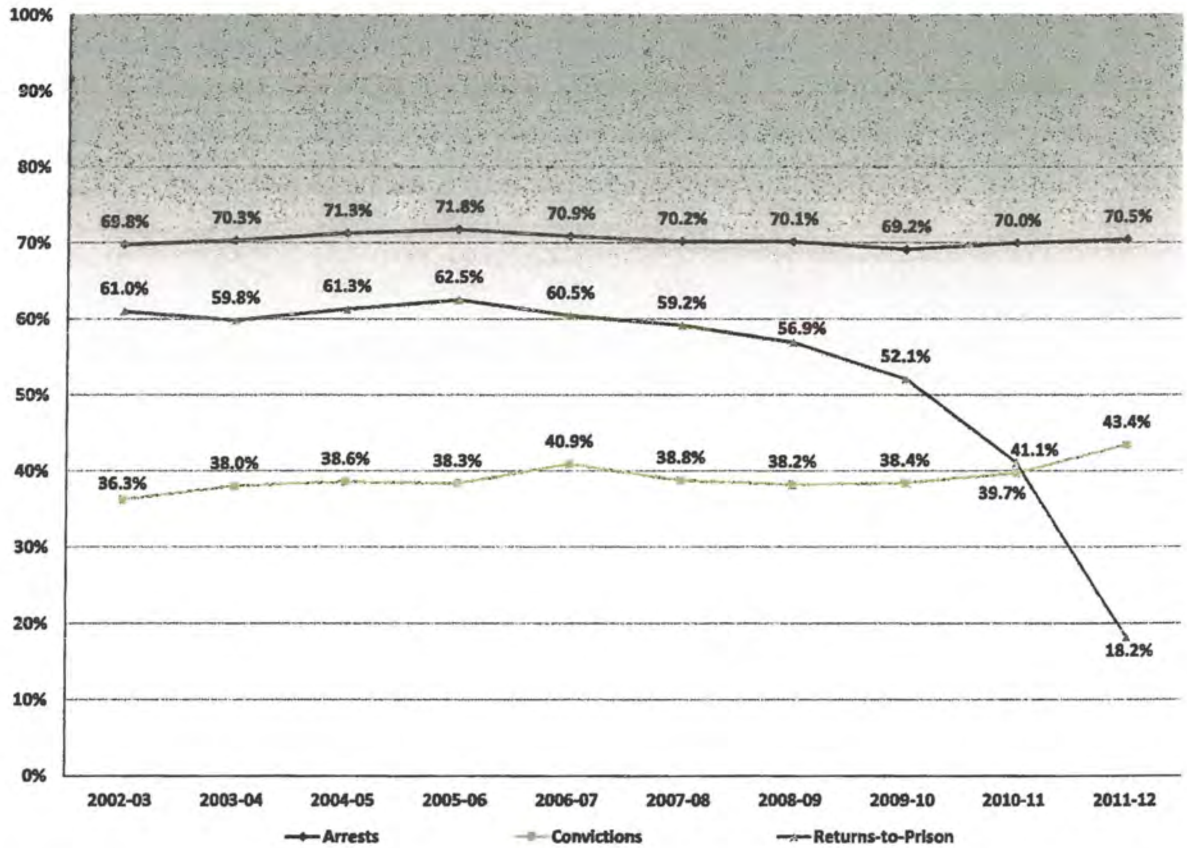
[8] Supplemental recidivism rates are "frozen" at three years, meaning the three-year follow-up period is complete and no further analyses are performed. Reported one-year and two-year rates may fluctuate slightly, as the data used in subsequent reporting years will likely increase, particularly for arrests and convictions since these data are routinely updated in accordance with criminal justice processing.

increased 0.5 of a percentage point and convictions increased 1.8 percentage points), while the decrease in the three-year return-to-prison rate was more substantial (9.7 percentage points).

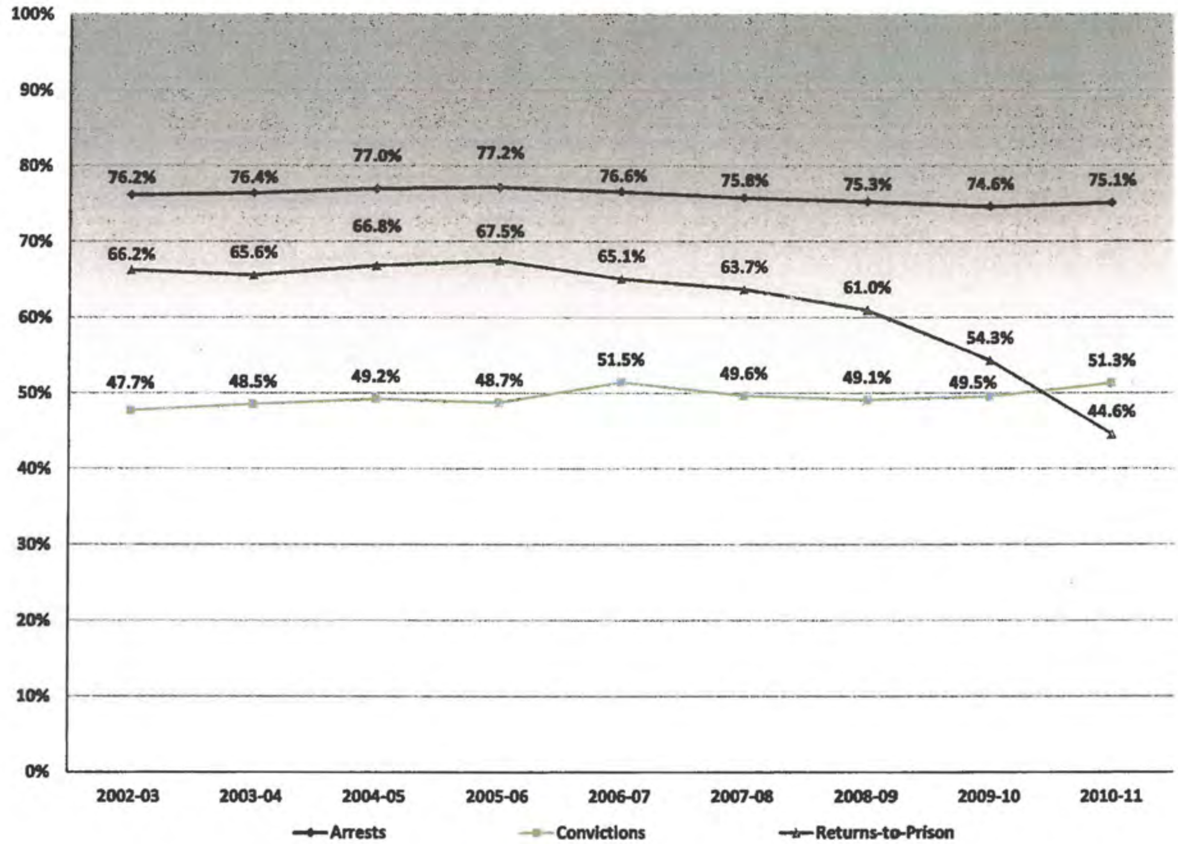
One-Year Supplemental Recidivism Rates by Fiscal Year



Two-Year Supplemental Recidivism Rates by Fiscal Year



Three-Year Supplemental Recidivism Rates by Fiscal Year



Appendix A

Supplemental Recidivism Rates: Arrests, Convictions, and Returns to Prison (continued)

Arrests*

		One-Year		Two-Year		Three-Year	
Fiscal Year*	Number Released	Number Arrested	Arrest Rate	Number Arrested	Arrest Rate	Number Arrested	Arrest Rate
2002-03	99,482	55,204	55.5%	69,449	69.8%	75,765	76.2%
2003-04	99,635	56,127	56.3%	70,070	70.3%	76,135	76.4%
2004-05	103,647	59,703	57.6%	73,881	71.3%	79,819	77.0%
2005-06	105,974	62,331	58.8%	76,079	71.8%	81,786	77.2%
2006-07	112,665	65,369	58.0%	79,893	70.9%	86,330	76.6%
2007-08	113,888	64,981	57.1%	79,978	70.2%	86,309	75.8%
2008-09	110,356	63,193	57.3%	77,412	70.1%	83,080	75.3%
2009-10	103,867	59,159	57.0%	71,837	69.2%	77,495	74.6%
2010-11	94,888	53,911	56.8%	66,399	70.0%	71,284	75.1%
2011-12	75,172	44,345	59.0%	52,974	70.5%	N/A	N/A
2012-13	35,910	18,131	50.5%	N/A	N/A	N/A	N/A

Convictions*

		One-Year		Two-Year		Three-Year	
Fiscal Year	Number Released	Number Convicted	Conviction Rate	Number Convicted	Conviction Rate	Number Convicted	Conviction Rate
2002-03	99,482	19,643	19.7%	36,087	36.3%	47,443	47.7%
2003-04	99,635	21,509	21.6%	37,881	38.0%	48,350	48.5%
2004-05	103,647	23,464	22.6%	40,022	38.6%	51,026	49.2%
2005-06	105,974	23,428	22.1%	40,635	38.3%	51,650	48.7%
2006-07	112,665	26,657	23.7%	46,106	40.9%	57,980	51.5%
2007-08	113,888	25,233	22.2%	44,164	38.8%	56,525	49.6%
2008-09	110,356	23,831	21.6%	42,181	38.2%	54,175	49.1%
2009-10	103,867	22,410	21.6%	39,908	38.4%	51,456	49.5%
2010-11	94,888	20,403	21.5%	37,710	39.7%	48,689	51.3%
2011-12	75,172	18,778	25.0%	32,651	43.4%	N/A	N/A
2012-13	35,910	7,303	20.3%	N/A	N/A	N/A	N/A

**Arrests and convictions are only included for offenders with an automated criminal history record available from the California Department of Justice. Fiscal years without enough follow-up time to capture recidivism are reported as "N/A".*

Appendix A

Supplemental Recidivism Rates: Arrests, Convictions, and Returns to Prison (continued)

Returns to State Prison

		One-Year		Two-Year		Three-Year	
Fiscal Year	**Number Released**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**	**Number Returned**	**Return Rate**
2002-03	103,934	49,924	48.0%	63,415	61.0%	68,810	66.2%
2003-04	103,296	47,423	45.9%	61,788	59.8%	67,734	65.6%
2004-05	106,920	49,761	46.5%	65,559	61.3%	71,444	66.8%
2005-06	108,662	53,330	49.1%	67,958	62.5%	73,350	67.5%
2006-07	115,254	55,167	47.9%	69,691	60.5%	75,018	65.1%
2007-08	116,015	55,049	47.4%	68,643	59.2%	73,885	63.7%
2008-09	112,877	51,010	45.2%	64,244	56.9%	68,803	61.0%
2009-10	104,981	44,104	42.0%	54,713	52.1%	57,022	54.3%
2010-11	95,690	34,810	36.4%	39,331	41.1%	42,661	44.6%
2011-12	76,102	7,447	9.8%	13,838	18.2%	N/A	N/A
2012-13	36,899	2,436	6.6%	N/A	N/A	N/A	N/A

Fiscal years without enough follow-up time to capture recidivism are reported as "N/A".

Appendix B

Type of Arrest and Conviction for Fiscal Year 2009-10 and Fiscal Year 2010-11 Release Cohorts

The below tables show the type of arrest and type of conviction for the FY 2009-10 and 2010-11 release cohorts. Data represent the first arrest or conviction episode and only the most serious offense in the arrest or conviction cycle is presented. At the time of this report, the type of arrest or conviction for some offenders was unknown.

In FY 2009-10, 25.4 percent of the offenders completed the three-year follow-up period without an arrest. In FY 2010-11, 24.9 percent of the offenders completed the three-year follow-up period (a decrease of 0.5 of a percentage point from the previous release cohort) without an arrest. Supervision violations, which account for the largest number of arrests, increased by 1.8 percentage points between FY 2009-10 and FY 2010-11 (22.3 percent and 24.1 percent, respectively), while arrests for crimes against persons (11.6 percent) and other crimes (4.8 percent) remained unchanged. Between FY 2009-10 and FY 2010-11, arrests for drug/alcohol crimes decreased 1.2 percentage points (20.5 percent and 19.3 percent, respectively) and property crimes decreased by 0.2 of a percentage point (11.5 percent and 11.3 percent, respectively).

The portion of the release cohort arrested for each offense category remained static across the two fiscal years; arrests for supervision violations comprised the largest number of arrests, followed by drug/alcohol crimes, crimes against persons, property crimes, and other crimes.

Type of Arrest for Fiscal Year 2009-10 and Fiscal Year 2010-11 Release Cohorts

	FY 2009-10		FY 2010-11	
Type of Arrest	**Number**	**Percent**	**Number**	**Percent**
No Arrests	26,372	25.4%	23,604	24.9%
Crimes Against Persons	12,035	11.6%	11,035	11.6%
Property Crimes	11,969	11.5%	10,692	11.3%
Drug/Alcohol Crimes	21,321	20.5%	18,356	19.3%
Other Crimes	5,010	4.8%	4,545	4.8%
Supervision Violations	23,195	22.3%	22,829	24.1%
Unknown	3,965	3.8%	3,827	4.0%
Total	**103,867**	**100.0%**	**94,888**	**100.0%**

The percentage of offenders without a conviction during the three-year follow-up period decreased by 1.8 percentage points between FY 2009-10 and FY 2010-11 (50.5 percent and 48.7 percent, respectively). With the exception of drug/alcohol crimes, which decreased by 0.5 of a percentage point between the two fiscal years (19 percent and 18.5 percent, respectively), all other conviction types increased slightly. Crimes against persons increased by 1 percentage point (10.3 percent and 11.3 percent, respectively), property crimes increased by 0.6 of a percentage point (12.9 percent and 13.5

percent, respectively) and other crimes increased by 0.5 of a percentage point (4 percent and 4.5 percent, respectively).

The portion of the release cohort convicted for each offense category also remained relatively static across the two fiscal years; convictions for drug/alcohol crimes comprised the largest number of convictions, followed by property crimes, crimes against persons, and other crimes.

Type of Conviction for Fiscal Year 2009-10 and Fiscal Year 2010-11 Release Cohorts

	FY 2009-10		FY 2010-11	
Type of Conviction	**Number**	**Percent**	**Number**	**Percent**
No Convictions	52,411	50.5%	46,199	48.7%
Crimes Against Persons	10,659	10.3%	10,741	11.3%
Property Crimes	13,368	12.9%	12,765	13.5%
Drug/Alcohol Crimes	19,683	19.0%	17,573	18.5%
Other Crimes	4,162	4.0%	4,296	4.5%
Unknown	3,584	3.5%	3,314	3.5%
Total	**103,867**	**100.0%**	**94,888**	**100.0%**

Appendix C

Offender Demographics and Characteristics by Fiscal Year

	FY 2009-10 Number Released	FY 2010-11 Number Released	Number Released Difference	FY 2009-10 Number Returned	FY 2010-11 Number Returned	Number Returned Difference	FY 2009-10 Three-Year Return Rate	FY 2010-11 Three-Year Return Rate	Three-Year Rate Difference
Release Type									
First Release	61,810	58,122	(3,688)	27,254	19,777	(7,477)	44.1%	34.0%	(10.1)
Re-Release	43,171	37,568	(5,603)	29,768	22,884	(6,884)	69.0%	60.9%	(8.0)
Gender									
Male	93,937	86,571	(7,366)	52,891	40,193	(12,698)	56.3%	46.4%	(9.9)
Female	11,044	9,119	(1,925)	4,131	2,468	(1,663)	37.4%	27.1%	(10.3)
Age at Release									
18 - 19	643	744	101	437	440	3	68.0%	59.1%	(8.8)
20 - 24	14,061	12,666	(1,395)	8,621	6,400	(2,221)	61.3%	50.5%	(10.8)
25 - 29	20,661	18,550	(2,111)	12,190	9,052	(3,138)	59.0%	48.8%	(10.2)
30 - 34	17,436	16,401	(1,035)	9,452	7,217	(2,235)	54.2%	44.0%	(10.2)
35 - 39	14,184	12,528	(1,656)	7,542	5,357	(2,185)	53.2%	42.8%	(10.4)
40 - 44	13,940	12,390	(1,550)	7,343	5,342	(2,001)	52.7%	43.1%	(9.6)
45 - 49	12,010	10,716	(1,294)	6,127	4,543	(1,584)	51.0%	42.4%	(8.6)
50 - 54	7,177	6,865	(312)	3,337	2,705	(632)	46.5%	39.4%	(7.1)
55 - 59	3,132	2,986	(146)	1,311	1,032	(279)	41.9%	34.6%	(7.3)
60 and over	1,737	1,844	107	662	573	(89)	38.1%	31.1%	(7.0)
Race/Ethnicity									
American Indian/Alaskan Native	1,105	1,063	(42)	729	586	(143)	66.0%	55.1%	(10.8)
White	31,786	28,323	(3,463)	18,128	13,586	(4,542)	57.0%	48.0%	(9.1)
Black/African American	27,607	25,238	(2,369)	16,145	11,644	(4,501)	58.5%	46.1%	(12.3)
Asian/Pacific Islander	859	868	9	395	365	(30)	46.0%	42.1%	(3.9)
Hispanic/Latino	40,407	37,190	(3,217)	20,060	15,321	(4,739)	49.6%	41.2%	(8.4)
Other	3,217	3,008	(209)	1,565	1,159	(406)	48.6%	38.5%	(10.1)
County of Parole									
Fresno	4,382	3,699	(683)	2,911	2,184	(727)	66.4%	59.0%	(7.4)
San Joaquin	2,655	2,363	(292)	1,794	1,358	(436)	67.6%	57.5%	(10.1)
Stanislaus	1,840	1,618	(222)	1,200	900	(300)	65.2%	55.6%	(9.6)
San Diego	6,801	6,431	(370)	4,239	3,434	(805)	62.3%	53.4%	(8.9)
Kern	3,953	3,681	(272)	2,509	1,944	(565)	63.5%	52.8%	(10.7)
Riverside	6,718	6,201	(517)	4,127	3,237	(890)	61.4%	52.2%	(9.2)
Sacramento	6,248	5,698	(550)	3,359	2,739	(620)	53.8%	48.1%	(5.7)
San Bernardino	8,505	8,018	(487)	5,087	3,836	(1,251)	59.8%	47.8%	(12.0)
Santa Clara	3,161	2,776	(385)	1,741	1,164	(577)	55.1%	41.9%	(13.1)
Alameda	4,788	4,022	(766)	2,468	1,612	(856)	51.5%	40.1%	(11.5)
Orange	8,169	6,804	(1,365)	3,652	2,658	(994)	44.7%	39.1%	(5.6)
Los Angeles	26,358	24,904	(1,454)	11,288	8,032	(3,256)	42.8%	32.3%	(10.6)
All Others	21,403	19,475	(1,928)	12,647	9,563	(3,084)	59.1%	49.1%	(10.0)
Commitment Offense Categories									
Property Crimes	34,899	31,756	(3,143)	20,278	15,048	(5,230)	58.1%	47.4%	(10.7)
Crimes Against Persons	28,260	28,732	472	15,672	13,196	(2,476)	55.5%	45.9%	(9.5)
Other Crimes	12,461	10,757	(1,704)	6,525	4,630	(1,895)	52.4%	43.0%	(9.3)
Drug Crimes	29,361	24,445	(4,916)	14,547	9,787	(4,760)	49.5%	40.0%	(9.5)

Appendix C

Offender Demographics and Characteristics by Fiscal Year (continued)

	FY 2009-10 Number Released	FY 2010-11 Number Released	Number Released Difference	FY 2009-10 Number Returned	FY 2010-11 Number Returned	Number Returned Difference	FY 2009-10 Three-Year Return Rate	FY 2010-11 Three-Year Return Rate	Three-Year Rate Difference
Offense									
Escape	78	45	(33)	48	29	(19)	61.5%	64.4%	2.9
Other Sex	2,683	2,736	53	1,867	1,763	(104)	69.6%	64.4%	(5.1)
Vehicle Theft	5,511	4,413	(1,098)	3,762	2,475	(1,287)	68.3%	56.1%	(12.2)
Sodomy	33	34	1	21	19	(2)	63.6%	55.9%	(7.8)
Oral Copulation	205	215	10	115	111	(4)	56.1%	51.6%	(4.5)
Receiving Stolen Property	4,837	4,344	(493)	2,968	2,234	(734)	61.4%	51.4%	(9.9)
Burglary 1st	3,468	3,345	(123)	2,042	1,690	(352)	58.9%	50.5%	(8.4)
Possession Weapon	5,892	5,183	(709)	3,544	2,546	(998)	60.1%	49.1%	(11.0)
Petty Theft With Prior	5,135	4,672	(463)	3,063	2,289	(774)	59.6%	49.0%	(10.7)
Controlled Substance Possession	15,319	12,439	(2,880)	8,651	6,032	(2,619)	56.5%	48.5%	(8.0)
Other Offenses	3,517	3,075	(442)	2,020	1,474	(546)	57.4%	47.9%	(9.5)
Other Assault/Battery	9,234	9,060	(174)	5,224	4,253	(971)	56.6%	46.9%	(9.6)
Other Property	1,368	1,282	(86)	748	599	(149)	54.7%	46.7%	(8.0)
Assault w/ Deadly Weapon	6,344	6,469	125	3,556	3,018	(538)	56.1%	46.7%	(9.4)
Arson	267	210	(57)	138	96	(42)	51.7%	45.7%	(6.0)
Robbery	5,504	5,847	343	3,115	2,635	(480)	56.6%	45.1%	(11.5)
Burglary 2nd	8,033	7,943	(90)	4,542	3,548	(994)	56.5%	44.7%	(11.9)
Penetration With Object	120	100	(20)	55	44	(11)	45.8%	44.0%	(1.8)
Grand Theft	3,699	3,393	(306)	1,886	1,438	(448)	51.0%	42.4%	(8.6)
Controlled Substance Other	634	478	(156)	353	202	(151)	55.7%	42.3%	(13.4)
Rape	450	432	(18)	245	176	(69)	54.4%	40.7%	(13.7)
Lewd Act With Child	2,104	2,272	168	977	820	(157)	46.4%	36.1%	(10.3)
Controlled Substance Sales	2,786	2,337	(449)	1,231	786	(445)	44.2%	33.6%	(10.6)
Marijuana Sale	446	384	(62)	189	128	(61)	42.4%	33.3%	(9.0)
Forgery/Fraud	2,848	2,364	(484)	1,267	775	(492)	44.5%	32.8%	(11.7)
Kidnapping	225	173	(52)	86	56	(30)	38.2%	32.4%	(5.9)
Hashish Possession	68	70	2	38	22	(16)	55.9%	31.4%	(24.5)
Marij. Possess For Sale	1,172	1,061	(111)	485	326	(159)	41.4%	30.7%	(10.7)
Controlled Substance Possession For Sale	8,466	7,412	(1,054)	3,461	2,230	(1,231)	40.9%	30.1%	(10.8)
Attempted Murder 2nd	337	335	(2)	150	99	(51)	44.5%	29.6%	(15.0)
Manslaughter	543	473	(70)	195	132	(63)	35.9%	27.9%	(8.0)
Controlled Substance Manufacturing	321	134	(187)	93	32	(61)	29.0%	23.9%	(5.1)
Marijuana Other	149	130	(19)	46	29	(17)	30.9%	22.3%	(8.6)
Driving Under Influence	2,707	2,244	(463)	775	485	(290)	28.6%	21.6%	(7.0)
Vehicular Manslaughter	241	221	(20)	46	45	(1)	19.1%	20.4%	1.3
Attempted Murder 1st	25	25	0	3	3	0	N/A	N/A	N/A
Murder 2nd	145	264	119	13	20	7	9.0%	7.6%	(1.4)
Murder 1st	67	76	9	4	2	(2)	6.0%	2.6%	(3.3)
Sentence Type									
Second Strikers (Determinate Sentencing Law)	13,353	12,900	(453)	8,107	6,681	(1,426)	60.7%	51.8%	(8.9)
Determinate Sentencing Law	91,350	82,392	(8,958)	48,889	35,955	(12,934)	53.5%	43.6%	(9.9)
Lifers (Indeterminate Sentencing Law)	278	398	120	26	25	(1)	9.4%	6.3%	(3.1)
Sex Registration Requirement									
Yes	8,471	8,989	518	5,522	5,041	(481)	65.2%	56.1%	(9.1)
No	96,510	86,701	(9,809)	51,500	37,620	(13,880)	53.4%	43.4%	(10.0)

Appendix C

Offender Demographics and Characteristics by Fiscal Year (continued)

	FY 2009-10 Number Released	FY 2010-11 Number Released	Number Released Difference	FY 2009-10 Number Returned	FY 2010-11 Number Returned	Number Returned Difference	FY 2009-10 Three-Year Return Rate	FY 2010-11 Three-Year Return Rate	Three-Year Rate Difference
Serious and/or Violent Offense									
Serious	13,804	13,268	(536)	7,869	6,418	(1,451)	57.0%	48.4%	(8.6)
Violent	9,978	10,653	675	4,902	4,091	(811)	49.1%	38.4%	(10.7)
Non-Serious/Non-Violent	81,199	71,769	(9,430)	44,251	32,152	(12,099)	54.5%	44.8%	(9.7)
Mental Health Status									
Department of Mental Health	3	59	56	3	37	34	N/A	62.7%	N/A
Enhanced Outpatient Program	5,908	2,422	(3,486)	4,114	1,460	(2,654)	69.6%	60.3%	(9.4)
Mental Health Crisis Bed	37	119	82	27	69	42	73.0%	58.0%	(15.0)
Correctional Clinical Case Management System	14,332	14,385	53	8,505	7,301	(1,204)	59.3%	50.8%	(8.6)
None/No Mental Health Code	84,701	78,705	(5,996)	44,373	33,794	(10,579)	52.4%	42.9%	(9.5)
CSRA Risk Score									
Low	18,700	17,421	(1,279)	5,679	4,117	(1,562)	30.4%	23.6%	(6.7)
Moderate	28,688	25,108	(3,580)	12,833	9,023	(3,810)	44.7%	35.9%	(8.8)
High	56,442	52,331	(4,111)	38,014	29,235	(8,779)	67.4%	55.9%	(11.5)
N/A	1,151	830	(321)	496	286	(210)	43.1%	34.5%	(8.6)
Length of Stay									
0 - 6 Months	46,041	42,018	(4,023)	28,932	22,653	(6,279)	62.8%	53.9%	(8.9)
7 - 12 Months	29,384	25,592	(3,792)	14,968	10,441	(4,527)	50.9%	40.8%	(10.1)
13 - 18 Months	9,792	9,056	(736)	4,429	3,155	(1,274)	45.2%	34.8%	(10.4)
19 - 24 Months	5,972	5,579	(393)	2,803	2,099	(704)	46.9%	37.6%	(9.3)
2 - 3 Years	5,567	5,350	(217)	2,565	1,931	(634)	46.1%	36.1%	(10.0)
3 - 4 Years	2,519	2,567	48	1,172	821	(351)	46.5%	32.0%	(14.5)
4 - 5 Years	1,709	1,583	(126)	758	519	(239)	44.4%	32.8%	(11.6)
5 - 10 Years	2,677	2,552	(125)	1,028	772	(256)	38.4%	30.3%	(8.2)
10 -15 Years	941	919	(22)	302	221	(81)	32.1%	24.0%	(8.0)
15+ Years	379	474	95	65	49	(16)	17.2%	10.3%	(6.8)
Prior Returns to Custody on Current Term									
None	61,806	58,057	(3,749)	27,251	19,778	(7,473)	44.1%	34.1%	(10.0)
1	17,072	15,431	(1,641)	11,341	8,513	(2,828)	66.4%	55.2%	(11.3)
2	9,612	7,997	(1,615)	6,723	4,994	(1,729)	69.9%	62.4%	(7.5)
3	6,358	5,116	(1,242)	4,521	3,316	(1,205)	71.1%	64.8%	(6.3)
4	4,055	3,412	(643)	2,915	2,229	(686)	71.9%	65.3%	(6.6)
5	2,484	2,230	(254)	1,770	1,509	(261)	71.3%	67.7%	(3.6)
6	1,541	1,380	(161)	1,105	967	(138)	71.7%	70.1%	(1.6)
7	909	889	(20)	631	617	(14)	69.4%	69.4%	0.0
8	525	538	13	351	345	(6)	66.9%	64.1%	(2.7)
9	300	265	(35)	208	162	(46)	69.3%	61.1%	(8.2)
10 +	319	375	56	206	231	25	64.6%	61.6%	(3.0)

Appendix C

Offender Demographics and Characteristics by Fiscal Year (continued)

	FY 2009-10 Number Released	FY 2010-11 Number Released	Number Released Difference	FY 2009-10 Number Returned	FY 2010-11 Number Returned	Number Returned Difference	FY 2009-10 Three-Year Return Rate	FY 2010-11 Three-Year Return Rate	Three-Year Rate Difference
Number of CDCR Stays Ever									
1	29,136	26,426	(2,710)	9,746	6,615	(3,131)	33.5%	25.0%	(8.4)
2	14,282	12,837	(1,445)	7,049	4,903	(2,146)	49.4%	38.2%	(11.2)
3	10,775	9,182	(1,593)	6,121	4,174	(1,947)	56.8%	45.5%	(11.3)
4	8,583	7,658	(925)	5,123	3,800	(1,323)	59.7%	49.6%	(10.1)
5	7,048	6,376	(672)	4,359	3,265	(1,094)	61.8%	51.2%	(10.6)
6	5,992	5,303	(689)	3,851	2,872	(979)	64.3%	54.2%	(10.1)
7	4,897	4,432	(465)	3,282	2,501	(781)	67.0%	56.4%	(10.6)
8	3,999	3,734	(265)	2,701	2,113	(588)	67.5%	56.6%	(11.0)
9	3,530	3,188	(342)	2,381	1,840	(541)	67.5%	57.7%	(9.7)
10	2,906	2,826	(80)	2,039	1,699	(340)	70.2%	60.1%	(10.0)
11	2,433	2,296	(137)	1,741	1,405	(336)	71.6%	61.2%	(10.4)
12	2,056	2,072	16	1,464	1,257	(207)	71.2%	60.7%	(10.5)
13	1,697	1,613	(84)	1,240	997	(243)	73.1%	61.8%	(11.3)
14	1,344	1,409	65	1,027	900	(127)	76.4%	63.9%	(12.5)
15 +	6,303	6,338	35	4,898	4,320	(578)	77.7%	68.2%	(9.5)
Total	**104,981**	**95,690**	**(9,291)**	**57,022**	**42,661**	**(14,361)**	**54.3%**	**44.6%**	**(9.7)**

Appendix D

Three-Year Return-to-Prison Rates by County of Parole

		One-Year		Two-Year		Three-Year	
County of Parole	Number Released	Number Returned	Return Rate	Number Returned	Return Rate	Number Returned	Return Rate
Alameda County	4,022	1,448	36.0%	1,549	38.5%	1,612	40.1%
Alpine County	4	3	N/A	3	N/A	3	N/A
Amador County	95	36	37.9%	39	41.1%	41	43.2%
Butte County	751	318	42.3%	351	46.7%	376	50.1%
Calaveras County	32	10	31.3%	10	31.3%	10	31.3%
Colusa County	36	16	44.4%	16	44.4%	16	44.4%
Contra Costa County	1,091	474	43.4%	509	46.7%	532	48.8%
Del Norte County	81	39	48.1%	41	50.6%	41	50.6%
El Dorado County	268	108	40.3%	117	43.7%	127	47.4%
Fresno County	3,699	1,958	52.9%	2,086	56.4%	2,184	59.0%
Glenn County	59	20	33.9%	23	39.0%	24	40.7%
Humboldt County	471	215	45.6%	233	49.5%	243	51.6%
Imperial County	262	107	40.8%	123	46.9%	132	50.4%
Inyo County	25	11	N/A	12	N/A	13	N/A
Kern County	3,681	1,620	44.0%	1,805	49.0%	1,944	52.8%
Kings County	753	343	45.6%	383	50.9%	407	54.1%
Lake County	219	98	44.7%	107	48.9%	112	51.1%
Lassen County	73	22	30.1%	25	34.2%	26	35.6%
Los Angeles County	24,904	5,229	21.0%	6,807	27.3%	8,032	32.3%
Madera County	395	180	45.6%	195	49.4%	211	53.4%
Marin County	104	43	41.3%	53	51.0%	54	51.9%
Mariposa County	12	3	N/A	4	N/A	4	N/A
Mendocino County	232	119	51.3%	124	53.4%	128	55.2%
Merced County	762	342	44.9%	376	49.3%	402	52.8%
Modoc County	18	7	N/A	7	N/A	7	N/A
Mono County	9	3	N/A	3	N/A	3	N/A
Monterey County	1,015	381	37.5%	440	43.3%	481	47.4%
Napa County	126	50	39.7%	56	44.4%	59	46.8%
Nevada County	60	24	40.0%	25	41.7%	25	41.7%
Orange County	6,804	2,253	33.1%	2,498	36.7%	2,658	39.1%
Placer County	464	223	48.1%	235	50.6%	243	52.4%
Plumas County	32	6	18.8%	6	18.8%	6	18.8%
Riverside County	6,201	2,721	43.9%	2,997	48.3%	3,237	52.2%

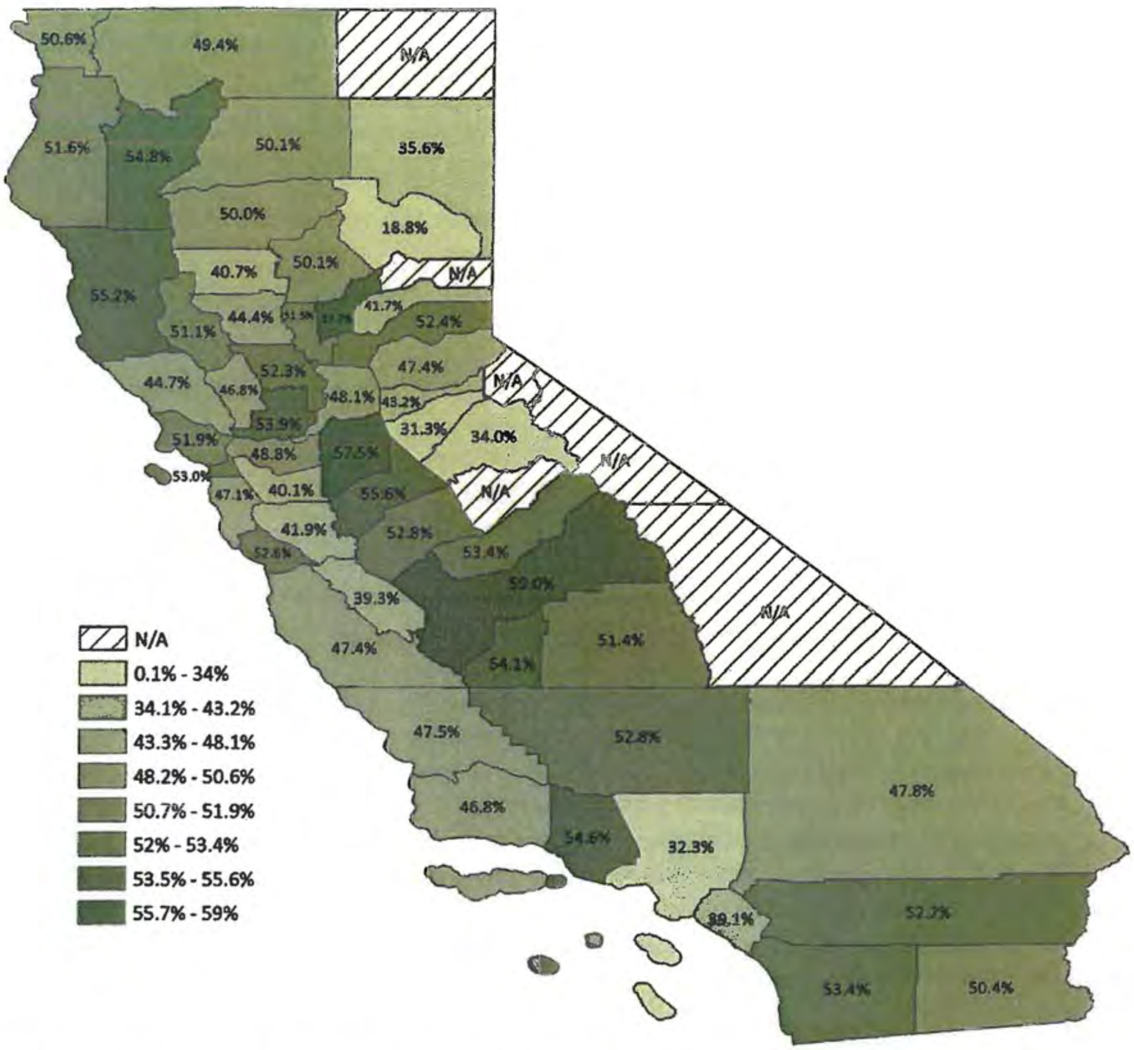
Appendix D

Three-Year Return-to-Prison Rates by County of Parole

		One-Year		Two-Year		Three-Year	
County of Parole	**Released**	**Returned**	**Rate**	**Returned**	**Rate**	**Returned**	**Rate**
Sacramento County	5,698	2,388	41.9%	2,584	45.3%	2,739	48.1%
San Benito County	56	19	33.9%	21	37.5%	22	39.3%
San Bernardino County	8,018	3,123	38.9%	3,548	44.3%	3,836	47.8%
San Diego County	6,431	2,956	46.0%	3,240	50.4%	3,434	53.4%
San Francisco County	1,281	643	50.2%	667	52.1%	679	53.0%
San Joaquin County	2,363	1,191	50.4%	1,280	54.2%	1,358	57.5%
San Luis Obispo County	465	178	38.3%	201	43.2%	221	47.5%
San Mateo County	803	326	40.6%	361	45.0%	378	47.1%
Santa Barbara County	728	271	37.2%	313	43.0%	341	46.8%
Santa Clara County	2,776	977	35.2%	1,093	39.4%	1,164	41.9%
Santa Cruz County	350	153	43.7%	167	47.7%	184	52.6%
Shasta County	782	336	43.0%	372	47.6%	392	50.1%
Sierra County	9	5	N/A	5	N/A	5	N/A
Siskiyou County	77	30	39.0%	32	41.6%	38	49.4%
Solano County	1,280	638	49.8%	672	52.5%	690	53.9%
Sonoma County	635	251	39.5%	274	43.1%	284	44.7%
Stanislaus County	1,618	778	48.1%	846	52.3%	900	55.6%
Sutter County	297	126	42.4%	142	47.8%	153	51.5%
Tehama County	252	111	44.0%	117	46.4%	126	50.0%
Trinity County	31	14	45.2%	16	51.6%	17	54.8%
Tulare County	1,378	618	44.8%	672	48.8%	708	51.4%
Tuolumne County	50	14	28.0%	14	28.0%	17	34.0%
Ventura County	1,450	687	47.4%	749	51.7%	791	54.6%
Yolo County	547	256	46.8%	271	49.5%	286	52.3%
Yuba County	447	224	50.1%	244	54.6%	258	57.7%
Discharged	1,108	67	6.0%	172	15.5%	247	22.3%
Total	**95,690**	**34,810**	**36.4%**	**39,331**	**41.1%**	**42,661**	**44.6%**

Appendix D

Three-Year Return-to-Prison Rates by County of Parole



**County names and rates are provided on pages 64 and 65 of this report.*

Appendix E

Definitions of Key Terms

California Static Risk Assessment (CSRA)

The CSRA is an actuarial tool that utilizes demographic and criminal history data to predict an offender's risk of returning-to-prison at the time they are released from CDCR. Offenders are categorized as low, moderate or high risk of incurring a new criminal conviction.

Cohort

A group of individuals who share a common characteristic, such as all inmates who were released during a given year.

Controlling Crime or Commitment Offense

The most serious offense on the conviction for which the inmate was sentenced to prison on that term.

Correctional Clinical Case Management System (CCCMS)

The CCCMS facilitates mental health care by linking inmate/patients to needed services and providing sustained support while accessing such services. CCCMS services are provided as outpatient services within the general population setting at all institutions.

Determinate Sentencing Law (DSL)

Established by Penal Code Section 1170 in 1977, Determinate Sentencing Law identifies a specified sentence length for convicted felons who are remanded to State prison. Essentially, three specific terms of imprisonment (low, middle, and high) are assigned for crimes, as well as enhancements (specific case factors that allow judges to add time to a sentence). Opportunities to earn "credits" can reduce the length of incarceration.

Enhanced Outpatient Program (EOP)

A mental health services designation applied to a severely mentally ill inmate receiving treatment at a level similar to day treatment services.

First Release

The first release on the current term for felons with new admissions and parole violators returning with a new term (PV-WNT).

Indeterminate Sentencing Law (ISL)

Established by Penal Code Section 1168 in 1917, the Indeterminate Sentencing Law allowed judges to determine a range of time (minimum and maximum) a convicted felon would serve. Different felons convicted for the same crimes could spend varying lengths of time in prison; release depended on many factors, including each prisoner's individual conduct in prison. After the minimum sentence passed, felons were brought to a parole board that would identify the actual date of release. Indeterminate Sentencing was replaced by Determinate Sentencing (Penal Code Section 1170) in 1977. After the implementation of Determinate Sentencing, only individuals with life sentences and third strikers are considered "indeterminately" sentenced, since the parole board determines their release.

Manual California Static Risk Assessment (CSRA)

Inmates who do not have automated criminal history data available from the Department of Justice (DOJ) must have their CSRA score calculated manually. This is done with a review of a paper copy of the inmate's rap sheet. Manual scores calculated in Fiscal Year 2008-09 are not readily available for some inmates included in this report.

Parole

A period of conditional supervised release following a prison term.

Parole Violation (Law)

A law violation occurs when a parolee commits a crime while on parole and returns to CDCR custody (RTC) by action of the Board of Parole Hearings rather than by prosecution in the courts.

Parole Violation (Technical)

A technical violation occurs when a parolee violates a condition of his/her parole that is not considered a new crime and returns to CDCR custody (RTC).

Parole Violator Returning With a New Term (PV-WNT)

A parolee who receives a court sentence for a new crime committed while under parole supervision and returned-to-prison.

Recidivism

Conviction of a new felony or misdemeanor committed within three years of release from custody or committed within three years of placement on supervision for a previous criminal conviction.

Registered Sex Offender

An inmate is designated as a registered sex offender if CDCR records show that the inmate has at some point been convicted of an offense that requires registration as a sex offender under Penal Code Section 290. This designation is permanent in CDCR records.

Re-Release

After a return-to-prison for a parole violation, any subsequent release on the same (current) term is a re-release.

Return-to-Prison

An individual convicted of a felony and incarcerated in a CDCR adult institution who was released to parole, discharged after being paroled, or directly discharged during Fiscal Year 2010-11 and subsequently returned to prison within three years of their release date.

Serious Felony Offenses

Serious felony offenses are specified in Penal Code Section 1192.7(c) and Penal Code Section 1192.8

Stay

A stay is any period of time an inmate is housed in a CDCR institution. Each time an inmate returns to prison it is considered a new stay, regardless of the reason for returning.

Term

A term is a sentence an inmate receives from a court to be committed to CDCR for a length-of-time. If an inmate is released after serving a term and is later returned-to-prison for a parole violation, the inmate returns and continues serving the original (current) term. If that inmate returns for committing a new crime, the inmate begins serving a new term.

Violent Felony Offenses

Violent felony offenses are specified in Penal Code Section 667.5(c).

California Department of Corrections and Rehabilitation
Office of Research, Research and Evaluation Branch
On the internet at:
http://www.cdcr.ca.gov/adult_research_branch

CITY OF CLAYTON
Founded 1857.. Incorporated 1964

Agenda Date: 11-01-2016

Agenda Item: 8b

Approved:

Gary A. Napper
City Manager

STAFF REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: KEVIN MIZUNO, FINANCE MANAGER, CPA

DATE: November 1, 2016

SUBJECT: AUDITED COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF CLAYTON FOR THE FISCAL YEAR ENDED JUNE 30, 2016 (FY 2015-16)

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, 2016.

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, 2016. 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.

This year, for the first time, City staff has fully taken over the role of financial statement compilation, producing all of the financial statement reports, footnotes and additional required and supplementary information. This is a huge step forward for the City, which allows for the auditors to focus their efforts on audit procedures and documentation and ultimately led to an efficient and successful financial reporting process.

In addition, for the FY 2015-16 the City has issued its first-ever Comprehensive Annual Financial Report (CAFR). 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 essential the old basic financial reporting format, but significantly enhanced, including robust introductory section in the front and informative statistical section in the back of the report. Management plans to submit the City's FY 2015-16 CAFR to the GFOA for its review this month. If the CAFR passes the GFOA's rigorous expert review process, the City will be awarded a "Certificate of Achievement for Excellence in Financial Reporting" which will be included in the introductory section of the City's FY 2016-17 CAFR next year.

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. For FY 2015-16, the City's major funds are the General Fund, the Landscape Maintenance District Fund, the Capital Improvements Fund and the Housing Successor Agency. 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 2016-17 budget projected the City's General Fund would operate with surplus by the close of FY 2015-16. The audited financial statements now reveal the actual surplus is **$204,902**. This positive outcome arose primarily as a result of spikes in both normal operating and non-recurring revenue sources, offset by a final extraordinary loss arising from the completion of the AB 1484 "RDA Dissolution" Due Diligence Reviews (DDRs). Ultimately, the surplus resulted in 3.7% increase to General Fund balance bringing the total to **$5,618,059** as of June 30, 2016. At the October 25, 2016 Audit Sub-Committee meeting to review the draft audited financial statements, staff presented a schedule of potential one-time project costs that may be addressed utilizing this surplus (see Attachment 4). Any utilization of this surplus would be incorporated into the current budget year (FY 2016-17) and would not be accompanied by current year revenues, but rather use excess reserves at June 30, 2015 arising from said General Fund Surplus. Staff requests further direction from the City Council on which project, if any, should be pursued by the City. Specific action to direct staff would take place at a future public meeting of the City Council.

The revenue spike attributable to non-recurring special items arose from: (1) payments from the State of California for old claims (dating back to 1999) on reimbursable state-mandated activities under Senate Bill 90 ($164,673), and (2) the City's proportionate (6.9%) share of Redevelopment Property Tax Trust Fund (RPTTF) monies after remitting all "unencumbered assets" of the non-housing assets fund to the County pursuant to the completed DDR ($87,592). The growth in ordinary revenue sources, making up the difference of the positive variance, was derived primarily from an increase in secured property tax, sales & use tax and other ordinary operational revenue sources over the prior year.

As noted previously, in FY 2015-16 the General Fund reported an extraordinary loss pertaining to payments required to be remitted back to the Successor Agency. This required payment, totaling $230,786, was made pursuant to the Final Determination letter issued by the California Department of Finance approving the non-housing funds DDR dated November 30, 2015. This DOF-mandated payment is classified as an "extraordinary loss" in accordance with GASB 34 as it meets the criteria of being material to the financial statements and is both infrequent and unusual in nature.

In addition to the surplus reported in actual results, the General Fund budget-to-actual schedule in the Required Supplementary Information section of the financial statements reports operating expenditures under total appropriations by $429,393. This favorable variance was largely due to the budget amendment passed by the City Council on February 3, 2016 to utilize $389,895 in General Fund excess reserves arising from the surplus reported in the FY 2014-15 audited financial statements. As of June 30, 2016, $278,859 of this General Fund reserves assignment was unspent and reported as "assigned" fund balance in accordance with GASB 54. From the revenue perspective, revenues (excluding Transfers-In) came in higher than budgeted revenues by $366,386.

<u>Other Governmental Funds</u>

In the aggregate, excluding the General Fund, the other governmental funds of the City reported a net increase in fund balance totaling $322,626. The following is a summary of activity for some significant governmental funds of the City:

- *<u>Gas Tax Fund (No. 201)</u>* – This fund reported a net decrease in fund balance of **$319,803** to a total ending fund balance of **$108,846**. This decrease in fund balance was primarily attributable to completion of the 2015 Neighborhood Street Project during the year. The June 30, 2016 Gas Tax fund balance as well as new FY 2016-17 revenues has been assigned by the City Council to finance the 2016 Arterial Rehabilitation Project (CIP 10437) currently being planned by the City Engineer.

- *<u>Landscape Maintenance District (No. 210)</u>* – This fund reported a net increase in fund balance of **$170,564** to a total fund balance of **$986,766** as of June 30, 2016. Pursuant to the adopted FY 2016-17 budget, $168,702 of this available fund balance has been assigned as seed monies to finance the entryway median project and other landscaping projects FY 2016-17.

- *The Grove Park Fund (No. 211)* – This fund reported a net increase of **$54,624** in fund balance to a total positive ending fund balance of **$288,657**. This surplus was projected in the FY 2016-17 adopted budget, and is attributable to actual maintenance labor requirements being less than originally planned to keep the City's signature park piece in top condition.

- *Measure J Fund (No. 220)* – This fund reported a net increase in fund balance of **$64,162** to a total ending fund balance of **$521,687**. This increase in fund balance was primarily attributable to the capital 2016 Arterial Rehabilitation Project (CIP 10437) rolling forward into FY 2016-17, with lesser costs for project planning development occurring in FY 2015-16. Pursuant to the FY 2016-17 adopted budget, the entire fund balance of the Measure J fund has been assigned to complete the 2016 Arterial Rehabilitation Project.

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 **$40,415**. This primarily resulted from total depreciation expense of $37,257, comprising 55.1% of FY 2015-16 operating expenses. This fund reported a positive net position balance of $1,165,694, primarily due to capital investment in the rental facility land, property and equipment. However, as of June 30, 2016 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 prior rental experiences continue to generate positive word of mouth promotion and expand the 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, 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, 2016 the City-wide net position increased by **$431,031** (0.96%).

As of June 30, 2016 the City reported total government-wide ending net position of **$44,907,319**, of which the largest portion ($30,151,139 or 67.1%), is classified as "net investment in capital assets" and is not in liquid form. $7,783,815 (17.3%) 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, 2016 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
2. Auditors' Required Communication of to Those Charged with Governance Near the End of an Audit (Standard AU-C 260)
3. Auditors' Communication of Internal Control Related Matters Identified During the Audit (Standard AU-C 265)
4. Summary of Potential Uses for FY 2016-17 General Fund Surplus Presented at October 25, 2016 Audit Committee Meeting

ATTACHMENT 1

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Photo by Wayne Miller

CITY OF CLAYTON, CALIFORNIA

City of Clayton, California
Comprehensive Annual Financial Report
For the Year Ended June 30, 2016

Prepared by

Finance Department

T. Kevin Mizuno, CPA
Finance Manager

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INTRODUCTORY SECTION

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CITY OF CLAYTON
Founded 1857 . Incorporated 1964

COMMUNITY
DEVELOPMENT (925) 673-7340
ENGINEERING (925) 363-7433

6000 HERITAGE TRAIL CLAYTON, CALIFORNIA 94517-1250
TELEPHONE (925) 673-7300 FAX (925) 672-4717

CITY COUNCIL
HOWARD GELLER, *MAYOR*
JIM DIAZ, *VICE MAYOR*
KEITH HAYDON, *COUNCILMEMBER*
JULIE K. PIERCE, *COUNCILMEMBER*
DAVID T. SHUEY, *COUNCILMEMBER*

October 25, 2016

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, 2016. Since 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 the 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 fairness 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 necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. 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 reports on the financial highlights of the City and provides additional analysis 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 Profile

The City of Clayton was incorporated in 1964 and is located in Contra Costa County, a region in the eastern portion of the San Francisco-Bay Area. The City has a permanent staff of twenty-five (25) full-time employees which serves approximately 11,288 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, and planning/land use and economic development. The City is governed by a five-member City Council elected at large, serving staggered four year terms. 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 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, for overseeing the daily operations of the City, and for 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.

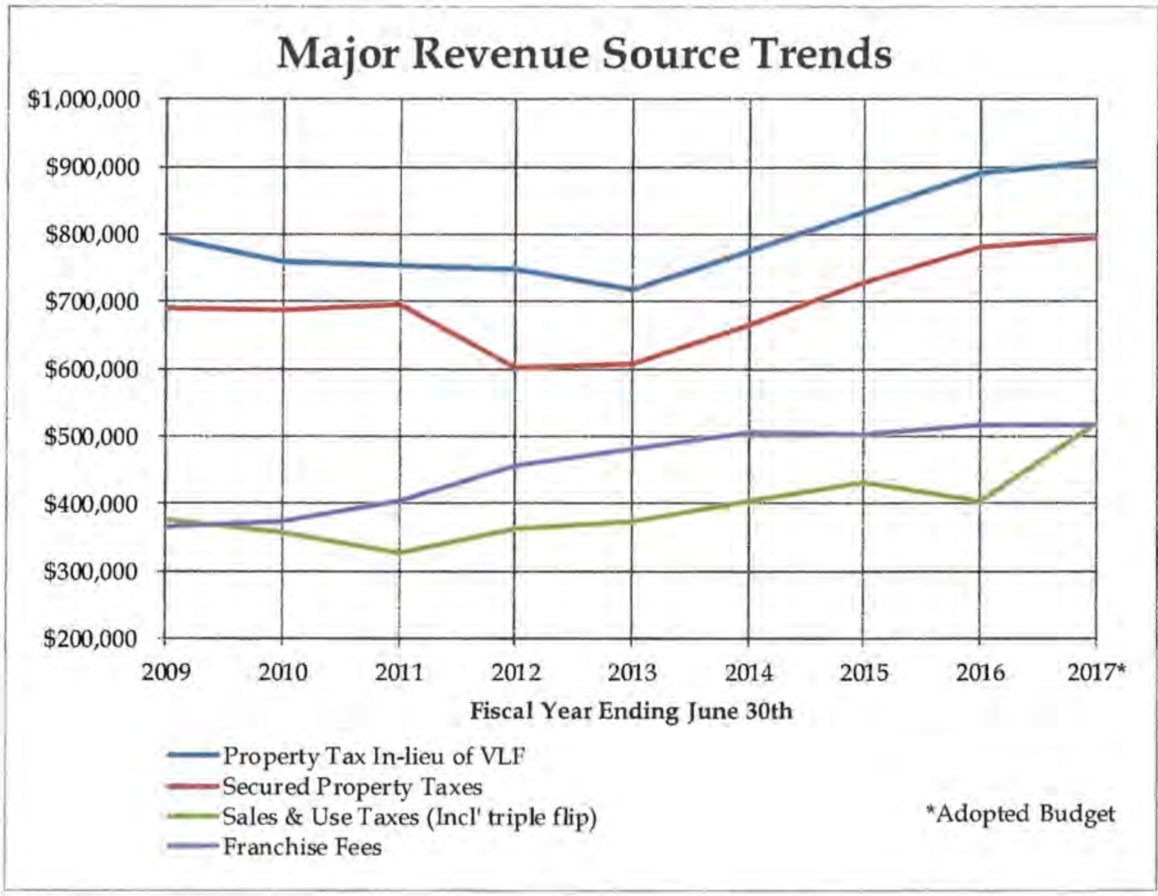
Economic Condition and Outlook

Essentially a cul-de-sac hugging the base of Mt. Diablo, Clayton maintains a small town atmosphere while its relative proximity to 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 schools make Clayton attractive to families.

Its residents are generally highly educated with approximately 51% having a bachelor's degree or higher. In June of 2016 the unemployment rate of the City was 4.3% compared to 5.4% for the state. The median household income in the City is $123,686 compared to $61,993 for the state. The average sales price of homes in Clayton as of May 2016 was $813,625. These factors fare well for the City's major sources of revenue, as property and sales & use taxes maintain all-time high levels.

Economic Condition and Outlook, Continued

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); secured property taxes; sales & use taxes; and franchise fees. The following chart illustrates the nine year trend of these four major revenue sources for the City:



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 64% of the General Fund's revenue budget for the fiscal year ending June 30, 2017. In the long-run, 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 taxes and moderate growth in property tax revenue (including in-lieu VLF property taxes received from the state).

Awards and Acknowledgements

The City of Clayton intends to submit the fiscal year ended June 30, 2016 CAFR for the Certificate of Achievement for Excellence in Finance Reporting from the Government Finance Officers Association (GFOA). This is the first year City management has prepared a CAFR in-house and submitted for the award, which is a milestone in the City's financial reporting history.

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 only one year. Management is confident this report will meet the program requirements to obtain the award of excellence.

The preparation of this CAFR could not have been accomplished without the professional, efficient and dedicated services of the Admin/Finance Department staff, in particular, Jennifer Giantvalley, and our 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	T. Kevin Mizuno, CPA
City Manager	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

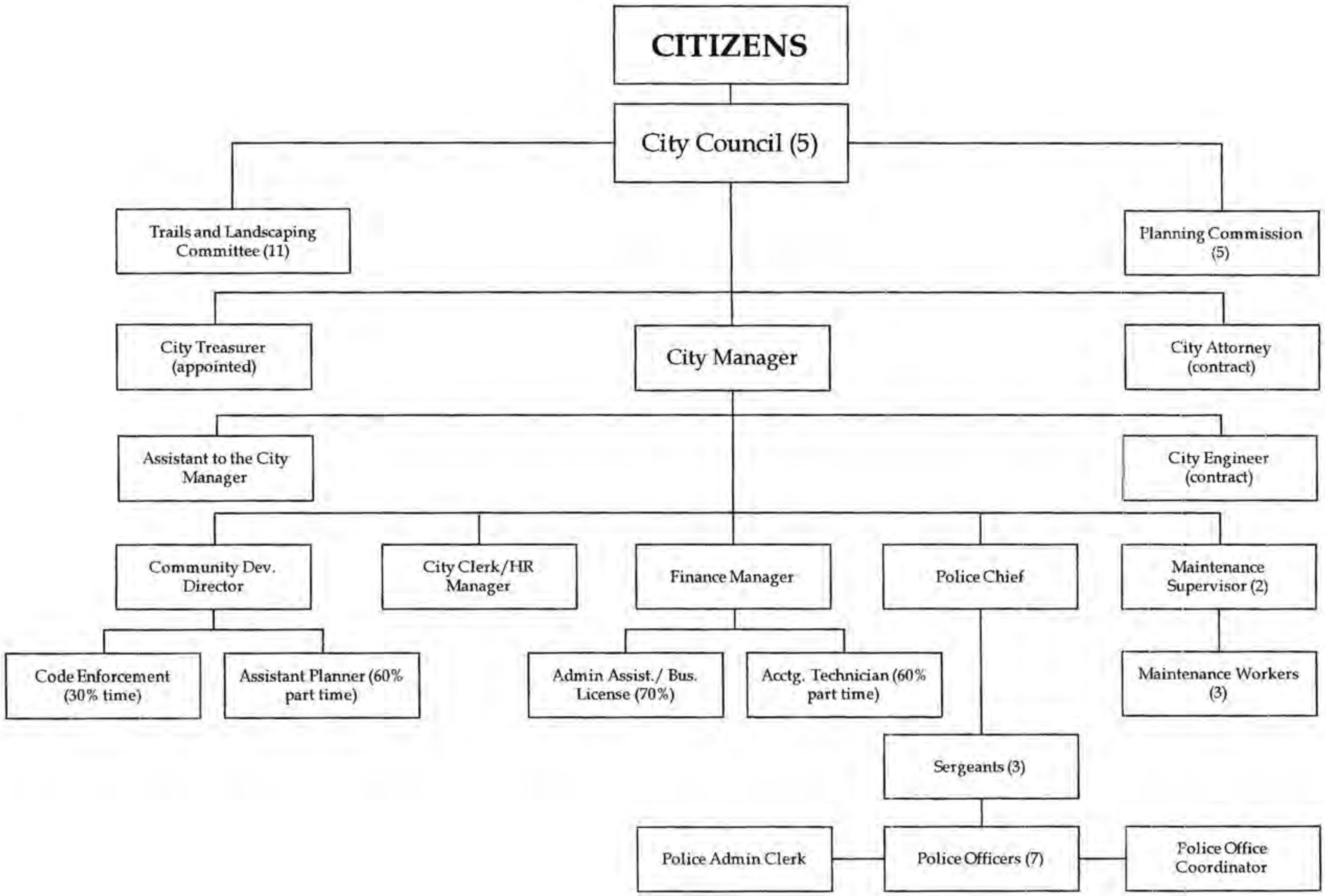
OUR VALUES

- 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 AS OF JUNE 30, 2016

CITY COUNCIL

Howard Geller, Mayor
Jim Diaz, Vice Mayor
Julie Pierce, Councilmember
David T. Shuey, Councilmember
Keith Haydon, Councilmember

COMMISSIONS

Planning Commission

COMMITTEES

Trails and Landscaping Committee

APPOINTED OFFICIALS AND DEPARTMENT HEADS

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

Regional Map of Clayton, California
And Nearby Cities

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

CROPPER
an accountancy corporation
CERTIFIED PUBLIC ACCOUNTANTS

office location
2700 Ygnacio Valley Road, Ste 270
Walnut Creek, CA 94598
(925) 932-3860 tel

mailing address
2977 Ygnacio Valley Rd, PMB 460
Walnut Creek, CA 94598
(925) 476-9930 efax

www.cropperaccountancy.com

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, 2016, 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, 2016, 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 4 -16, budgetary comparison information on pages 100 – 104, pension plan funding status on pages 105 – 116, and other postemployment benefits plan on page 117 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 October 25, 2016, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year the City adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*, which requires investments to be recorded at fair value. The valuation of municipal bonds held by the fiduciary funds uses Level 3 inputs which approximate cost at June 30, 2016. Our opinion is not modified with respect to this matter.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
October 25, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016. 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, 2016 by $44,907,319. Of this amount, $6,972,365 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 $431,031 in the fiscal year ending June 30, 2016. Net position of governmental activities increased by $471,446, while net position of business-type activities decreased by $40,415.

Major Fund Highlights

Governmental Funds - As of the year ended June 30, 2016, the City's governmental funds reported a combined ending fund balance of $14,751,603. Of this amount $5,028,592 represents "unassigned fund balances" available for appropriation.

General Fund - The unassigned fund balance of the General Fund on June 30, 2016 was $5,031,142, while the non-spendable and assigned fund balances were $308,064 and $278,853 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.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Government-wide Financial Statements, Continued

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.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Fund Financial Statements, Continued

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 that business-type functions, they have been included within *governmental activities* in the government-wide financial statements. 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

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Fund Financial Statements, Continued

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 43-97 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 $44,907,319 at June 30, 2016, which is an increase of $431,031 (1.0%) over the prior year's net position as restated at June 30, 2015. Net position at June 30, 2015 was restated for the correction of an error to: report the Successor Housing Agency as a governmental fund of the primary government, restate notes receivables, and restate deferred revenue of the governmental activities. These prior period adjustments are summarized in greater detail in the Notes to the Basic Financial Statements under Note 16.

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.

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued

Analysis of Overall Net Position and Results of Operations, Continued

The following is condensed comparative Statements of Net Position for the fiscal years ended June 30, 2016 and 2015:

	Governmental Activities 2016	Governmental Activities 2015	Business-Type Activities 2016	Business-Type Activities 2015	Total 2016	Total 2015
Assets						
Current assets	$ 11,570,777	$ 11,107,974	$ (49,613)	$ (35,749)	$ 11,521,164	$ 11,072,225
Noncurrent assets	7,436,491	992,829	-	-	7,436,491	992,829
Capital assets	28,929,140	28,653,515	1,221,999	1,250,681	30,151,139	29,904,196
Total assets	47,936,408	40,754,318	1,172,386	1,214,932	49,108,794	41,969,250
Deferred outflows	617,879	471,130	-	-	617,879	471,130
Liabilities						
Current liabilities	377,491	566,720	6,692	8,823	384,183	575,543
Noncurrent liabilities	3,793,761	3,870,017	-	-	3,793,761	3,870,017
Total liabilities	4,171,252	4,436,737	6,692	8,823	4,177,944	4,445,560
Deferred inflows	641,410	1,329,495	-	-	641,410	1,329,495
Net position						
Net investment in capital assets	28,929,140	28,653,515	1,221,999	1,250,681	30,151,139	29,904,196
Restricted	7,783,815	2,024,193	-	-	7,783,815	2,024,193
Unrestricted	7,028,670	4,781,508	(56,305)	(44,572)	6,972,365	4,736,936
Total net position	$ 43,741,625	$ 35,459,216	$ 1,165,694	$ 1,206,109	$ 44,907,319	$ 36,665,325

Of the City's total net position, $7,783,815 (17.3%) represents resources that are subject to external restrictions on how they may be used. The balance of the *unrestricted net position* of $6,972,365 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 $6,762,588, while expenses totaled $6,100,771, resulting in a net increase to restated net position of $661,817 (1.5%) excluding transfers, extraordinary and special items. This net increase was primarily attributable to fluctuations in the net pension liability arising from changes in assumptions and actual versus expected experiences. The net pension liability is discussed in greater detail in the Notes to the Basic Financial Statements under Note 11.

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued

Analysis of Overall Net Position and Results of Operations, Continued

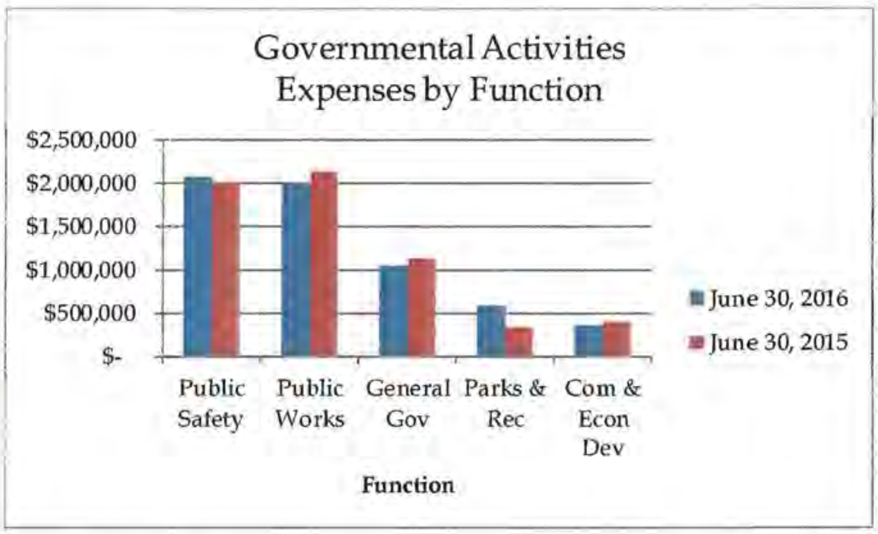
The following is a recap of the City's Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2016 and 2015:

	Governmental Activities 2016	Governmental Activities 2015	Business Type Activities 2016	Business Type Activities 2015	Total 2016	Total 2015
Revenues:						
Program revenues:						
Charges for services	$ 774,567	$ 863,048	$ 27,253	$ 25,818	$ 801,820	$ 888,866
Operating grants and contributions	204,079	157,397	-	-	204,079	157,397
Capital grants and contributions	22,200	-	-	-	22,200	-
Total program revenues	1,000,846	1,020,445	27,253	25,818	1,028,099	1,046,263
General revenues:						
Property taxes	2,256,780	2,302,278	-	-	2,256,780	2,302,278
Special parcel taxes	1,311,458	1,407,850	-	-	1,311,458	1,407,850
Sales and use taxes	372,705	397,544	-	-	372,705	397,544
Other taxes	1,442,710	1,339,537	-	-	1,442,710	1,339,537
Investment income	295,904	82,909	-	175	295,904	83,084
Miscellaneous	54,140	91,230	-	4,316	54,140	95,546
Gain (loss) on sale of assets	792	624	-	-	792	624
Total general revenues	5,734,489	5,621,972	-	4,491	5,734,489	5,626,463
Total revenues	6,735,335	6,642,417	27,253	30,309	6,762,588	6,672,726
Expenses:						
General government	1,051,461	1,119,567	-	-	1,051,461	1,119,567
Public works	1,975,653	2,139,918	-	-	1,975,653	2,139,918
Parks and recreation services	583,120	339,894	-	-	583,120	339,894
Community and economic development	362,248	405,941	-	-	362,248	405,941
Public safety	2,060,621	2,006,052	-	-	2,060,621	2,006,052
Endeavor hall	-	-	67,668	66,606	67,668	66,606
Total expenses	6,033,103	6,011,372	67,668	66,606	6,100,771	6,077,978
Increase (decrease) in Net Position before transfers, special and extraordinary items	702,232	631,045	(40,415)	(36,297)	661,817	594,748
Transfers in/(out)	-	88,793	-	(88,793)	-	-
Special items	-	-	-	93,489	-	93,489
Extraordinary items	(230,786)	(200,000)	-	-	(230,786)	(200,000)
Change in Net Position	471,446	519,838	(40,415)	(31,601)	431,031	488,237
Net Position - Beginning	35,459,216	34,939,378	1,206,109	1,237,710	36,665,325	36,177,088
Prior period adjustment - July 1, 2015	7,810,963	-	-	-	7,810,963	-
Net Position - beg. of year, as restated (Note 16)	43,270,179	34,939,378	1,206,109	1,237,710	44,476,288	36,177,088
Net Position - Ending	$ 43,741,625	$ 35,459,216	$ 1,165,694	$ 1,206,109	$ 44,907,319	$ 36,665,325

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued

Analysis of Governmental Activities

The substantial increase in restricted net position of the governmental activities over the prior year arose from the prior period adjustment to report the Successor Housing Agency as a special fund as of July 1, 2015 (Note 16). This restatement also explains the increase in noncurrent assets of the governmental activities by $6,443,662 (649%) over the prior year to report notes receivable and investments in affordable (low and moderate income) housing of the Successor Housing Agency as of the year ended June 30, 2016. Total governmental expenses were $6,033,103 in the current year compared to $6,011,372 in the prior year. The following chart depicts the relative size of governmental activities expenses by function for the fiscal years ending June 30, 2016 and 2015:

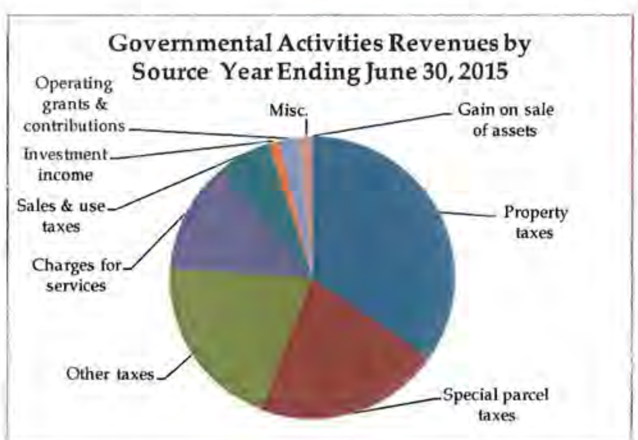


Total program revenues from governmental activities were $875,149 in the current year compared to $1,020,445 in the prior year. Per GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from government's general revenues. Of the governmental program revenues, 74.1% 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 25.9% 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.

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued

Analysis of Governmental Activities, Continued

Total general revenues from governmental activities were $5,734,489 in the current year compared to $5,621,972 in the prior year. Property tax revenues reduced only slightly by $45,498 (2.0%). This modest reduction pertained to the State of California's unwinding of the "Triple Flip" process, whereby one-quarter of the 1.0% Bradley-Burns local sales and use tax allocation reverted back to the local jurisdictions in-lieu of the State's property taxes being allocated to local jurisdictions. The elimination of the Triple Flip was effective January 1, 2016. The net increase in general revenue was a result of a large spike in investment income due to the large increase in the primary government's share of the City's investment pool following the Successor Agency's payment of unencumbered balances to the County Auditor-Controller with the conclusion of the AB 1484 post-dissolution process during the fiscal year ending June 30, 2016. The following pie charts depict the relative size of governmental activities program and general revenues by source for the fiscal years ending June 30, 2016 and 2015:



FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued

Analysis of Business-Type Activities

Total business-type expenses were $67,668 in the current year compared to $66,606 in the prior year. Total charges for services were $27,253 in the current year compared to $25,818 in the prior year, which is a 5.6% increase. Although revenues came in higher than in the prior year, net position of business-type activities still declined by $40,415 to a total of $1,165,694 at June 30, 2016 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 $14,751,603. Of this amount, in order of relative significance, $5,028,592 (34.1%) is unassigned; $3,942,015 (26.7%) is in non-spendable form; $2,963,386 (20.1%) is assigned for specific purposes; $2,150,476 (14.6%) is restricted by law, regulation, or other outside contractual agreements; and $667,134 (4.5%) is committed for specific expenditures in the future.

General Fund

The City's General Fund reported an increase in fund balance of $204,902 in the current fiscal year. This increase in fund balance is largely attributable to expenditures coming in under budget, significant revenue sources such as property and intergovernmental revenues coming in over budget, and non-recurring revenue spikes arising from the conclusion of the All Other Funds Fund AB 1484 Due Diligence Review. Total fund balance of the General Fund is $5,618,059 as of June 30, 2016, of which $5,031,142 (89.5%) is reported as unassigned and available for appropriation. This unassigned fund balance is 118% the size of the General Fund's adopted operating budget for the fiscal year ending 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 $170,564 in the current fiscal year. This increase in fund balance is largely attributable capital projects originally planned for the current fiscal year, including the budgeted entryways re-landscaping project, being deferred to the next fiscal year. Total fund balance of the Landscape Maintenance District is $1,070,497 as of June 30, 2016, of which $168,702 (15.7%) 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 $169,781 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 $4,295,173 as of June 30, 2016, of which $3,633,951 (84.6%) 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 reduction in fund balance of $410,411 in the current fiscal year. This decrease in fund balance is attributable to an increase in capital outlays for projects included in the City's adopted 5-year rolling Capital Improvement Program budget. Total fund balance of the Capital Improvement Program fund is $1,597,677 and is reported as assigned for capital projects as of June 30, 2016.

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 major enterprise fund at the end of the year was $1,165,694, and total net position for the internal service funds amounted to $565,535.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund actual revenues and transfers exceeded total budgeted revenues by $366,387 (8.9%). This significant favorable variance was largely attributable to a spike in non-recurring revenues including: (1) payment from the County of the City's 6.9% share of the AB 1484 All Other Funds Due Diligence Review residual balance, (2) payments from the State of California for old claims on reimbursable state-mandated activities under California Senate Bill 90 (SB 90), and (3) a favorable variance in property taxes arising from actual economic growth exceeding conservative budgetary estimates. The final fiscal year 2015-16 General Fund budget for expenditures totaled $4,484,536. Actual General Fund operating expenditures of $4,055,143 were under the final legally adopted budget by $429,393 (9.6%). On February 3, 2016 the City Council approved the appropriation of $389,895 in General Fund reserves arising from the surplus reported 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 ordinary annual operating budget. At June 30, 2016, the balance of this General fund assignment was $278,853, which was rolled into the fiscal year 2016-17 budget for the approved and specified 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, 2016, amounted to $30,151,139 (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 expenses on governmental assets totaled $948,496, versus $916,485 in the prior year. The slight increase in depreciation was largely attributable to significant capital assets deemed complete during the current year ($1,055,768) that were depreciated 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 RDA 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.

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 municipalities have access to (i.e. sales and business license 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 noteworthy increase in the General Fund's final budgeted operational expenditures for fiscal year 2016-17 of $165,792 (4.0%). The rise in appropriations was partially attributable to the City's pension administrator (CalPERS) implementing a mandatory hike in pension contributions arising from the Public Employee Pension Reform Act (PEPRA) of 2012 to address historical increases in the actuarially determined unfunded pension liability. Other increases were necessary to address rising insurance premium rates and increases in the long-standing engineering and legal professional services contracts that had been frozen for several years.

In the adopted fiscal year 2016-17 budget, total revenues of the General Fund are projected to be $4,300,620, which is an increase of approximately $176,176 (4.3%) over the fiscal year 2015-16 adopted budget. The projected revenue increase is supported by actual operational revenue results for the year ending June 30, 2016.

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, 2016

ASSETS	Governmental Activities	Business-Type Activites	Total
Current Assets:			
Cash and investments	$ 10,515,485	$ -	$ 10,515,485
Accounts receivable (net of allowances)	917,828	-	917,828
Interest receivable	38,782	-	38,782
Internal balances	49,613	(49,613)	-
Prepaid expenses	49,069	-	49,069
Total Current Assets	11,570,777	(49,613)	11,521,164
Noncurrent Assets:			
Investment in affordable housing	2,317,739	-	2,317,739
Notes receivable	5,118,752	-	5,118,752
Nondepreciable assets	2,160,048	167,738	2,327,786
Depreciable assets, net	26,769,092	1,054,261	27,823,353
Total Noncurrent Assets	36,365,631	1,221,999	37,587,630
Total Assets	47,936,408	1,172,386	49,108,794
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	617,879	-	617,879
Total Deferred Outflows of Resources	617,879	-	617,879
LIABILITIES			
Current Liabilites:			
Accounts payable	241,151	992	242,143
Deposits payable	-	3,500	3,500
Accrued payroll	55,211	-	55,211
Compensated absences payable (current portion)	70,446	-	70,446
Other liabilities	10,683	2,200	12,883
Total Current Liabilities	377,491	6,692	384,183
Noncurrent Liabilites:			
Compensated absences payable (long-term portion)	70,446	-	70,446
OPEB liability	129,544	-	129,544
Net pension liability	3,593,771	-	3,593,771
Total Noncurrent Liabilities	3,793,761	-	3,793,761
Total Liabilities	4,171,252	6,692	4,177,944
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	41,226	-	41,226
Deferred pension	600,184	-	600,184
Total Deferred Inflows of Resources	641,410	-	641,410
NET POSITION			
Net investment in capital assets	28,929,140	1,221,999	30,151,139
Restricted for special projects and programs	7,783,815	-	7,783,815
Unrestricted	7,028,670	(56,305)	6,972,365
Total Net Position	$ 43,741,625	$ 1,165,694	$ 44,907,319

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, 2016

For the fiscal year ended June 30, 2016	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities							
General government	$ 1,051,461	$ 355,391	$ 43,196	$ -	$ (652,874)	$ -	$ (652,874)
Public works	1,975,653	195,737	-	20,160	(1,759,756)	-	(1,759,756)
Parks and recreation services	583,120	73,501	-	-	(509,619)	-	(509,619)
Community and economic development	362,248	100,612	-	2,040	(259,596)	-	(259,596)
Public safety	2,060,621	49,326	160,883	-	(1,850,412)	-	(1,850,412)
Total Governmental Activities	6,033,103	774,567	204,079	22,200	(5,032,257)	-	(5,032,257)
Business-Type Activities							
Endeavor Hall	67,668	27,253	-	-	-	(40,415)	(40,415)
Total Business-Type Activities	67,668	27,253	-	-	-	(40,415)	(40,415)
Total Primary Government	$ 6,100,771	$ 801,820	$ 204,079	$ 22,200	(5,032,257)	(40,415)	(5,072,672)
General revenues:							
Taxes:							
Property taxes					2,256,780	-	2,256,780
Special parcel taxes					1,311,458	-	1,311,458
Sales and use taxes					372,705	-	372,705
Other taxes					1,442,710	-	1,442,710
Total Taxes					5,383,653	-	5,383,653
Investment income (loss)					295,904	-	295,904
Gain on fixed asset disposal					792	-	792
Miscellaneous					54,140	-	54,140
Total general revenues and transfers					5,734,489	-	5,734,489
Change in net position from continuing activities					702,232	(40,415)	661,817
Extraordinary loss (Note 17)					(230,786)	-	(230,786)
Change in net position					471,446	(40,415)	431,031
Net position - beginning of year, as restated (Note 16)					43,270,179	1,206,109	44,476,288
Net position - end of year					$ 43,741,625	$ 1,165,694	$ 44,907,319

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 Improvements Program 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.

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, 2016

	General Fund	Special Revenue: Landscape Maintenance District	Special Revenue: Successor Housing Agency
ASSETS			
Cash and investments	$ 4,935,640	$ 1,070,497	$ 663,625
Accounts receivable	612,760	-	-
Interest receivable	38,782	-	-
Investment in affordable housing	-	-	2,317,739
Notes receivable	486,940	-	4,631,812
Prepaid expenses	48,922	-	-
Due from other funds	52,163	-	-
Advance to other funds	2,580	-	-
Total Assets	$ 6,177,787	$ 1,070,497	$ 7,613,176
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 111,138	$ 76,799	$ 2,403
Other payables	1,746	6,932	-
Accrued payroll	55,211	-	-
Accrued vacation	70,446	-	-
Due to other funds	-	-	-
Advance from other funds	-	-	-
Unearned revenue	41,226	-	-
Total Liabilities	279,767	83,731	2,403
Deferred Inflows of Resources:			
Deferred revenue	279,961	-	3,315,600
Total Deferred Inflows of Resources	279,961	-	3,315,600
Fund Balance:			
Non-spendable	308,064	-	3,633,951
Restricted	-	818,064	661,222
Committed	-	-	-
Assigned	278,853	168,702	-
Unassigned	5,031,142	-	-
Total Fund Balance	5,618,059	986,766	4,295,173
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,177,787	$ 1,070,497	$ 7,613,176

The accompanying notes are an integral part of the financial statements

Capital Project: Capital Improvement Program	Other Governmental Funds	Total
$ 1,609,388	$ 2,004,948	$ 10,284,098
-	305,068	917,828
-	-	38,782
-	-	2,317,739
-	-	5,118,752
-	147	49,069
-	-	52,163
-	-	2,580
$ 1,609,388	$ 2,310,163	$ 18,781,011
$ 11,711	$ 39,100	$ 241,151
-	2,005	10,683
-	-	55,211
-	-	70,446
-	2,550	2,550
-	2,580	2,580
-	-	41,226
11,711	46,235	423,847
-	10,000	3,605,561
-	10,000	3,605,561
-	-	3,942,015
-	671,190	2,150,476
-	667,134	667,134
1,597,677	918,154	2,963,386
-	(2,550)	5,028,592
1,597,677	2,253,928	14,751,603
$ 1,609,388	$ 2,310,163	$ 18,781,011

The accompanying notes are an integral part of the financial statements

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City of Clayton
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016

Total Fund Balances - Governmental Funds	$	14,751,603
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		2,160,048
Depreciable capital assets, net (net of internal service fund assets of $334,148)		26,434,944
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 are taken into revenue in the statement of activities.		3,605,561
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		(129,544)
Compensated absences payable		(70,446)
Net pension liability not reported on the Governmental Funds Balance Sheet		(3,593,771)
DEFERRED INFLOWS AND OUTFLOWS		
Deferred outflows of resources for pensions not reported on the Governmental Funds Balance Sheet		617,879
Deferred inflows of resources for pensions not reported on the Governmental Funds Balance Sheet		(600,184)
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.		565,535
Net Position of Governmental Activities	$	43,741,625

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, 2016

		Special Revenue	
	General Fund	Landscape Maintenance District	Successor Housing Agency
REVENUES			
Property taxes	$ 2,256,780	$ -	$ -
Program income	-	-	81,400
Special parcel taxes and assessments	-	1,029,544	-
Sales taxes	372,705	-	-
Permits, licenses and fees	283,626	-	-
Fines, forfeirtures and penalties	84,270	-	-
Intergovernmental	250,025	-	-
Motor vehicle in-lieu fees	4,554	-	-
Other in-lieu fees	154,852	-	-
Franchise fees	516,607	-	-
Service charges	342,308	-	-
Use of money and property	104,016	19,571	94,413
Other revenue	16,523	-	-
Total Revenues	4,386,266	1,049,115	175,813
EXPENDITURES			
Current:			
General government	1,068,970	-	-
Public works	152,280	645,132	-
Parks and recreation services	295,284	-	-
Community and economic development	354,083	-	6,032
Public safety	2,138,283	-	-
Capital Outlay	-	197,753	-
Total Expenditures	4,008,900	842,885	6,032
Excess (Deficiency) of Revenues Over (Under) Expenditures	377,366	206,230	169,781
OTHER FINANCING SOURCES (USES)			
Transfers in	104,565	-	-
Transfers out	(46,243)	(35,666)	-
Total Other Financing Sources (Uses)	58,322	(35,666)	-
Net Change in Fund Balances Before Extraordinary Items	435,688	170,564	169,781
Extraordinary loss (Note 17)	(230,786)	-	-
Net Change in Fund Balances	204,902	170,564	169,781
FUND BALANCES			
Beginning of year, as restated (Note 16)	5,413,157	816,202	4,125,392
End of fiscal year	$ 5,618,059	$ 986,766	$ 4,295,173

The accompanying notes are an integral part of the financial statements

Capital Project Capital Improvement Program Fund	Other Governmental Funds	Total
$ -	$ -	$ 2,256,780
-	-	81,400
-	407,612	1,437,156
-	-	372,705
-	44,578	328,204
-	-	84,270
-	714,514	964,539
-	-	4,554
-	-	154,852
-	-	516,607
-	-	342,308
34,897	38,069	290,966
20,160	11,834	48,517
55,057	1,216,607	6,882,858
-	-	1,068,970
-	440,271	1,237,683
-	80,270	375,554
-	19,047	379,162
-	143,338	2,281,621
1,018,555	59,255	1,275,563
1,018,555	742,181	6,618,553
(963,498)	474,426	264,305
789,574	132,399	1,026,538
(236,487)	(859,385)	(1,177,781)
553,087	(726,986)	(151,243)
(410,411)	(252,560)	113,062
-	-	(230,786)
(410,411)	(252,560)	(117,724)
2,008,088	2,506,488	14,869,327
$ 1,597,677	$ 2,253,928	$ 14,751,603

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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, 2016

Net Change in Fund Balances - Total Governmental Funds	$	(117,724)
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)		(29,888)
Long-term compensated absences payable		6,521
Net change in accrued pension liability and deferred inflows (outflows).		491,660
Unavailable revenues		(205,485)
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.		1,077,330
Depreciation expense is deducted from the fund balance (Net of internal service fund depreciation of $108,781).		(839,716)
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.		88,748
Change in Net Position of Governmental Activities on Statement of Activities	$	471,446

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, 2016

	Business-type Activities - Endeavor Hall	Governmental Activities - Internal Service
ASSETS		
Current Assets:		
Cash and investments	$ -	$ 231,387
Noncurrent Assets		
Land	167,738	-
Depreciable assets, net	1,054,261	334,148
Total Assets	1,221,999	565,535
LIABILITIES		
Current Liabilities:		
Accounts payable	992	-
Other payables	2,200	-
Deposits payable	3,500	-
Due to other funds	49,613	-
Total Liabilities	56,305	-
NET POSITION		
Net investment in capital assets	1,221,999	334,148
Unrestricted	(56,305)	231,387
Total Net Position	$ 1,165,694	$ 565,535

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, 2016

	Business-type Activities - Endeavor Hall	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Charges for current services	$ 27,253	$ 26,451
Total Operating Revenues	27,253	26,451
OPERATING EXPENSES		
Personnel	13,340	-
General and administrative	17,071	11,676
Depreciation and amortization	37,257	108,781
Total Operating Expenses	67,668	120,457
Operating Income (Loss)	(40,415)	(94,006)
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on disposal of assets	-	792
Investment income	-	4,939
Other income	-	4,827
Total Nonoperating Revenues (Expenses)	-	10,558
Net (loss) Before Contributions and Operating Transfers	(40,415)	(83,448)
Capital contributions	-	20,953
Transfers in	-	151,243
Change in Net Position	(40,415)	88,748
NET POSITION:		
Beginning of fiscal year	1,206,109	476,787
End of fiscal year	$ 1,165,694	$ 565,535

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, 2016

	Business-type Activities - Endeavor Hall	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/other funds	$ 41,117	$ 26,451
Cash payments to suppliers for goods and services	(19,202)	(11,676)
Cash payment to employees for services	(13,340)	-
Net cash provided (used) by operating activities	8,575	14,775
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in	-	151,243
Net cash provided by noncapital financing activities	-	151,243
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquistion of fixed assets	(8,575)	(146,792)
Capital contributions	-	20,953
Gain on sale of assets	-	792
Other income	-	4,827
Net cash provided (used) by capital and related financing activities	(8,575)	(120,220)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment received on investments	-	4,939
Net Cash provided by investing activities	-	4,939
Net increase (decrease) in cash and cash equivalents	-	50,737
CASH AND CASH EQUIVALENTS:		
Fiscal year ended June 30, 2015	-	180,650
Fiscal year ended June 30, 2016	$ -	$ 231,387
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$ (40,415)	$ (94,006)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	37,257	108,781
Changes in current assets and liabilities:		
Accounts payable	65	-
Other payables	(196)	-
Deposits payable	(2,000)	-
Due to other funds	13,864	-
Net cash provided (used) by operating activities	$ 8,575	$ 14,775

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, 2016

	Private Prupose Trust Fund	
	Redevelopment Successor Agency	Agency Funds
ASSETS		
Cash and investments	$ 1,021,992	$ 2,303,608
Cash and investments with fiscal agents	188,696	442,642
Accounts receivable	-	58,900
Assessments receivable	-	3,023,309
Notes receivable	127,044	-
Investment in bonds	-	2,716,000
Total Assets	1,337,732	8,544,459
LIABILITIES		
Accounts payable	-	20,078
Other liabilities	-	2,064,321
Deposits payable	-	871,751
Accrued interest payable	33,207	-
Advance from Successor Housing Agency	592,412	-
Notes payable	475,000	138,984
Bonds payable	3,465,000	5,449,325
Total Liabilities	4,565,619	$ 8,544,459
DEFERRED INFLOWS OF RESOURCES		
Deferred notes receivables	127,044	
Total Deferred Inflows of Resources	127,044	
NET POSITION		
Held in trust for others	(3,354,931)	
Total Net Position	$ (3,354,931)	

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, 2016

	Private Prupose Trust Fund Redevelopment Successor Agency
ADDITIONS	
Tax increment revenue	$ 934,203
Program revenue	12,340
Interest income	16,992
Total Additions	963,535
DEDUCTIONS	
Interest expense	116,639
Administrative costs	250,000
Other expenses	3,680
Total Deductions	370,319
Extraordinary loss (Note 17)	(1,025,396)
Changes in Net Position	(432,180)
NET POSITION	
Net Position Beginning of Year, as Restated (Note 16)	(2,922,751)
Net Position End of Year	$ (3,354,931)

The accompanying notes are an integral part of the financial statements

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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 11,300.

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.

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.

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.

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 special assessment restricted to fund the operation, maintenance, and improvement of city-wide public landscaped areas.

Housing Successor 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.

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.

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.

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.

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).

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 Local Agency Investment Fund ("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.

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 fixed assets are valued at their estimated fair market value on the date donated. 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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Capital Assets, Continued

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.

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. It is the policy of the City to pay 100% of the accumulated vacation leave when a public safety employee retires or terminates, and up to 18 months of a capped general employee's maximum annual accrual allowed upon the same leave of employment action.

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

Under GASB Statement No. 54, fund balances for 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 of the City, commits and assigns fund balances through the passing of resolutions and ordinances. These captions apply only to Fund Balance classifications:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Position / Fund Balances, Continued

- Nonspendable fund balance are those amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact.
- Restricted fund balances are those 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 fund balances are those 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 fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements.
- Unassigned fund balances are those residual funds that have not been assigned to other funds, are not non-spendable, restricted, committed, or assigned to specific purposes.
- The general fund should be the only fund that reports a positive unassigned fund balance amount.

It is the policy of the City to spend funds in order from restricted to unassigned, as listed above.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates, Continued

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. 72 – "*Fair Value Measurement and Application*"

  This Statement, issued in February of 2015, provides guidance for determining a fair value measurement for financial reporting purposes. Fair value is described as an exit price. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurement

  This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. This Statement generally requires investments to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

New Accounting Pronouncements, Continued

disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2016 (effective for periods beginning after June 15, 2015).

- GASB Statement No. 73 – *"Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*

  This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions,* as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans,* and Statement 68 for pension plans and pensions that are within their respective scopes, and clarifies the application of certain provisions of Statements 67 and 68.

  The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities.

- GASB Statement No. 76 – *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*

  This Statement, issued in June of 2015, supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. 74 – *"Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans"*

  This Statement, issued in In June of 2015, replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* as amended, Statement 43, and Statement No. 50, Pension Disclosures.

  The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

  - Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
  - OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
  - OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members

  For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, this Statement requires two financial statements—a statement of fiduciary net position and a statement of changes in fiduciary net position.

  For single-employer and cost-sharing OPEB plans that are administered through trusts that meet the specified criteria, the following information also is required to be disclosed:

  - Information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

- Significant assumptions and other inputs used to measure the total OPEB liability and information about the sensitivity of the measure of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

All defined benefit OPEB plans are required to present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes the annual money-weighted rate of return on OPEB plan investments for each year.

For single-employer and cost-sharing OPEB plans, the following information for each of the 10 most recent fiscal years is required to be presented as required supplementary information:

- Sources of changes in the net OPEB liability
- Information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

In addition, all OPEB plans, including agent OPEB plans, are required to explain certain factors that significantly affect trends in the amounts reported in the schedules of required supplementary information, such as changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions.

This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The total OPEB liability generally is required to be determined through an actuarial valuation. However, if an OPEB plan has fewer than 100 plan members (active and inactive), use of a specified alternative measurement method in place of an actuarial valuation is permitted. Actuarial valuations, or calculations using the specified alternative measurement method, of the total OPEB liability are required to be performed at least every two years, with more frequent valuations or calculations encouraged.

The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2017 (effective for periods beginning after June 15, 2016). This Statement may result in a change in current practice, and have a material effect on the financial statements of the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

- 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.

  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

  The requirements of 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

- 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 OPEB 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). 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. 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.

The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2017 (effective for periods beginning after December 15, 2015). This Statement may result in a change in current practice, and have a material effect on the financial statements of the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

- GASB Statement No. 78 – "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*"

  The objective of this Statement, issued December of 2015, is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions.* This issue is associated with pensions provided through certain multiple-employer defined pension plans and to state or local government employers whose employees are provided with such pensions.

  The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2017 (effective for periods beginning after December 15, 2015). 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. 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 is 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 for the fiscal year ending June 30,2017)effective for periods beginning after December 15, 2015). 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. 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

governments. Greater comparability improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability.

The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2017 (effective for periods beginning after June 15, 2016). 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. 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). 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. 82 – "*Pension Issues – an amendment of GASB Statements No. 67, and No. 73*"

The objective of this Statement, issued in March of 2016, is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* The requirements of this Statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2017 (effective for periods beginning after June 15, 2016). This Statement may result in a change in current practice, and have a material effect on the financial statements of the City.

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	$ 10,515,485
Statements of Fiduciary Net Position	
Private Purpose Trust Fund	
Cash and investments	1,021,992
Cash with fiscal agents	188,696
Agency Funds	
Cash and investments	2,303,608
Cash with fiscal agents	442,642
Investment in bonds	2,716,000
Total	$ 17,188,423

Cash and investments as of June 30, 2016, consist of the following:	
Cash on hand	$ 1,000
Deposits with financial institutions	1,508,419
Investments	15,679,004
Total	$ 17,188,423

Policy

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

The table below 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

2. CASH AND INVESTMENTS, Continued

Policy, Continued

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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.

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

Interest Rate Risk

Investment 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

2. CASH AND INVESTMENTS, Continued

Interest Rate Risk, Continued

City's investment policy. The investments are restricted to securities which will by their terms mature not later than the date the Agency estimates the monies represented by the particular investment will be needed for withdrawal from such fund. Monies invested in a reserve account shall be invested in Investment Securities which will by their terms mature prior to the date which is the final maturity date of the bonds.

		Remaining Maturity (in Months)					
Investment Type	Totals	12 Months or Less	13 - 24 Months	25 - 36 Months	37 - 48 Months	49 - 60 Months	Greater than 60 Months
Pooled Investments:							
State Investment Pool	$ 1,049,456	$ 1,049,456	$ -	$ -	$ -	$ -	$ -
Certificates of Deposit	10,763,049	1,192,724	2,645,902	3,070,327	2,803,769	1,050,327	-
U.S. Government Agency Notes	900,499	-	-	-	-	900,499	-
Held by Bond Trustees:							
U.S. Government Agency Notes	250,000	250,000	-	-	-	-	-
Municipal Bonds	2,716,000	316,000	342,000	362,000	383,000	409,000	904,000
Total Investments	$ 15,679,004	$ 2,808,180	$ 2,987,902	$ 3,432,327	$ 3,186,769	$ 2,359,826	$ 904,000

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	$ -	$ -	$ -	$ 1,049,456	$ 1,049,456
Certificates of Deposit	-	-	-	10,763,049	10,763,049
U.S. Government Agency Notes	900,499	-	-	-	900,499
Held by Bond Trustees:					
U.S. Government Agency Notes	250,000	-	-	-	250,000
Municipal Bonds	-	-	-	2,716,000	2,716,000
Total Investments	$ 1,150,499	$ -	$ -	$ 14,528,505	$ 15,679,004

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 City's investments are with Community Facilities District No. 1990-1.

2. CASH AND INVESTMENTS, Continued

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, 2016:

- 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 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, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance at June 30, 2016
General Fund:				
Oak Street Bridge Assessment District Loan	$ 15,930	$ -	$ (3,990)	$ 11,940
Successor Agency 2% Election Agreement	376,424	-	(376,424)	-
Successor Agency Firestation Note	475,000	-	-	475,000
Total General Fund	867,354	-	(380,414)	486,940
Successor Housing Agency:				
Diamond Terrace P.A.M. Note	3,397,000	-	(81,400)	3,315,600
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	4,713,212	-	(81,400)	4,631,812
Total Notes Receivable	$ 5,580,566	$ -	$ (461,814)	$ 5,118,752

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, 2016, the outstanding balance due to the General Fund was $11,940.

2% Election Repayment Agreement

On July 1, 1987, the City Council adopted Resolution No. 31-87 ordering "2% election" payments to the City each year by the former RDA as authorized by the H&S Code related to the Clayton Redevelopment Project. The 2% election payments to the City were designed to commence in the fiscal year ending June 30, 1989. During an examination of the former RDA's remaining fiscal condition during calendar year 2009, it was discovered by the former RDA's staff and its consultant, Seifel Consulting, Inc., that these payments had never been made to the City. Subsequent review by the County's Auditor-Controller's Office confirmed that the former RDA owed the City an accumulated total of $501,899 in 2% election payments since 1987. The General Fund recognized this note receivable and the former RDA agreed to pay back this note in four annual installments of $125,475. Pursuant to the California Department of Finance's letter approving the Successor Agency's All Other Funds Due Diligence Review on November 30, 2015, the balance of this note was deemed fully payable on the next Recognized Obligation Payment Schedule (ROPS) for the six month period ending June 30,

3. LOANS AND NOTES RECEIVABLE, Continued

2016. On As of June 30, 2016, the balance due from the Successor Agency had been fully repaid.

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 1, 2023. As of June 30, 2016, the outstanding balance of the note was $475,000.

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 $3,315,600 at June 30, 2016.

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, 2016, 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, 2016, the outstanding balance of the loans due to the Successor Agency was $156,800.

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). The loan is expected to be repaid by the Successor Agency through the Recognized Obligation Payment Schedule (ROPS) process in four equal installments of $148,103 beginning the fiscal year ending June 20, 2018. The loan is non-interest bearing.

4. INTERFUND TRANSACTIONS

Due To, Due From

At June 30, 2016, the City had the following short-term interfund receivables and payables:

Due to	Due from: Non-major Governmental Funds	Due from: Endeavor Hall	Total
General Fund	$ 2,550	$ 49,613	$ 52,163
Total	$ 2,550	$ 49,613	$ 52,163

General Fund cash flow loans totaling $52,163 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, 2016:

Transfers out	Transfers in: General Fund	Transfers in: Capital Improvement Program	Transfers in: Non-major Governmental Funds	Transfers in: Internal Service Funds	Total
General Fund	$ -	$ -	$ -	$ 46,243	$ 46,243
Landscape Maintenance District	33,863	891	912	-	35,666
Capital Improvement Program	-	-	131,487	105,000	236,487
Non-major Governmental Funds	70,702	788,683	-	-	859,385
Total	$ 104,565	$ 789,574	$ 132,399	$ 151,243	$ 1,177,781

4. INTERFUND TRANSACTIONS, Continued

Interfund Transfers, Continued

The City transferred $104,565 into the General Fund from the following funds: Clayton Landscape Maintenance District ($33,863) and Non-major Governmental Funds ($70,702) to reimburse the City for support activities. The Capital Improvement Program fund transferred $131,487 to the Measure J fund to return remaining funding reserves from the cancelled East Marsh Creek Road Upgrade Project (CIP No. 10414). The City transferred $788,683 from Non-major governmental funds into the Capital Improvement Fund primarily to cover capital project costs associated with completing the 2015 Neighborhood Street Program (CIP No. 10424). The City also transferred $912 to Non-major governmental funds from the Landscape Maintenance District as a reimbursement for annual stormwater filing fees.

5. CAPITAL ASSETS

Government-Wide Financial Statements

At June 30, 2016, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non depreciable Assets:			
Land	$ 2,086,965	$ 167,738	$ 2,254,703
Construction in progress	73,083	-	73,083
Total non depreciable assets	2,160,048	167,738	2,327,786
Depreciable Assets:			
Buildings	5,895,576	1,400,744	7,296,320
Improvements	6,338,893	159,579	6,498,472
Machinery and equipment	1,369,765	5,024	1,374,789
Infrastructure	30,214,326	-	30,214,326
Total depreciable assets	43,818,560	1,565,347	45,383,907
Total accumulated depreciation	(17,049,468)	(511,086)	(17,560,554)
Depreciable assets, net	26,769,092	1,054,261	27,823,353
Total governmental activities capital assets, net	$ 28,929,140	$ 1,221,999	$ 30,151,139

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, 2016:

	Balance July 1, 2015	Additions	Deletions	Transfers & Adjustments	Balance June 30, 2016
Non depreciable Assets:					
Land	$ 2,086,965	$ -	$ -	$ -	$ 2,086,965
Construction in progress	51,521	1,077,330	-	(1,055,768)	73,083
Total non depreciable assets	2,138,486	1,077,330	-	(1,055,768)	2,160,048
Depreciable Assets:					
Buildings	5,895,576	-	-	-	5,895,576
Improvements	6,108,657	-	-	230,236	6,338,893
Machinery and equipment	1,255,949	146,791	(32,975)	-	1,369,765
Infrastructure	29,388,794	-	-	825,532	30,214,326
Total depreciable assets	42,648,976	146,791	(32,975)	1,055,768	43,818,560
Accumulated depreciation:					
Buildings	(2,368,134)	(117,725)	-	-	(2,485,859)
Improvements	(1,897,413)	(206,595)	-	-	(2,104,008)
Machinery and Equipment	(959,811)	(108,781)	32,975	-	(1,035,617)
Infrastructure	(10,908,589)	(515,395)	-	-	(11,423,984)
Total accumulated depreciation	(16,133,947)	(948,496)	32,975	-	(17,049,468)
Depreciable assets, net	26,515,029	(801,705)	-	1,055,768	26,769,092
Total governmental activities capital assets, net	$ 28,653,515	$ 275,625	$ -	$ -	$ 28,929,140

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General government	$ 52,008
Parks and recreation	225,850
Public safety	75,389
Public works	595,249
Total depreciation expense	$ 948,496

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, 2016:

	Balance July 1, 2015	Additions	Deletions	Transfers & Adjustments	Balance June 30, 2016
Non depreciable Assets:					
Land	$ 167,738	$ -	$ -	$ -	$ 167,738
Total non depreciable assets	167,738	-	-	-	167,738
Depreciable Assets:					
Buildings	1,400,744	-	-	-	1,400,744
Improvements	151,004	8,575	-	-	159,579
Machinery and equipment	5,024	-	-	-	5,024
Total depreciable assets	1,556,772	8,575	-	-	1,565,347
Accumulated depreciation:					
Buildings	(366,528)	(28,334)	-	-	(394,862)
Improvements	(104,078)	(8,408)	-	-	(112,486)
Machinery and Equipment	(3,223)	(515)	-	-	(3,738)
Total accumulated depreciation	(473,829)	(37,257)	-	-	(511,086)
Depreciable assets, net	1,082,943	(28,682)	-	-	1,054,261
Total business-type activities capital assets, net	$ 1,250,681	$ (28,682)	$ -	$ -	$ 1,221,999

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Endeavor Hall	$ 37,257
Total depreciation expense	$ 37,257

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.

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, 2016:

	Beginning Balance July 1, 2015	Additions	Deletions	Ending Balance June 30, 2016
Compensated Absences	$ 153,934	$ 141,378	$ (154,420)	$ 140,892

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, 2016, the outstanding balance of the non-city bond obligation was $2,716,000.

Clayton Station Community Facilities District- Original Issue $1,269,000

Clayton Station Community Facilities District (CFD) Bonds in the principal amount of $1,269,000 were issued on September 2, 2000 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 solely by special assessment revenue from CFD 1990-2. During the fiscal year ended June 30, 2016 these non-city bonded obligations were fully repaid.

7. CONDUIT DEBT, Continued

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, 2016, the outstanding balance of the non-city bond obligation was $168,325.

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, 2016, the outstanding balance of the non-city bond obligation was $2,565,000.

8. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures in Excess of Appropriations

At June 30, 2016, the Grants Fund and Neighborhood Street Lights Fund had expenditures in excess of appropriations of $14,580 and $2,701 respectively. Excess expenditures were covered by residual balances within the funds.

8. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, Continued

Deficit Fund Equity

At June 30, 2016, the funds below had the following deficit fund balance or net position:

Non-major governmental funds		
Stormwater Treatment District Fund	$	(2,550)
Total governmental funds	$	(2,550)

The deficit in the Stormwater Treatment District is expected to be recovered from future revenues.

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, 2016, unearned revenues in the government-wide financial statements were as follows:

	Governmental Activities	
Unearned Revenue		
Prepaid business license renewals	$	38,420
Prepaid rents		2,806
Total unearned revenue	$	41,226

At June 30, 2016 unearned revenues in the fund financial statements were as follows:

	General Fund		Total Governmental Funds	
Unearned revenue				
Business license renewals	$	38,420	$	38,420
Prepaid rental revenue		2,806		2,806
Total unearned revenue	$	41,226	$	41,226

9. UNEARNED AND DEFERRED REVENUE, Continued

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, 2016, deferred inflows of resources in the fund financial statements were as follows.

	General Fund	Successor Housing Agency	Non-major Governmental Funds	Total Governmental Funds
Deferred revenue				
Unavailable state-mandated program reimbursements	$ 265,441	$ -	$ -	$ 265,441
Unavailable loans receivable	14,520	3,315,600	10,000	$ 3,340,120
Total deferred revenue	$ 279,961	$ 3,315,600	$ 10,000	$ 3,605,561

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 representatives 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, 2016 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

10. RISK MANAGEMENT, Continued

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, 2016. 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. PENSIONS

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

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.

11. PENSIONS

Benefits Provided, Continued

The Plans' provisions and benefits in effect at June 30, 2016, 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.

11. PENSIONS, Continued

Employees Covered

At June 30, 2016 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	25	-	-	24	-	-
Inactive employees entitled to but not yet receiving benefits	14	-	-	12	2	-
Active employees	12	5	2	7	1	3
Total	51	5	2	43	3	3

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, 2016, the City's contractually required contributions, which are actuarially determined, were as follows:

Pension Plan	Employer Contributions
Miscellaneous Tier I	$ 166,633
Miscellaneous Tier II	17,114
Miscellaneous PEPRA	10,353
Public Safety Tier I	306,866
Public Safety Tier II	1,964
Public Safety PEPRA	27,747
Total	$ 530,677

11. PENSIONS, 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, 2016:

Pension Plan	Employer Contribution Rate	Employee Contribution Rate
Miscellaneous Tier I	17.232	7.000[1]
Miscellaneous Tier II	8.005	7.000
Miscellaneous PEPRA	6.250	6.250
Public Safety Tier I	39.158	9.000[2]
Public Safety Tier II	20.083	9.000
Public Safety PEPRA	11.500	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, 2016, the City reported a total net pension liability for its proportionate share of the net pension liability for each rate plan as follows:

Pension Plan		Net Pension Liability (Asset)	Porportionate Share of Net Pension Liability
Miscellaneous Tier I	$	1,500,758	0.055%
Miscellaneous Tier II		(1,324)	0.000%
Miscellaneous PEPRA		(413)	0.000%
Public Safety Tier I		2,097,999	0.051%
Public Safety Tier II		(3,233)	0.000%
Public Safety PEPRA		(16)	0.000%
Total	$	3,593,771	

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, 2015, using annual actuarial valuations as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures.

11. PENSIONS, Continued

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

For the year ended June 30, 2016, the City recognized pension expense of $117,524. At June 30, 2016, 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	$	530,677	$	-
Net differences between projected and actual earnings on pension plan investments		-		(120,935)
Adjustment due to differences in proportions		-		(216,190)
Changes in assumptions		-		(239,578)
Difference between actual and expected experiences		-		(23,481)
Difference in actual versus projected contributions		87,202		-
Total	$	617,879	$	(600,184)

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

$530,677 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 (measurement period ended June 30, 2016). 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	
2016	$	(134,995)
2017		(134,995)
2018		(134,995)
2019		(107,997)
Total	$	(512,982)

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

11. PENSIONS, Continued

Discount Rate, Continued

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 percent 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 percent 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 2017-18 fiscal year. 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.

11. PENSIONS, 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 Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100%		

(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 total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.50% *
Mortality	Derived using CalPERS Membership Data for all Funds

* Net of pension plan investment and administrative expenses; includes inflation.

All other actuarial assumptions used in the June 30, 2014 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 under Forms and Publications.

11. PENSIONS, 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 percent, 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	$ 2,513,963	$ 3,358,604	$ 5,872,567
Current discount rate	7.65%	7.65%	7.65%
Net pension liability	$ 1,499,021	$ 2,094,750	$ 3,593,771
1% increase	8.65%	8.65%	8.65%
Net pension liability	$ 837,952	$ 1,036,337	$ 1,874,289

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.

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

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

Plan Description, Continued

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 $112.50 per month as of June 30, 2016. For the fiscal year then ended there were six retired employees receiving retiree premium benefits. For the fiscal year ended June 30, 2016 the City contributed retiree premiums of $7,680 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. 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	3,986
Adjustment to ARC	(5,542)
Annual OPEB Cost	53,877
Contributions made by the City	(7,680)
Contributions made by retirees	(16,309)
Total Contributions	(23,989)
Increase (decrease) in net OPEB obligation	29,888
Net OPEB obligation as of July 1, 2015	99,656
Net OPEB obligation as of June 30, 2016	$ 129,544

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

Annual OPEB Cost and Net OPEB Obligation, Continued

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, 2016 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
2014	$ 44,303	$ 30,251	68.28%	$ 87,991
2015	43,727	32,062	73.32%	99,656
2016	53,877	23,989	44.53%	129,544

Funded Status and Funding Progress

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, 2016, 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

This purpose of this footnote is to explain the impacts of the dissolution of the Redevelopment Agency on the City's financial statements.

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 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);

13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

Background, Continued

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.

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.

13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

Background, Continued

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.

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. As noted previously, as of the date of this report, the City's Due Diligence Reviews had not been finalized. 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 $1,021,992 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 entitles. See Note 4 for further information and disclosures regarding the City's pooled cash and investments.

Restricted Cash and Investments

$188,696 represents restricted cash and investments held by fiscal agents at June 30, 2016, which has been designated for debt service payments.

13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

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, 2016, the outstanding balance of the loans due to the Successor Agency was $127,044.

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. As of June 30, 2016 the unpaid balance of this loan was $475,000. 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 2011-12 fiscal year via the Supplemental Educational Revenue Augmentation Funds (SERAF). The loan balance is currently being reported on the required obligation payment schedules (ROPS) as an enforceable obligation to be repaid upon the "Successor Agency's" receipt of a notice of completion. As of June 30, 2016 the unpaid balance of this loan was $592,412.

13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

Long-Term Debt

The following is a summary of changes in long-term debt transactions for the year ended June 30, 2015:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due in one year	Due in more than one year
2014 Refunding Tax Allocation Bonds	$ 3,790,000		$ (325,000)	$ 3,465,000	$ 330,000	$ 3,135,000
Total	$ 3,790,000	$ -	$ (325,000)	$ 3,465,000	$ 330,000	$ 3,135,000

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.

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 $325,000 and $83,433, respectively.

The annual debt service requirements to amortize the Successor Agency's 2014 Refunding Tax Allocation Bonds outstanding at June 30, 2016, were as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2017	$ 330,000	$ 75,900	$ 405,900
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
2022-2025	1,505,000	70,321	1,575,321
Total	$ 3,465,000	$ 360,697	$ 3,825,697

14. CONTINGENCIES

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.

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, 2016 is as follows:

	Major Funds					
Fund Balance Classifications	General Fund	Landscape Maintenance District	Successor Housing Agency	Capital Improvement Program	Other Governmental Funds	Total
Nonspendable for:						
Investment in affordable housing	$ -	$ -	$ 2,317,739	$ -	$ -	$ 2,317,739
Notes receivable	259,142	-	1,316,212	-	-	1,575,354
Prepaid expenses	48,922	-	-	-	-	48,922
Total	308,064	-	3,633,951	-	-	3,942,015
Restricted for:						
Affordable housing	-	-	661,222		-	661,222
Landscaping	-	818,064	-	-	-	818,064
Grant-funded programs	-	-	-	-	200,453	200,453
Geological hazard prevention and repair	-	-	-	-	33,552	33,552
Parks	-	-	-	-	288,657	288,657
Stormwater unfunded mandates	-	-	-	-	29,864	29,864
Street lighting	-	-	-	-	108,971	108,971
Transportation	-	-	-	-	9,693	9,693
Total	-	818,064	661,222	-	671,190	2,150,476
Committed for:						
Geological hazard prevention and repair	-	-	-	-	123,100	123,100
Development impact	-	-	-	-	544,034	544,034
Total	-	-	-	-	667,134	667,134
Assigned for:						
FY 2016-17 budget	278,853	168,702	-	-	918,154	1,365,709
Capital projects	-	-	-	1,597,677	-	1,597,677
Total	278,853	168,702	-	1,597,677	918,154	2,963,386
Unassigned	5,031,142	-	-	-	(2,550)	5,028,592
Total Fund Balance	$ 5,618,059	$ 986,766	$ 4,295,173	$ 1,597,677	$ 2,253,928	$ 14,751,603

15. EQUITY BALANCES, Continued

Governmental Fund Balances, Continued

On February 3, 2016 the City Council approved the appropriation of $389,895 in General Fund reserves arising from the surplus reported 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 ordinary annual operating budget. At June 30, 2016, the balance of this General fund assignment was $278,853, which was rolled into the fiscal year 2016-17 budget for the approved and specified purposes.

Net Position

The restricted component of net position are assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), 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, 2016 for governmental activities is as follows:

Restricted for public works:		
Landscaping	$	818,064
Geological hazard prevention/repair		33,552
Stormwater compliance		29,864
Neighborhood street lighting		108,971
Transportation		9,693
Restricted for parks and recreation:		
"The Grove Park" maintenance and capital improvements		288,657
Restricted for public safety:		
Grants		200,453
Restricted for community and economic development:		
Affordable housing		6,294,561
Total restricted net position	$	7,783,815

16. PRIOR PERIOD ADJUSTMENTS

Government-Wide Financial Statements

A prior period adjustment of $7,522,392 was made to increase net position of the governmental activities to reflect the Successor Housing Agency as a special revenue fund of the primary government as of July, 1, 2015.

During the completion of the all other funds due diligence review it was identified that budgeted repayments had already been made from the former Redevelopment Agency to the City General Fund on the 2% Election Agreement prior to dissolution of the Redevelopment Agency on February 1, 2012. As such, a prior period adjustment of $125,475 was necessary to reduce beginning net position for the overstated loan as of July 1, 2015.

The restatement of beginning net position of the governmental activities is summarized as follows:

Net position at July 1, 2015, as previously stated	$ 35,459,216
Correction of error to restate Successor Housing Agency as a governmental fund	7,522,392
Correction of error to restate notes receivable	(125,475)
Correction of error to recognize deferred receivables	414,046
Net position at July 1, 2015, as restated	$ 43,270,179

Fund Financial Statements

During the completion of the all other funds due diligence review it was identified that budgeted repayments had already been made from the former Redevelopment Agency to the City General Fund on the 2% Election Agreement prior to dissolution of the Redevelopment Agency on February 1, 2012. As such, a prior period adjustment of $125,475 was necessary to reduce beginning fund balance of the General Fund and increase beginning net position of the Successor Agency private purpose trust fund for the overstated loan as of July 1, 2015.

A prior period adjustment of $4,125,392 was made to report the Successor Housing Agency as a blended component unit special revenue fund of the primary government as of July, 1, 2015.

16. PRIOR PERIOD ADJUSTMENTS, Continued

Fund Financial Statements, Continued

The restatement of beginning fund balance of the governmental funds is summarized as follows:

	General Fund	Successor Housing Agency	Total Governmental Funds
Fund balance at July 1, 2015, as previously stated	$ 5,538,632	$ -	$ 10,869,410
Correction of error to restate notes receivable	(125,475)	-	(125,475)
Correction of error to restate Successor Housing Agency as a governmental fund	-	4,125,392	4,125,392
Fund balance at July 1, 2015, as restated	$ 5,413,157	$ 4,125,392	$ 14,869,327

The restatement of beginning net position of the fiduciary funds is summarized as follows:

	Successor Agency Private Purpose Trust Fund
Net position at July 1, 2015, as previously stated	$ (3,048,226)
Correction of error to restate notes receivable	125,475
Net position at July 1, 2015, as restated	$ (2,922,751)

17. EXTRAORDINARY ITEM

On November 30, 2015, the California Department of Finance (DOF) issued their final determination letter approving the all other funds due diligence review report required by AB 1484 with modifications. The modifications resulted in an increase to the obligation owed to the County Auditor-Controller specified in the Oversight Board-approved due diligence review report of $230,786. This is reported as an extraordinary loss to the City General Fund and governmental activities in the fiscal year ending June 30, 2016.

17. EXTRAORDINARY ITEM, Continued

Following the receipt of the November 30, 2015 California Department of Finance determination letter, the City of Clayton Redevelopment Successor Agency issued payment of the unencumbered all other assets balance specified by the DOF determination letter to the County Auditor-Controller's Office. The total payment remitted to the County Auditor-Controller was $1,256,182. This payment, after incorporating $230,786 received by the City's General Fund, resulted in an extraordinary loss of $1,025,396 being reported by the Successor Agency private purpose trust fund for the year ended June 30, 2016.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date on which the financial statements were available to be issued. The following subsequent events were noted:

New Miscellaneous Employee Labor Agreement

On July 5, 2016 the City Council approved a three year memorandum of agreement with the City's undesignated miscellaneous employees unit effective July 1, 2016. The new agreement establishes an annual 3.0% cost of living adjustment over the term of the agreement for all 15.20 full-time employees included in the unit at that time. The new agreement also enacted the sunset of a 2.0% longevity pay that was previously established for eligible employees.

Extension of the Landscape Maintenance Community Facility's District Special Parcel Tax

On July 19, 2016 the City Council adopted a resolution certifying the results of the canvass of returns in the June 2016 Primary Election declaring the local electorate's two-thirds affirmative passage (79.23%) of Clayton Ballot Measure "H" to extend the Landscape Maintenance District's special parcel tax. With the passing of Measure H, the special parcel tax was extended for an additional ten years, through the fiscal year ending June 30, 2027.

City Maintenance Department Staffing Modifications

On August 16, 2016 the City Council approved modifications to the staffing of the maintenance department, deleting one full-time fully benefited position and adding two new full-time fully benefited ones. Subsequent to this change, the City's full-time budgeted staffing increased to 26.20 positions.

18. SUBSEQUENT EVENTS, Continued

Settlement of 1999 Fire Station Note

The California DOF 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 balance of the 1999 Fire Station Note. As per 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.

Downtown Vacant Lot

On July 10, 2016 the City Council approved an exclusive negotiation agreement with Pacific Union Land Investors, LLC (Pacific Union), for the prospective sale and development of the City-owned vacant property in the Clayton town center located at 6005 Main Street. The ENA provides the roadmap to ultimately result in a disposition and development agreement that accompanies the land use application for public review. Sale and change in title ownership of the land is not accomplished by the ENA transaction, which would occur when Pacific Union is ready to pull its approved building permits, which may entail a review process of eighteen to twenty-four months for conclusion. The ENA specifies an agreed-upon price of $1,625,000 for the property. An amendment to the City's General Plan may be required dependent on the intended land use specified in Pacific Union's land use application. The ENA specifies the Pacific Union has until November 1, 2016 to conduct its feasibility analysis of the transaction. Should Pacific Union fail to meet this submission deadline, the ENA automatically terminates unless the mutually extended in writing by the City and Pacific Union.

REQUIRED SUPPLEMENTARY INFORMATION

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.

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	$ 2,114,380	$ 2,114,380	$ 2,256,780	$ 142,400
Sales tax	401,800	401,800	372,705	(29,095)
Permits, licenses and fees	287,862	287,862	283,626	(4,236)
Fines, forfeitures and penalties	73,060	73,060	84,270	11,210
From other agencies	85,090	85,090	250,025	164,935
Motor vehicle in-lieu fees	4,680	4,680	4,554	(126)
Other in-lieu fees	154,852	154,852	154,852	-
Franchise fees	516,700	516,700	516,607	(93)
Service charges	332,816	332,816	342,308	9,492
Use of money and property	38,000	38,000	104,016	66,016
Other revenue	10,640	10,640	16,523	5,883
Total Revenues	4,019,880	4,019,880	4,386,266	366,386
EXPENDITURES				
Current:				
General government	1,079,374	$ 1,127,711	1,068,970	58,741
Public works	142,945	213,753	152,280	61,473
Parks and recreation services	400,896	400,896	295,284	105,612
Community and economic development	353,423	353,423	354,083	(660)
Public safety	2,119,290	2,157,527	2,138,283	19,244
Capital Outlay	-	184,983	-	184,983
Total Expenditures	4,095,928	4,438,293	4,008,900	429,393
Revenues Over (Under) Expenditures	(76,048)	(418,413)	377,366	795,779
OTHER FINANCING SOURCES (USES)				
Transfers in	104,564	104,564	104,565	1
Transfers out	-	(46,243)	(46,243)	-
Total Other Financing Sources (Uses)	104,564	58,321	58,322	1
Change in Fund Balance Before Extraordinary Items	$ 28,516	$ (360,092)	435,688	$ 795,780
Extraordinary gain (loss) on RDA settlement			(230,786)	
Change in fund balance			204,902	
FUND BALANCE				
Beginning of year, as restated (Note 16)			5,413,157	
End of year			$ 5,618,059	

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

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Special parcel tax	$ 1,029,751	$ 1,029,751	$ 1,029,544	$ (207)
Use of money and property	4,000	4,000	19,571	15,571
Total Revenues	1,033,751	1,033,751	1,049,115	15,364
EXPENDITURES				
Current:				
Public works	810,100	810,100	645,132	164,968
Capital Outlay	477,000	516,030	197,753	318,277
Total Expenditures	1,287,100	1,326,130	842,885	483,245
Revenues Over (Under) Expenditures	(253,349)	(292,379)	206,230	498,609
OTHER FINANCING SOURCES (USES)				
Transfers out	(34,775)	(34,775)	(35,666)	(891)
Total Other Financing Sources (Uses)	(34,775)	(34,775)	(35,666)	(891)
Change in fund balance	$ (288,124)	$ (327,154)	170,564	$ 497,718
FUND BALANCE				
Beginning of year			816,202	
End of year			$ 986,766	

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

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Program income	$ 81,400	$ 81,400	$ 81,400	$ -
Use of money and property	7,400	7,400	94,413	87,013
Total Revenues	88,800	88,800	175,813	87,013
EXPENDITURES				
Current:				
Community and economic development	10,000	10,000	6,032	3,968
Total Expenditures	10,000	10,000	6,032	3,968
Revenues Over (Under) Expenditures	78,800	78,800	169,781	90,981
Change in fund balance	$ 78,800	$ 78,800	169,781	$ 90,981
FUND BALANCE				
Beginning of year			4,125,392	
End of year			$ 4,295,173	

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

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Use of money and property	$ -	$ -	$ 34,897	$ 34,897
Other revenue	385,000	385,000	20,160	(364,840)
Total Revenues	385,000	385,000	55,057	(329,943)
EXPENDITURES				
Capital Outlay	1,696,863	1,696,863	1,018,555	678,308
Total Expenditures	1,696,863	1,696,863	1,018,555	678,308
Revenues Over (Under) Expenditures	(1,311,863)	(1,311,863)	(963,498)	348,365
OTHER FINANCING SOURCES (USES)				
Transfers in	1,271,384	1,271,384	789,574	(481,810)
Transfers out	-	-	(236,487)	(236,487)
Total Other Financing Sources (Uses)	1,271,384	1,271,384	553,087	(718,297)
Change in fund balance	$ (40,479)	$ (40,479)	(410,411)	$ (369,932)
FUND BALANCE				
Beginning of year			2,008,088	
End of year			$ 1,597,677	

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Schedule of Proportionate Share of Net Pension Liability
Miscellaneous Tier I Plan
Last 10 Years*

	June 30th	
	2015	2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.055%	0.055%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 1,493,574	$ 1,500,758
Plan's Covered-Employee Payroll	$ 684,529	$ 608,632
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	218.190%	246.579%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.597%	78.029%

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

Schedule of Pension Plan Contributions
Miscellaneous Tier I Plan
Last 10 Years*

	June 30th	
	2015	2016
Actuarially determined contributions	$ 117,958	$ 166,633
Contributions in relation to the actuarially determined contribution	117,958	166,633
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 684,529	$ 608,632
Contributions as a percentage of covered-employee payroll	17.232%	27.378%

Notes to Schedule:

Valuation Date:	June 30, 2014
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 two years are shown.

Schedule of Proportionate Share of Net Pension Liability
Miscellaneous Tier II Plan
Last 10 Years*

	June 30th			
	2015		2016	
Plan's Proportion of the Net Pension Liability/(Asset)		0.000%		0.000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$	1,190	$	(1,324)
Plan's Covered-Employee Payroll	$	248,741	$	255,094
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll		0.478%		-0.519%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability		83.024%		102.916%

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

Schedule of Pension Plan Contributions
Miscellaneous Tier II Plan
Last 10 Years*

	June 30th			
	2015		2016	
Actuarially determined contributions	$	19,912	$	17,114
Contributions in relation to the actuarially determined contribution		19,912		17,114
Contribution deficiency (excess)	$	-	$	-
Covered-employee payroll	$	248,741	$	255,094
Contributions as a percentage of covered-employee payroll		8.005%		6.709%

Notes to Schedule:

Valuation Date:	June 30, 2014
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 two years are shown.

Schedule of Proportionate Share of Net Pension Liability
Miscellaneous PEPRA Plan
Last 10 Years*

	June 30th	
	2015	2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.000%	0.000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 80	$ (413)
Plan's Covered-Employee Payroll	$ 130,344	$ 166,221
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	0.061%	-0.248%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.015%	102.612%

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

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

	June 30th			
	2015		2016	
Actuarially determined contributions	$	8,147	$	10,353
Contributions in relation to the actuarially determined contribution		8,147		10,353
Contribution deficiency (excess)	$	-	$	-
Covered-employee payroll	$	130,344	$	166,221
Contributions as a percentage of covered-employee payroll		6.250%		6.228%

Notes to Schedule:

Valuation Date:	June 30, 2014
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 two years are shown.

Schedule of Proportionate Share of Net Pension Liability
Safety Tier I Plan
Last 10 Years*

	June 30th	
	2015	2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.058%	0.051%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 2,192,623	$ 2,097,999
Plan's Covered-Employee Payroll	$ 527,456	$ 534,623
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	415.698%	392.426%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.796%	75.716%

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

Schedule of Pension Plan Contributions
Safety Tier I Plan
Last 10 Years*

	June 30th	
	2015	2016
Actuarially determined contributions	$ 206,541	$ 306,866
Contributions in relation to the actuarially determined contribution	206,541	306,866
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 527,456	$ 534,623
Contributions as a percentage of covered-employee payroll	39.158%	57.399%

Notes to Schedule:

Valuation Date:	June 30, 2014
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 two years are shown.

Schedule of Proportionate Share of Net Pension Liability
Safety Tier II Plan
Last 10 Years*

	June 30th	
	2015	2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.000%	0.000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 5,927	$ (3,233)
Plan's Covered-Employee Payroll	$ 115,439	$ 14,219
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	5.134%	-22.737%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.417%	103.545%

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

Schedule of Pension Plan Contributions
Safety Tier II Plan
Last 10 Years*

	June 30th	
	2015	2016
Actuarially determined contributions	$ 23,184	$ 1,964
Contributions in relation to the actuarially determined contribution	23,184	1,964
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 115,439	$ 14,219
Contributions as a percentage of covered-employee payroll	20.083%	13.813%

Notes to Schedule:

Valuation Date:	June 30, 2014
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 two years are shown.

Schedule of Proportionate Share of Net Pension Liability
Safety PEPRA Plan
Last 10 Years*

		June 30, 2016
Plan's Proportion of the Net Pension Liability/(Asset)		0.000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$	(16)
Plan's Covered-Employee Payroll	$	241,277
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll		-0.007%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability		103.033%

* Fiscal year ending June 30, 2016 was the 1st year of implementation for the Safety PEPRA plan, therefore only one year is shown.

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

	June 30, 2016
Actuarially determined contributions	$ 27,747
Contributions in relation to the actuarially determined contribution	27,747
Contribution deficiency (excess)	$ -
Covered-employee payroll	$ 241,277
Contributions as a percentage of covered-employee payroll	11.500%

Notes to Schedule:

Valuation Date:	June 30, 2014
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 two years are shown.

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%	1,820,066	-22.28%

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

Non-Major Special Revenue Funds:

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

Gas Tax Fund - 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 Fund - Accounts for grants received for specific programs and projects.

The Grove Park Fund - Accounts for voter-approved real property assessments collected to operate, maintain, repair and replace landscaping, irrigation, hardscape, lights, public restroom, gazebo, and playground equipment for "The Grove Park" in the downtown area.

Measure J Fund - 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 Fund - Accounts for assessments collected to maintain residential street lighting.

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

Presley Settlement *Fund* - Accounts for litigation settlement received for specific programs and projects.

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

Stormwater Treatment District Assessment Fund - 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
Combining Balance Sheets
Non-major Governmental Funds
June 30, 2016

	Special Revenue			
	Development Impact Fees	Gas Tax	Grants	The Grove Park CFD 2006-1
ASSETS				
Cash and investments	$ 613,794	$ 113,134	$ 321,006	$ 300,292
Accounts receivable	-	-	3,806	10,000
Taxes Receivable	-	-	-	-
Prepaid expenses	-	-	147	-
Total Assets	$ 613,794	$ 113,134	$ 324,959	$ 310,292
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ 4,288	$ 480	$ 11,385
Other payables	-	-	1,755	250
Due to other funds	-	-	-	-
Advance from other funds	2,580	-	-	-
Total Liabilities	2,580	4,288	2,235	11,635
Deferred Inflows of Resources:				
Deferred billings	-	-	-	10,000
Total Deferred Inflows of Resources	-	-	-	10,000
Fund Balance:				
Restricted	-	-	200,453	288,657
Committed	544,034	-	-	-
Assigned	67,180	108,846	122,271	-
Unassigned	-	-	-	-
Total Fund Balance	611,214	108,846	322,724	288,657
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 613,794	$ 113,134	$ 324,959	$ 310,292

	Special Revenue						
	Measure J Fund	Neighborhood Streetlights	Oakhurst Geological Hazard Abatement District	Presley Settlement	Stormwater Assessment	Stormwater Treatment District Assessment Fund	Total Other Governmental Funds
	$ 243,138	$ 129,144	$ 38,069	$ 123,100	$ 123,271	$ -	$ 2,004,948
	278,549	-	-	-	12,713	-	305,068
	-	-	-	-	-	-	-
	-	-	-	-	-	-	147
	$ 521,687	$ 129,144	$ 38,069	$ 123,100	$ 135,984	$ -	$ 2,310,163
	$ -	$ 4,735	$ 3,831	$ -	$ 14,381	$ -	$ 39,100
	-	-	-	-	-	-	2,005
	-	-	-	-	-	2,550	2,550
	-	-	-	-	-	-	2,580
	-	4,735	3,831	-	14,381	2,550	46,235
	-	-	-	-	-	-	10,000
	-	-	-	-	-	-	10,000
	9,693	108,971	33,552	-	29,864	-	671,190
	-	-	-	123,100	-	-	667,134
	511,994	15,438	686	-	91,739	-	918,154
	-	-	-	-	-	(2,550)	(2,550)
	521,687	124,409	34,238	123,100	121,603	(2,550)	2,253,928
	$ 521,687	$ 129,144	$ 38,069	$ 123,100	$ 135,984	$ -	$ 2,310,163

City of Clayton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds
For the year ended June 30, 2016

	Special Revenue			
	Development Impact Fees	Gas Tax	Grants	The Grove Park
REVENUES				
Special parcel taxes and assessments	$ -	$ 33,100	$ -	$ 123,008
Permits, licenses and fees	2,040	-	-	1,612
Intergovernmental	-	219,677	160,883	-
Use of money and property	12,556	1,481	6,404	5,710
Other revenue	-	-	-	11,834
Total Revenues	14,596	254,258	167,287	142,164
EXPENDITURES				
Current:				
Public works	-	155,488	-	-
Parks and recreation services	-	-	-	80,270
Community and economic development	-	-	-	-
Public safety	-	-	143,338	-
Capital Outlay	3,911	-	47,915	390
Total Expenditures	3,911	155,488	191,253	80,660
Revenues Over (Under) Expenditures	10,685	98,770	(23,966)	61,504
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(418,573)	-	(6,880)
Total Other Financing Sources (Uses)	-	(418,573)	-	(6,880)
Net change in fund balances	10,685	(319,803)	(23,966)	54,624
FUND BALANCES				
Beginning of year, as restated (Note 16)	600,529	428,649	346,690	234,033
End of year	$ 611,214	$ 108,846	$ 322,724	$ 288,657

Measure J Fund	Neighborhood Streetlights	Oakhurst Geological Hazard Abatement District	Presley Settlement	Stormwater Assessment	Stormwater Treatment District Assessment Fund	Total Other Governmental Funds
		Special Revenue				
$ -	$ 125,807	$ 37,334	$ -	$ 88,363	$ -	$ 407,612
-	-	-	-	40,926	-	44,578
333,954	-	-	-	-	-	714,514
3,959	2,637	591	2,517	2,214	-	38,069
-	-	-	-	-	-	11,834
337,913	128,444	37,925	2,517	131,503	-	1,216,607
23,874	131,201	-	-	129,708	-	440,271
-	-	-	-	-	-	80,270
-	-	19,047	-	-	-	19,047
-	-	-	-	-	-	143,338
-	-	7,039	-	-	-	59,255
23,874	131,201	26,086	-	129,708	-	742,181
314,039	(2,757)	11,839	2,517	1,795	-	474,426
131,487	-	-	-	912	-	132,399
(381,364)	(10,826)	(6,798)	-	(34,944)	-	(859,385)
(249,877)	(10,826)	(6,798)	-	(34,032)	-	(726,986)
64,162	(13,583)	5,041	2,517	(32,237)	-	(252,560)
457,525	137,992	29,197	120,583	153,840	(2,550)	2,506,488
$ 521,687	$ 124,409	$ 34,238	$ 123,100	$ 121,603	$ (2,550)	$ 2,253,928

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Development Impact Fees
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Permits, licenses and fees	$ -	$ -	$ 2,040	$ 2,040
Use of money and property	6,200	6,200	12,556	6,356
Total Revenues	6,200	6,200	14,596	8,396
EXPENDITURES				
Capital Outlay	60,180	60,180	3,911	56,269
Total Expenditures	60,180	60,180	3,911	56,269
Revenues Over (Under) Expenditures	(53,980)	(53,980)	10,685	64,665
Change in fund balance	$ (53,980)	$ (53,980)	10,685	$ 64,665
FUND BALANCE				
Beginning of year			600,529	
End of year			$ 611,214	

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule – Gas Tax
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Special parcel taxes and assessments	$ 29,339	$ 29,339	$ 33,100	$ 3,761
Intergovernmental	242,993	242,993	219,677	(23,316)
Use of money and property	2,400	2,400	1,481	(919)
Total Revenues	274,732	274,732	254,258	(20,474)
EXPENDITURES				
Public works	129,326	129,326	155,488	(26,162)
Total Expenditures	129,326	129,326	155,488	(26,162)
Revenues Over (Under) Expenditures	145,406	145,406	98,770	(46,636)
OTHER FINANCING SOURCES (USES)				
Transfers out	(540,891)	(540,891)	(418,573)	122,318
Total Other Financing Sources (Uses)	(540,891)	(540,891)	(418,573)	122,318
Change in fund balance	$ (395,485)	$ (395,485)	(319,803)	$ 75,682
FUND BALANCE				
Beginning of year			428,649	
End of year			$ 108,846	

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Grants
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 120,100	$ 120,100	$ 160,883	$ 40,783
Use of money and property	2,560	2,560	6,404	3,844
Total Revenues	122,660	122,660	167,287	44,627
EXPENDITURES				
Current:				
Public safety	149,921	149,921	143,338	6,583
Public works	26,752	26,752	47,915	(21,163)
Total Expenditures	176,673	176,673	191,253	(14,580)
Revenues Over (Under) Expenditures	(54,013)	(54,013)	(23,966)	30,047
Change in fund balance	$ (54,013)	$ (54,013)	(23,966)	$ 30,047
FUND BALANCE				
Beginning of year			346,690	
End of year			$ 322,724	

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - The Grove Park
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Special parcel taxes and assessments	$ 123,036	$ 123,036	$ 123,008	$ (28)
Permits, licenses and fees	1,000	1,000	1,612	612
Use of money and property	2,600	2,600	5,710	3,110
Other revenue	10,000	10,000	11,834	1,834
Total Revenues	136,636	136,636	142,164	5,528
EXPENDITURES				
Current:				
Parks and recreation services	117,408	117,408	80,270	37,138
Capital Outlay	18,000	18,000	390	17,610
Total Expenditures	135,408	135,408	80,660	54,748
Revenues Over (Under) Expenditures	1,228	1,228	61,504	60,276
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,880)	(6,880)	(6,880)	-
Total Other Financing Sources (Uses)	(6,880)	(6,880)	(6,880)	-
Change in fund balance	$ (5,652)	$ (5,652)	54,624	$ 60,276
FUND BALANCE				
Beginning of year			234,033	
End of year			$ 288,657	

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Measure J Fund
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 302,537	$ 302,537	$ 333,954	$ 31,417
Use of money and property	1,000	1,000	3,959	2,959
Total Revenues	303,537	303,537	337,913	34,376
EXPENDITURES				
Current:				
Public works	23,000	23,000	23,874	(874)
Total Expenditures	23,000	23,000	23,874	(874)
Revenues Over (Under) Expenditures	280,537	280,537	314,039	33,502
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	131,487	131,487
Transfers out	(741,956)	(741,956)	(381,364)	360,592
Total Other Financing Sources (Uses)	(741,956)	(741,956)	(249,877)	492,079
Change in fund balance	$ (461,419)	$ (461,419)	64,162	$ 525,581
FUND BALANCE				
Beginning of year			457,525	
End of year			$ 521,687	

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule – Neighborhood Streetlights
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Special parcel taxes and assessments	$ 125,991	$ 125,991	$ 125,807	$ (184)
Use of money and property	1,300	1,300	2,637	1,337
Total Revenues	127,291	127,291	128,444	1,153
EXPENDITURES				
Current:				
Public works	128,500	128,500	131,201	(2,701)
Total Expenditures	128,500	128,500	131,201	(2,701)
Revenues Over (Under) Expenditures	(1,209)	(1,209)	(2,757)	(1,548)
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,826)	(10,826)	(10,826)	-
Total Other Financing Sources (Uses)	(10,826)	(10,826)	(10,826)	-
Change in fund balance	$ (12,035)	$ (12,035)	(13,583)	$ (1,548)
FUND BALANCE				
Beginning of year			137,992	
End of year			$ 124,409	

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Oakhurst Geological Hazard Abatement District
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Special parcel taxes and assessments	$ 37,414	$ 37,414	$ 37,334	$ (80)
Use of money and property	230	230	591	361
Total Revenues	37,644	37,644	37,925	281
EXPENDITURES				
Current:				
Community and economic development	20,870	20,870	19,047	1,823
Capital Outlay	10,000	10,000	7,039	2,961
Total Expenditures	30,870	30,870	26,086	4,784
Revenues Over (Under) Expenditures	6,774	6,774	11,839	5,065
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,798)	(6,798)	(6,798)	-
Total Other Financing Sources (Uses)	(6,798)	(6,798)	(6,798)	-
Change in fund balance	$ (24)	$ (24)	5,041	$ 5,065
FUND BALANCE				
Beginning of year			29,197	
End of year			$ 34,238	

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Presley Settlement
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Use of money and property	$ 1,070	$ 1,070	$ 2,517	$ 1,447
Total Revenues	1,070	1,070	2,517	1,447
EXPENDITURES				
Current:				
Community and economic development	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	-
Revenues Over (Under) Expenditures	1,070	1,070	2,517	1,447
Change in fund balance	$ 1,070	$ 1,070	2,517	$ 1,447
FUND BALANCE				
Beginning of year			120,583	
End of year			$ 123,100	

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Stormwater Assessment
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Special parcel taxes and assessments	$ 82,240	$ 82,240	$ 88,363	$ 6,123
Permits, licenses and fees	40,952	40,952	40,926	(26)
Use of money and property	1,200	1,200	2,214	1,014
Total Revenues	124,392	124,392	131,503	7,111
EXPENDITURES				
Current:				
Public works	178,549	178,549	129,708	48,841
Total Expenditures	178,549	178,549	129,708	48,841
Revenues Over (Under) Expenditures	(54,157)	(54,157)	1,795	55,952
OTHER FINANCING SOURCES (USES)				
Transfers in	912	912	912	-
Transfers out	(34,944)	(34,944)	(34,944)	-
Total Other Financing Sources (Uses)	(34,032)	(34,032)	(34,032)	-
Change in fund balance	$ (88,189)	$ (88,189)	(32,237)	$ 55,952
FUND BALANCE				
Beginning of year			153,840	
End of year			$ 121,603	

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
Combining Statement of Net Position
Internal Service Funds
For the year ended June 30, 2016

	Capital Equipment Replacement	Self-Insurance	Total
ASSETS			
Current Assets:			
Cash and investments	$ 177,515	$ 53,872	$ 231,387
Noncurrent Assets:			
Depreciable assets, net	334,148	-	334,148
Total Asset	511,663	53,872	565,535
LIABILITIES			
Current Liabilities:			
Accounts payable	-	-	-
Total Liabilities	-	-	-
NET POSITION			
Net investment in capital assets	334,148	-	334,148
Unrestricted	177,515	53,872	231,387
Total Net Position	$ 511,663	$ 53,872	$ 565,535

City of Clayton
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the year ended June 30, 2016

	Capital Equipment Replacement	Self-Insurance	Total
OPERATING REVENUES			
Charges for current services	$ 26,451	$ -	$ 26,451
Total Operating Revenues	26,451	-	26,451
OPERATING EXPENSES			
General and administrative	-	11,676	11,676
Depreciation and amortization	108,781	-	108,781
Total Operating Expenses	108,781	11,676	120,457
Operating Income (Loss)	(82,330)	(11,676)	(94,006)
NONOPERATING REVENUES (EXPENSES)			
Gain on disposal of assets	792	-	792
Investment income (loss)	3,810	1,129	4,939
Other income	-	4,827	4,827
Total Nonoperating Revenues (Expenses)	4,602	5,956	10,558
Net (loss) Before Contributions and Operating Transfers	(77,728)	(5,720)	(83,448)
Capital contributions	20,953	-	20,953
Transfers in	151,243	-	151,243
Change in Net Position	94,468	(5,720)	88,748
NET POSITION:			
Beginning of fiscal year	417,195	59,592	476,787
End of fiscal year	$ 511,663	$ 53,872	$ 565,535

City of Clayton
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2016

	Capital Equipment Replacement	Self-Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipt from customers/other funds	$ 26,451	$ -	$ 26,451
Cash payment to suppliers for good and services	-	(11,676)	(11,676)
Net cash provided (used) by operating activities	26,451	(11,676)	14,775
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	151,243	-	151,243
Net cash provided (used) by noncapital financing activities	151,243	-	151,243
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of fixed assets	(146,792)	-	(146,792)
Capital contributions	20,953	-	20,953
Gain on sale of assets	792	-	792
Other income	-	4,827	4,827
Net cash provided (used) by capital and related financing activities	(125,047)	4,827	(120,220)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	3,810	1,129	4,939
Net Cash provided (used) by investing activities	3,810	1,129	4,939
Net increase (decrease) in cash and cash equivalents	56,457	(5,720)	50,737
CASH AND CASH EQUIVALENTS:			
Beginning of fiscal year	121,058	59,592	180,650
End of fiscal year	$ 177,515	$ 53,872	$ 231,387
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ (82,330)	$ (11,676)	$ (94,006)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	108,781	-	108,781
Net cash provided (used) by operating activities	$ 26,451	$ (11,676)	$ 14,775

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 - 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.

Clayton Station Community Facilities District No. 1990-2 - Accounts for assessments to pay indebtedness of the Clayton Station Community Facilities District No. 1990-2.

Deposits Fund - Represents funds held for: performance deposits, Clayton Community Library Foundation 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 No. 1990-1 - Accounts for assessments to pay 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
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Clayton Financing Authority				
Assets:				
Cash and investments	$ 699,488	$ 14,599	$ -	$ 714,087
Total Assets	$ 699,488	$ 14,599	$ -	$ 714,087
Liabilities:				
Other liabilities	$ 699,488	$ 14,599	$ -	$ 714,087
Total Liabilities	$ 699,488	$ 14,599	$ -	$ 714,087
Clayton Financing Authority 2007 Refunding Bonds				
Assets:				
Cash and investments	$ 118,212	$ 10,733	$ (8,266)	$ 120,679
Cash with fiscal agent	458,732	394,246	(423,140)	429,838
Accounts receivable	38,000	58,900	(38,000)	58,900
Investment in bonds	3,012,000	-	(296,000)	2,716,000
Total Assets	$ 3,626,944	$ 463,879	$ (765,406)	$ 3,325,417
Liabilities:				
Other liabilities	$ 746,944	$ 13,473	$ -	$ 760,417
Due to bondholders	2,880,000	-	(315,000)	2,565,000
Total Liabilities	$ 3,626,944	$ 13,473	$ (315,000)	$ 3,325,417
Clayton Station Community Facilities District No. 1990-2				
Assets:				
Cash and investments	$ 129,479	$ 225	$ (129,704)	$ -
Assessments receivable	121,000	-	(121,000)	-
Total Assets	$ 250,479	$ 225	$ (250,704)	$ -
Liabilities:				
Other liabilities	$ 129,479	$ -	$ (129,479)	$ -
Due to bondholders	121,000	-	(121,000)	-
Total Liabilities	$ 250,479	$ -	$ (250,479)	$ -
Deposits Fund				
Assets:				
Cash and investments	$ 769,423	$ 396,346	$ (279,249)	$ 886,520
Total Assets	$ 769,423	$ 396,346	$ (279,249)	$ 886,520
Liabilities:				
Accounts payable	$ 2,849	$ 227,606	$ (215,686)	$ 14,769
Deposits payable	766,574	511,299	(406,122)	871,751
Total Liabilities	$ 769,423	$ 738,905	$ (621,808)	$ 886,520

City of Clayton
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Diablo Estates Benefit Assessment District				
Assets:				
Cash and investments	$ 71,864	$ 79,310	$ (67,478)	$ 83,696
Total Assets	$ 71,864	$ 79,310	$ (67,478)	$ 83,696
Liabilities:				
Accounts payable	$ 4,276	$ 62,487	$ (66,751)	$ 12
Other liabilities	67,588	16,096	-	83,684
Total Liabilities	$ 71,864	$ 78,583	$ (66,751)	$ 83,696
High Street Bridge Benefit Assessment District				
Assets:				
Cash and investments	$ 4,884	$ 1,867	$ (1,454)	$ 5,297
Assessments receivable	20,275	-	(1,454)	18,821
Total Assets	$ 25,159	$ 1,867	$ (2,908)	$ 24,118
Liabilities:				
Accounts payable	$ 4,884	$ 413	$ -	$ 5,297
Notes payable	20,275	-	(1,454)	18,821
Total Liabilities	$ 25,159	$ 413	$ (1,454)	$ 24,118
Lydia Lane Sewer Benefit Assessment District				
Assets:				
Cash and investments	$ 73,274	$ 18,803	$ (25,913)	$ 66,164
Cash with fiscal agent	12,804	-	-	12,804
Assessments receivable	173,325	-	(5,000)	168,325
Total Assets	$ 259,403	$ 18,803	$ (30,913)	$ 247,293
Liabilities:				
Other liabilities	$ 86,078	$ -	$ (7,110)	$ 78,968
Due to bondholders	173,325	-	(5,000)	168,325
Total Liabilities	$ 259,403	$ -	$ (12,110)	$ 247,293
Middle School Community Facilities District No. 1990-1				
Assets:				
Cash and investments	$ 417,351	$ 411,685	$ (431,051)	$ 397,985
Assessments receivable	3,012,000	-	(296,000)	2,716,000
Total Assets	$ 3,429,351	$ 411,685	$ (727,051)	$ 3,113,985
Liabilities:				
Other liabilities	$ 417,351	$ -	$ (19,366)	$ 397,985
Due to bondholders	3,012,000	-	(296,000)	2,716,000
Total Liabilities	$ 3,429,351	$ -	$ (315,366)	$ 3,113,985

City of Clayton
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Oak Street Bridge Benefit Assessment District				
Assets:				
Cash and investments	$ 20,880	$ 8,758	$ (4,647)	$ 24,991
Assessments receivable	15,931	-	(3,991)	11,940
Total Assets	$ 36,811	$ 8,758	$ (8,638)	$ 36,931
Liabilities:				
Other liabilities	$ 20,880	$ 4,111	$ -	$ 24,991
Notes payable	15,931	-	(3,991)	11,940
Total Liabilities	$ 36,811	$ 4,111	$ (3,991)	$ 36,931
Oak Street Sewer Benefit Assessment District				
Assets:				
Cash and investments	$ 3,787	$ 13,048	$ (12,646)	$ 4,189
Assessments receivable	119,109	-	(10,886)	108,223
Total Assets	$ 122,896	$ 13,048	$ (23,532)	$ 112,412
Liabilities:				
Other liabilities	$ 3,787	$ 402	$ -	$ 4,189
Notes payable	119,109	-	(10,886)	108,223
Total Liabilities	$ 122,896	$ 402	$ (10,886)	$ 112,412
Total - All Agency Funds				
Assets:				
Cash and investments	$ 2,308,642	$ 955,374	$ (960,408)	$ 2,303,608
Cash with fiscal agent	471,536	394,246	(423,140)	442,642
Assessments receivable	3,461,640	-	(438,331)	3,023,309
Accounts receivable	38,000	58,900	(38,000)	58,900
Investments in bonds	3,012,000	-	(296,000)	2,716,000
Total Assets	$ 9,291,818	$ 1,408,520	$ (2,155,879)	$ 8,544,459
Liabilities:				
Accounts payable	$ 12,009	$ 290,506	$ (282,437)	$ 20,078
Other liabilities	2,171,595	48,681	(155,955)	2,064,321
Deposits payable	766,574	511,299	(406,122)	871,751
Notes payable	155,315	-	(16,331)	138,984
Due to bondholders	6,186,325	-	(737,000)	5,449,325
Total Liabilities	$ 9,291,818	$ 850,486	$ (1,597,845)	$ 8,544,459

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.

City of Clayton
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30			
	2007	2008	2009	2010
Governmental activities:				
Net investment in capital assets	$ 11,045,256	$ 14,813,000	$ 17,543,027	$ 19,239,151
Restricted	17,175,110	15,892,648	20,161,280	19,459,887
Unrestricted	4,402,045	6,572,695	3,839,703	2,458,228
Total governmental activities net position	32,622,411	37,278,343	41,544,010	41,157,266
Business-type activities:				
Net investment in capital assets	1,356,696	1,330,098	1,299,348	1,431,018
Restricted	-	-	-	-
Unrestricted	(1,245)	(750)	(38,773)	(14,778)
Total business-type activities net position	1,355,451	1,329,348	1,260,575	1,416,240
Primary government:				
Net investment in capital assets	12,401,952	16,143,098	18,842,375	20,670,169
Restricted	17,175,110	15,892,648	20,161,280	19,459,887
Unrestricted	4,400,800	6,571,945	3,800,930	2,443,450
Total primary government net position	$ 33,977,862	$ 38,607,691	$ 42,804,585	$ 42,573,506

Source: City of Clayton Finance Department.

Fiscal Year Ending June 30					
2011	2012	2013	2014	2015	2016
$ 20,953,220	$ 28,330,852	$ 29,988,389	$ 29,344,437	$ 28,653,515	$ 28,929,140
6,240,370	6,775,688	5,071,942	3,470,831	2,024,193	7,783,815
14,935,201	5,034,855	4,829,960	6,306,416	4,781,508	7,028,670
42,128,791	40,141,395	39,890,291	39,121,684	35,459,216	43,741,625
1,394,950	1,358,883	1,322,815	1,286,748	1,250,681	1,221,999
-	-	-	-	-	-
(111,680)	(121,193)	(130,382)	(49,038)	(44,572)	(56,305)
1,283,270	1,237,690	1,192,433	1,237,710	1,206,109	1,165,694
22,348,170	29,689,735	31,311,204	30,631,185	29,904,196	30,151,139
6,240,370	6,775,688	5,071,942	3,470,831	2,024,193	7,783,815
14,823,521	4,913,662	4,699,578	6,257,378	4,736,936	6,972,365
$ 43,412,061	$ 41,379,085	$ 41,082,724	$ 40,359,394	$ 36,665,325	$ 44,907,319

City of Clayton
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government	$ 1,545,238	$ 1,401,451	$ 1,030,448	$ 3,644,725
Public works	2,088,413	1,231,018	992,167	1,179,815
Parks and recreation services	621,142	739,462	603,003	471,758
Community and economic development	982,183	1,610,346	2,382,781	3,845,209
Public safety	1,845,359	1,822,689	1,790,980	1,864,978
Interest and fiscal charges	750,331	796,518	588,253	591,236
Total governmental activities expenses	7,832,666	7,601,484	7,387,632	11,597,721
Business-type activities:				
Community gym	36,501	46,789	41,899	51,384
Endeavor Hall	54,492	46,124	56,361	61,453
Total business-type activities expenses	90,993	92,913	98,260	112,837
Total primary government expenses	$ 7,923,659	$ 7,694,397	$ 7,485,892	$ 11,710,558
Program revenues				
Governmental activities:				
Charges for services:				
General government	$ 297,047	$ 314,669	$ 223,965	$ 235,392
Public works	-	-	-	-
Parks and recreation services	144,151	138,096	141,654	155,298
Community and economic development	141,131	286,744	61,375	106,246
Public safety	40,980	34,580	46,119	31,911
Operating grants and contributions	-	116,666	121,203	129,746
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	623,309	890,755	594,316	658,593
Business-type activities:				
Charges for services:				
Community gym	36,445	46,789	5,385	87,848
Endeavor hall	20,835	20,326	20,144	14,951
Operating grants and contributions	-	-	-	167,738
Total business-type program revenues	57,280	67,115	25,529	270,537
Net revenues (expenses)				
Governmental activities	$ (7,209,357)	$ (6,710,729)	$ (6,793,316)	$ (10,939,128)
Business-type activities	(33,713)	(25,798)	(72,731)	157,700
Total primary government net expense	$ (7,243,070)	$ (6,736,527)	$ (6,866,047)	$ (10,781,428)
General revenues and other changes in net position				
Governmental activities:				
Taxes:				
Property taxes	$ 6,924,249	$ 7,059,095	$ 7,304,719	$ 6,856,430
Special parcel taxes	823,478	1,229,198	1,262,005	1,279,801
Sales and use taxes	329,520	366,155	301,213	327,514
Other taxes	1,494,347	1,128,828	1,095,625	774,794
Investment income	712,459	719,543	653,769	490,207
Miscellaneous	580,698	776,891	440,076	847,460
Gain/(loss) on sale of assets	452,128	167,846	6,600	7,000
Transfers	-	-	(5,024)	-
Total governmental activities	11,316,879	11,447,556	11,058,983	10,583,206
Business type activities:				
Investment income/(loss)	(373)	(305)	(1,066)	(2,035)
Miscellaneous	-	-	-	-
Transfers	-	-	5,024	-
Total business-type activities	(373)	(305)	3,958	(2,035)
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	4,107,522	4,736,827	4,265,667	(355,922)
Business-type activities	(34,086)	(26,103)	(68,773)	155,665
Total primary government	$ 4,073,436	$ 4,710,724	$ 4,196,894	$ (200,257)

Source: City of Clayton Finance Department.

Fiscal Year 2011	2012	2013	2014	2015	2016
$ 1,583,367	$ 1,201,323	$ 1,186,567	$ 1,249,238	$ 1,119,567	$ 1,051,461
2,834,516	1,104,503	1,346,320	2,118,015	2,139,918	1,975,653
884,095	1,066,617	1,100,584	352,498	339,894	583,120
2,476,713	530,687	446,259	410,413	405,941	362,248
1,841,028	1,972,460	1,925,266	2,016,145	2,006,052	2,060,621
414,113	129,047	-	-	-	-
10,033,832	6,004,637	6,004,996	6,146,309	6,011,372	6,033,103
93,398	18	-	-	-	-
66,110	61,497	60,117	65,351	66,606	67,668
159,508	61,515	60,117	65,351	66,606	67,668
$ 10,193,340	$ 6,066,152	$ 6,065,113	$ 6,211,660	$ 6,077,978	$ 6,100,771
$ 233,675	$ 421,866	$ 352,124	$ 567,663	$ 643,070	$ 355,391
-	-	176,163	158,500	165,789	195,737
141,891	183,031	-	608	14,337	73,501
299,103	319,268	137,795	54,013	25,990	100,612
24,064	64,364	36,899	14,631	13,862	49,326
494,148	884,026	587,384	683,492	157,397	204,079
-	-	-	-	-	22,200
1,192,881	1,872,555	1,290,365	1,478,907	1,020,445	1,000,846
2,511		-	-	-	-
23,691	16,294	14,860	19,545	25,818	27,253
	-	-	-	-	-
26,202	16,294	14,860	19,545	25,818	27,253
$ (8,840,951)	$ (4,132,082)	$ (4,714,631)	$ (4,667,402)	$ (4,990,927)	$ (5,032,257)
(133,306)	(45,221)	(45,257)	(45,806)	(40,788)	(40,415)
$ (8,974,257)	$ (4,177,303)	$ (4,759,888)	$ (4,713,208)	$ (5,031,715)	$ (5,072,672)
$ 6,698,149	$ 4,488,417	$ 1,691,803	$ 1,862,734	$ 2,302,278	$ 2,256,780
1,187,642	1,220,460	1,232,280	1,260,823	1,407,850	1,311,458
303,880	307,887	353,525	370,330	397,544	372,705
803,498	792,726	802,651	865,752	1,339,537	1,442,710
335,205	242,539	80,622	64,319	82,909	295,904
477,402	1,249,897	139,161	175,082	91,230	54,140
6,700	(116,339)	(7,817)		624	792
-	250,000	250,456	(688,709)	88,793	-
9,812,476	8,435,587	4,542,681	3,910,331	5,710,765	5,734,489
276	(359)	-	393	175	-
60	-	-	-	4,316	-
-	-	-	-	(88,793)	-
336	(359)	-	393	(84,302)	-
-	(6,100,352)	-	-	(200,000)	(230,786)
-	-	-	-	93,489	-
971,525	(1,796,847)	(171,950)	(757,071)	519,838	471,446
(132,970)	(45,580)	(45,257)	(45,413)	(31,601)	(40,415)
$ 838,555	$ (1,842,427)	$ (217,207)	$ (802,484)	$ 488,237	$ 431,031

City of Clayton
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2007	2008	2009	2010
General fund:				
Reserved	$ 1,028,436	$ 535,000	$ 539,443	$ 535,000
Unreserved	3,378,868	4,411,527	4,566,713	4,574,933
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	4,407,304	4,946,527	5,106,156	5,109,933
All other governmental funds:				
Reserved	11,644,379	11,848,038	12,383,905	11,908,782
Unreserved	1,216,609	5,628,136	1,030,791	1,013,860
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total other governmental funds	12,860,988	17,476,174	13,414,696	12,922,642
Total governmental funds	$ 17,268,292	$ 22,422,701	$ 18,520,852	$ 18,032,575

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					
2011*	2012**	2013	2014	2015	2016
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	1,242,346	1,029,377	308,064
-	-	-	-	-	-
-	442,546	-	-	-	-
46,704	-	182,671	34,542	-	278,853
5,229,784	4,913,879	5,199,914	3,871,849	4,509,255	5,031,142
5,276,488	5,356,425	5,382,585	5,148,737	5,538,632	5,618,059
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	3,633,951
-	-	-	1,399,064	1,303,081	2,150,476
-	6,333,142	5,071,942	829,421	721,112	667,134
12,489,782	-	-	2,354,314	3,309,135	2,684,533
-	-	(425,380)	(2,550)	(2,550)	(2,550)
12,489,782	6,333,142	4,646,562	4,580,249	5,330,778	9,133,544
$ 17,766,270	$ 11,689,567	$ 10,029,147	$ 9,728,986	$ 10,869,410	$ 14,751,603

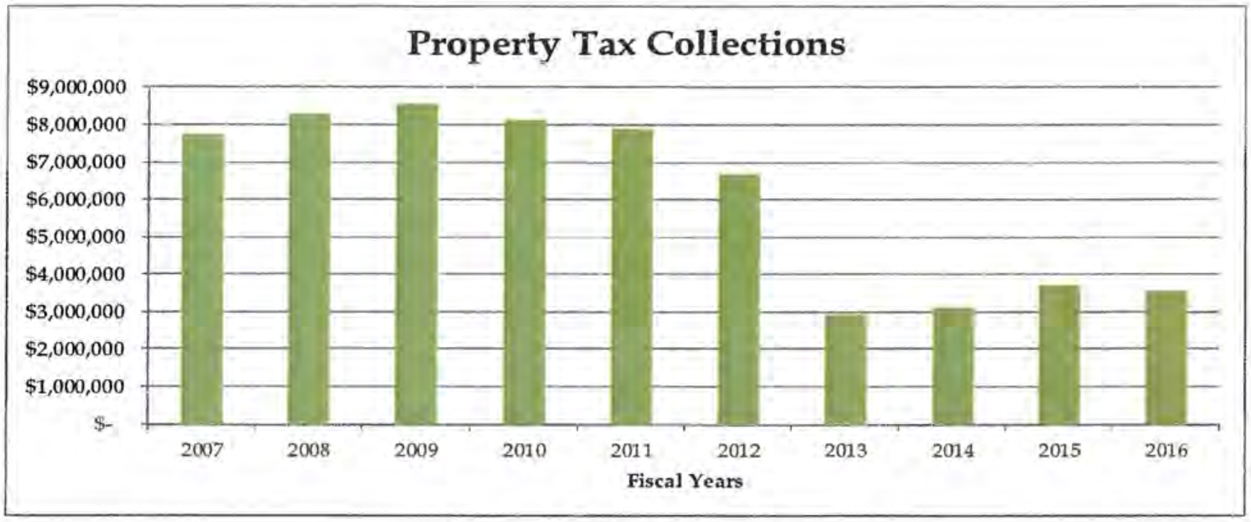
City of Clayton
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Property taxes	$ 7,012,551	$ 7,041,781	$ 7,344,188	$ 6,841,490
Program income	84,917	81,890	91,148	69,752
Special parcel taxes and assessments	823,478	1,229,198	1,262,005	1,279,801
Sales and use taxes	241,218	301,579	261,744	272,702
Permits, licenses and fees	348,490	331,627	291,773	280,395
Fines, forfeitures and penalties	106,067	120,788	67,681	63,788
Intergovernmental	989,289	1,247,722	978,027	1,167,750
Motor vehicle in-lieu fees	73,086	49,486	37,346	32,234
Other in-lieu fees	216,206	220,530	224,940	137,504
Franchise fees	358,350	382,679	365,802	373,479
Service charges	123,278	277,312	76,326	121,734
Use of money and property	712,459	719,543	653,769	490,207
Other revenue	49,984	166,330	94,722	110,963
Total revenues	11,139,373	12,170,465	11,749,471	11,241,799
Expenditures				
Current				
General government	984,874	967,105	1,018,047	1,043,145
Public works	2,785,214	1,859,885	1,251,614	1,379,517
Parks and recreation services	626,750	118,172	359,235	251,104
Community and economic development	1,579,296	1,579,471	1,888,484	3,845,209
Public safety	1,681,905	1,815,673	1,699,638	1,817,147
Capital outlay	-	2,955,592	2,197,986	766,252
Debt service				
Principal	1,200,000	1,670,000	1,660,000	2,045,000
Interest and fiscal charges	785,561	711,890	624,765	582,702
Total expenditures	9,643,600	11,677,788	10,699,769	11,730,076
Revenues over (under) expenditures	1,495,773	492,677	1,049,702	(488,277)
Other financing sources (uses)				
Gain (loss) from sale of property	800,815	167,846	-	-
Transfers in	3,723,204	3,791,927	4,390,863	5,267,262
Transfers out	(3,723,204)	(3,791,927)	(4,395,887)	(5,267,262)
Total other financing sources (uses)	800,815	167,846	(5,024)	-
Revenues and other financing sources over (under) expenditures and other financing uses	2,296,588	660,523	1,044,678	(488,277)
Special and extraordinary items				
Special item gain (loss)	-	-	-	-
Extraordinary gain (loss)	-	-	-	-
Total special and extraordinary items	-	-	-	-
Change in fund balances	$ 2,296,588	$ 660,523	$ 1,044,678	$ (488,277)
Ratio of Total Debt Service Expenditures to Noncapital Expenditures	0.31	0.37	0.34	0.30

Source: City of Clayton Finance Department

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 6,737,779	$ 4,488,417	$ 1,691,803	$ 1,862,734	$ 2,302,278	$ 2,256,780
237,572	72,870	10,546	10,668	10,063	81,400
1,186,092	1,220,460	1,232,280	1,260,823	1,287,748	1,437,156
252,404	307,887	353,525	370,330	397,544	372,705
279,404	534,446	402,661	290,598	306,545	328,204
55,919	114,313	93,328	78,173	72,635	84,270
1,143,631	1,986,471	836,041	967,729	1,066,757	964,539
50,312	11,074	-	4,703	4,590	4,554
140,255	143,060	145,921	148,839	151,816	154,852
403,815	454,871	479,765	504,867	501,597	516,607
71,878	131,053	125,387	338,626	366,080	342,308
346,346	241,199	80,579	62,642	81,408	290,966
111,093	27,954	138,528	175,538	91,131	48,517
11,016,500	9,734,075	5,590,364	6,076,270	6,640,192	6,882,858
1,075,709	1,028,719	957,680	1,118,026	1,018,852	1,068,970
1,352,445	1,251,908	1,502,599	1,293,402	1,342,373	1,237,683
228,124	345,345	356,445	352,498	349,862	375,554
2,653,759	530,687	446,259	410,413	410,972	379,162
1,774,365	1,916,002	1,867,432	1,950,034	2,005,607	2,281,621
1,802,315	1,531,977	2,370,825	393,505	260,895	1,275,563
2,195,000	610,000	-	-	-	-
435,005	323,451	-	-	-	-
11,516,722	7,538,089	7,501,240	5,517,878	5,388,561	6,618,553
(500,222)	2,195,986	(1,910,876)	558,392	1,251,631	264,305
(259,502)	-	-	-	-	-
3,742,690	2,038,931	2,221,820	524,187	600,458	1,026,538
(3,742,690)	(1,788,931)	(1,971,364)	(603,341)	(511,665)	(1,177,781)
(259,502)	250,000	250,456	(79,154)	88,793	(151,243)
(759,724)	2,445,986	(1,660,420)	479,238	1,340,424	113,062
-	53,930	-	(90,690)		-
-	(8,299,982)	-	-	(200,000)	(230,786)
-	(8,246,052)	-	(90,690)	(200,000)	(230,786)
$ (759,724)	$ (5,800,066)	$ (1,660,420)	$ 388,548	$ 1,140,424	$ (117,724)
0.30	0.30	0.00	0.00	0.00	0.00

City of Clayton
Property Tax Levies and Collections
Last Ten Fiscal Years



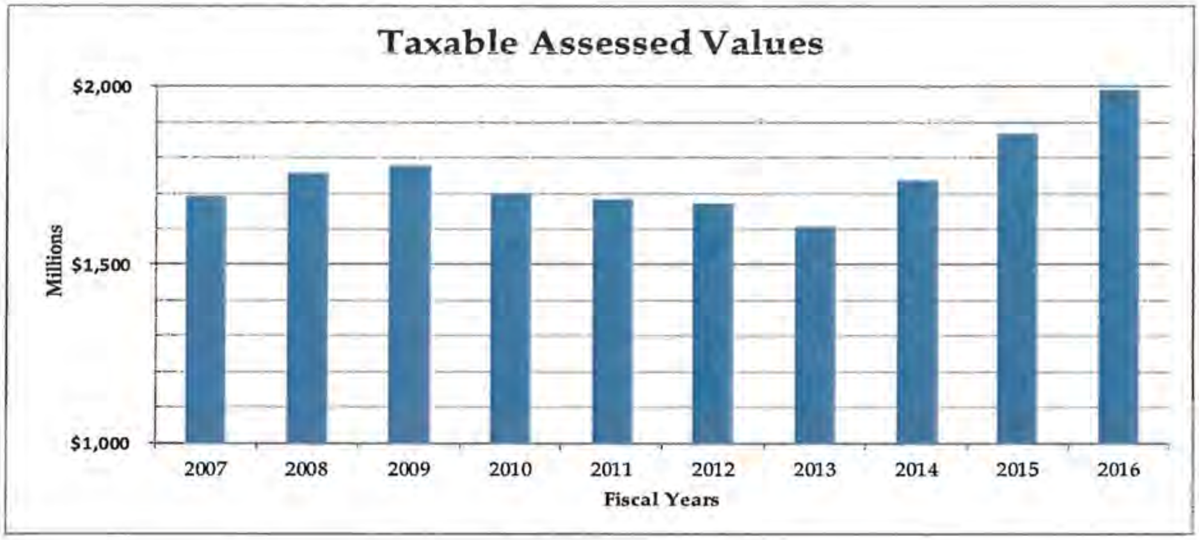
Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year[1]	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Levy	Total Collections to Date: Amount	Total Collections to Date: Percentage of Levy
2007	$ 7,747,727	$ 7,747,727	100%	$ 7,747,727	100%
2008	8,288,293	8,288,293	100%	8,288,293	100%
2009	8,566,724	8,566,724	100%	8,566,724	100%
2010	8,136,231	8,136,231	100%	8,136,231	100%
2011	7,885,791	7,885,791	100%	7,885,791	100%
2012	6,698,149	6,698,149	100%	6,698,149	100%
2013	2,924,083	2,924,083	100%	2,924,083	100%
2014	3,123,557	3,123,557	100%	3,123,557	100%
2015	3,710,128	3,710,128	100%	3,710,128	100%
2016	3,568,238	3,568,238	100%	3,568,238	100%

Source: City of Clayton Finance Department

[1] Property tax levies above include secured and unsecured general ad valorem property taxes, special taxes and assessments on property tax parcels, 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
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]
2007	$	1,695,757,645	$	12,995,660	$	(17,520,449)	$	1,691,232,856	6.63%
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%

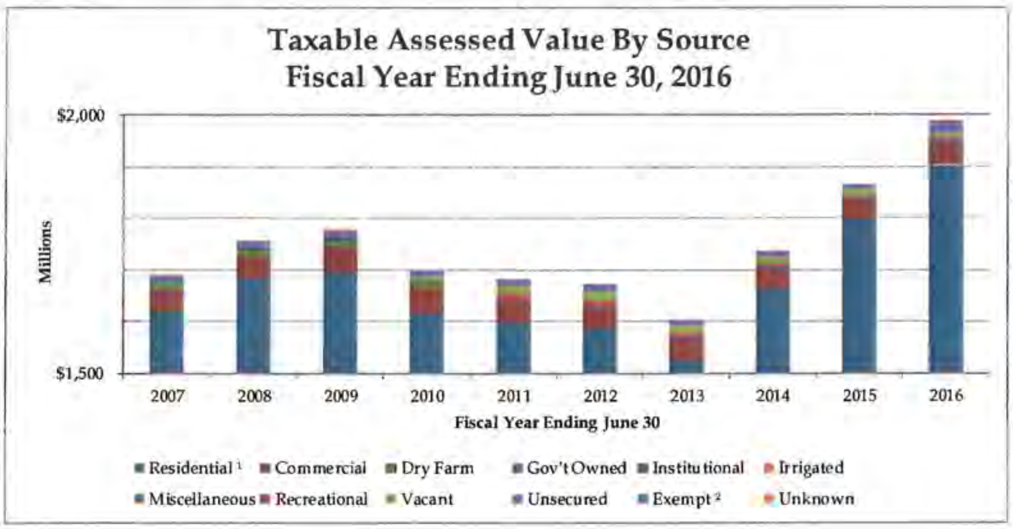
Source: HdL, Coren & Cone, Contra Costa County Assessor Tax Rolls

[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
Taxable Assessed Value By Source
Last Ten Fiscal Years

Category	Fiscal Year Ending June 30 2007	2008	2009	2010
Residential [1]	$ 1,620,200,764	$ 1,683,144,341	$ 1,695,716,043	$ 1,614,703,437
Commercial	42,125,338	43,500,436	48,297,093	50,144,750
Dry Farm	9,563,364	10,399,627	10,662,893	10,795,293
Gov't Owned			260,000	
Institutional	5,200,385	5,053,547	6,616,231	3,586,731
Irrigated				
Miscellaneous	107,877	110,034	112,233	114,477
Recreational	2,247	2,291	2,336	2,382
Vacant	1,037,221	1,036,934	1,919,022	6,502,767
Unsecured	13,123,142	13,313,573	14,127,815	14,600,992
Exempt [2]	(22,622,458)	(22,946,330)	(23,326,090)	(24,848,773)
Unknown	-	-	14,353	-
Totals	$ 1,691,360,338	$ 1,756,560,783	$ 1,777,728,019	$ 1,700,450,829
Total Direct Rate	0.34027	0.34470	0.35383	0.35189



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					
2011	2012	2013	2014	2015	2016
$ 1,597,474,855	$ 1,587,781,869	$ 1,525,145,282	$ 1,664,638,727	$ 1,797,596,765	$ 1,904,368,929
40,404,166	39,281,102	42,498,296	39,271,189	38,942,508	41,544,210
2,379,553	2,412,183	2,460,428	2,509,634	2,521,025	2,571,392
	124,224	126,707	129,240		
188,471	477,430	764,183	197,555	198,449	202,412
12,208,926	12,300,848	5,364,139	5,364,585	5,364,688	5,365,145
17,024,643	17,047,319	16,082,455	12,630,349	11,329,374	11,969,774
14,364,972	13,098,203	12,107,626	12,046,811	10,423,772	24,268,730
(2,431,150)	(24,066,321)	(24,547,599)	(25,038,500)	(26,156,667)	(26,679,230)
-	-	-	-	-	-
$ 1,684,045,586	$ 1,672,523,178	$ 1,604,549,116	$ 1,736,788,090	$ 1,866,376,581	$ 1,990,290,592
0.35104	0.34460	0.34145	0.06992	0.06587	0.06627

City of Clayton
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years (Rate per $100 of Assessed Value)

	Fiscal Year Ending June 30			
	2007	2008	2009	2010
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	0.00500	0.00760	0.00900	0.00570
Contra Costa Community College Bond	0.00430	0.01080	0.00660	0.01260
Contra Costa Water Land Levy	0.00430	0.00390	0.00410	0.00480
East Bay Regional Park Bond	0.00850	0.00800	0.01000	0.01080
Mt. Diablo School Bond	0.04460	0.04240	0.04550	0.04930
Total Direct and Overlapping Rates	1.06670	1.07270	1.07520	1.08320
City's Share of 1% Levy Per Prop 13 [3]	0.06628	0.06628	0.06628	0.06628
Redevelopment Rate [4]	1.01280	1.01190	1.01410	1.01560
Total Direct Rate [5]	0.34027	0.34470	0.35383	0.35189

Source: HdL, Coren & Cone, Contra Costa County Assessor 2006-07 to 2015-16 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

[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					
2011	2012	2013	2014	2015	2016
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
0.00310	0.00410	0.00430	0.00750	0.00450	0.00260
0.01330	0.01440	0.00870	0.01330	0.02520	0.02200
0.00490	0.00510	0.00450	0.00420	0.00370	0.00350
0.00840	0.00710	0.00510	0.00780	0.00850	0.00670
0.06000	0.06120	0.08710	0.07400	0.08530	0.08120
1.08970	1.09190	1.10970	1.10680	1.12720	1.11600
0.06628	0.06628	0.06628	0.06628	0.06628	0.06628
1.01330	1.01220				
0.35104	0.34460	0.34145	0.06992	0.06587	0.06627

City of Clayton
Principal Property Tax Payers
Current Year and Nine Years Ago

Property Owner	Primary Use, Primary Agency	Fiscal Year Ending June 30, 2007 Secured Parcels		Value	% of Net AV
1) NGP Realty Sub	Commercial, Successor Agency	17	$	11,515,173	0.69%
2) Safeway Stores, Inc [1]	Commercial, Successor Agency	1		10,888,834	0.65%
3) Clayton Station Shopping Center [1]	Commercial, Successor Agency	4		8,654,837	0.52%
4) Albert D. Jr. & Sandra Seeno Trust	Dry Farm, Clayton General Fund	1		6,649,339	0.40%
5) Comcast	Unsecured, Successor Agency	-		-	-
6) John F. Lemke	Institutional, Successor Agency	3		3,383,291	0.20%
7) Matthew J. Mazzei Trust	Residential, Clayton General Fund	4		2,953,083	0.18%
8) Village Oaks, LLC	Commercial, Successor Agency	2		2,480,938	0.15%
9) Ocean West Nevada Corporation	Commercial, Successor Agency	1		2,147,677	0.13%
10) Jaime & Gloria Gonzalez	Residential, Clayton General Fund	2		2,032,414	0.12%
Top Ten Total		35	$	50,705,586	3.04%
City Total			$	1,678,237,196	

Property Owner	Primary Use, Primary Agency	Fiscal Year Ending June 30, 2016 Secured Parcels		Value	% of Net AV
1) Comcast	Unsecured, Clayton General Fund	-	$	-	0.00%
2) Safeway Stores, Inc [1]	Commercial, Successor Agency	1		10,860,348	0.55%
3) Clayton Station Shopping Center [1]	Commercial, Successor Agency	4		9,841,116	0.50%
4) Albert D. Jr. & Sandra Seeno Trust	Vacant, Clayton General Fund	1		7,900,000	0.40%
5) NGP Realty Sub, LP	Recreational, Successor Agency	18		5,364,561	0.27%
6) Endashiian, LLC	Commercial, Successor Agency	1		3,482,326	0.18%
7) Village Oaks, LLC	Commercial, Successor Agency	2		2,872,739	0.15%
8) David & Heather Sorensen	Residential, Clayton General Fund	3		2,609,306	0.13%
9) Ocean West Nevada Corporation	Commercial, Successor Agency	1		2,442,053	0.12%
10) William P. Jordan Trust	Residential, Successor Agency	4		2,429,734	0.12%
Top Ten Total		35	$	47,802,183	2.42%
City Total			$	1,966,021,862	

Source: HdL, Coren & Cone, Contra Costa County Assessor 2006-07 & 2015-16 Combined Tax Rolls & the SBE Non-Unitary Tax Roll

[1] Pending Appeals on Parcels

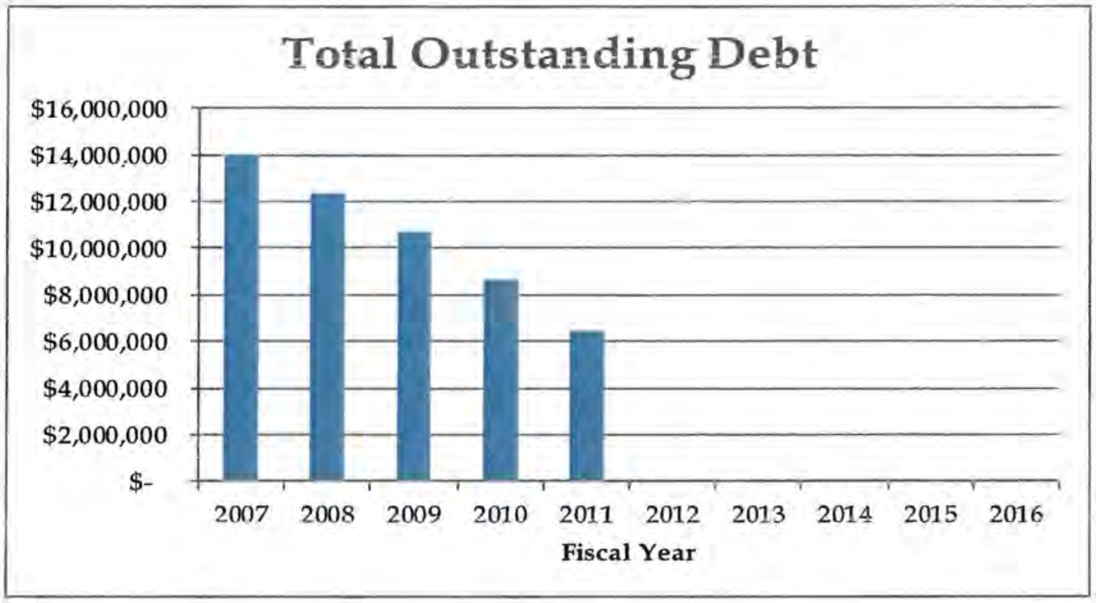
Fiscal Year Ending June 30, 2007

	Unsecured		Combined	
Parcels	Value	% of Net AV	Value	% of Net AV
-	$ -	-	$ 11,515,173	0.68%
-	-	-	10,888,834	0.64%
-	-	-	8,654,837	0.51%
-	-	-	6,649,339	0.39%
4	5,097,431	38.84%	5,097,431	0.30%
-	-	-	3,383,291	0.20%
-	-	-	2,953,083	0.17%
-	-	-	2,480,938	0.15%
-	-	-	2,147,677	0.13%
-	-	-	2,032,414	0.12%
4	$ 5,097,431	38.84%	$ 55,803,017	3.3%
	$ 13,123,142		$ 1,691,360,338	

Fiscal Year Ending June 30, 2016

	Unsecured		Combined	
Parcels	Value	% of Net AV	Value	% of Net AV
6	$ 14,148,515	58.30%	$ 14,148,515	0.71%
-	-	-	10,860,348	0.55%
-	-	-	9,841,116	0.49%
-	-	-	7,900,000	0.40%
-	-	-	5,364,561	0.27%
-	-	-	3,482,326	0.17%
-	-	-	2,872,739	0.14%
1	28,670	0.12%	2,637,976	0.13%
-	-	-	2,442,053	0.12%
-	-	-	2,429,734	0.12%
7	$ 14,177,185	58.42%	$ 61,979,368	3.10%
	$ 24,268,730		$ 1,990,290,592	

City of Clayton
Ratios of Debt Outstanding
Last Ten Fiscal Years



Fiscal Year Ended June 30	Tax Allocation Bonds[1]	Percentage of Total Assessed Value	Percent of Personal Income	Per Capita
2007	$ 14,015,000	0.829%	2.517%	$ 1,299
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%	-

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
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	$ 212,765,000	1.154	$ 2,454,779
100300	CCC PFA 1998A Lease Revenue Bonds	12,670,000	1.154	146,180
100300	CCC PFA 1999A Lease Revenue Bonds	9,660,000	1.154	111,452
100300	CCC PFA 2002A Lease Revenue Bonds	6,800,000	1.154	78,455
100300	CCC PFA 2002B Lease Revenue Bonds	4,125,000	1.154	47,592
100300	CCC PFA 2003A Lease Revenue Bonds	5,860,000	1.154	67,610
100300	CCC PFA 2007A Lease Revenue Bonds	121,185,000	1.154	1,398,174
100300	CCC PFA 2007B Lease Revenue Bonds	17,730,000	1.154	204,560
100300	CCC PFA 2009A Lease Revenue Bonds	15,379,790	1.154	177,445
100300	CCC PFA 2010A-1 Lease Revenue Bonds	4,080,000	1.154	47,073
100300	CCC PFA 2010A-2 Lease Revenue Bonds	13,130,000	1.154	151,488
100300	CCC PFA 2010A-3 Lease Revenue Bonds	20,700,000	1.154	238,827
100300	CCC PFA 2010B Lease Revenue Bonds	12,320,000	1.154	142,142
100300	CCC PFA 2012 Lease Revenue Bonds	10,687,930	1.154	123,312
100300	CCC PFA 2015A Lease Revenue Bonds	18,500,000	1.154	213,444
100300	CCC PFA 2015B Lease Revenue Bonds	47,610,000	1.154	549,301
202000	Contra Costa Fire	84,695,000	2.510	2,125,719
400900	BART	172,046,226	1.154	1,984,986
402700	East Bay Regional Park Bond	65,804,219	1.154	759,217
759500	Mt Diablo 2002 Bond	325,125,000	5.606	18,225,694
759600	Mt Diablo 2010 Bond	290,742,785	5.606	16,298,313
792100	Contra Costa Community College 2002 Bond	180,970,000	1.158	2,095,930
792200	Contra Costa Community College 2006 Bond	296,270,000	1.158	3,431,294
792300	Contra Costa Community College 2014 Bond	101,535,000	1.158	1,175,942
Total Overlapping Debt				$ 52,248,929

2015-16 Assessed Valuation: $1,365,567,777 after deducting $624,722,815 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 2015-16 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
Legal Debt Margin
Last Ten Fiscal Years

	Fiscal Year Ending June 30			
	2007	2008	2009	2010
Assessed valuation	$ 1,691,232,856	$ 1,756,560,783	$ 1,777,803,637	$ 1,700,431,727
Add back exempted real property	17,520,449	18,126,312	17,225,439	18,528,868
Total assessed valuation	$ 1,708,753,305	$ 1,774,687,095	$ 1,795,029,076	$ 1,718,960,595
Debt limit percentage[1]	3.75%	3.75%	3.75%	3.75%
Debt limit	$ 64,078,249	$ 66,550,766	$ 67,313,590	$ 64,461,022
Total net debt applicable to limit	$ -	$ -	$ -	$ -
Legal Debt margin	$ 64,078,249	$ 66,550,766	$ 67,313,590	$ 64,461,022
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											
2011		2012		2013		2014		2015		2016	
$	1,684,060,935	$	1,672,527,948	$	1,604,536,185	$	1,736,788,090	$	1,866,376,581	$	1,990,290,592
	17,527,630		16,982,695		14,643,598		19,675,848		20,326,859		19,474,702
$	1,701,588,565	$	1,689,510,643	$	1,619,179,783	$	1,756,463,938	$	1,886,703,440	$	2,009,765,294
	3.75%		3.75%		3.75%		3.75%		3.75%		3.75%
$	63,809,571	$	63,356,649	$	60,719,242	$	65,867,398	$	70,751,379	$	75,366,199
$	-	$	-	$	-	$	-	$	-	$	-
$	63,809,571	$	63,356,649	$	60,719,242	$	65,867,398	$	70,751,379	$	75,366,199
	0.00%		0.00%		0.00%		0.00%		0.00%		0.00%

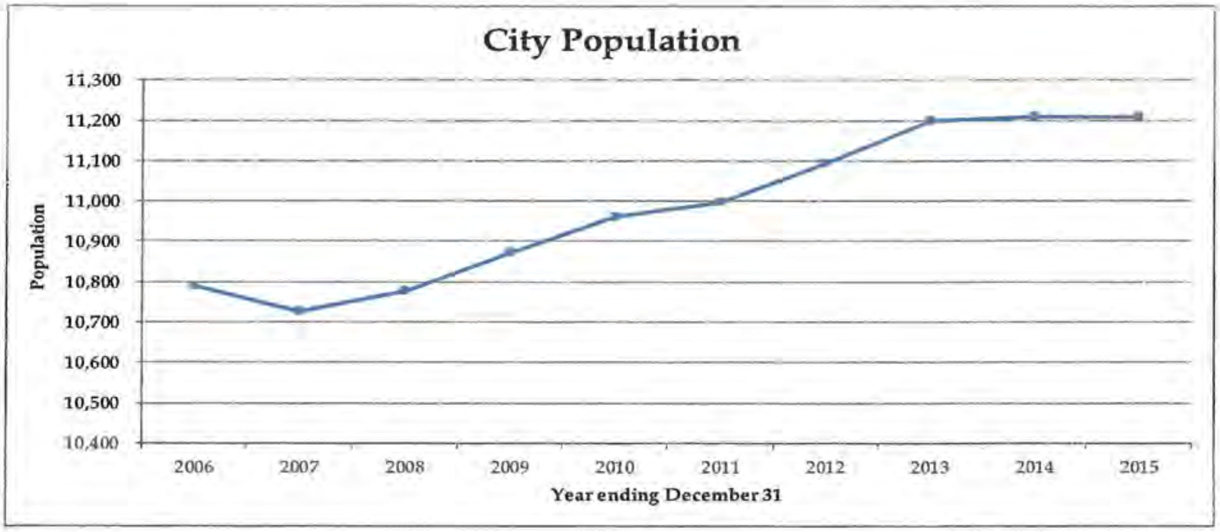
City of Clayton
Bonded Debt Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Allocation Bonds			
		Debt Service[1]		
	Tax Increment	Principal	Interest	Coverage Ratio
2007	5,296,480	$ 1,200,000	$ 785,561	2.67
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	-	-	-	-

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
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[1]	City Population % of County
2006	10,788	556,818	51,615	1.0%	1,029,377	1.05%
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%

[1] Source: HdL, Coren & Cone, Contra Costa County Assessor Tax Rolls

[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. Using non-seasonal adjusted annual unemployment rate of sub-county place (Clayton, CA) for calendar year ending in each fiscal year.

* Comparable historical information for these years not available due to new estimation methodology introduced in 2015 by the California Employment Development Department. Information only available from 2010 on using new estimation methodology and updated 2010 census information.

City of Clayton
Full-Time Equivalent City Employees by Function
Last Ten Fiscal Years

	Fiscal Year Ending June 30			
	2007	2008	2009	2010
Function:				
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
	5.30	5.30	5.30	5.30
Public Safety:				
Sworn Officers	11.00	11.00	11.00	11.00
Non-Sworn/Administration	2.00	2.00	2.00	2.00
	13.00	13.00	13.00	13.00
Public Works[1]	3.50	3.60	3.50	3.60
Parks & Recreation[1]	1.50	1.40	1.50	1.40
Community & Economic Development:				
Planning Services	2.00	2.00	2.00	2.00
Code Enforcement	0.30	0.30	0.30	0.30
	2.30	2.30	2.30	2.30
Totals	25.60	25.60	25.60	25.60

Source: City of Clayton Finance Department, Adopted Budgets.

[1] Full-time equivalent figure for five (5) maintenance personnel allocated to public works and parks & recreation functions based on actual historical labor distributions.

Fiscal Year Ending June 30					
2011	2012	2013	2014	2015	2016
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
3.70	3.50	3.40	3.10	3.50	4.00
1.30	1.50	1.60	1.90	1.50	1.00
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
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year Ending June 30			
	2007	2008	2009	2010
Function:				
Police:				
Police calls for service	*	*	*	*
Parking Violations	*	*	*	*
Traffic Citations	*	*	*	*
Physical Arrests	338	249	267	277
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	*	*	*	*
Hoyer Hall rentals	*	*	*	*
Ballfields (hours rented)	*	*	*	*
Community and Economic Development:				
Planning permits issued	*	*	*	*
Code enforcement cases closed	*	*	*	*
Building permits issued	437	386	267	277
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 is the first year of CAFR implementation for the City, this historical data not readily available.

Fiscal Year Ending June 30					
2011	2012	2013	2014	2015	2016
*	*	5962	5858	7303	6730
*	*	125	40	53	53
*	*	585	664	653	518
255	182	201	137	200	219
*	*	*	*	*	25
*	*	*	*	*	70
*	*	*	*	*	19.07
*	*	*	*	*	350
*	*	*	*	*	13
*	*	*	*	*	1200
*	*	*	*	*	135 days
*	*	*	*	*	33
*	*	*	*	*	1512
*	*	*	*	*	161
*	*	*	*	*	61
255	182	201	376	430	386
*	*	*	547	707	645
*	*	*	*		
*	*	*	*	*	5

City of Clayton
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year Ending June 30			
	2007	2008	2009	2010
Function:				
Public Safety:				
Police stations	1	1	1	1
Patrol units	*	*	*	*
Trailers	*	*	*	*
Public Works:				
City owned parking lots	6	6	6	6
City vehicles	*	*	*	*
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	18.07	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	3000	3000	3000	3000
Number of pedestrian bridges	9	9	9	9
Number of children playgrounds	3	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 is the first year of CAFR implementation for the City, this historical data not readily available.

Fiscal Year Ending June 30					
2011	2012	2013	2014	2015	2016
1	1	1	1	1	1
*	*	*	*	16	16
*	*	*	*	2	2
6	6	6	6	6	6
*	*	*	*	*	24
*	*	*	*	*	3
*	*	*	*	*	82
*	*	*	*	*	162
*	*	*	*	*	32.479
*	*	*	*	*	968
*	*	*	*	*	50
*	*	*	*	*	15
0	0	0	0	0	0
*	*	*	*	*	2000
*	*	*	*	*	500
*	*	*	*	11	12
*	*	*	*	*	13
*	*	*	*	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
3000	3000	3000	3000	3000	3000
9	9	9	9	9	9
4	4	4	4	4	4
4	4	4	4	4	4

City of Clayton
Miscellaneous Statistical Data
For the Year Ended June 30, 2016

General Information:	
Date of Incorporation	March 18, 1964
Form of Government	Council-Manager
Population	11,288
Number of authorized City employees	25
Median age	42.6
Median household income	$131,136
Registered voters	7,252
Area in square miles	4.3
Miles of Streets:	
Lane miles	44.9
Street condition score	79
Fire Protection (CalFire Services Clayton)	
Number of stations	1
Police Protection	
Number of stations	1
Number of vehicles	11
Number of sworn personnel	11
Education	
Elementary School	1
Mt Diablo Elementary	
Middle School	1
Diablo View Middle School	
Library (Contracted with Contra Costa County)	
Number of libraries	1
Number of items	63,369
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, US Census.

ADDITIONAL REPORTS

CROPPER
an accountancy corporation
CERTIFIED PUBLIC ACCOUNTANTS

office location
2700 Ygnacio Valley Road, Ste 270
Walnut Creek, CA 94598
(925) 932-3860 tel

mailing address
2977 Ygnacio Valley Rd, PMB 460
Walnut Creek, CA 94598
(925) 476-9930 efax

www.cropperaccountancy.com

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Clayton as of and for the year ended June 30, 2016, 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 October 25, 2016.

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
October 25, 2016

CROPPER
an accountancy corporation
CERTIFIED PUBLIC ACCOUNTANTS

office location
2700 Ygnacio Valley Road, Ste 270
Walnut Creek, CA 94598
(925) 932-3860 tel

mailing address
2977 Ygnacio Valley Rd, PMB 460
Walnut Creek, CA 94598
(925) 476-9930 efax

www.cropperaccountancy.com

October 25, 2016

To the Clayton City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Clayton ('the City') for the year ended June 30, 2016, and have issued our report thereon dated October 25, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provision of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Other Information in Documents Containing Audited Financial Statements

The auditor's responsibility for other information in documents containing the entity's financial statements and report does not extend beyond the financial information identified in the report, nor does the auditor have an obligation to perform any procedures to corroborate other information contained in these documents.

The auditor reserves the right to read and/or review any document containing the entity's financial statements. This procedure is deemed prudent to determine that nothing comes to our attention that causes us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation appearing in the financial statements.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of Clayton are described in Note 1 to the financial statements. Effective for the year ended June 30, 2016, the City implemented by the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The pension requirements (GASB No. 68 and No. 71) are actuarially determined and have resulted in reported deferred outflows of $617,879, deferred inflows of ($600,184), and a net pension liability of ($3,593,771), 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 in provided in Note 12. The actuarial assumptions may change, which could revise the annual required contribution (ARC) needed to amortize the unfunded liability of $129,544.
- GASB No. 72 was implemented during the year ended June 30 2106 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.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- 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 $3,986 and there was and adjustment to ARC of ($5,542). Total contributions totaled $23,989 (including $16,309 paid by retirees), which resulted in an ending net OPEB obligation of $129,544 which was booked as a long term liability in the financial statements.
- The disclosure of prior period adjustments primarily relating to the restatement of the Successor Housing Agency ($7,522,392) as a special revenue governmental fund. Previously the fund had had been classified as a fiduciary fund (Note 16).

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The schedule on pages 5 and 6 summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The schedule on page 7 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 financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 25, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, pension plan funding status, and other postemployment benefits plan which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the combining and individual nonmajor fund financial statements and the other information, such as the introductory and statistical section, which accompany the financial statements but are not RSI. Such 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.

Restriction on Use

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

Very truly yours,

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek California

Client:	***City - City of Clayton***
Engagement:	***City of Clayton 2016***
Period Ending:	***6/30/2016***
Trial Balance:	***TB 00 - Trial balance***
Workpaper:	***TB 03 - Clayton 2016 Proposed Journal Entry Report***

Account	Description	Debit	Credit
Proposed JE # 2			
Proposed AJE to true-up accrued vacation per auditor"s recalculation			
101-2350-00	Current Portion Accrued Vacation Payable	985.84	
101-7111-04	Regular Salaries	34.23	
802-2301-00	Accrued Leave Payable	985.84	
101-7111-02	Regular Salaries		1,789.57
101-7111-03	Regular Salaries		8.19
101-7111-06	Regular Salaries		208.15
Total		**2,005.91**	**2,005.91**
Proposed JE # 3			
Adjust to actual accrued interest receivable for CFD Middle School fund 422.			
422-5601-00	Interest	516.79	
422-1305-00	Accrued Interest Receivable		516.79
Total		**516.79**	**516.79**
Proposed JE # 4			
Proposad JE to correct Balance of Oak Street Sewer Bond / Assessment Receivalbe due to overstatement of current year debt service.			
223-1331-00	Assessment Receivable	640.92	
615-1333-00	NoteReceivable from OakStSewer	640.92	
223-2103-00	Note Payable RDA		640.92
615-2720-00	Deferred Revenues		640.92
Total		**1,281.84**	**1,281.84**

Proposed JE # 5

Proposed JE to record additional accruals per our Search for Unrecorded Liabilities

	101-7311-06	General Supplies	81.06	
	101-7321-05	Printing and Binding	480.51	
	101-7335-00	Gas & Electricity	97.23	
	101-7335-03	Gas & Electricity	3,491.66	
	201-7335-00	Gas & Electricity	324.70	
	210-7335-00	Gas & Electricity	2,572.74	
	210-7338-00	Water Services	190.29	
	211-7335-00	Gas & Electricity	110.78	
	231-7335-00	Gas & Electricity	10.95	
	231-7338-00	Water Services	203.46	
	303-7520-00	CIP Project Expenses	275.00	
	601-2740-00	Planning Services Deposits	2,262.00	
	702-7335-00	Gas & Electricity	286.15	
	702-7338-00	Water Services	160.44	
	101-2107-00	Accrued Expenses		4,150.46
	201-2107-00	Accrued Expenses		324.70
	210-2107-00	Accrued Expenses		2,763.03
	211-2107-00	Accrued Expenses		110.78
	231-2101-00	Accounts Payable		214.41
	303-2107-00	Accrued Expenses		275.00
	601-2107-00	Accrued Expenses		2,262.00
	702-2107-00	Accrued Expenses		446.59
Total			**10,546.97**	**10,546.97**

Client:	***City - City of Clayton***
Engagement:	***City of Clayton 2016***
Period Ending:	***6/30/2016***
Trial Balance:	***TB 00 - Trial balance***
Workpaper:	***TB 02 - Clayton 2015 AJE Report***

Account	Description	Debit	Credit
Adjusting Journal Entry JE # 1			
Client Accommodation JE to accrue for qtr ended 6/30/16 sales tax true-up and June 2016 PSAF distribution from CC Co.			
101-1300-00	Accounts Receivable Accruals	13,390.00	
101-4301-00	Sales and Use Tax		7,067.85
101-5201-00	Public Safety Allocation		6,322.15
Total		**13,390.00**	**13,390.00**
Adjusting Journal Entry JE # 6			
Add investment in low-moderate income housing			
616-1250-00	Investment in low-moderate income housing	2,317,739.00	
616-3201-00	Unreserved/Designated Fund Bal		2,236,802.00
616-5606-00	Unrealized Inv. Gain/Loss		80,937.00
Total		**2,317,739.00**	**2,317,739.00**

ATTACHMENT 3

CROPPER
an accountancy corporation
CERTIFIED PUBLIC ACCOUNTANTS

office location
2700 Ygnacio Valley Road, Ste 270
Walnut Creek, CA 94598
(925) 932-3860 tel

mailing address
2977 Ygnacio Valley Rd, PMB 460
Walnut Creek, CA 94598
(925) 476-9930 efax

www.cropperaccountancy.com

To the City Council and City Management
of the City of Clayton, California

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clayton (the "City") as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Clayton's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clayton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Clayton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following internal control to be a deficiency

Segregation of Duties

Under prudent internal controls there are three key areas that need to be separated: (a) recording in the general ledger; (b) authorizations; and (c) the reconciliation process.

While the City of Clayton has implemented many mitigating controls, there is always the risk of management override relating to recording in the general ledger and authorization, due to the small size of the City finance department and the cost/benefit constraint.

Recommendation: The City continuously reviews internal control policies and procedures and implement appropriate mitigating controls whenever possible.

- Bank reconciliations: Currently the bank reconciliation is not reviewed or approved by an individual other than the Finance Manager. We recommend that every month an individual review and sign-off approval of the bank reconciliation.

Management's Response:

Management agrees with the auditors' finding and recommendation. Prospectively, management will implement a process whereby the City Council-appointed Treasurer reviews and signs off on the bank reconciliations on a quarterly basis concurrent with review of quarterly investment portfolio report.

Other Observations

The following items were observed during our audit and do not rise to the level of a material weakness or a significant deficiency:

Inventory: During our audit, we noted that the City of Clayton does not have a consistent system of taking periodic inventory counts. This is a weakness in the system of controls and has the potential for allowing abuse, including fraud and other defalcation, to exist and not be detected. Physical counts of inventory should be performed at least annually. The results should be reviewed and reconciled by the Finance Manager. The inventory listing should be reconciled to the general ledger, with any large discrepancies investigated and explained. Any adjustments should be made and a procedure should be implemented to allow for these adjustments to occur at least annually.

Management's Response:

Management agrees with the auditors' finding and recommendation. Management will prepare a written procedures manual outlining the process for an annual supplies inventory count. The procedures manual will specify the relevant materials to be included in the scope of the count as well as the counting and measurement methodologies to be applied. The annual supplies inventory procedure will occur on or as close to the fiscal year end as possible which will allow the City to report the balance of unexpended supplies inventories in the general ledger and financial statements, as recommended by the auditors.

Capitalization Policy: During our audit, we noted that the City has no formal policy for the capitalization of property and equipment purchases. This leaves the organization open to the possibility that fixed assets will not be appropriately recorded, depreciated, or reported for accounting or tax purposes. We suggest that the City Council implement a written policy requiring all assets costing more than an established amount, up to a maximum of $5,000, to be capitalized and depreciated over the assets' useful lives.

Management's Response:

Management agrees with the auditors' finding and recommendation. Management has already prepared a draft fixed assets policy summarizing policies for asset capitalization, tracking, and disposal. The draft policy is currently in the review phase and is expected to be formally authorized by executive management and implemented during the current fiscal year ending June 30, 2017.

Endeavor Hall: During our audit it was noted that Endeavor Hall has had an operating deficit for the years ended June 30, 2016, 2015, and 2014. Currently Endeavor Hall owes the General fund $49,613 and the unrestricted net position of Endeavor Hall is ($56,305). We recommend that Management and the Council evaluate future plans and budgets to avoid continuing deficits, which would continue to deplete the remaining equity of the entity.

Management's Response:

Management agrees with the auditors' factual findings. Following its opening in February 2001, Endeavor Hall's annual operational and maintenance expenses have not been sustained by rental revenues, primarily constrained by limited venue event size. Reporting of this fiscal situation occurs each year in the City Budget presented to the City Council and the public.

However, after backing out the "non-cash" depreciation expense on the facility and its equipment, the annual net cash deficit of Endeavor Hall was $3,158 in FY 16. This amount is miniscule on an annual basis but over the last 15 years the Endeavor Hall fund has accumulated the noted deficit net position. Short of reconciling the Endeavor Hall fund with an annual General Fund subsidy, management does note the facility and its underlying real property are assets valued greater than the cash and unrestricted net deficit. Raising rental rates to capture the annual operating deficit and/or to recoup past deficits would likely push Endeavor Hall out of the competitive rental market for its capacity size. Management has and will continue to monitor this fund each year as to its status. It is acknowledged that should the separate Endeavor Hall enterprise fund be eliminated or consolidated into the General Fund, the General Fund must report a loss equal to the negative unrestricted net position of the Endeavor Hall enterprise fund.

This communication is intended solely for the information and use of management, the City Council, and others within 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
October 25, 2016

ATTACHMENT 4

OPTIONS FOR DISPOSITION OF GENERAL FUND EXCESS MONIES
FY 2015-16

A. Excess Revenues Available: **$204,902**

****

B. Options for Consideration:

EXPENDITURE	AMOUNT	COMMENTS
Replenish Internal Service Fund (Fund has no revenue source)	$26,000	Ending balance will be $38,000; incurs annual expense of $13,000. Pays $5,000 deductible on each liability claim, and City's Employee Assistance/Wellness Program.
Augment Capital Equipment Replacement Fund (CERF)	?	Current cash balance is $132,000. New Police SUVs now cost $48,000 ea.
FY 2017-18 Successor Agency Admin. Fee Gap	$110,000	DOF altered calculation on how much RPTTF monies the General Fund will receive next fiscal year.
Replace car video equipment in 6 police patrol cars.	$17,040	Current equipment antiquated; Taser Co. hardware cost of $3,000 + 5 years of tape storage expense.
Police Training	$5,000	Supplemental training funds for newer patrol force.
Police Cadet Training	$2,000	Cadets receive little to no training for working special events.
Reserve Buffer for unavoidable CalPERS pension rates (FY 2017-18)	$39,000	CalPERS ratcheting up rates to address unfunded liabilities in pension system. Amount is expected GF increase next fiscal year.
SUB-TOTAL:	$199,040	

DATE: 26 OCTOBER 2016

Agenda Date: 11-01-2016

Agenda Item: 8c

CITY OF CLAYTON
Founded 1857 .. Incorporated 1964

Approved:

Gary A. Napper
City Manager

STAFF REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: John Johnston Maintenance Supervisor

DATE: 10-27-2016

SUBJECT: Clayton Valley Little League Proposal for Permanent Fencing and Storage on Field No. 3 of the Clayton Community Park

---

PROPOSAL

Clayton Valley Little League (CVLL) has presented the City with a proposal to jointly install a permanent fence (shared cost) and their storage container that would be located on Field No.3 at Clayton Community Park (CCP). In addition to these alterations CVLL also proposes to build a permanent pitching mound on this baseball field. As the park is a community park, open to all individuals, and enjoyed by many user groups, staff seeks stakeholder input and City Council direction about the proposals design, impact on park irrigation, maintenance, park users, user groups, and project costs.

Design

CVLL's proposal includes a 6 or 8 foot galvanized black vinyl coated fence cemented directly into the grass area. In consideration of the initial proposal, Maintenance staff notes the following sports field components must be part of any approval:

- 8 foot high fence as opposed to a 6 foot high fence
- Installation of a 10 foot wide double maintenance gate
- Minimum 12 inch wide housekeeping strip located directly under the fence line
- 10 foot wide permanent warning track for player safety

CVLL's proposal also seeks free storage of a permanent metal cargo container as a CVLL equipment storage facility. If accepted, staff would like this storage facility to match all other existing buildings and or structures located within the park. Much time and effort has been placed on making sure all building and or structures have met certain design criteria. These designs range from bathrooms, garbage container area, and Nextel building, to barbeques, shade structures, and garbage cans. Staff would like to continue this type of design criteria for this and all other future design proposals.

Note: Based on the initial CVLL design, no access is provided to remove the storage container without removal of the 3rd base line fence.

Field Irrigation

Installation of this fence and storage container will impact the irrigation system located in and around Field No. 3. Alterations to the irrigation system must include:

- Relocation of the majority of sprinklers located within the new playing area
- Complete redesign of the majority of irrigation systems and or sprinklers located outside the playing area
- Possible landscape redesign of area located outside the newly-fenced playing area including hardscape and structures, as the remaining area is insufficient for organized soccer play
- Possible relocation of the scoreboard

Field Maintenance

There are always maintenance costs associated with any new infrastructure or landscape. The following is a list of the obvious additional maintenance associated with the proposal:

- Edging along new fence line area
- Upkeep of new warning track area
- Future repair and replacement of permanent fence
- Unknown maintenance of possible future landscape

Park Users and User Groups

Installation of this fence will take more than half the open area now available for all park users. Many people use the open areas on the upper fields for a variety of activities. This fence will obviously close in the Field No. 3 park area and limit the amount of open space area outside the fence line.

The obvious major impact this fence would have on other user groups is eliminating the use of any other organized sports with the exception of baseball on Field No. 3. The addition of the pitching mound will eliminate the use of any youth softball, and the addition of the fence will eliminate the use of any adult softball. Soccer will obviously not be able to use the field at all. As these are the only sports fields located within town it narrows, even further, the places people can go to enjoy open space park areas.

On a smaller note, the new scoreboards at the park were specifically designed to accommodate a variety of sports.

Project Costs

It is unfeasible at this stage to give an estimated cost on this proposal without at least conceptual designs to consider. The price range could vary significantly depending on the detail and scope of work. The following is a breakdown of staff's estimated range of probable cost associated with converting Field No. 3 as proposed by CVLL:

- Fencing with Gate & Housekeeping Strip: $20,000 - $30,000
- Irrigation System Modifications: $50,000 - $100,000
- Ballfield Play Surface: $15,000 - $20,000
- Re-Landscape: $15,000 - $100,000
- Complementing Storage Building: $5,000 - $80,000
- Design & Blueprints: $10,000 - $50,000

The following is a list of some the items that could directly impact the degree of difficulty and the cost of the integrating CVLL's proposal into a complete public park vision:

- Degree of irrigation redesign
- Landscape solutions for area outside the fence line
- Storage Building Design
- Degree of Design & Blueprints

PUBLIC POLICY DISCUSSION

While initially viewed as a rather simple request by CVLL, its proposal significantly modifies the original design of Field No. 3 as adaptive for other play purposes, both by organized sports and public free play. The determination of Community Park's public purpose in this respect requires public and stakeholder input along with City Council discussion. For maximum outreach, staff also invited the Mt. Diablo Soccer Association and All Out Sports League (AOSL) to this meeting to offer comments regarding the permanent modification to Field No. 3.

Alternatively, modifying Field No. 3 as suggested by CVLL does open up for discussion what other public park features could be added to the balance of this play area. For example, should it be left (renovated) as open play field turf for the flying of kites or other free play activities? Should it be converted to park hardscape with picnic shelters and other associated play structures, or should plans be considered for a BMX professionally-designed bike park or a properly designed skate park. Converting turf use to recreational hardscape would certainly reduce irrigation and repair expenses. In essence, does the CVLL proposal open up other beneficial use alternatives for the remainder of Field No. 3, and at what and whose expense?

CVLL FIELD #3 OVERVIEW

SECTION II

SUBJECT: RENOVATION OF CLAYTON COMMUNITY PARK FIELDS

HISTORY

When the park first opened up to the public in 1992 many user groups filled the parks schedule with activities ranging from soccer, softball, and baseball. Both youth and adult leagues alike enjoyed the new park for its fantastic views and facilities. The fields were kept closed from November 1st thru March 31st to allow the fields time to recover, and a possible opportunity to reseed or renovate. The City, not having a parks and recreation department, found it difficult from the start keeping up with the day to day maintenance and operations of the park.

As the years went by the fields slowly started to deteriorate. Broken main lines, caused by continual ground movement, ground squirrels, wild hogs, and just everyday use began to break down the park grounds. This was especially noticeable within the playing field areas. In addition within recent years, the annual turf respite period has been encroached as CVLL pushes each year to have earlier access to the sports fields due to area field demands and participation numbers. And finally, years of drought came at a time when the fields were on their last blade of grass.

Other than the renovation of the infield lawn area of Field No. 1 in 2001, these park grounds have never had a complete renovation of irrigation, lawns or landscape. They have held up surprisingly well considering the minimal maintenance received and continual use over the years. Staff considers the CVLL request as an opportune time to start a public dialogue as to how we get the Clayton Community Park back to its glory days when it was a shining example of what's good in this community.

The following represents just a few options to get the park back into shape, with very broad costs to give a basic idea of what the City would need in funds. For purposes of this policy discussion, the following budgetary information on Clayton Community Park is useful in providing relativity to the magnitude of expense:

	Fiscal Year 2016-17
Field and Facility Rental Revenue Total:	$ 43,900
Field and Facility Maintenance Budget:	$186,800

A. RENOVATE ALL PLAYING FIELD SURFACES

Scope of Work

- Complete irrigation systems check and repair
- Grading and removal of all weeds, mounds, swales, and uneven surfaces of playing fields
- Top dressing all playing fields with loam soil or sand for detailed leveling
- Seeding all playing fields

Targeted Areas

- Field No. 1 thru Field No. 4 playing area
- All lawn areas affected by renovation

User Impact

Fields could be done in phases depending on the time frame of the project. Only the playing fields would be impacted. Below are possible scenarios:

- One field each year
- 2 select fields each year, possibly divide the upper and lower fields
- All fields at once

The best possible time to reseed any of the fields would be around October, early November. Any later and it may be too cold for the seed to germinate. Staff recommends such a project should be done all at once in the off-season which would minimize any organized user groups.

Setbacks

- Aging irrigation system may leave us right back where we started
- Return of drought restrictions may not give us a chance at all

Rough Cost Estimate

- Rough estimate between $100,000 - $200,000

B. RENOVATE ALL PLAYING FIELD SURFACES and PARK IRRIGATION SYSTEMS

Scope of Work

- Complete irrigation system design & blueprints
- Complete irrigation system installation of main line and main line components (valves, flow sensors, regulators, wiring, controllers, etc.)
- Complete irrigation system installation of lateral lines and lateral line components (sprinklers, check valves, etc.)
- Grading and removal of all weeds, mounds, swales, and uneven surfaces in all lawn areas
- Top dressing all playing fields and surrounding lawn areas with loam soil or sand
- Seeding all playing fields and surrounding lawn areas
- Plant replacement in all surrounding landscape areas within the newly installed irrigation system area.

Targeted Areas

- Field No. 1 thru Field No. 4 playing areas
- All surrounding lawn areas within the park
- All surrounding landscape areas within the park

User Impact

Fields and or landscape areas could be done in phases depending on the time frame of the project. Below are possible scenarios:

- One field and surrounding landscape each year
- Divide the upper & lower park lawn and landscape areas
- The entire Community Park at once leaving partial areas open during construction

This would be a major undertaking and possibly the only real long term solution to all the continuing irrigation problems that have plagued the park over the many years.

Setbacks

- Large areas of the park would be shut down for unknown periods of time
- It is unknown if a new irrigation system would work any better than the old one

Rough Cost Estimate

- Nearly improbable to project, could be in the range of $2.0 million or more.

C. INSTALLATION OF ARTIFICIAL TURF

Scope of Work

- Complete grading, landscaping, irrigation, and artificial turf design & blueprints
- Complete irrigation system installation of main line and main line components (valves, flow sensors, regulators, wiring, controllers, etc.).
- Complete irrigation system installation of lateral lines and lateral line components (sprinklers, check valves, etc.)
- Complete drainage system removal and installation.
- Grading of entire construction area
- Fence installation of all artificial turf areas
- Plant replacement in all surrounding landscape areas within the newly installed irrigation system area.

Note: It is assumed that only the playing field areas will have artificial turf installed. Some form of irrigation system must be installed on or around the turf areas to assist in cooling high surface temperatures, as well as sanitation and biological controls to reduce health and safety risks. Irrigation systems must also be installed throughout other areas of the park that will have a combination of hardscape and drought tolerant landscaping.

Targeted Areas

- The entire Clayton Community Park

User Impact

Fields and or landscape areas could be done in phases depending on the time frame of the project. Below are possible scenarios:

- Divide the upper & lower park lawn and landscape areas
- The entire Community Park at once leaving partial areas open during construction

This would also be a major undertaking and severely impact the park users.

Setbacks

- It is unknown how the continuing movement of the park hills would affect the newly installed turf.
- It is unknown how well the new irrigation system will hold up
- What damage will be done to the new turf with a major irrigation break
- Is the maintenance department equipped to take on artificial turf

Rough Cost Estimate

A 2011 preliminary report commissioned by the City to examine artificial turf at Clayton Community Park estimated over $3.5 million at that time for just the artificial turf installation; it did not include a drainage plan or under-fabric infrastructure. It is unknown what the cost factors might be after 5 years from the date of that concept plan discussion; it could be in the neighborhood of $5 million or more.

COUNCIL DISCUSSION

These are just basic scenarios to give an idea of the level, or degree of renovation that the City needs to consider before staff can assemble a more in-depth plan of action. Given the information provided, staff would like direction on how to proceed with the proposed renovation and to what degree.

Gary Napper

Subject: FW: Agenda Topic for Oct. 18th mtg

From: Howard Geller
Sent: Thursday, October 13, 2016 2:10 PM
To: Gary Napper
Subject: Re: Agenda Topic for Oct. 18th mtg

Gary,

This is confirmation that I would like to have a discussion on the possibility of adding (constructing) additional Public rest Rooms in downtown Clayton. My Comments:

"With the success and growth of the numerous CBCA, Clayton Community Church and City events being held on Main Street throughout the year I feel there is a need for additional accessible permanent restrooms downtown. Our existing restroom is over used at all of our events with lines of people waiting to use them especially the woman's restrooms.

In the past we had had problems with toilets being clogged and stuffed. Recently we have had our existing restrooms retrofitted with some sort of "Power Surge" and water storage tanks to help prevent toilets from clogging. But this will not speed up the "process" and we will still have lines. We will also wit and see if these upgrades work.

The purpose of this discussion by our seated Council is to determine if my feeling is also that of the rest of the Council's. If so, then we would give direction to Staff to locate possible sites and cost.

Another thought I had would be to locate a set of restrooms at the end of the commercial strip being proposed by our buyer of our Main Street property closest to the Park. This could act as the required restrooms for the small shops as well as a facility for the community to use close to the park and maybe alleviate the cost to the City to build.

Once a site or sites have been determines and cost assigned to each site, Council could help come up with alternative methods of funding one or more. With the high use by CBCA events, maybe the CBCA would consider making this one of their projects to have their name on it as the Donnor!

Howard Geller
Mayor

Agenda Date: 11-01-2016

Agenda Item: 3a CFA

MINUTES

CLAYTON FINANCING AUTHORITY REGULAR MEETING
January 19, 2016

1. **CALL TO ORDER AND ROLL CALL** - the meeting was called to order by President Geller at 9:43 p.m. in Hoyer Hall of the Clayton Community Library, 6125 Clayton Road. Board of Directors present: President Geller, Board Members Haydon, Pierce and Shuey. Board of Directors absent: Vice President Diaz. 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 Haydon, seconded by Board Member Shuey, to approve the Consent Calendar as submitted. (Passed; 4-0 vote).**

(a) Approved the minutes of the regular meeting of November 3, 2015.

(b) Approved the Clayton Financing Authority's Annual Report for Calendar Year 2015.

5. **ACTION ITEMS** - None.

6. **BOARD ITEMS** – None.

7. **ADJOURNMENT**- On call by President Geller the meeting adjourned at 9:44 p.m.

Respectfully submitted,

Janet Brown, Secretary

Approved by
Board of Directors, Clayton Financing Authority

Howard Geller, President

CITY OF CLAYTON
Founded 1857 .. Incorporated 1964

Agenda Date: 11-01-2016

Agenda Item: 3b CFA

Approved:

Gary A. Napper
City Manager

STAFF REPORT

TO: HONORABLE BOARD OF DIRECTORS

FROM: KEVIN MIZUNO, FINANCE MANAGER, CPA

DATE: NOVEMBER 1, 2016

SUBJECT: AUDITED BASIC FINANCIAL STATEMENTS OF THE CLAYTON FINANCING AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2016 (FY 2015-16)

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, 2016.

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, 2016 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 16 through 24 of the report.

Financial Report Summary:
The following are some financial highlights included in the report:

- The bulk of the CFA's total assets (67.2%) pertains ownership of the CFD Local Obligations, totaling $2,716,000 as of June 30, 2016.

- Cash and cash equivalents, totaling $834,766, made up 20.7% of total assets. Nearly 85% ($707,186), 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 15% ($127,580) 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 $429,839, which made up 10.6% of total assets. Nearly 58.6% ($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 41.4% ($177,849) 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% ($2,565,000) of the CFA's liabilities at June 30, 2016. 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, 2016 total principal and interest paid was $315,000 and $108,140 respectively.
- Total net position of the CFA was $1,440,405 at June 30, 2016. Approximately 50.4% ($726,317) of total net position is restricted to future debt service payments. The remaining 49.6% ($714,088) 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, 2016 does not have any direct fiscal impact on the Clayton Financing Authority.

Respectively submitted,

T. Kevin Mizuno

T. Kevin Mizuno, CPA
Finance Manager

Attachments:
1. Clayton Financing Authority Basic Financial Statements for the Year Ended June 30, 2016 (With Auditors' Report Thereon)

ATTACHMENT 1

CLAYTON FINANCING AUTHORITY

ANNUAL FINANCIAL STATEMENT REPORT

YEAR ENDED JUNE 30, 2016

Prepared by

Finance Department

T. Kevin Mizuno, CPA
Finance Manager

Clayton Financing Authority
Basic Financial Statements
For the year ended June 30, 2016
Table of Contents

INDEPENDENT AUDITORS' REPORT

CROPPER
an accountancy corporation
CERTIFIED PUBLIC ACCOUNTANTS

office location
2700 Ygnacio Valley Road, Ste 270
Walnut Creek, CA 94598
(925) 932-3860 tel

mailing address
2977 Ygnacio Valley Rd, PMB 460
Walnut Creek, CA 94598
(925) 476-9930 efax

www.cropperaccountancy.com

INDEPENDENT AUDITOR'S REPORT

To 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, 2016, and the related notes to the 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 opinion.

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, 2016, 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 4–10 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 October 25, 2016, 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
October 25, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016.

FINANCIAL HIGHLIGHTS

- The Authority's total assets are $4,039,505. 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 $2,716,000.

- The Authority's liabilities consisted mainly of the 2007 special tax revenue refunding bonds totaling $2,565,000 as of June 30, 2016, 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

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 24 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, 2016 was $1,440,405. The primary asset of the Authority is the investment in CFD 1990-1 local obligations, which decreased by $296,000 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, 2016, CFD paid principal of $296,000 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 increased by $59,273 during the fiscal year ended June 30, 2016. This increase in net position is primarily the result of the debt service of the CFD 1990-1 local obligations exceeding that of the 2007 special tax refunding bonds during the fiscal year ended June 30, 2016. The decrease in total assets of $286,927 was primarily attributable to the maturity of the CFD 1990-1 local obligation investments.

FINANCIAL ANALYSIS, Continued

The following table summarizes the changes between assets, liabilities and net position as of June 30, 2016 and 2015:

Condensed Statements of Net Position

	June 30, 2016	June 30, 2015
Assets		
Current assets	$ 1,639,505	$ 1,610,432
Noncurrent assets	2,400,000	2,716,000
Total Assets	4,039,505	4,326,432
Liabilities		
Current liabilities:	359,100	380,300
Noncurrent liabilities:	2,240,000	2,565,000
Total Liabilities	2,599,100	2,945,300
Net Position		
Restricted for debt service	726,317	681,644
Unrestricted	714,088	699,488
Total Net Position	$ 1,440,405	$ 1,381,132

Of the City's total net position, $726,317, or approximately 50.4% of total net position, was restricted for debt service. This is a slight increase over the prior year, where $681,644 of net position, or 49.35% was restricted for debt service. This modest increase 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, 2016. This reserve balance will gradually be reduced to meet debt service requirements through the maturity of the 2007 Special Tax Refunding Bonds.

FINANCIAL ANALYSIS, Continued

The following table summarizes changes in net position for the fiscal years ended June 30, 2016 and 2015:

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	June 30, 2016	June 30, 2015
Operating revenues		
Interest income from participating government	$ 119,146	$ 116,193
Total operating revenues	119,146	116,193
Operating expenses		
Professional services, including paying agent fees	8,266	8,726
Total operating expenses	8,266	8,726
Operating income (loss)	110,880	107,467
Nonoperating revenues (expenses)		
Interest expense on long-term liabilities	(76,940)	(144,026)
Interest and investment income	17,067	7,164
Other income	8,266	-
Total nonoperating revenues (expenses)	(51,607)	(136,862)
Change in Net Position	59,273	(29,395)
Net Position		
Beginning of Fiscal Year	1,381,132	1,410,527
End of Fiscal Year	$ 1,440,405	$ 1,381,132

Overall revenues and expenses remained relatively consistent with the prior year. The increase in interest and investment income was attributable to the Authority's cash held in the City investment pool making up a larger proportion of the total pool after the conclusion of AB 1484 All Other Funds and Low-Moderate Income Funds due diligence reviews over the course of the current and prior fiscal years. Reductions in interest expense pertained to a much smaller accrued interest liability balance at June 30, 2016 compared to the prior fiscal year.

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

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, 2016.

Principal payments on the 2007 Special Tax Revenue Refunding Bonds 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, 2016, the outstanding balance of the non-city bond obligation was $2,565,000.

Principal payments on the bonds are due September 2nd each year through final maturity in 2022. Interest payments are due on March 2nd and September 2nd. Total principal and interest remaining on the bonds is $2,941,906, payable through September 2022. For the current year, principal and interest paid were $296,000 and $108,140, 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 the balance 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 1.84% for the fiscal year ending June 30, 2016. 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

FACTORS AFFECTING ECONOMIC CONDITIONS, Continued

for the fiscal position of the Authority in order to meet the ongoing debt service of the 2007 bonds.

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

ASSETS	
Current assets:	
Restricted investments:	
Cash and cash equivalents	$ 834,766
Cash with fiscal agent	429,839
Accrued interest receivable	58,900
Investments in local obligations:	
Due within one year	316,000
Noncurrent assets:	
Investments in local obligations:	
Due after one year	2,400,000
Total Assets	4,039,505
LIABILITIES	
Current liabilities:	
Accrued interest payable	34,100
Bonds payable:	
Due within one year	325,000
Noncurrent liabilities:	
Bonds payable:	
Due after one year	2,240,000
Total Liabilities	2,599,100
NET POSITION	
Restricted for debt service	726,317
Unrestricted	714,088
Total Net Position	$ 1,440,405

The accompanying notes are an integral part of the financial statements

OPERATING REVENUES		
Interest income from participating agency	$	119,146
Total Operating Revenues		119,146
OPERATING EXPENSES		
Professional services, including paying agent fees		8,266
Total Operating Expenses		8,266
Operating Income (Loss)		110,880
NONOPERATING REVENUES (EXPENSES)		
Interest expense on long-term liabilities		(76,940)
Interest and investment income		17,067
Other income		8,266
Total Nonoperating Revenues (Expenses)		(51,607)
Change in Net Position		59,273
NET POSITION		
Beginning of Fiscal Year		1,381,132
End of Fiscal Year	$	1,440,405

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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Principal received from participating agency	$	296,000
Interest received from participating agency		98,246
Payments to suppliers of services		(8,266)
Net cash provided by operating activities		385,980
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Principal payments on long-term liabilities		(315,000)
Interest payments on long-term liabilities		(108,140)
Net cash used by capital financing activities		(423,140)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments		17,067
Payments from participating agency		8,266
Net cash used by investing activities		25,333
Net increase in cash and equivalents		(11,827)
Cash and cash equivalents at beginning of year		1,276,432
Cash and cash equivalents at end of year	$	1,264,605
Included in the Statement of Net Position as follows:		
Cash and cash equivalents	$	834,766
Cash with fiscal agent		429,839
Total cash and equivalents at end of year	$	1,264,605
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	110,880
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Increase in accrued interest receivable		(20,900)
Decrease in loans receivable from participating agency		296,000
Net cash provided by operating activities	$	385,980

The accompanying notes are an integral part of the financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2016, the outstanding balance of the non-city bond obligation was $2,565,000. 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.

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 do not meet the definition of "invested in capital assets, net of related debt" or "restricted net position."

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. 72 – *"Fair Value Measurement and Application"*

  This Statement, issued in February of 2015, provides guidance for determining a fair value measurement for financial reporting purposes. Fair value is described as an exit price. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurement

  This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. This Statement generally requires investments to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The Authority is required to implement the provisions of this Statement for the fiscal year ended June 30, 2016 (effective for periods beginning after June 15, 2015).

- GASB Statement No. 76 – *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*

  This Statement, issued in June of 2015, supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

2. CASH AND INVESTMENTS

Classification

Cash and cash equivalents and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of Net Position:		
Cash and investments	$	834,766
Cash with fiscal agents		429,839
Bonds held in refunding		2,716,000
Total	$	3,980,605

Cash and investments as of June 30, 2016 consist of the following:		
City of Clayton investment pool	$	834,766
Government agency notes		250,000
Money market mutual funds		179,839
Municipal bonds		2,716,000
Total	$	3,980,605

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 is issues stand-alone audited financial statements with full disclosures of the investment pool available upon request at 6000 Heritage Trail, Clayton, California 94517.

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.

2. CASH AND INVESTMENTS, Continued

Policy, Continued

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, 2016, $726,317 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, 2016:

- 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].

Interest Rate Risk

Investment 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.

		Remaining Maturity (in Months)				
Investment Type	Totals	12 Months or Less	13 - 24 Months	25 - 36 Months	37 - 48 Months	49 - 60 Months
City of Clayton investment pool	$ 834,766	$ 834,766	$ -	$ -	$ -	$ -
Held by bond trustees:						
U.S. government agency notes	250,000	250,000	-	-	-	-
Money market mutual funds	179,839	179,839	-	-	-	-
Municipal bonds	2,716,000	316,000	342,000	362,000	383,000	1,313,000
	$ 3,980,605	$ 1,580,605	$ 342,000	$ 362,000	$ 383,000	$ 1,313,000

2. CASH AND INVESTMENTS, Continued

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	$ -	$ -	$ 834,766	$ 834,766
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	179,839	-	-	179,839
Municipal Bonds				
Community Facilities District No. 1990-1	-	-	2,716,000	2,716,000
Total	$ 179,839	$ 250,000	$ 3,550,766	$ 3,980,605

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

2. CASH AND INVESTMENTS, Continued

Custodial Credit Risk, Continued

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, 2016, the outstanding balance of the bond obligation was $2,716,000.

Changes in investments in local obligations for the period ended June 30, 2016, were as follows:

Investment in CFD No. 1990-1 Bonds at July 1, 2015	$ 3,012,000
Principal payments received September 2, 2015	(296,000)
Investment in CFD No. 1990-1 Bonds at June 30, 2016	$ 2,716,000

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

4. LONG-TERM LIABILITIES, Continued

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, 2016, the outstanding balance of the non-city bond obligation was $2,565,000. Total principal and interest remaining on the bonds is $2,941,906, payable through September 2022. For the current year, principal and interest paid were $296,000 and $108,140, respectively.

Changes in long-term liabilities for the period ended June 30, 2016, were as follows:

Bonds Payable at July 1, 2015	$ 2,880,000
Principal payments received September 2, 2015	(315,000)
Bonds Payable at at June 30, 2016	$ 2,565,000

The annual debt service requirements to amortize the Authority's 2007 Special Tax Revenue Refunding Bonds outstanding at June 30, 2016 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2017	$ 325,000	$ 96,219	$ 421,219
2018	355,000	83,025	438,025
2019	370,000	68,525	438,525
2020	325,000	54,625	379,625
2021	375,000	40,625	415,625
2022-2023	815,000	33,887	848,887
Total	$ 2,565,000	$ 376,906	$ 2,941,906

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date on which 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, 2016 have been incorporated into this report.

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ADDITIONAL REPORT

CROPPER
an accountancy corporation
CERTIFIED PUBLIC ACCOUNTANTS

office location
2700 Ygnacio Valley Road, Ste 270
Walnut Creek, CA 94598
(925) 932-3860 tel

mailing address
2977 Ygnacio Valley Rd, PMB 460
Walnut Creek, CA 94598
(925) 476-9930 efax

www.cropperaccountancy.com

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 Governing Body
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 Finance Authority ('the Authority') as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 25, 2016.

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
October 25, 2016