



A G E N D A



**CITY OF IMPERIAL BEACH
CITY COUNCIL
PLANNING COMMISSION
PUBLIC FINANCING AUTHORITY
HOUSING AUTHORITY**

IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY

MAY 1, 2013

**Council Chambers
825 Imperial Beach Boulevard
Imperial Beach, CA 91932**

CLOSED SESSION MEETING – 5:00 P.M.

REGULAR MEETING – 6:00 P.M.

THE CITY COUNCIL ALSO SITS AS THE CITY OF IMPERIAL BEACH PLANNING COMMISSION, PUBLIC FINANCING AUTHORITY, HOUSING AUTHORITY AND IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY

The City of Imperial Beach is endeavoring to be in total compliance with the Americans with Disabilities Act (ADA). If you require assistance or auxiliary aids in order to participate at City Council meetings, please contact the City Clerk's Office at (619) 423-8301, as far in advance of the meeting as possible.

CLOSED SESSION

1. PUBLIC EMPLOYEE APPOINTMENT

Pursuant to Government Code Section 54957

Title: Interim City Manager

2. CONFERENCE WITH LABOR NEGOTIATORS

Pursuant to Government Code Section 54957.6

Agency Representatives: City Manager and City Attorney

Unrepresented Employee: Interim City Manager

3. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Initiation of litigation pursuant to Government Code Section 54956.9(d)(4) (1 case)

4. CONFERENCE WITH LABOR NEGOTIATOR

Pursuant to Government Code Section 54957.6:

Agency Negotiator: City Manager

Employee Organizations: Imperial Beach Firefighters' Association (IBFA)

Service Employees International Union (SEIU), Local 221

Unrepresented Employees

5. PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Pursuant to Government Code Section 54957

Title: City Attorney

RECONVENE AND ANNOUNCE ACTION (IF APPROPRIATE)

REGULAR MEETING CALL TO ORDER

ROLL CALL BY CITY CLERK

PLEDGE OF ALLEGIANCE

AGENDA CHANGES

**MAYOR/COUNCIL REIMBURSEMENT DISCLOSURE/COMMUNITY ANNOUNCEMENTS/
REPORTS ON ASSIGNMENTS AND COMMITTEES**

Any writings or documents provided to a majority of the City Council/Planning Commission/Public Financing Authority/Housing Authority/I.B. Redevelopment Agency Successor Agency regarding any item on this agenda will be made available for public inspection in the office of the City Clerk located at 825 Imperial Beach Blvd., Imperial Beach, CA 91932 during normal business hours.

COMMUNICATIONS FROM CITY STAFF

PUBLIC COMMENT - *Each person wishing to address the City Council regarding items not on the posted agenda may do so at this time. In accordance with State law, Council may not take action on an item not scheduled on the agenda. If appropriate, the item will be referred to the City Manager or placed on a future agenda.*

PRESENTATIONS (1.1-1.2)

1.1* PRESENTATION ON PORT DISTRICT ACTIVITIES FROM PORT COMMISSIONER MALCOLM. (0150-70)

1.2* SANDCASTLE EVENT UPDATE BY JIM HUTZELMAN, COMMUNITY SERVICES MANAGER, PORT OF SAN DIEGO. (0150-70)

* No staff report.

CONSENT CALENDAR (2.1-2.2) - *All matters listed under Consent Calendar are considered to be routine by the City Council and will be enacted by one motion. There will be no separate discussion of these items, unless a Councilmember or member of the public requests that particular item(s) be removed from the Consent Calendar and considered separately. Those items removed from the Consent Calendar will be discussed at the end of the Agenda.*

2.1 MINUTES.

City Manager's Recommendation: Approve the minutes of the Special City Council Meeting of February 27, 2013, the Regular City Council Meeting of March 6, 2013 and the Special Imperial Beach Sports Park Community Workshop Meeting of April 11, 2013.

2.2 RATIFICATION OF WARRANT REGISTER. (0300-25)

City Manager's Recommendation: Ratify the following registers: Accounts Payable Numbers 82318 through 82395 for a subtotal amount of \$477,433.63 and Payroll Checks/Direct Deposit 45190 through 45207 for a subtotal of \$103,074.11 for a total amount of \$607,507.74.

ORDINANCES – INTRODUCTION/FIRST READING/PUBLIC HEARING (3.1)

3.1 ORDINANCE 2013-1138 ADOPTING REVISED SEWER SERVICE RATES FOR SANITARY SEWER SERVICE AND AMENDING SECTIONS OF CHAPTER 13.06 OF THE IMPERIAL BEACH MUNICIPAL CODE PERTAINING TO SEWER SERVICE CHARGES. (0830-95)

City Manager's Recommendation:

1. Declare the public hearing open.
2. Receive the report and public testimony.
3. Last call for written protests.
4. Motion to close the public hearing.
5. If necessary due to volume of written protests, take a break or call agenda item to give staff time to make the final tabulation of written protests.
6. Once staff tabulation is complete, continue on with agenda item (or recall agenda item if necessary) and make announcement regarding final tabulation of written protests. (per Council Policy No. 614, members of the public shall be permitted to observe the tabulation process, but shall not be entitled to actively participate in the tabulation process.)
 - a. If no majority protest, City Council has authority to adopt the proposed rates. City Council can discuss and deliberate on the proposed rate increases and take a vote. See steps 7 through 9 below.
 - b. If there is a majority protest, City Council does not have authority to adopt the proposed rates, and no further action should be taken.
7. If City Council chooses to adopt proposed increase, Mayor calls for Introduction of Ordinance No. 2013-1138.
8. City Clerk reads the title of Ordinance No. 2013-1138 - An Ordinance of the City Council of the City of Imperial Beach, California, adopting revised sewer service rates for sanitary sewer service and amending sections of chapter 13.06 of the Imperial Beach Municipal Code pertaining to sewer service charges.
9. Motion to dispense first reading of Ordinance No. 2013 -1138 by title only and set the matter of adoption at the next regularly scheduled City Council meeting.

ORDINANCES – SECOND READING/ADOPTION (4.1)

4.1 ORDINANCE NO. 2013-1137 AMENDING CHAPTER 13.05 OF THE IMPERIAL BEACH MUNICIPAL CODE RELATED TO THE SEWER CAPACITY FEE. (0390-55)

City Manager's Recommendation:

1. Receive report;
2. Mayor calls for the reading of the title of Ordinance No. 2013-1137;
3. City Clerk read title of the ordinance; and
4. Motion to waive further reading of Ordinance No. 2013-1137 and adopt ordinance by title only.

PUBLIC HEARINGS (5.1)

5.1 RESOLUTION 2013-7328 FOR THE PUBLIC HEARING TO CONSIDER CONFIRMATION OF THE INTEGRATED SOLID WASTE MANAGEMENT SERVICES MAXIMUM FEE INCREASE REQUESTED BY EDCO DISPOSAL CORPORATION PURSUANT TO THE 2009 CONTRACT AMENDMENT. (0270-40)

City Manager's Recommendation:

1. Open the public hearing;
2. Receive report;
3. Close the public hearing;
4. Consider proposed changes to the maximum allowable Integrated Solid Waste Management Services fees charged by EDCO Disposal Corp. becoming effective July 1, 2013. A 1.89% adjustment of the refuse rate is being proposed due to the increased costs of providing refuse collection and recycling services to the single-family residential units and 1.84% for business multi-family communities and 2.04% for the roll off component. The amount of refuse bill is determined by the quantity and size of the refuse containers and the frequency of collection;
5. Direct staff to mail out notices to property owners on the rate increase at least 30 days before going into effect; and
6. Adopt resolution.

REPORTS (6.1-6.4)

6.1 PROPOSED BUDGETS FOR FISCAL YEARS 2013-2015. (0330-30)

City Manager's Recommendation: It is recommended that the City Council provide feedback on the Proposed Budget, and based upon Council comments, staff will modify the budgets for Council's consideration at a subsequent Council meeting.

6.2 ANNUAL FINANCIAL REPORT OF THE CITY OF IMPERIAL BEACH AND IMPERIAL BEACH REDEVELOPMENT SUCCESSOR AGENCY FOR THE YEAR ENDED JUNE 30, 2012; AND THE FORMER IMPERIAL BEACH REDEVELOPMENT AGENCY FOR THE YEAR ENDED JANUARY 31, 2012. (0310-10)

City Manager's Recommendation: It is respectfully requested that the City Council receive and file the independently audited City of Imperial Beach and Imperial Beach Redevelopment Successor Agency Financial Statements for the Year Ended June 30, 2012, and former Imperial Beach Redevelopment Agency Financial Statements for the Year Ended January 30, 2012.

6.3 RESOLUTION NO. 2013-7327 AWARDED THE ANNUAL 5-YEAR TREE TRIMMING SERVICES CONTRACT. (0940-60)

City Manager's Recommendation:

1. Receive report and
2. Adopt resolution approving and authorizing the City Manager to sign an agreement with West Coast Arborists, Inc. for Annual 5-Year Tree Trimming Service

REPORTS (Continued)

6.4 DISCUSSION ON CHANGES TO THE RECYCLING ALL-STAR PROGRAM. (0270-30)

City Manager's Recommendation:

1. Receive report;
2. Discuss possible uses of the Recycling All Star funds;
3. Support the redirection of the All Star Recycling program funds to the Community Grant Program or as otherwise directed by City Council; and
4. Direct staff to return with an EDCO contract amendment to modify the Recycling All Star program funds towards another City program (i.e. Community Grants Program).

I.B. REDEVELOPMENT AGENCY SUCCESSOR AGENCY REPORTS (7)

None.

ITEMS PULLED FROM THE CONSENT CALENDAR (IF ANY)

ADJOURNMENT

The Imperial Beach City Council welcomes you and encourages your continued interest and involvement in the City's decision-making process.

FOR YOUR CONVENIENCE, A COPY OF THE AGENDA AND COUNCIL MEETING PACKET MAY BE VIEWED IN THE OFFICE OF THE CITY CLERK AT CITY HALL OR ON OUR WEBSITE AT www.ImperialBeachCA.gov.

/s/
Jacqueline M. Hald, MMC
City Clerk

**CITY OF IMPERIAL BEACH
CITY COUNCIL
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IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY**

FEBRUARY 27, 2013

**Council Chambers
825 Imperial Beach Boulevard
Imperial Beach, CA 91932**

***SPECIAL CLOSED SESSION – 5:00 P.M.
SPECIAL MEETING – 6:00 P.M.***

SPECIAL CLOSED SESSION MEETING CALL TO ORDER

MAYOR JANNEY called the Special Closed Session Meeting to order at 5:05 p.m.

ROLL CALL BY CITY CLERK

Councilmembers present: Patton, Bilbray, Spriggs
Councilmembers absent: None
Mayor present: Janney
Mayor Pro Tem present: Bragg
Staff present: City Manager Brown; Deputy City Attorney Park; City Clerk Hald

CLOSED SESSION

MOTION BY BILBRAY, SECOND BY SPRIGGS, TO ADJOURN TO CLOSED SESSION UNDER:

1. PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Pursuant to Government Code Section 54957
Title: City Manager

MOTION CARRIED UNANIMOUSLY.

MAYOR JANNEY adjourned the meeting to Closed Session at 5:06 p.m. and he reconvened the meeting to Open Session at 6:00 p.m.

Reporting out of Closed Session, DEPUTY CITY ATTORNEY PARKS announced City Council discussed Item No. 1, City Council gave direction and no reportable action was taken.

SPECIAL MEETING CALL TO ORDER

MAYOR JANNEY called the Special Meeting to order at 6:01 p.m.

ROLL CALL BY CITY CLERK

Councilmembers present: Patton, Bilbray, Spriggs
Councilmembers absent: None
Mayor present: Janney
Mayor Pro Tem present: Bragg
Staff present: City Manager Brown; Deputy City Attorney Park; City Clerk Hald

PLEDGE OF ALLEGIANCE

MAYOR JANNEY led everyone in the Pledge of Allegiance.

AGENDA CHANGES

None.

**MAYOR/COUNCIL REIMBURSEMENT DISCLOSURE/COMMUNITY ANNOUNCEMENTS/
REPORTS ON ASSIGNMENTS AND COMMITTEES**

MAYOR PRO TEM BRAGG reported that the MTS Board voted to renew the taxi cab administration contract. The contract is now with the Mayor of San Diego and there is concern that there could be impacts to the smaller cities if he does not sign it. She requested that staff monitor the situation and, if needed, send a letter urging the Mayor of San Diego to sign the contract.

MAYOR JANNEY asked the City Manager to contact MTS to find out what the impacts would be on the City of Imperial Beach.

COMMUNICATIONS FROM CITY STAFF

CITY MANAGER BROWN announced the Port of San Diego is considering a vendor that will organize a one day sandcastle event in the late summer or early fall. He encouraged those interested in volunteering for the event to attend a meeting on March 7 in the Community Room.

PUBLIC COMMENT

None.

PRESENTATIONS (1.1)

1.1 PRESENTATION BY THE EQUINOX CENTER – 2013 QUALITY OF LIFE DASHBOARD. (0140-85)

CITY MANAGER BROWN introduced the item.

MARTY BROWN, Equinox Center Board Member, gave a PowerPoint presentation on the 2013 Dashboard.

MAYOR JANNEY questioned why the asthma rates for children are so high in Imperial Beach and he requested a copy of the data that supported these findings.

CONSENT CALENDAR (2)

None.

ORDINANCES – INTRODUCTION/FIRST READING (3)

None.

ORDINANCES – SECOND READING/ADOPTION (4)

None.

PUBLIC HEARINGS (5)

None.

February 27, 2013

REPORTS (6.1-6.3)

6.1 TIDELANDS ADVISORY COMMITTEE (TAC). (0120-90)

CITY MANAGER BROWN introduced the item.

COUNCILMEMBER SPRIGGS spoke in support for reinstating the TAC.

ASSISTANT CITY MANAGER WADE stated that less projects have been referred to the TAC in the past couple of years because there have been fewer projects in the City. Additionally, since the meetings were held infrequently, it was difficult to get quorum when a meeting was necessary.

COUNCILMEMBER PATTON spoke in support for reinstating the TAC but expressed concern about the amount of time staff would spend on supporting the committee.

TIM O'NEAL indicated support for reinstating the Tidelands Advisory Committee (he did not wish to speak).

MOTION BY SPRIGGS, SECOND BY BRAGG, TO DIRECT STAFF TO PROCEED WITH ADVERTISING THE FIVE VACANCIES AND THE MAYOR WILL SUBMIT HIS APPOINTMENTS TO COUNCIL FOR ITS CONSIDERATION. MOTION CARRIED UNANIMOUSLY.

6.2 FOLLOW UP REPORT REGARDING SEACOAST DRIVE LIGHTING – SEACOAST DRIVE AESTHETICS STUDY. (0720-60 & 0720-90)

CITY MANAGER BROWN introduced the item.

ASSISTANT CITY MANAGER WADE gave a PowerPoint presentation showing the consultant's recommendations from the January 30, 2013 City Council workshop.

TIM ONEAL indicated support for the item (he did not wish to speak).

BOB MILLER spoke about the importance of having a good overall design, he supported a review of the area from Palm Ave. to Imperial Beach Blvd., he stated that he would consider putting up lights on the palm trees in front of his property and he noted that lighting is the priority, however, he also had interest in implementing the other components.

PAUL A. MESCHLER indicated support (he did not wish to speak).

PAMELA OLVERA spoke in support for branding the City which would attract businesses and visitors to the area. She was in favor of lighting, she encouraged coordination with property owners and businesses and suggested that the City streamline the permit process.

COUNCILMEMBER BRAGG stated that the focus should be on lighting and not get sidetracked with parks and signage. She stressed that the private sector should be partners and she was concerned about businesses having burned out and/or broken light bulbs. She spoke in support for lighting the bus stops and bus shelters because they are very dark.

COUNCILMEMBER SPRIGGS stated that the next step is to look at sample lighting fixtures. He also said that there should be a consistent visual light image going down the street that is

friendlier than the current lighting. He suggested that the City work with property owners and businesses, develop an overall plan/theme and set-up a trial block area with sample lighting proposed by the lighting experts.

COUNCILMEMBER PATTON stated that in order to have success, it would take a team effort involving both the City and local businesses. He spoke in support for a trial period if funding is available.

CITY MANAGER BROWN stated with regard to partnerships, businesses such as those located at the Shopkeeper building, keep their lights on at night. There are others, however, that turn their lights off and don't stay open at night. He noted that lighting may be a factor, but there also needs to be something for people to walk to at night.

COUNCILMEMBER BRAGG stressed the importance of building a partnership between the businesses and the City. She spoke about the need for providing a well-lit and safe environment for the community. She supported a test block area focusing on lighting from the hotel to Pier Plaza, including up lighting on trees and lighting on the businesses.

MOTION BY BRAGG, SECOND BY SPRIGGS, TO HAVE A TEST BLOCK FOCUSING ON LIGHTING ON BOTH SIDES OF THE STREET FROM THE HOTEL TO PIER PLAZA, WITH OPTIONS FOR DIFFERENT LIGHT FIXTURES, TO INCLUDE DISCUSSIONS WITH ALL PARTNERS (RESIDENTIAL, BUSINESSES, AND MTS) AND TO ASK THEM WHAT THEY ARE PREPARED TO DO TO HELP THE CITY.

COUNCILMEMBER BILBRAY expressed concern about using general fund money to fund the project and stated that he could not support the item at this time.

MAYOR JANNEY spoke in opposition to the item. He stressed that there is a capital improvement project process to address the needs of the City and that the process should be followed. He also noted that Seacoast Drive is the most well lit street in the City. Tonight was the first time that any private entity was willing to put any efforts into increasing lighting on Seacoast Drive. He noted that neighborhood lighting has not occurred since 1999 and questioned how City Council can support more lighting on Seacoast Drive.

COUNCILMEMBER SPRIGGS stated this investment is where the City will get the return that will enable it to sustain the entire community and that the investment will be for the public good. He suggested an amendment to the motion to include options in the test block to include solar lighting.

MAYOR PRO TEM BRAGG agreed to the amendment.

VOTES WERE NOW CAST ON AMENDED MOTION BY BRAGG, SECOND BY SPRIGGS, TO HAVE A TEST BLOCK FOCUSING ON LIGHTING ON BOTH SIDES OF THE STREET FROM THE HOTEL TO PIER PLAZA, WITH OPTIONS FOR DIFFERENT LIGHT FIXTURES AND SOLAR LIGHTING, TO INCLUDE DISCUSSIONS WITH ALL PARTNERS (RESIDENTIAL, BUSINESSES, AND MTS) AND TO ASK THEM WHAT THEY ARE PREPARED TO DO TO HELP THE CITY. MOTION CARRIED BY THE FOLLOWING VOTE:

AYES: COUNCILMEMBERS: BRAGG, PATTON, SPRIGGS
NOES: COUNCILMEMBERS: JANNEY, BILBRAY
ABSENT: COUNCILMEMBERS: NONE

6.3 YOUTH COMMITTEE. (0120-89)

CITY MANAGER BROWN introduced the item.

After Mayor Janney recommended Councilmembers Patton and Bilbray to serve on the Youth Committee, COUNCILMEMBER SPRIGGS stated that he is interested in youth development and education and he expressed a desire to serve on the committee.

MAYOR PRO TEM BRAGG spoke in support for having high school students volunteer in the community and to have them assist with youth activities.

DON SPICER, representing the Imperial Beach Little League, indicated support for the creation of a Youth Committee (he did not wish to speak).

TIM O'NEAL spoke in support for the creation of a Youth Committee and offered his assistance.

ERIKA LOWERY spoke in support for the creation of a Youth Advisory Committee.

COUNCILMEMBER BILBRAY stated that although he is interested in serving on the committee, he agreed to step aside so that Councilmember Spriggs can serve on it. He suggested that the committee look to other cities with Youth Advisory Committees as a guide and not reinvent the wheel.

COUNCILMEMBER PATTON spoke in support for starting off simple and building up from there. He is interested in listening to what the parents and children have to say.

MOTION BY JANNEY, SECOND BY BRAGG, TO APPOINT COUNCILMEMBERS PATTON AND SPRIGGS TO SERVE ON THE YOUTH ADVISORY AD HOC COMMITTEE. MOTION CARRIED UNANIMOUSLY.

I.B. REDEVELOPMENT AGENCY SUCCESSOR AGENCY REPORTS (7)

None.

ITEMS PULLED FROM THE CONSENT CALENDAR (IF ANY)

None.

ADJOURNMENT

Mayor Janney adjourned the meeting at 7:52 p.m.

James C. Janney, Mayor

Jacqueline M. Hald, MMC
City Clerk

**CITY OF IMPERIAL BEACH
CITY COUNCIL
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HOUSING AUTHORITY
IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY**

MARCH 6, 2013

**Council Chambers
825 Imperial Beach Boulevard
Imperial Beach, CA 91932**

***CLOSED SESSION MEETING – 5:00 P.M.
REGULAR MEETING – 6:00 P.M.***

CLOSED SESSION MEETING CALL TO ORDER

MAYOR JANNEY called the Closed Session Meeting to order at 5:01 p.m.

ROLL CALL BY CITY CLERK

Councilmembers present: Patton, Bilbray, Spriggs (arrived at 5:05 p.m.)
Councilmembers absent: None
Mayor present: Janney
Mayor Pro Tem present: Bragg
Staff present: City Manager Brown; City Attorney Lyon; City Clerk Hald

CLOSED SESSION

MOTION BY BILBRAY, SECOND BY BRAGG, TO ADJOURN TO CLOSED SESSION UNDER:

1. CONFERENCE WITH LEGAL COUNSEL- EXISTING LITIGATION

(Paragraph (1) of Subdivision (d) of Govt. Code Section 54956.9)

Name of Case: The Affordable Housing Coalition of the County of San Diego v. Tracy Sandoval
Case No. 34-2012-80001158-CU-WM-GDS

2. CONFERENCE WITH LEGAL COUNSEL- ANTICIPATED LITIGATION

Initiation of Litigation pursuant to Paragraph (4) of Subdivision (d) of GC Section 54956.9
No. of Potential Cases: 1

3. CONFERENCE WITH LEGAL COUNSEL- ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to Govt. Code section 54956.9(d)(2) (1 case)

4. CONFERENCE WITH LABOR NEGOTIATOR

Pursuant to Government Code Section 54957.6:

Agency Negotiator: City Manager
Employee Organizations: Imperial Beach Firefighters' Association (IBFA)
Service Employees International Union (SEIU), Local 221
Unrepresented Employees

MOTION CARRIED BY THE FOLLOWING VOTE:

**AYES: COUNCILMEMBERS: BILBRAY, PATTON, BRAGG, JANNEY
NOES: COUNCILMEMBERS: NONE
ABSENT: COUNCILMEMBERS: SPRIGGS**

MAYOR JANNEY adjourned the meeting to Closed Session at 5:02 p.m. and he reconvened the meeting to Open Session at 6:01 p.m.

March 6, 2013

Reporting out of Closed Session, CITY ATTORNEY LYON announced City Council discussed Item Nos. 1 thru 4, City Council gave direction and no reportable action was taken.

REGULAR MEETING CALL TO ORDER

MAYOR JANNEY called the Regular Meeting to order at 6:02 p.m.

ROLL CALL BY CITY CLERK

Councilmembers present:	Patton, Bilbray, Spriggs
Councilmembers absent:	None
Mayor present:	Janney
Mayor Pro Tem present:	Bragg
Staff present:	City Manager Brown; City Attorney Lyon; City Clerk Hald

PLEDGE OF ALLEGIANCE

MAYOR JANNEY led everyone in the Pledge of Allegiance.

AGENDA CHANGES

None.

**MAYOR/COUNCIL REIMBURSEMENT DISCLOSURE/COMMUNITY ANNOUNCEMENTS/
REPORTS ON ASSIGNMENTS AND COMMITTEES**

MAYOR PRO TEM BRAGG reported on her attendance at the February 28th Imperial Beach Chamber of Commerce Breakfast meeting.

COMMUNICATIONS FROM CITY STAFF

CITY MANAGER BROWN announced that there will be a planning meeting for a Sandcastle-like event tomorrow in the Community Room.

COUNCILMEMBER SPRIGGS encouraged the community to show support for the event by attending the meeting.

Mayor Pro Tem Bragg and Councilmember Spriggs expressed interest in attending the meeting.

PUBLIC COMMENT

None.

PRESENTATIONS (1)

None.

CONSENT CALENDAR (2.1-2.3)

MOTION BY SPRIGGS, SECOND BY BRAGG, TO PULL ITEM NO. 2.1 FROM THE CONSENT CALENDAR FOR DISCUSSION AT THE END OF THE AGENDA. MOTION CARRIED UNANIMOUSLY.

MOTION BY BILBRAY, SECOND BY BRAGG , TO APPROVE CONSENT CALENDAR ITEM NOS. 2.2 AND 2.3. MOTION CARRIED UNANIMOUSLY.

March 6, 2013

2.2 ADMINISTRATIVE COASTAL PERMIT (ACP 060474) AND FINAL MAP (TM 060475) FOR A THIRTY-SIX (36) UNIT CONDOMINIUM CONVERSION LOCATED AT 740-798 FLORIDA STREET AND 1100-1114 DONAX AVENUE, IN THE R-1500/MU-1 (HIGH DENSITY RESIDENTIAL WITH A MIXED-USE OVERLAY) ZONE. MF 902. (0600-20)

Approved the Final Map for recordation along with the recordation of any required documents as security for the required improvements.

2.3 MINUTES.

Approved the minutes of the Special Meeting of February 6, 2013.

ORDINANCES – INTRODUCTION/FIRST READING (3)

None.

ORDINANCES – SECOND READING/ADOPTION (4)

None.

PUBLIC HEARINGS (5)

None.

REPORTS (6.1-6.3)

6.1 GENERAL FUND BUDGET OVERVIEW – MID-YEAR REVIEW AND FISCAL YEAR 2013-2015 BUDGET REVIEW. (0330-30)

A General Fund Budget Overview was provided as Last Minute Agenda Information.

CITY MANAGER BROWN introduced the item.

ADMINISTRATIVE SERVICES DIRECTOR VONACHEN gave a PowerPoint presentation on the General Fund Budget. She provided a look back at the budget noting that the General Fund revenues have been declining over the past four years with the City taking proactive steps to keep the City's General Fund expenditures within the available resources. She also reported the following: there has been a savings as a result of pension reforms, the City's CalPERS contribution rates continue to increase, and that the San Diego Taxpayers Association determined that Imperial Beach has the lowest per household unfunded pension liability and the lowest per household annual pension costs in San Diego County. She reviewed the estimated revenues and expenditures for 2013. She reviewed the estimated revenues, expenditures and fund balance reserve for FY 2014 and FY 2015 which shows the City's General Fund with a positive financial performance. She reviewed the potential budget uncertainties and the next steps for the upcoming two-year budget process.

MAYOR JANNEY spoke about the importance of reinforcing the fact that the Port of San Diego is reimbursing the City for services and not giving the City revenue.

6.2 APPROVING AND AUTHORIZING THE CITY MANAGER TO EXECUTE A THIRD AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT BETWEEN THE CITY AND CYNTHIA TITGEN FOR SPECIALIZED CONSULTING SERVICES. (0530-60)

CITY MANAGER BROWN reported on the item.

March 6, 2013

MOTION BY BILBRAY, SECOND BY SPRIGGS, TO ADOPT RESOLUTION NO. 2013-7306 APPROVING AND AUTHORIZING THE CITY MANAGER TO EXECUTE A THIRD AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT BETWEEN THE CITY AND CYNTHIA TITGEN FOR SPECIALIZED CONSULTING SERVICES. MOTION CARRIED UNANIMOUSLY.

6.3 RESOLUTION NO. 2013-7307 AMENDING WESTERN RIM CONSTRUCTORS, INC. CONTRACT FOR THE ECO BIKEWAY 7TH & SEACOAST (S05-104) PROJECT BY AWARDDING ADDITIVE BID NO. 1. (0680-20)

CITY MANAGER BROWN introduced the item.

PUBLIC WORKS DIRECTOR LEVIEN reported on the item. He requested approval of Additive Item No. 1, installation of a signal light at Palm Ave. and Rainbow Drive. He noted that a proportionate share of the cost would be covered by the Active Transportation Grant funds.

MAYOR PRO TEM BRAGG stated for the record that she has historically been opposed to the Eco Bikeway project and noted that the City is not getting the maximum value for the amount spent on the project. She urged City Council to vote no on the item. She also expressed concern about traffic backing up on Palm Ave.

In response to Councilmembers' questions, PUBLIC WORKS DIRECTOR LEVIEN stated that additional landscaping, lighting and a landmark sign was not part of the original discussion nor included with the grant application. He stressed that there are constraints on how the money can be spent. With regard to concerns about rush hour and traffic impacting bicyclists, he stated that the signal light will make the intersection flow smoother and be less risky for people making left turns. Staff can investigate the possibility of including a roundabout if directed to do so.

MAYOR JANNEY announced that he is a member of the SANDAG Board. He spoke about the difficulties in saving this project and for getting the funding approved at its current level. He noted that projects at other cities did not get approved and stressed that the City should keep to the original grant application and not request additional items just because the current project came in under bid. It is not fair to the others cities that applied for funding. He supported consideration of Council's requests for a roundabout, additional bike lane, landscaping, etc. at a future City Council discussion on capital improvement projects.

COUNCILMEMBER BILBRAY stated that other traffic calming options need to be explored. He expressed concern that the traffic light might hold up traffic especially during an evacuation. He did not support the item.

MAYOR JANNEY ANNOUNCED THAT DUE TO LACK OF A MOTION, THE CONCEPT DIES WITHOUT ANY FURTHER DISCUSSION.

I.B. REDEVELOPMENT AGENCY SUCCESSOR AGENCY REPORTS (7.1)

7.1 USE OF HOUSING BOND PROCEEDS FOR CLEAN & GREEN PROGRAM AND HABITAT FOR HUMANITY PROJECT. (0412-50)

DEPUTY EXECUTIVE DIRECTOR WADE reported on the item and announced that Lori Holt-Pfeiler, Executive Director of Habitat for Humanities, was in attendance.

March 6, 2013

CONCURRENCE OF CITY COUNCIL TO DIRECT STAFF TO REWORK THE HABITAT FOR HUMANITIES AGREEMENT AND WORK WITH SEIU TO STAFF THE CLEAN AND GREEN PROGRAM.

ITEMS PULLED FROM THE CONSENT CALENDAR (IF ANY)

2.1 RATIFICATION OF WARRANT REGISTER. (0300-25)

In response to Councilmember Spriggs' question about the cost for a binocular repair listed on the Warrant Register, COUNCILMEMBER PATTON stated that there are intricacies associated with the repair and tuning of fine optics.

MOTION BY BILBRAY, SECOND BY SPRIGGS, TO RATIFY THE FOLLOWING REGISTERS: ACCOUNTS PAYABLE NUMBERS 82012 THROUGH 82083 FOR A SUBTOTAL AMOUNT OF \$150,720.18 AND PAYROLL CHECKS/DIRECT DEPOSIT 45103 THROUGH 45124 FOR A SUBTOTAL OF \$123,590.23 FOR A TOTAL AMOUNT OF \$274,310.23. MOTION CARRIED UNANIMOUSLY.

ADJOURNMENT

Mayor Janney adjourned the meeting at 8:28 p.m.

James C. Janney, Mayor

Jacqueline M. Hald, MMC
City Clerk

DRAFT

CITY OF IMPERIAL BEACH

Item No. 2.1

**CITY COUNCIL
PLANNING COMMISSION
PUBLIC FINANCING AUTHORITY
HOUSING AUTHORITY
IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY**

**SPECIAL MEETING MINUTES
IMPERIAL BEACH SPORTS PARK COMMUNITY WORKSHOP**

Thursday, April 11, 2013

**Marina Vista Center
1075 8th Street
Imperial Beach, CA 91932**

The Special meeting was called to order by City Manager Brown at 6:12 p.m. for the purpose of conducting an Imperial Beach Sports Park Community Workshop.

ATTENDANCE:

The following were in attendance:

Mayor Janney, Mayor Pro Tem Bragg, Councilmember Patton, Councilmember Spriggs
Councilmember Bilbray, Assistant City Manager Wade and City Clerk Hald.

The meeting was adjourned at 8:02 p.m.

James C. Janney, Mayor

Jacqueline M. Hald, MMC
City Clerk



STAFF REPORT
CITY OF IMPERIAL BEACH

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: GARY BROWN, CITY MANAGER *AB*
MEETING DATE: May 1, 2013
ORIGINATING DEPT.: ADMINISTRATIVE SERVICES DEPARTMENT *KV*
SUBJECT: RATIFICATION OF WARRANT REGISTER

BACKGROUND:

None

DISCUSSION:

As of April 7, 2004 all large warrants above \$100,000 will be separately highlighted and explained on the staff report.

Vendor:	Check:	Amount:	Description:
Western Rim Constructors, Inc	82395	\$253,917.92	Eco Bikeway

The following registers are submitted for Council ratification.

<u>WARRANT #</u>	<u>DATE</u>	<u>AMOUNT</u>
<u>Accounts Payable</u>		
82318-82368	4/12/2013	\$115,969.81
82369-82395	4/18/2013	\$361,463.82
	Sub-total	<u>\$477,433.63</u>

Note:

Check number 82391-82392 was voided automatically by the system it is a part of check 82393

<u>Payroll Checks/Direct Deposit</u>		
45190-45207	P.P.E. 4/04/2013	\$130,074.11
	Sub-total	<u>\$130,074.11</u>
	TOTAL	<u>\$607,507.74</u>

ENVIRONMENTAL DETERMINATION:

Not a project as defined by CEQA.

FISCAL IMPACT:

Warrants are issued from budgeted funds.

DEPARTMENT RECOMMENDATION:

It is respectfully requested that the City Council ratify the warrant register.

CITY MANAGER'S RECOMMENDATION:

Approve Department recommendation.

Attachments:

1. Warrant Registers

CHECK DATE	CHECK NUMBER	VENDOR NAME	VENDOR #				CHECK AMOUNT
ACCOUNT #	TRN DATE	DESCRIPTION	INVOICE	PO #	PER/YEAR	TRN AMOUNT	
04/12/2013	82318	AGRICULTURAL PEST CONTROL	123				95.00
101-6020-452.21-04	03/26/2013	3/26 RODENT CONTROL	299562	130101	09/2013		95.00
04/12/2013	82319	ALLIANT INSURANCE SERVICES, IN	1194				852.00
101-0000-221.01-04	04/02/2013	JAN-MARCH INSURANCE FEES	04-02-2013		10/2013		852.00
04/12/2013	82320	AMANDA ALVARADO	2				25.00
101-0000-344.77-03	04/09/2013	REFUND AIR JUMP DEPOSIT	04-09-2013		10/2013		25.00
04/12/2013	82321	CALIFORNIA AMERICAN WATER	612				862.15
101-6040-454.27-02	04/05/2013	05-0092998-9 3/1-4/2	04-24-2013		10/2013		99.07
101-3030-423.27-02	04/05/2013	05-0093917-8 3/1-4/2	04-24-2013		10/2013		81.58
101-5010-431.27-02	04/05/2013	05-0094000-2 3/1-4/2	04-24-2013		10/2013		31.80
101-5010-431.27-02	04/05/2013	05-0094041-6 3/1-4/2	04-24-2013		10/2013		27.31
101-5010-431.27-02	04/05/2013	05-0094076-2 3/1-4/2	04-24-2013		10/2013		18.32
101-5010-431.27-02	04/05/2013	05-0094163-8 3/1-4/2	04-24-2013		10/2013		22.81
101-5010-431.27-02	04/05/2013	05-0094234-7 3/1-4/2	04-24-2013		10/2013		22.81
101-5010-431.27-02	04/05/2013	05-0094268-5 3/1-4/2	04-24-2013		10/2013		18.32
101-5010-431.27-02	04/05/2013	05-0094293-3 3/1-4/2	04-24-2013		10/2013		22.81
101-5010-431.27-02	04/05/2013	05-0094304-8 3/1-4/2	04-24-2013		10/2013		153.00
101-5010-431.27-02	04/05/2013	05-0094973-0 3/1-4/2	04-24-2013		10/2013		364.32
04/12/2013	82322	CALIFORNIA DENTAL	2480				624.32
101-0000-209.01-12	03/14/2013	PR AP PPE 03/07/2013	20130314		09/2013		312.16
101-0000-209.01-12	03/14/2013	PR AP PPE 03/07/2013	20130314		09/2013		312.16
04/12/2013	82323	CITY OF CHULA VISTA	823				36,748.09
101-3050-425.20-06	04/04/2013	FEB A/C SVCS	AR133469	130130	10/2013		18,310.00
101-3050-425.20-06	04/04/2013	MARCH A/C SVCS	AR133472	130130	10/2013		18,010.00
101-3050-425.20-06	04/01/2013	A/C MARCH OUTCALLS	04-01-2013	130130	10/2013		428.09
04/12/2013	82324	COUNTY OF SAN DIEGO RCS	1065				3,332.50
101-3010-421.21-25	04/01/2013	MARCH 2013	13CTOFIBN09	130117	10/2013		2,325.50
101-3020-422.21-25	04/01/2013	MARCH 2013	13CTOFIBN09	130117	10/2013		53.00
101-3030-423.20-06	04/01/2013	MARCH 2013	13CTOFIBN09	130117	10/2013		954.00
04/12/2013	82325	COX COMMUNICATIONS	1073				241.60
503-1923-419.29-04	04/02/2013	MARCH CITY HALL CABLE	04-22-2013	130126	10/2013		62.60
601-5050-436.21-04	04/05/2013	4/4-5/3 INTERNET 950 OCEA	04-05-2013	130126	10/2013		179.00
04/12/2013	82326	D.A.R. CONTRACTORS	1122				347.00
101-3050-425.20-06	04/01/2013	MARCH SVCS	311301229	130211	10/2013		347.00
04/12/2013	82327	DATAQUICK	1134				121.50
101-1210-413.21-04	04/01/2013	MARCH 2013	B1-2148094	130207	10/2013		21.00
101-3020-422.21-04	04/01/2013	MARCH 2013	B1-2148094	130207	10/2013		.50
101-3070-427.21-04	04/01/2013	MARCH 2013	B1-2148094	130207	10/2013		100.00
04/12/2013	82328	DOWNSTREAM SERVICES, INC.	1593				780.00
601-5050-436.21-04	03/28/2013	STORM DRAIN MAIT	71576	130028	09/2013		780.00

CHECK DATE	CHECK NUMBER	VENDOR NAME	VENDOR #	CHECK AMOUNT	
ACCOUNT #	TRN DATE	DESCRIPTION	INVOICE	PO # PER/YEAR	TRN AMOUNT
04/12/2013	82329	EAGLE NEWSPAPER	1204	1,051.00	
210-1235-513.20-06	03/07/2013	CDGB LEGAL NOTICE	75809	130022 09/2013	145.00
210-1235-513.20-06	03/14/2013	CDBG LEGAL NOTICE	75921	130022 09/2013	145.00
101-5010-431.21-04	03/21/2013	TREE TRIM LEGAL NOTICE	76027	130022 09/2013	85.00
101-5010-431.21-04	03/28/2013	TREE TRIM NOTICE	76130	130022 09/2013	85.00
101-5040-434.28-07	03/28/2013	GARAGE SALE AD	76130	130022 09/2013	75.00
101-1020-411.28-07	03/14/2013	CC LEGAL NOTICES	75921	130208 09/2013	238.00
101-1020-411.28-07	03/21/2013	LEGAL NOTICE CC	76027	130208 09/2013	143.00
101-1020-411.28-07	03/28/2013	CC LEGAL NOTICES	76130	130208 09/2013	135.00
04/12/2013	82330	ERIKA N. CORTEZ	1491	85.09	
101-1130-412.28-06	03/28/2013	MILEAGE REIMBURSEMENT	03-28-2013	10/2013	85.09
04/12/2013	82331	FIDELITY SECURITY LIFE INSURAN	2476	182.42	
101-0000-209.01-18	03/14/2013	PR AP PPE 03/07/2013	20130314	09/2013	91.21
101-0000-209.01-18	03/14/2013	PR AP PPE 03/07/2013	20130314	09/2013	91.21
04/12/2013	82332	GO-STAFF, INC.	2031	2,609.79	
101-3020-422.21-01	03/26/2013	WE 3/21 MEDLEY, A	105479	130660 09/2013	323.36
101-3020-422.21-01	04/02/2013	WE 3/29 MEDLEY, A	105791	130660 10/2013	525.46
601-5060-436.21-01	04/02/2013	WE 3/29 RODRIGUEZ	105792	130722 10/2013	958.27
601-5060-436.21-01	03/26/2013	W/E 3/22 RODRIGUEZ	105480	130722 09/2013	802.70
04/12/2013	82333	GRAINGER	1051	492.51	
101-6040-454.30-02	03/27/2013	HIGH PRESS LAMPS	9102030658	130011 09/2013	333.49
101-6040-454.30-02	03/28/2013	CFL DIMM LIGHTS	9102825909	130011 09/2013	123.35
101-1910-419.28-01	03/29/2013	GREASE	9104241204	130011 09/2013	26.48
101-1910-419.28-01	03/29/2013	SPRING UTILITY	9104241212	130011 09/2013	9.19
04/12/2013	82334	I B FIREFIGHTERS ASSOCIATION	214	300.00	
101-0000-209.01-08	04/11/2013	PR AP BATCH PPE 4/04/13	20130411	10/2013	300.00
04/12/2013	82335	I LOVE A CLEAN SAN DIEGO	278	1,125.00	
601-5050-436.20-06	03/06/2013	ENV OUTREACH FEB 2013	3283	130758 09/2013	1,125.00
04/12/2013	82336	IB BUSINESS IMPROVEMENT DISTRI	487	6,785.00	
101-0000-203.22-00	04/02/2013	JAN-MARCH BID FEES	04-02-2013	10/2013	6,785.00
04/12/2013	82337	ICMA RETIREMENT TRUST 457	242	5,945.48	
101-0000-209.01-10	04/11/2013	PR AP BATCH PPE 4/04/13	20130411	10/2013	5,945.48
04/12/2013	82338	JANI-KING OF CALIFORNIA, INC.	2042	4,013.02	
101-1910-419.21-04	04/01/2013	APRIL JANITORIAL SVCS	SD004130628	130119 10/2013	4,013.02
04/12/2013	82339	JOHN DEERE LANDSCAPES	1986	854.56	
101-1910-419.30-02	03/15/2013	EDGING BEND A BOARD	63930915	130031 09/2013	40.82
101-6020-452.30-02	03/18/2013	DIAPHRAM SUPPORT	63947246	130031 09/2013	268.97
101-6020-452.30-02	03/25/2013	LESCO SPREADER STICKER	64004570	130031 09/2013	26.37
101-5010-431.30-02	04/05/2013	MARATHON SOD	64130878	130031 10/2013	518.40

CHECK DATE	CHECK NUMBER	VENDOR NAME	VENDOR #				CHECK AMOUNT
ACCOUNT #	TRN DATE	DESCRIPTION	INVOICE	PO #	PER/YEAR	TRN AMOUNT	
04/12/2013	82340	KOA CORPORATION	611				13,308.39
401-5020-432.20-06	03/03/2013	FEB-MARCH ECO BIKEWAY	JB32019X2	130718	09/2013		7,772.90
101-5010-431.21-04	03/03/2013	FEB-MARCH SPEED SURVEY	JB32018X1	130759	09/2013		5,535.49
04/12/2013	82341	LIGHTHOUSE, INC	787				491.40
101-5010-431.30-02	04/10/2013	LED TRAFFIC ADVISOR	0858425	130043	10/2013		491.40
04/12/2013	82342	LLOYD PEST CONTROL	814				597.00
101-1910-419.21-04	03/08/2013	MARCH 1075 8TH ST	3752440	130097	09/2013		53.00
101-1910-419.21-04	03/12/2013	MARCH 495 10TH ST	3739901	130097	09/2013		53.00
101-1910-419.21-04	03/12/2013	MARCH 950 OCEAN LN	3740185	130097	09/2013		60.00
101-1910-419.21-04	03/13/2013	MARCH 425 IB BLVD	3738098	130097	09/2013		51.00
101-1910-419.21-04	03/14/2013	MARCH 825 IB BLVD	3752198	130097	09/2013		36.00
101-1910-419.21-04	03/14/2013	MARCH 865 IB BLVD	3752199	130097	09/2013		36.00
101-1910-419.21-04	03/14/2013	MARCH 845 IB BLVD	3752376	130097	09/2013		36.00
101-1910-419.21-04	04/09/2013	495 10TH ST	3772088	130097	10/2013		53.00
101-1910-419.21-04	04/11/2013	425 IB BLVD	3770182	130097	10/2013		51.00
101-1910-419.21-04	04/11/2013	950 OCEAN LN	3772394	130097	10/2013		60.00
101-1910-419.21-04	04/11/2013	825 IB BLVD	3785461	130097	10/2013		36.00
101-1910-419.21-04	04/11/2013	865 IB BLVD	3785462	130097	10/2013		36.00
101-1910-419.21-04	04/11/2013	845 IB BLVD	3785692	130097	10/2013		36.00
04/12/2013	82343	MICHAEL KERKORIAN	2488				1,102.00
101-5010-431.20-06	01/14/2013	SDGE CACULATIONS STUDY	1520	130771	07/2013		1,102.00
04/12/2013	82344	NASLAND ENGINEERING	1656				7,500.00
101-5020-432.20-06	03/15/2013	SEACOAST AESTHETICS	93062	130719	09/2013		7,500.00
04/12/2013	82345	OFFICE DEPOT, INC	1262				256.97
101-3020-422.30-01	03/11/2013	WINDOW ENVELOPES	648210009001	130002	09/2013		135.59
101-3020-422.30-01	03/29/2013	STAMP	651042025001	130002	09/2013		24.29
101-5020-432.30-01	04/10/2013	LABELS	6404	130002	10/2013		40.81
101-5020-432.30-01	03/28/2013	PENS, PAPER, PROTECTORS	650881985001	130002	09/2013		46.94
101-5020-432.30-01	03/28/2013	MARKERS	650882116001	130002	09/2013		9.34
101-5020-432.30-01	03/28/2013	MESSAGE PAD	651176423001	130002	09/2013		5.93
101-5020-432.30-01	03/29/2013	MESSAGE PAD	651176424001	130002	09/2013		5.93
04/12/2013	82346	OLDCASTLE PRECAST, INC.	2471				425.48
401-5020-432.20-06	03/19/2013	CONCRETE BOXES & LIDS	070149854	130514	09/2013		253.15
401-5020-432.20-06	03/27/2013	CONCRETE BOX/LIDS	070150159	130514	09/2013		172.33
04/12/2013	82347	ONE SOURCE DISTRIBUTORS	1071				1,006.91
101-6040-454.30-02	03/22/2013	HPS LAMP/VINYL TAPE	S3983446.001	130014	09/2013		125.93
101-6020-452.28-01	03/21/2013	PEARLESCENT WHT LENS	S3975801-001	130014	09/2013		209.28
101-6040-454.30-02	04/01/2013	QUAD BLAST	S3983233.001	130014	10/2013		115.58
101-6040-454.30-02	04/01/2013	HPS BLAST/FLOUR LAM	S3987753.003	130014	10/2013		121.44
101-6040-454.30-02	04/02/2013	HPS LAMP CASE	S3987753.004	130014	10/2013		43.35
101-6040-454.30-02	04/03/2013	PHIL MED HPS LAMP	S3983446.002	130014	10/2013		43.35
101-6020-452.28-01	04/03/2013	DOME CVR REPLACEMENT	S3967290.001	130014	10/2013		347.98

CHECK DATE	CHECK NUMBER	VENDOR NAME	VENDOR #				CHECK AMOUNT
ACCOUNT #	TRN DATE	DESCRIPTION	INVOICE	PO #	PER/YEAR	TRN AMOUNT	
04/12/2013	82348	PADRE JANITORIAL SUPPLIES	1430			609.83	
101-1910-419.30-02	03/29/2013	TIDELAND SUPPLIES	341209	130025	09/2013	595.79	
101-6040-454.30-02	03/29/2013	URINAL TOSS	340535-1	130025	09/2013	14.04	
04/12/2013	82349	PARTNERSHIP WITH INDUSTRY	1302			1,106.95	
101-6040-454.21-04	03/31/2013	WE 3/31 GROUNDSKP	GS04700	130108	09/2013	664.17	
101-6040-454.21-04	03/31/2013	WE 3/31 GROUNDSKP	GS04700	130108	09/2013	442.78	
04/12/2013	82350	PITNEY BOWES	1369			2,518.99	
101-1920-419.28-09	04/07/2013	CITY POSTAGE	04-07-2013	130121	10/2013	1,710.67	
101-1920-419.28-09	04/07/2013	CITY POSTAGE	04-07-2013	130757	10/2013	808.32	
04/12/2013	82351	PRINCIPAL FINANCIAL GROUP	2414			4,994.92	
101-0000-209.01-14	02/14/2013	PR AP PPE 02/07/2013	20130214		08/2013	522.83	
101-0000-209.01-16	02/14/2013	PR AP PPE 02/07/2013	20130214		08/2013	524.09	
101-0000-209.01-21	02/28/2013	PR AP PPE 2/21/2013	20130228		08/2013	651.72	
101-0000-209.01-12	03/14/2013	PR AP PPE 03/07/2013	20130314		09/2013	748.40	
101-0000-209.01-12	03/14/2013	PR AP PPE 03/07/2013	20130314		09/2013	748.40	
101-0000-209.01-14	04/11/2013	PR AP BATCH PPE 4/04/13	20130411		10/2013	542.07	
101-0000-209.01-16	04/11/2013	PR AP BATCH PPE 4/04/13	20130411		10/2013	534.69	
101-0000-209.01-21	04/11/2013	PR AP BATCH PPE 4/04/13	20130411		10/2013	672.60	
101-0000-209.01-14	04/10/2013	MAY 2013 LIFE & STD/LTD	04-10-2013		10/2013	19.24	
101-0000-209.01-16	04/10/2013	MAY 2013 LIFE & STD/LTD	04-10-2013		10/2013	10.00	
101-0000-209.01-21	04/10/2013	MAY 2013 LIFE & STD/LTD	04-10-2013		10/2013	20.88	
04/12/2013	82352	PRINCIPAL FINANCIAL GROUP	2428			1,145.46	
101-0000-209.01-13	03/28/2013	PR AP PE 3/21/13	20130328		09/2013	572.73	
101-0000-209.01-13	04/11/2013	PR AP BATCH PPE 4/04/13	20130411		10/2013	572.73	
04/12/2013	82353	PROTECTION ONE ALARM MONITORIN	69			279.50	
601-5060-436.20-23	03/20/2013	APRIL ALARM MONT	92293729	130087	09/2013	279.50	
04/12/2013	82354	PRUDENTIAL OVERALL SUPPLY	72			511.76	
101-5020-432.25-03	03/20/2013	WE 3/20 W UNIFORMS	30327808	130090	09/2013	131.99	
101-5020-432.25-03	03/27/2013	WE 3/27 PW UNIFORM RENTAL	30329338	130090	09/2013	123.89	
101-5020-432.25-03	04/03/2013	WE 4/3 PW UNIFORMS	30330875	130090	10/2013	131.99	
101-5020-432.25-03	04/10/2013	W/E 4/10 PW UNIFORMS	30332393	130090	10/2013	123.89	
04/12/2013	82355	RECLAIMED AGGREGATES, INC.	2137			300.00	
101-5010-431.29-04	03/31/2013	BOBTAIL RENTAL	74-ACC-01149	130039	09/2013	300.00	
04/12/2013	82356	SAN DIEGO COUNTY ASSESSOR	2120			125.00	
101-1920-419.29-04	04/04/2013	MPR EXTRACT JAN-MARCH	2012192	130379	10/2013	125.00	
04/12/2013	82357	SDGE	289			5,077.68	
101-5010-431.27-01	04/02/2013	1694 230 1484 2/28-3/29	04-17-2013		09/2013	18.66	
101-5010-431.27-01	03/29/2013	1912 409 2723 2/26-3/27	04-13-2013		09/2013	10.04	
101-5010-431.27-01	03/29/2013	5280 340 6641 2/26-3/27	04-13-2013		09/2013	65.98	
101-5010-431.27-01	03/29/2013	5576 188 0541 2/26-3/27	04-13-2013		09/2013	9.87	

CHECK DATE	CHECK NUMBER	VENDOR NAME	VENDOR #	CHECK AMOUNT		
ACCOUNT #	TRN DATE	DESCRIPTION	INVOICE	PO #	PER/YEAR	TRN AMOUNT
101-5010-431.27-01	04/02/2013	3448 930 964 6 2/28-3/29	04-17-2013		09/2013	9.87
101-6020-452.27-01	04/03/2013	0175 275 3776 3/1-4/1	04-18-2013		10/2013	436.97
101-5010-431.27-01	04/03/2013	0824 329 2041 3/1-4/1	04-18-2013		10/2013	191.03
101-6020-452.27-01	04/03/2013	2081 689 1273 3/1-4/1	04-18-2013		10/2013	290.77
101-6010-451.27-01	04/03/2013	2081 692 3399 3/1-4/1	04-18-2013		10/2013	16.26
101-6020-452.27-01	04/03/2013	2083 847 9032 3/1-4/1	04-18-2013		10/2013	70.20
101-6010-451.27-01	04/03/2013	3206 700 9265 3/1-4/1	04-18-2013		10/2013	152.72
101-6020-452.27-01	04/03/2013	5456 692 8951 3/1-4/1	04-18-2013		10/2013	29.20
101-6020-452.27-01	04/03/2013	6921 003 2109 3/1-4/1	04-18-2013		10/2013	418.13
101-5010-431.27-01	04/03/2013	7706 795 7872 3/1-4/1	04-18-2013		10/2013	11.95
101-6020-452.27-01	04/03/2013	9327 898 1346 3/1-4/1	04-18-2013		10/2013	304.82
101-6010-451.27-01	04/03/2013	9956 693 6272 3/1-4/1	04-18-2013		10/2013	95.59
101-5010-431.27-01	04/02/2013	2741 969 9359 2/28-3/31	04-17-2013		10/2013	138.53
215-6026-452.27-01	04/02/2013	2819 871 6315 2/28-3/31	04-17-2013		10/2013	1,847.78
601-5060-436.27-01	04/02/2013	8773 823 6424 2/27-3/28	04-17-2013		10/2013	652.27
101-6010-451.27-01	04/03/2013	2081 689 761 9 3/1-4/1	04-18-2013		10/2013	271.31
101-5010-431.27-01	04/02/2013	0646 753 193 8 2/28-3/29	04-17-2013		10/2013	10.04
101-5010-431.27-01	04/02/2013	3062 843 371 9 2/28-3/29	04-17-2013		10/2013	12.26
101-5010-431.27-01	04/02/2013	5153 272 671 7 2/28-3/29	04-17-2013		10/2013	13.43
04/12/2013	82358	SEIU LOCAL 221	1821			1,295.66
101-0000-209.01-08	04/11/2013	PR AP BATCH PPE 4/04/13	20130411		10/2013	1,295.66
04/12/2013	82359	SOUTH WEST SIGNAL	488			160.00
101-5010-431.21-04	03/31/2013	MARCH MAIT	51087	130038	09/2013	160.00
04/12/2013	82360	SPRINT	2040			149.97
101-3020-422.27-05	03/29/2013	PS DATA CARDS	594768811-064	130768	09/2013	149.97
04/12/2013	82361	TERRA BELLA NURSERY, INC.	1946			131.41
101-6040-454.30-02	04/06/2013	PLANTING MIX/FLOWERS	90454	130034	10/2013	131.41
04/12/2013	82362	TRANSWORLD SYSTEMS INC.	2160			2,248.83
101-1910-419.21-04	04/09/2013	MARCH COLLECTION FEES	672679		10/2013	2,248.83
04/12/2013	82363	UNDERGROUND SERVICE ALERT	OF 731			42.00
601-5060-436.21-04	04/01/2013	MARCH TICKET CHGS	320130321	130003	10/2013	42.00
04/12/2013	82364	US BANK	2458			1,438.94
101-0000-209.01-20	04/11/2013	PR AP BATCH PPE 4/04/13	20130411		10/2013	1,438.94
04/12/2013	82365	VALLEY INDUSTRIAL SPECIALTIES,	767			276.54
101-6040-454.30-02	04/05/2013	WASTE STRAINER/SERV MTR	194830	130033	10/2013	276.54
04/12/2013	82366	WELLS FARGO BANK	1513			500.00
735-0000-221.03-03	03/01/2013	ADMIN CGS/IMP BONDS ASSES	942090		09/2013	500.00
04/12/2013	82367	WESTERN HOSE & GASKET	836			488.75
601-5060-436.28-01	03/29/2013	LEADER HOSE	276973	130059	09/2013	488.75
04/12/2013	82368	WHITE CAP CONSTRUCTION SUPPLY	1434			406.44
101-6040-454.30-02	03/15/2013	STEEL STAKE	10282907	130018	09/2013	77.20

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101-5010-431.30-02	03/19/2013	TRK CAB RACK	10000153705	130018	09/2013	301.46	
04/18/2013	82369	AVENET, LLC	1510			1,950.00	
503-1923-419.21-04	03/12/2013	WEBSITE HOSTING	32500	130770	09/2013	1,950.00	
04/18/2013	82370	CALIFORNIA COMMERCIAL ASPHALT	590			429.27	
101-5010-431.30-02	04/03/2013	1/2 TYPE/SCHOOL TYPE	126441	130037	10/2013	429.27	
04/18/2013	82371	CALIFORNIA AMERICAN WATER	612			981.83	
601-5060-436.27-02	04/10/2013	05-0101092-0 3/7-4/5	04-29-2013		10/2013	7.33	
101-5020-432.27-02	04/10/2013	05-0102217-2 3/7-4/5	04-29-2013		10/2013	126.51	
101-6020-452.27-02	04/10/2013	05-0102503-5 3/7-4/5	04-29-2013		10/2013	314.78	
101-6020-452.27-02	04/10/2013	05-0102504-3 3/7-4/5	04-29-2013		10/2013	7.33	
101-5010-431.27-02	04/10/2013	05-0102729-6 3/7-4/5	04-29-2013		10/2013	108.19	
101-6020-452.27-02	04/12/2013	05-0106225-1 3/8-4/9	05-01-2013		10/2013	43.29	
101-6020-452.27-02	04/12/2013	05-0106249-1 3/8-4/9	05-01-2013		10/2013	11.82	
101-6020-452.27-02	04/12/2013	05-0106336-6 3/8-4/9	05-01-2013		10/2013	7.33	
101-6020-452.27-02	04/12/2013	05-0106337-4 3/8-4/9	05-01-2013		10/2013	34.29	
101-5010-431.27-02	04/09/2013	05-0402959-6 3/6-4/4	04-29-2013		10/2013	36.64	
101-3030-423.27-02	04/08/2013	05-0155019-8 3/5-4/3	04-29-2013		10/2013	25.39	
101-5010-431.27-02	04/08/2013	05-0155037-0 3/5-4/3	04-29-2013		10/2013	31.80	
601-5060-436.27-02	04/08/2013	05-0392478-9 3/5-4/3	04-29-2013		10/2013	18.32	
601-5060-436.27-02	04/08/2013	05-0505362-9 3/5-4/3	04-29-2013		10/2013	208.81	
04/18/2013	82372	CORODATA MEDIA STORAGE, INC.	2334			137.51	
503-1923-419.20-06	03/31/2013	MARCH DATA STORAGE	DS1256512	130102	09/2013	137.51	
04/18/2013	82373	EAGLE NEWSPAPER	1204			377.00	
101-6010-451.30-02	03/28/2013	SP PK MGT AD	76130	130022	09/2013	377.00	
04/18/2013	82374	FEDERAL EXPRESS CORP.	911			18.93	
101-1130-412.28-09	04/12/2013	SHIPPING/ERGOIZEIT	223832559	130220	10/2013	18.93	
04/18/2013	82375	GCR TIRE CENTERS	1702			376.79	
501-1921-419.28-16	04/04/2013	205/60/16 TIRES	832-20207	130050	10/2013	376.79	
04/18/2013	82376	GOOGLE, INC.	2009			79.10	
503-1923-419.20-06	04/05/2013	2/17-3/16 SECURITY	5625753	130104	10/2013	79.10	
04/18/2013	82377	GRAINGER	1051			529.63	
101-1910-419.28-01	04/09/2013	PADLOCK	9111614211	130011	10/2013	296.08	
101-6020-452.30-02	04/11/2013	OVERBOOTS, COLLARED TYVER	9113809629	130011	10/2013	146.18	
101-1910-419.28-01	04/11/2013	PADLOCK	9113809645	130011	10/2013	87.37	
04/18/2013	82378	GTC SYSTEMS INC	1910			97.50	
503-1923-419.20-06	03/31/2013	CONSULTING 3/19	35213	130769	09/2013	97.50	
04/18/2013	82379	KANE, BALLMER & BERKMAN	1828			4,592.50	
101-0000-221.01-02	04/04/2013	MARCH SEACOAST INN OPA	19011		10/2013	4,592.50	

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04/18/2013	82380	NASLAND ENGINEERING	1656				1,985.00
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04/18/2013	82381	OFFICE DEPOT, INC	1262				257.00
101-3020-422.30-01	04/02/2013	PS FORMS	651042026001	130002	10/2013		130.27
101-3020-422.30-01	03/26/2013	3 HOLE PUNCH	651041697001	130002	09/2013		126.73
04/18/2013	82382	PAL GENERAL ENGINEERING INC.	2411				48,426.26
402-5000-532.20-06	03/31/2013	ST IMPROVE PHASE 3B	7	120807	09/2013		48,426.26
04/18/2013	82383	PARS	2425				400.00
101-1920-419.20-06	04/09/2013	APRIL PARS ARS	25489	130076	10/2013		80.00
101-3020-422.20-06	04/09/2013	APRIL PARS ARS	25489	130076	10/2013		80.00
101-3030-423.20-06	04/09/2013	APRIL PARS ARS	25489	130076	10/2013		80.00
101-6010-451.20-06	04/09/2013	APRIL PARS ARS	25489	130076	10/2013		80.00
101-6040-454.20-06	04/09/2013	APRIL PARS ARS	25489	130076	10/2013		80.00
04/18/2013	82384	RICOH USA, INC.	2392				137.92
101-1110-412.28-01	04/05/2013	STAPLES FOR COPIER	1039153129	130133	10/2013		137.92
04/18/2013	82385	ROBERTSON'S	2454				235.35
101-5010-431.30-02	03/28/2013	RECYCLED ROCK	114049	130199	09/2013		235.35
04/18/2013	82386	SAN DIEGO GAS & ELECTRIC	1399				14,492.78
601-5060-436.27-01	04/08/2013	85417701270	04-24-2013		10/2013		3,709.57
101-5020-432.27-01	04/08/2013	91692992261	04-24-2013		10/2013		793.60
101-6020-452.27-01	04/08/2013	85075178464	04-24-2013		10/2013		1,012.96
101-5010-431.27-01	04/08/2013	56497714749	04-24-2013		10/2013		6,481.94
101-3020-422.27-01	04/08/2013	10087869371	04-24-2013		10/2013		237.19
101-5010-431.27-01	04/08/2013	10088604389	04-24-2013		10/2013		292.63
101-3020-422.27-01	04/08/2013	19807697764	04-24-2013		10/2013		1,954.89
601-5060-436.27-01	04/08/2013	52635219238	04-24-2013		10/2013		10.00
04/18/2013	82387	SKS INC.	412				9,911.60
501-1921-419.28-15	04/04/2013	1191 REG FUEL	1254623-IN	130049	10/2013		4,453.86
501-1921-419.28-15	04/11/2013	1000 REG, 494.1 DIESEL	1254732-IN	130049	10/2013		5,457.74
04/18/2013	82388	SPARKLETTTS	2341				15.30
101-1210-413.30-01	04/06/2013	WE 4/4 FINANCE H20	10552239 040613	130206	10/2013		15.30
04/18/2013	82389	STANDARD ELECTRONICS	504				466.50
101-1910-419.20-23	04/11/2013	SFT CTR SERV & BATTERY	18336	130094	10/2013		466.50
04/18/2013	82390	TRAFFIC SAFETY MATERIALS, LLC.	2369				388.75
101-5010-431.21-23	04/15/2013	DRIVE RIVET/BANDING	2728	130068	10/2013		388.75
04/18/2013	82393	U.S. BANK	1873				21,132.90
101-3030-423.28-04	12/07/2012	SUPERVISOR ACADEMY	7301	130737	09/2013		550.00
101-3030-423.28-04	12/07/2012	SUPERVISOR ACADEMY	7304	130738	09/2013		550.00

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101-3030-423.30-02	02/27/2013	BATTERIES	7530	130739	09/2013	15.10
101-3030-423.30-02	02/02/2013	LG CITATION BOOKS	1279575	130740	09/2013	709.33
101-3030-423.30-02	02/21/2013	LG BADGES	28121	130740	09/2013	650.50
101-1920-419.21-04	03/02/2013	ANNUAL MUSIC LIC FEE	23343606	130729	09/2013	327.00
101-1230-413.28-12	03/14/2013	MMASC MEMBERSHIP	03-14-2013	130731	09/2013	75.00
101-1230-413.28-04	03/14/2013	PARKING/TRAINING	91246	130732	09/2013	8.00
101-3030-423.28-01	03/12/2013	CHAIR RESTS	436666	130739	09/2013	69.76
101-1910-419.28-01	02/22/2013	WATER HEATER CONNECTOR	061644/1573017	130749	09/2013	24.18
101-6040-454.30-02	02/22/2013	TIDELANDS SUPPLIES	092266/1025244	130749	09/2013	187.64
101-6040-454.30-02	02/25/2013	LOCK REPAIR	077762	130749	09/2013	15.00
101-6040-454.30-02	02/25/2013	SANDPAPER & DISKS	088353/8017067	130749	09/2013	168.29
101-3030-423.30-02	02/26/2013	FAUCET LG RESTROOM	082708/7563258	130749	09/2013	79.92
101-6040-454.30-02	03/02/2013	PAINT SUPPLIES/LINERS	080142/3020781	130749	09/2013	96.45
101-6040-454.30-02	03/05/2013	CLEANING SUPPLIES/VEHICLE	410661	130749	09/2013	56.12
101-6040-454.30-02	03/08/2013	WORK BOOTS	092821	130749	09/2013	147.14
101-6040-454.30-02	03/09/2013	SAW BLADES/BRUSHES/TOWELS	046375/6011189	130749	09/2013	67.80
101-5010-431.30-02	03/12/2013	GLUE/BLADE/SCREWS	001178/3010813	130749	09/2013	80.18
101-6040-454.30-02	03/12/2013	GLUE/BLADE/SCREWS	001178/3010813	130749	09/2013	20.24
101-5010-431.30-02	03/12/2013	PAINT/DUNES DRAIN CAPS	095441/3011849	130749	09/2013	63.58
101-6040-454.30-02	03/12/2013	PAINT/DUNES DRAIN CAPS	095441/3011849	130749	09/2013	171.20
101-5010-431.30-02	03/15/2013	DOUG FIR	004797/0012721	130749	09/2013	7.14
101-6040-454.30-02	03/17/2013	FLASHLIGHT/LINERS	035702/8591352	130749	09/2013	19.38
101-6040-454.30-02	03/19/2013	LIGHT/PLAZA RESTRM	076096/6565696	130749	09/2013	30.21
601-5060-436.28-13	02/27/2013	CWEA GRADE II-EXAM	204458	130743	09/2013	155.00
601-5060-436.30-02	02/26/2013	1/2 YD CONCRETE	109267677-001	130744	09/2013	139.32
601-5060-436.30-02	03/05/2013	CLEANER/GLOVES/RAKE	041483/0290891	130743	09/2013	232.65
601-5060-436.30-02	03/13/2013	COMPOSITE/FRAME/CVR	4394	130743	09/2013	603.13
601-5060-436.30-02	03/19/2013	MANHOLE HOOK	59197	130743	09/2013	452.00
101-5010-431.30-02	03/15/2013	CONCRETE TRAILER MIXER	109671901-001	130744	09/2013	178.20
101-5010-431.30-02	03/20/2013	SPRAY PAINT/TAPE	066155/5581674	130744	09/2013	57.26
101-1910-419.30-02	03/11/2013	LIGHTS FOR R/R F.H.	081672/4580674	130747	09/2013	20.82
503-1923-419.28-04	02/26/2013	LUNCH MGT	49	130741	09/2013	15.96
503-1923-419.28-04	03/07/2013	LUNCH MGT	0006	130741	09/2013	21.29
503-1923-419.20-06	03/13/2013	IT TICKETS YRLY SUBSCRIPT	INV-860958	130741	09/2013	453.00
101-5000-532.20-06	01/30/2013	DOZER RENTAL	27493201	130755	09/2013	3,294.96
101-1020-411.28-11	02/22/2013	1330 SEACOAST PRINTS	21305	130733	09/2013	129.60
101-3070-427.30-01	02/28/2013	PENS/FOLDERS	647765357-001	130733	09/2013	59.16
101-1210-413.28-04	02/24/2013	PARKING/TRAINING	H3	130742	09/2013	112.00
101-1210-413.28-04	02/25/2013	TRAINING/HOTEL	02-25-2013	130742	09/2013	391.16
101-1910-419.21-04	02/11/2013	CREDIT/DISPUTED CHG	02-11-2013	130755	09/2013	1,075.23-
101-5000-532.20-06	02/14/2013	DOZER RENTAL	27502101	130755	09/2013	4,599.13
101-1910-419.21-04	02/15/2013	DISPUTED CHG	02-15-2013	130755	09/2013	1,048.92
101-3040-424.30-01	03/19/2013	LABELS/FOLDERS	649730783-001	130733	09/2013	59.28
101-6010-451.30-02	03/01/2013	SP CAFE SUPPLIES	255617575	130736	09/2013	320.34
101-1910-419.30-02	03/05/2013	SOAP/SPONGES	024472/0574285	130755	09/2013	12.15
501-1921-419.28-15	03/14/2013	FUEL TRK 141	6237800	130755	09/2013	16.84
501-1921-419.30-02	03/21/2013	BATTERY/FLEET CAMERA	429793370	130755	09/2013	23.94
101-5010-431.30-02	02/22/2013	CHAMOIS	0191221	130745	09/2013	680.40

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101-6020-452.30-02	02/28/2013	GLOVES/HOE/HAND WEEDER	007318/5290045	130745	09/2013	118.09
601-5060-436.30-02	02/21/2013	CONCRETE SCREWS	016062/2025050	130751	09/2013	16.44
601-5060-436.30-02	02/25/2013	METAL LATH/CONCRETE GLUE	035686/8025898	130751	09/2013	40.37
601-5060-436.30-02	02/25/2013	FAST SET CONCRETE	040309/8563105	130752	09/2013	11.50
101-6040-454.30-02	02/25/2013	8 KYES FOR NEW #612	00015	130754	09/2013	86.40
501-1921-419.30-02	02/27/2013	DRILL BITS	095778/6573619	130754	09/2013	26.72
501-1921-419.30-22	02/28/2013	SMALL TOOLS	064615	130754	09/2013	78.87
502-1922-419.30-02	03/12/2013	PERSONAL PROTECTIVE	SAF-68895	130745	09/2013	107.40
101-6040-454.30-02	03/13/2013	FLAGS	2	130745	09/2013	197.48
401-5020-432.20-06	03/11/2013	PULL BOXES/PALM	S130602	130751	09/2013	397.87
501-1921-419.28-16	03/13/2013	BOBCAT PARTS	P37395	130754	09/2013	136.01
501-1921-419.28-16	03/13/2013	PARTS VECH #606	6985	130754	09/2013	135.00
101-1130-412.28-04	02/26/2013	WEBINAR-E. CORTEZ	02-26-2013	130734	09/2013	55.00
101-5040-434.30-02	02/26/2013	GARAGE SALE BANNERS	1580	130748	09/2013	142.56
101-5040-434.30-02	02/26/2013	GARAGE SALE BANNERS	1580	130748	09/2013	142.56
401-5020-432.20-06	02/28/2013	ASSESS MAP DETAIL	GN2013225140189	130748	09/2013	2.00
101-6040-454.30-02	02/27/2013	BRUSH/HOSE REPAIR/TAPE	000741/6594948	130750	09/2013	84.24
101-1920-419.30-02	03/05/2013	MARCH AUTO ATTENDANT	31870	130734	09/2013	300.00
101-1010-411.30-02	03/13/2013	E-VERSION OF NEWSPAPER	03-13-2013	130734	09/2013	7.92
502-1922-419.20-06	03/13/2013	ERGO SUPPLIS SHOUSE, P	183	130734	09/2013	99.42
101-5020-432.29-02	03/13/2013	FLOWERS/SYMPATHY	03-14-2013	130734	09/2013	74.48
101-3040-424.28-04	03/19/2013	INTERVIEW/LUNCHEON	000009	130734	09/2013	49.12
101-1130-412.28-04	03/20/2013	WEBINAR/PAY OR PLAY	03-20-2013	130734	09/2013	39.00
101-6040-454.30-02	03/08/2013	SAFETY BOOTS/CARTIER	00834022314	130750	09/2013	137.33
101-6040-454.30-02	03/08/2013	LIGHT FIXTURE BULB	093697/7564320	130750	09/2013	37.74
101-5010-431.30-02	03/14/2013	MASONRY SAND	1872100	130750	09/2013	237.60
101-6040-454.30-02	03/14/2013	PARKING STOP	1872102	130750	09/2013	31.32
501-1921-419.28-16	03/14/2013	LEAF SPRING REAR	6056	130753	09/2013	135.00
101-1230-413.28-12	02/22/2013	WADE, G ICMA MEMBERSHIP	02-22-2013	130735	09/2013	1,324.29
101-1010-411.28-04	03/02/2013	REFRESHMENTS/COUNCIL MGT	23380601143585	130730	09/2013	29.34
101-1010-411.28-04	03/06/2013	COUNCIL MGT DINNER	096426	130730	09/2013	40.00
101-1010-411.28-04	03/06/2013	REFRESHMENTS/COUNCIL MGT	23380403637397	130730	09/2013	13.51
101-1110-412.29-04	03/12/2013	CONSTANT CONTACT	1363081351161	130730	09/2013	30.00
503-1923-419.20-06	03/15/2013	WEB SITE DOMAIN REG	524277888	130730	09/2013	35.88
503-1923-419.20-06	03/18/2013	NEW .GOV DOMAIN REG	597199	130730	09/2013	125.00
101-1010-411.28-04	03/20/2013	COUNCIL MGT DINNER	0017	130730	09/2013	70.00
04/18/2013	82394	WEST GROUP CTR	826			126.48
101-1020-411.28-14	04/01/2013	MARCH DATA ALLOCATION	826914606	130226	10/2013	126.48
04/18/2013	82395	WESTERN RIM CONSTRUCTORS, INC.	2481			253,917.92
401-5020-432.20-06	04/11/2013	ECO BKWY	3	130656	10/2013	253,917.92
DATE RANGE TOTAL *						477,433.63 *



AGENDA ITEM NO. 3.1

STAFF REPORT
CITY OF IMPERIAL BEACH

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: GARY BROWN, CITY MANAGER *GB*

MEETING DATE: MAY 1, 2013

ORIGINATING DEPT.: PUBLIC WORKS *WLF*

SUBJECT: PUBLIC HEARING TO CONSIDER ORDINANCE 2013-1138
ADOPTING REVISED SEWER SERVICE RATES FOR
SANITARY SEWER SERVICE AND AMENDING SECTIONS OF
CHAPTER 13.06 OF THE IMPERIAL BEACH MUNICIPAL CODE
PERTAINING TO SEWER SERVICE CHARGES

BACKGROUND:

The City operates and maintains a City sewer system that collects and transports sewer waste water from properties within the City to the San Diego Metropolitan Sewer System for treatment and disposal. The City must generate funds in an amount sufficient to cover the City's ongoing cost of providing sewer services. The sewer services are funded through a separate Sewer System Enterprise Fund. Chapter 13.06 of the Imperial Beach Municipal Code prescribes a sewer service charge to be billed to all residential and non-residential customers in the city limits of the City of Imperial Beach that discharge sewage into the sewer lines maintained by the city, or is considered by the San Diego Metropolitan Sewer System to be within the city jurisdiction. The City hired Atkins North America, a nationally recognized expert in sewer rates, to conduct a Sewer Service Charge and Capacity Fee Study ("Study"), a copy of which is on file with the City and has been available for public review since February 2013. The Study purpose was to analyze the Sewer System revenue needs to ensure that the City was objectively collecting sufficient revenue to safely and properly operate the enterprise sewer system, including collection, transportation and treatment.

The Study recommended several revisions to the City's sewer service charge structure, including: establishing a base rate for all customer classifications to pay for fixed costs; updating the sewage strength rate charges to current industry standards; establishing a rate of return proportion recognizing the use of external irrigation by customer classes; adjusting the single family residential annual cap; establishing a pass-through for certain unanticipated costs; establishing an operating reserve of \$2,000,000; establishing a minimum capital improvements program budget of \$400,000; establishing a renewal and replacement capital projects budget; updating definitions within customer classifications and setting annual rate adjustments over the next five years. On March 13, 2013 in accordance with the provisions of Article XIII D of the California Constitution (Proposition 218) the City mailed notices of proposed increases in the City's sewer service rates, which were provided to the affected property owners/customers not less than forty-five (45) days prior to the public hearing on the proposed rates. The notice stated that City Council would conduct a public hearing on May 1, 2013, at 6:00 p.m. at 825 Imperial Beach, Blvd, Imperial Beach, CA 91932, in order to receive oral and written testimony regarding the proposed increases in the City's sewer service charges. Said date and time were not less than forty-five (45) days after the mailing of the notice as set forth above.

DISCUSSION:

Attachment (1) is the Ordinance recommended for the first reading on May 1, 2013 and second reading and subsequent adoption on May 15, 2013. The Ordinance adopts the Study and the sewer rates proposed therein, which were also provided in the written notice. In addition, the Ordinance revises certain sections of Imperial Beach Municipal Code chapter 13.06 to achieve consistency with the Study and the rates to be adopted. Attachment 2, otherwise referenced as Exhibit "A" in the Ordinance, provides the proposed new sewer service charge formulas and charge estimate by customer class. Attachment 3, otherwise referenced as Exhibit "B" in the Ordinance, includes a complete copy of the Study. At this public hearing, the City should hear and considered all oral testimony, written materials, and written protests concerning the establishment and imposition of the proposed rates for the sewer service charges. At the time of drafting this staff report, staff had received one written statement objecting to the proposed charge and is attached herewith (Attachment 4). For reference purposes, a strikeout/underline version of the changes of Imperial Beach Municipal Code chapter 13.06 are provided in Attachment 5.

ENVIRONMENTAL DETERMINATION:

Not a project as defined by CEQA. Also exempt under CEQA pursuant to section 21080(b)(8) of the Public Resources Code and Section 15273(a) of the State CEQA Guidelines.

FISCAL IMPACT:

The specific sewer service charges over the next five years are set forth in Attachment 2. The ordinance will increase the sewer service class rates on average by 3% in FY 2014. The funds derived from the increased charges will not exceed the reasonable cost of providing the sewer services to the customers

DEPARTMENT RECOMMENDATION:

1. Declare the public hearing open.
2. Receive the report and public testimony.
3. Last call for written protests.
4. Motion to close the public hearing.
5. If necessary due to volume of written protests, take a break or call agenda item to give staff time to make the final tabulation or written protests.
6. Once staff tabulation is complete, continue on with agenda item (or recall agenda item if necessary) and make announcement regarding final tabulation of written protests. (per Council Policy No. 614, members of the public shall be permitted to observe the tabulation process, but shall not be entitled to actively participate in the tabulation process.)
 - a. If no majority protest, City Council has authority to adopt the proposed rates. City Council can discuss and deliberate on the proposed rate increases and take a vote. See steps 7 through 9 below.
 - b. If there is a majority protest, City Council does not have authority to adopt the proposed rates, and no further action should be taken.
7. If City Council chooses to adopt proposed increase, Mayor calls for Introduction of Ordinance No. 2013-1138.
8. City Clerk reads the title of Ordinance No. 2013-1138 - An Ordinance of the City Council of the City of Imperial Beach, California, adopting revised sewer service rates for sanitary sewer service and amending sections of chapter 13.06 of the Imperial Beach Municipal Code pertaining to sewer service charges.
9. Motion to dispense first reading of Ordinance No. 2013 -1138 by title only and set the matter of adoption at the next regularly scheduled City Council meeting.

CITY MANAGER'S RECOMMENDATION:

Approve Department recommendation.

Attachments:

1. Ordinance No. 2013-1138
2. Exhibit A to Ordinance No. 2013-1138 – Sewer Service Charges by Customer Class
3. Exhibit B to Ordinance No. 2013-1138 – Sewer Service Charge and Capacity Fee Study
4. Protest Letter(s)
5. Strikeout/underline Version of Imperial Beach Municipal Code Chapter 13.06

ORDINANCE NO. 2013-1138**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF IMPERIAL BEACH, CALIFORNIA, ADOPTING REVISED SEWER SERVICE RATES FOR SANITARY SEWER SERVICE AND AMENDING SECTIONS OF CHAPTER 13.06 OF THE IMPERIAL BEACH MUNICIPAL CODE PERTAINING TO SEWER SERVICE CHARGES**

WHEREAS, pursuant to Chapter 13.06 of the Imperial Beach Municipal Code, a sewer service fee is charged to all residential and non-residential customers in the city limits of the City of Imperial Beach that discharge sewage into the sewer lines maintained by the city, or is considered by the San Diego Metropolitan Sewer System to be within the city jurisdiction; and

WHEREAS, the City must generate funds in an amount sufficient to cover the City's ongoing cost of providing sewer services; and

WHEREAS, the City hired Atkins, a nationally recognized expert in sewer rates, to conduct a Sewer Service Charge and Capacity Fee Study ("Study"), a copy of which is on file with the City and has been available for public review; and

WHEREAS, on February 20, 2013, the City reviewed the findings of the Study and determined that increases in the sewer service charge are necessary to generate funds sufficient to cover the City's ongoing costs of providing sewer services and related costs and expenses; and

WHEREAS, the Study recommends several revisions to the City's sewer service fee charging structure, including: establishing a base rate for all customer classifications to pay for fixed costs; updating the sewage strength rate charges to current industry standards; establishing a rate of return proportion recognizing the use of external irrigation by customer classes; adjusting the single family residential annual cap; establishing a pass-through for certain unanticipated costs; establishing an operating reserve of \$2,000,000; establishing a minimum capital improvements program budget of \$400,000; establishing a renewal and replacement capital projects budget; updating definitions within customer classifications and setting annual rate adjustments over the next five years; and

WHEREAS, on March 13, 2013, in accordance with the provisions of Article XIID of the California Constitution (Proposition 218), the City mailed notices of proposed increases in the City's sewer service rates, which were provided to the affected property owners/customers not less than forty-five (45) days prior to the public hearing on the proposed rates; and

WHEREAS, the City Council conducted a public hearing on May 1, 2013, at 6:00 p.m. at 825 Imperial Beach, Blvd, Imperial Beach, CA 91932, in order to receive oral and written testimony regarding the proposed increases in the City's sewer service charges. Said date and time were not less than forty-five (45) days after the mailing of the notice as set forth above; and

WHEREAS, at the public hearing, the City heard and considered all oral testimony, written materials, and written protests concerning the establishment and imposition of the proposed rates for the sewer service charges, and at the close of the hearing; and

WHEREAS, the written protests against the rates set forth herein were not presented in a number representing a majority of the affected parcels upon which the rates are to be imposed and therefore, the City Council is authorized to impose the increased rates and charges as set forth herein; and

WHEREAS, it is deemed to be in the best interests of the City to adopt the sewer service charge increases for the reasons stated above, and the City Council desires to adjust and increase certain sewer rates as set forth in Exhibit "A"; and

WHEREAS, the increased costs of sewer service does not exceed the actual cost of providing the service; and

WHEREAS, the increased rates and charges set forth herein shall become effective July 1, 2013; and

WHEREAS, the City Council desires to make adjustments to the sewer service charge ordinance under the Imperial Beach Municipal Code consistent with the sewer service charge adjustments, the Study and applicable law.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF IMPERIAL BEACH AS FOLLOWS:

Section 1: The above recitals are true and correct and incorporated herein as though set forth in full.

Section 2: Sewer Service Rates

2.1 The City Council has been presented data in the Study showing the estimated reasonable costs of providing sewer service and data showing the fund sources available to recover the costs of providing the sewer service.

2.2 At the February 20, 2013 City Council meeting, the City council reviewed the Study and the proposed rates for the sewer services charges. The City Council called a public hearing for May 1, 2013 at 6:00pm, at the City Council chambers, for the purpose of receiving public comments and protests concerning the proposed rate increases to the City's sewer service charges. The City Council authorized and directed City staff to give notice of the public hearing, and notice was given by mailing notice on March 13, 2013, which was not less than forty-five (45) days prior to the public hearing, to all City record owners of property within the City.

2.3 On May 1, 2013, at the time and place set for the public hearing, the proposed increased sewer service charges as set forth in this Ordinance were considered and the City Council heard and considered the comments of all persons appearing at the hearing and all written comments and protests submitted prior to the close of the hearing.

2.4 The City Council hereby finds and determines that the sewer service charges attached hereto as Exhibit "A" and by this reference incorporated herein, which are charges for sewer service, will result in funds to the City, taking into consideration the estimated reasonable cost of providing sewer service and the sources of funds available to the City to cover the costs of facilities and services, which will not exceed the estimated reasonable cost of service for which the sewer rates are charged.

2.5 The City Council hereby finds and determines that the rates for the sewer service charges take into consideration the estimated reasonable costs of providing sewer services by the City and the sources of funds available therefore, will result in a fair and reasonable fund program, reasonably allocating costs of sewer service to those who benefit therefrom without unfair subsidy to or by those who pay for the sewer service charges.

2.6 In accordance with Proposition 218 and Government Code section 53756, the City Council hereby finds and determines that pass-through costs imposed on the City related to wholesale charges for sewage treatment or wastewater treatment, shall be passed-through to those charged sewer service charges in the City of Imperial Beach for a five year period, beginning July 1, 2013. The City shall provide notice of any pass-through increase to customers at least 30 days prior to implementing the pass-through increase.

2.7 Based on the foregoing, the Sewer Service Charge and Capacity Fee Study conducted by Atkins, dated February 20, 2013, attached hereto as Exhibit "B" is hereby adopted and incorporated by reference as part of this Ordinance as if set forth fully herein.

2.8 Based on the foregoing, the City Council hereby adopts the sewer service charges set forth in Exhibit "A", incorporated herein by this reference.

2.9 The City Council hereby finds that the adoption of the rates and charges set forth herein is necessary and reasonable to fund the administration, operation, maintenance and improvements of the City sewer system. Based on this finding, the City Council determines that the adoption of the rates and charges established by this Ordinance are not a project as defined under CEQA and are exempt from the requirements of the California Environmental Quality Act pursuant to section 21080(b)(8) of the Public Resource Code and section 15273(a) of the State CEQA Guidelines.

Section 3. Imperial Beach Municipal Code Chapter 13.06 Revisions

3.1 Section 13.06.030. of the Imperial Beach Municipal Code is hereby amended to read as follows:

"Charges for the maintenance and operation of the Imperial Beach sewer facility, and any other sewer facilities utilized by the City, to be imposed on property where the parcels have been created or the use thereof changed subsequent to July 1st through August 10th of each year shall be separately collected through direct billing by the City Treasurer, except as otherwise provided in this chapter."

3.2 Section 13.06.060.E. of the Imperial Beach Municipal Code is hereby amended to read as follows:

"E. Where it can be positively demonstrated to the satisfaction of the City that the percentage of water entering the sewer system is less than the amount assumed for that customer classification in the 2013 Sewer Service Charge and Capacity Fee Study performed by Atkins;"

3.3 Section 13.06.080. of the Imperial Beach Municipal Code is hereby amended to read as follows:

"Notwithstanding Section 13.06.140 of this chapter, single-family residential ratepayers shall have an annual rate limit of nine hundred thirty eight and 36/100 dollars (\$938.36) per household for fiscal year 2013/2014. In accordance with Section 13.06.140 of this chapter and its implementing Ordinance No. 2013-1138, this limit shall annually increase at the rate based on the Consumer Price Index for All Urban Consumers – San Diego - from the prior year."

3.4 Section 13.06.120 A. of the Imperial Beach Municipal Code is hereby amended to read as follows:

"If necessary, the City Council shall, on or before July 20th of each year, estimate the amount of money needed and fix the rate of taxation and/or service charges for the purpose of the principal and interest of that year upon outstanding bonds."

3.5 Section 13.06.130 of the Imperial Beach Municipal Code is hereby amended to read as follows:

"Except as provided in Section 13.06.030 of this chapter, charges for the maintenance and operation of the Imperial Beach sewer facility, and any other sewer facilities utilized by the City, shall be collected by the tax collector of the County and shall be collected on tax rolls in the same manner at the same time together and not separate from the general taxes."

3.6 Section 13.06.140. of the Imperial Beach Municipal Code is hereby amended to read as follows:

"A. There is levied and assessed upon each residential and nonresidential customer within the City service area that discharges sewage into the sewer lines maintained by the City, or is considered by the San Diego Metropolitan Sewer System to be within the City jurisdiction, sewer service charges.

B. Said sewer service charges and related classifications are based upon the 2013 Sewer Service Charge and Capacity Fee Study performed by Atkins on behalf of the City, and have been adopted and set forth in Ordinance No. 2013-1138.

C. When less than six months metered water use for the prior year is available, the proportionate base charge plus the average annual water use for that customer classification shall apply. When more than six months, but less than twelve months metered water use for the prior year is available, the proportionate base charge and use shall be normalized to twelve months.

D. Provided, however, in the case of other businesses and establishments that have unusual character insofar as sewage is concerned, the rate shall be established in each case based on the estimated or actual volume of flow and the suspended solids (SS) and biological oxygen demand (BOD) content, which may be approved by the City Manager and/or City Council.

E. The City Manager is hereby authorized and directed to pass-through all future fees and charges imposed by other entities on the City related to wholesale charges for sewage treatment or wastewater treatment, to those charged sewer service charges, for a five year period beginning July 1, 2013. Prior to implementing any such increase, the City shall provide written notice of the increase to property owners not less than 30 days prior to the effective date of the increase."

Section 4. This ordinance shall become effective thirty (30) days following its passage and adoption.

Section 5. The City Council of the City of Imperial Beach hereby declares that should

any section, paragraph, sentence, phrase, term or word of this Ordinance, hereby adopted, be declared for any reason to be invalid, it is the intent of the City Council that it would have adopted all other portions of this Ordinance irrespective of any such portion declared invalid.

Section 6. This Ordinance shall supersede any and all provisions of any previous resolution and/or ordinance approved by the City Council that may conflict with, or be contrary to, this Ordinance.

INTRODUCED AND FIRST READ at a regular meeting of the City Council of the City of Imperial Beach, held on the 1st day of May 2013, and thereafter **PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Imperial Beach, California, held on the 15th day of May 2013 by the following vote:

AYES: **COUNCILMEMBERS:** **NOES:** **COUNCILMEMBERS:**
ABSENT: **COUNCILMEMBERS:**

James C. Janney
JAMES C. JANNEY, MAYOR

ATTEST:

Jacqueline M. Hald
JACQUELINE M. HALD, CMC
CITY CLERK

APPROVED AS TO FORM:

Jennifer M. Lyon
JENNIFER M. LYON,
CITY ATTORNEY

I, City Clerk of the City of Imperial Beach, do hereby certify the foregoing to be true and correct copy of Ordinance No. 2013-1138 – AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF IMPERIAL BEACH, CALIFORNIA, ADOPTING REVISED SEWER SERVICE RATES FOR SANITARY SEWER SERVICE AND AMENDING SECTIONS OF CHAPTER 13.06 OF THE IMPERIAL BEACH MUNICIPAL CODE PERTAINING TO SEWER SERVICE CHARGES.

CITY CLERK

DATE

EXHIBIT A

Single-Family Residential Sewer Charge Formula

Annual Water Consumption x Return to Sewer 75% = Billing Units
 (Billing Units x Residential Sewer Rate) + (Base Fee) = Total Sewer Monthly Bill

Table 1 Summary of Single-Family Residential Sewer Rate

	Current		Adopted			
	2013	2014	2015	2016	2017	2018
Base Sewer Fee (\$/Year)	\$173.75	\$140.24	\$143.47	\$146.78	\$150.89	\$155.13
Sewer Rates (\$/HCF)	\$2.58	\$4.08	\$4.13	\$4.19	\$4.23	\$4.27

Note: Residential Sewer Charge Formula: Base Sewer Fee plus previous year's annual water usage X 75% X \$/HCF.

In addition, the City currently has an annual cap on single family residential properties, currently set at \$938.36. This cap amount will remain in effect for FY 2014. The cap will increase annually from FY 2015 through FY 2018 based upon the San Diego Urban Consumer Price Index. Please note that the cap applies only to single family residential properties.

Multi-Family Sewer Charge Formula

Annual Water Consumption x Return to Sewer 95% = Billing Units
 (Billing Units x Residential Sewer Rate) + (Base Fee per Water Meter Size) = Total Sewer Monthly Bill

Commercial/Non-Residential Sewer Charge Formula

Annual Water consumption x Return to Sewer 90%* = Billing Units
 (Billing Units x Strength Rate) + (Base Fee per Water Meter Size) = Total Sewer Monthly Bill

*Note: Rate of return is 90% for all commercial uses except for Public Agency/Institutional, which is 75%

Table 2 Multi-Family and Commercial/Industrial 2014 Base Charge Per Meter Size

Size of Water Meter	AWWA Hydraulic Capacity	Billing Equivalence Based on Customer & Capacity Costs	2014 Annual Base Charge Per Meter Size
5/8 inch	1.00	1.00	\$140.24
3/4 inch	1.00	1.00	\$140.24
1 inch	1.67	1.50	\$209.83
1 1/2 inch	3.33	2.74	\$383.78
2 inch	5.33	4.23	\$592.53
3 inch	10.00	7.70	\$1,079.61
4 inch	16.67	12.66	\$1,775.44
6 inch	33.33	25.06	\$3,515.02

Table 3 Summary of the Multi-Family Sewer Rate

Presented in Table 3 are the City's multi-family sewer rates. Rates have been developed for a five-year period of 2014 through 2018.

	Current		Adopted			
	2013	2014	2015	2016	2017	2018
Sewer Rates (\$/HCF)	\$4.38	\$4.08	\$4.13	\$4.19	\$4.23	\$4.27

Multi-Family Sewer Charge Formula: Base Sewer Fee plus previous year's annual water usage X 95% X \$/HCF

Table 4 Summary of Multi-Family and Commercial/Non-Residential Base Charges by Meter Size

Table 4 summarizes the annual base charge per water meter size for multi-family and commercial users.

Meter Size	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
5/8"	\$140.24	\$143.47	\$146.78	\$150.89	\$155.13
3/4"	\$140.24	\$143.47	\$146.78	\$150.89	\$155.13
1"	\$209.83	\$214.65	\$219.60	\$225.76	\$232.11
1 1/2"	\$383.78	\$392.61	\$401.66	\$412.93	\$424.53
2"	\$592.53	\$606.16	\$620.13	\$637.53	\$655.45
3"	\$1,079.61	\$1,104.44	\$1,129.90	\$1,161.60	\$1,194.25
4"	\$1,775.44	\$1,816.27	\$1,858.14	\$1,910.26	\$1,963.96
6"	\$3,515.02	\$3,595.84	\$3,678.73	\$3,781.93	\$3,888.24
Total					

Table 5 Summary of Commercial/Industrial Rates

Table 5 provides a summary of the current and future Commercial/Industrial Rates.

	Current		Adopted			
	2013	2014	2015	2016	2017	2018
Base Sewer Fee (\$/Year)⁽¹⁾	\$0.00	\$140.24	\$143.47	\$146.78	\$150.89	\$155.13
Sewer Rates (\$/HCF)						
Rest/Bakeries/Mort./Groc.	\$8.38	\$9.18	\$8.99	\$8.90	\$9.09	\$9.29
Small Commercial	\$4.35	\$3.65	\$3.72	\$3.79	\$3.82	\$3.85
Car Wash/Laundries	\$3.97	\$3.46	\$3.54	\$3.62	\$3.64	\$3.67
Public Agency/Institutional	\$3.67	\$3.33	\$3.42	\$3.50	\$3.52	\$3.54
Heavy Commercial	\$7.65	\$5.82	\$5.79	\$5.79	\$5.88	\$5.98
Mixed Use Light	\$4.44	\$4.37	\$4.41	\$4.45	\$4.50	\$4.56
Mixed Use Heavy	\$6.46	\$5.28	\$5.28	\$5.30	\$5.37	\$5.46
Navy	\$5.02	\$4.87	\$4.89	\$4.92	\$4.99	\$5.05

⁽¹⁾ Example is based on a 5/8" water meter.

Commercial/Industrial Sewer Charge Formula: Base Sewer Fee plus previous year's annual water usage X rate of return per user class X \$/HCF

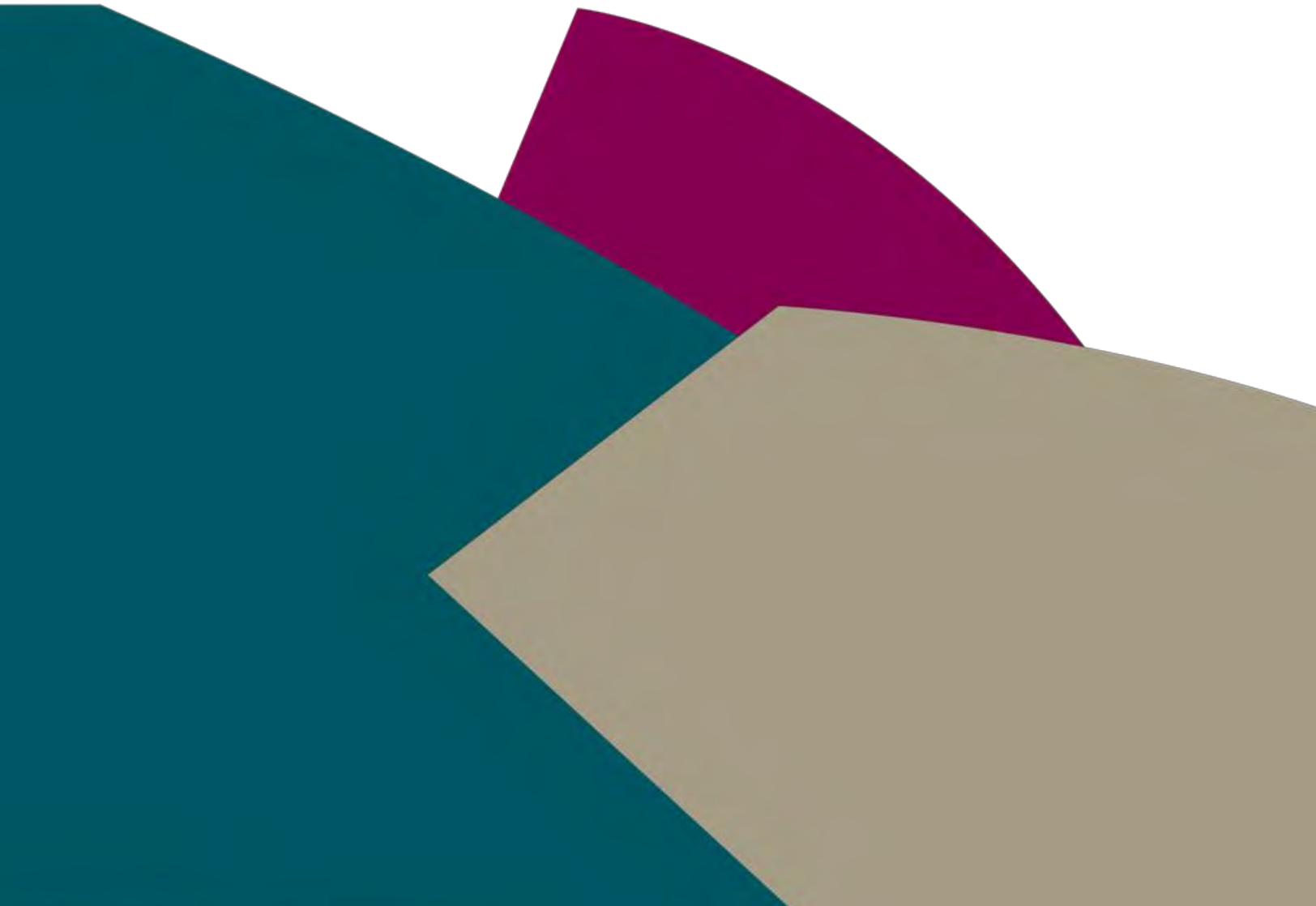
Pass Through Costs

Actual future pass-through rate information is not available at this time. The Ordinance also establishes a "pass-through" that will pass along higher than anticipated costs, which will include, but may not be limited to the City of San Diego Metro Wastewater and San Diego Gas and Electric energy rates. If higher costs should materialize the City would only pass-through the costs needed to pay for unknown increases. Pass-through increases are necessary in order to maintain the safety and reliability of the City's sewer system and avoid deficits and depletion of financial reserves when costs arise that is out of the City's control.

Sewer Service Charge and Capacity Fee Study

Prepared for:
City of Imperial Beach

February 20, 2013



Sewer Service Charge and Capacity Fee Study City of Imperial Beach

February 20, 2013

Prepared for:
City of Imperial Beach
825 Imperial Beach Boulevard
Imperial Beach, California 91932

Prepared by:

ATKINS

3570 Carmel Mountain Road, Suite 300
San Diego, California 92130
Atkins Project No.: 100030382

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Abbreviations

BOD	Biochemical Oxygen Demand
CIP	Capital Improvement Plan
EDU	Equivalent Dwelling Unit
ENR-CCI	Engineering News Record Construction Cost Index
EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
GIS	Geographical Information System
HCF	Hundred Cubic Feet
JURUMP	Jurisdictional Urban Runoff Management Program
Metro	City of San Diego Metropolitan Wastewater System
mg/l	Milligrams per Liter
O&M	Operations and Maintenance
TSS	Total Suspended Solids

Executive Summary

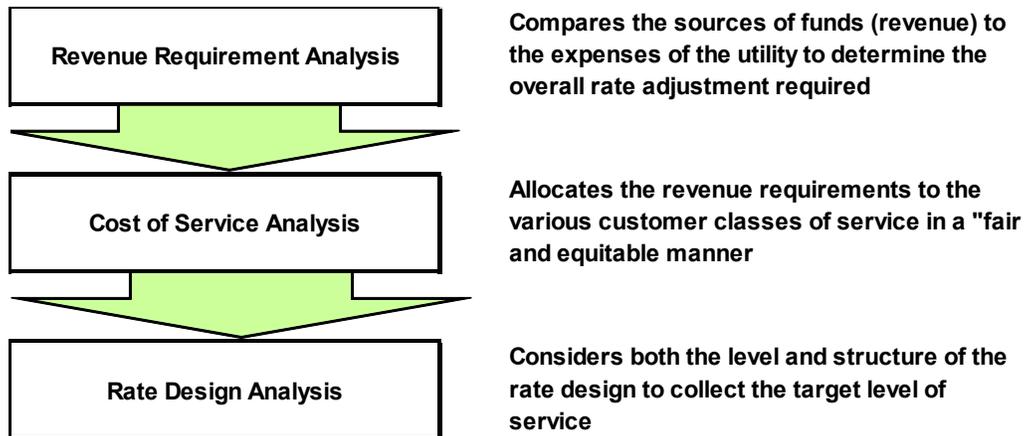
ES.1 Introduction

Atkins was retained by the City of Imperial Beach to perform a comprehensive sewer user and capacity fee rate study. A comprehensive rate study determines the adequacy of the existing rates and provides the basis for adjustments to maintain cost-based rates. This report describes the methodology, findings, and conclusions of the sewer user and capacity fee rate study.

ES.2 Overview of the Sewer User Rate Study Process

A comprehensive rate study typically utilizes three interrelated analyses to address the adequacy and equity of the utility's rates. These three analyses are a revenue requirement analysis, a cost of service analysis, and a rate design analysis. The process is illustrated in Figure ES-1.

Figure ES-1 Overview of the Comprehensive Rate Study Analysis



The City's sewer utility was evaluated on a "stand-alone" basis. That is, no subsidies between the utility or other City funds occur. By viewing the utility on a stand-alone basis, the need to adequately fund both operations and maintenance (O&M) and capital infrastructure must be balanced against the rate impacts on utility customers.

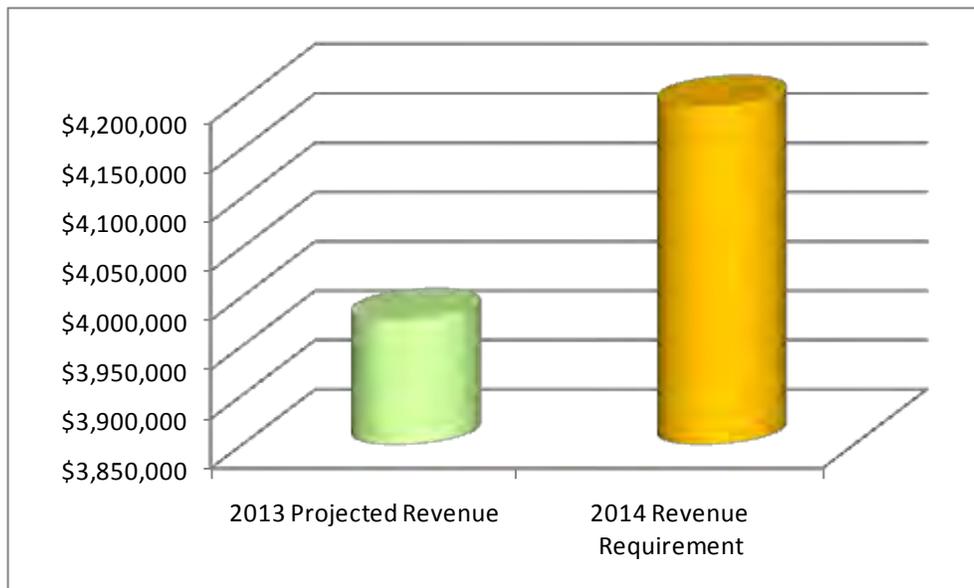
A detailed and comprehensive process was used to review the City's rates. As a part of the rate study process a number of on-site project meeting and conference calls were used to review the

results with City management, staff, and the City Council. From this process, final proposed rates were developed.

The steps shown in Figure ES-1 produced the following results for establishing rates for Fiscal Year (FY) 2013/2014:

Revenue Requirement Analysis: The City's sewer utility FY 2012/2013 revenue requirement was increased from \$3.7 to \$4.2 million to respond to increased costs from the City of San Diego Metropolitan Wastewater System (Metro) for transportation, treatment, and disposal costs for the City's wastewater and for the inclusion of a \$400,000 annual capital replacement fund to repair the City's aging sewer infrastructure. Figure ES-2 shows the projected FY 2012/2013 sewer user revenue that has been placed on the San Diego County Property Tax Roll or hand-billed to government agencies of \$ 3,976,620. With the inclusion of the increased costs the FY 2013/2014 revenue requirement (budget less non-operating revenues) increases to \$4,192,748. The sewer user rates included in this study are established based on this increased revenue requirement.

Figure ES-2 2013 Projected Revenue versus 2014 Revenue Requirement



Cost of Service Analysis: The cost of service analysis revealed that the City's multi-family and commercial and industrial customers have not been providing their required funding for the utility's fixed costs. In addition the sewage strength allocations for commercial/industrial customers were brought up to current industry standards.

Rate Design Analysis: The City's current sewer rate structure provides for a base charge to recover fixed costs in the single family rate structure, but we suggest the update to include other structures as well. In addition, we suggest that rate of returns be applied to all customer classes to discount the annual water usage for water not returned to the sewer system, which includes landscaping and other purposes. Thus the following modifications to the City's current rate structure are suggested:

1. All classes of users will pay an annual base charge based on the size of their water meter. The size of the water meter is used to allocate fixed costs based on the capacity that the user has purchased in the City's sewer system.
2. Recent industry standard rate of returns of water that flows through a water meter and returns to the sewer are applied on each customer class to determine sewer flow.

As shown in Table ES-1 a base charge has been established for all user classes to recover fixed costs and current industry standard strength allocations have been assigned to non-residential users. This results in the reduction of most non-residential commodity rates by removing fixed costs from the commodity rate and putting it in the base charge.

Table ES-1 Comparison of Current versus Proposed Sewer User Rates

Classes of Users	Current FY 2012/2013 Rates		Proposed FY 2013/2014 Rates	
	Base Charge	Commodity Rate (\$ /HCF)	Base Charge (5/8" Water Meter)	Commodity Rate (\$ /HCF)
Single Family	\$173.75	\$2.58	\$140.24	\$4.08
Non-Residential (Includes Multi-Family)				
Rest/Bakeries/Mort./Groc.		\$8.38	\$140.24	\$9.18
Small Commercial		\$4.35	\$140.24	\$3.65
Car Wash/Laundries		\$3.97	\$140.24	\$3.46
Public Agency/Institutional		\$3.67	\$140.24	\$3.33
Heavy Commercial		\$7.65	\$140.24	\$5.82
Mixed Use Light		\$4.44	\$140.24	\$4.37
Mixed Use Heavy		\$6.46	\$140.24	\$5.28
Navy		\$5.02	\$140.24	\$4.87
Multi-Family		\$4.38	\$140.24	\$4.08

Table ES-2 summarizes and contrasts the current FY 2012/2013 user rates for each class' average users to the proposed FY 2013/2014 annual rates.

Table ES-2 Comparison of Average User Rates

Class of Users	Average Annual Consumption (HCF)	FY 2012/2013 Rates & Structure			FY 2013/2014 Rates & Structure				% Change
		Base Charge	Commodity Charge	Total Annual Charge	Base Charge 5/8" Meter	Commodity Charge	Total Annual Charge	Dollars	
Single Family	96	\$173.75	\$247.49	\$421.23	\$140.24	\$293.75	\$433.99	\$12.76	3.0%
Multi-Family	212	\$0.00	\$927.88	\$927.88	\$140.24	\$821.68	\$961.92	\$34.04	3.7%
Small Commercial	114	\$0.00	\$495.93	\$495.93	\$140.24	\$374.04	\$514.29	\$18.35	3.7%
Restaurant	260	\$0.00	\$2,177.89	\$2,177.89	\$140.24	\$2,148.36	\$2,288.61	\$110.72	5.1%
Car Wash	621	\$0.00	\$2,462.45	\$2,462.45	\$140.24	\$2,149.35	\$2,289.59	-\$172.86	-7.0%
Public Agency	530	\$0.00	\$1,946.32	\$1,946.32	\$140.24	\$1,766.80	\$1,907.04	-\$39.28	-2.0%

ES.3 Overview of the Capacity Fee Rate Study

At the time of connection to a public agency's utility system, or at the expansion of existing units on a connection line, customers are typically charged a capacity fee. The capacity fee requires new users, to pay for their share of costs to construct facilities required to provide their utility

service or, in the case of increased density, their increased intensity of use. Revenues generated through capacity fees can be used to directly offset system expansion costs, repay debt issued to finance system expansion (if applicable), or for renewal and replacement of capital projects (depending on the capacity fee methodology). Use of capacity fee revenues to offset these capital and debt service costs reduces the amount of revenue required from rates assessed to existing users. This way, capacity fee revenues in effect, reimburse existing users (through lower rates) for costs they have incurred to build and maintain capacity for new users.

In discussions with City staff Atkins was requested to update the City's sewer capacity fees to reflect the true value of its capital facilities, to ensure that these fees are in accordance with current industry guidelines and practice, and to properly value the City's investment in the Metro System. The City's current capacity fee was set in June 2005 at \$1,230 per equivalent dwelling unit (EDU¹). The 2005 capacity fee did not include the full valuation of the Metro System or the replacement costs of the City's pipelines. It is a common practice to index capacity fees by the increased construction cost inflation as measured by the Engineering News Record Construction Cost Index (ENR-CCI). If the City had annually indexed their current fee the capacity fee would be \$1,479 (not including improvements and the Metro System capacity valuation).

Atkins reviewed capacity fee alternatives with City staff and ultimately the capacity fees were calculated using the buy-in approach² and are shown in Table ES-3. The buy-in approach requires a valuation of both the City's and the Metro wastewater systems. The two most common approaches are replacement costs and replacement cost less depreciation. These two valuation methods for capacity fees are often considered to represent the most accurate value of utility facilities. Original cost valuations are less common since the original cost of the wastewater system likely does not represent the true value of the system in today's dollars. An appropriate analogy is that a house is often worth more than its original purchase price.

Table ES-3 shows the three components of the City's capacity fee. The upper portion of the table shows the capacity fee based on the value of the City's wastewater system (line 2). The middle portion of the table shows the value of the City's pump stations and the related capacity fee (line 4). The lower portion of the table shows the Metro component of the capacity fee (line 6). Each component of the capacity fee is calculated by taking the value of facilities (under each valuation method) and dividing by the EDUs. Line 7 shows the total capacity fee for one sewer unit, summing all components, under each valuation method. For each new customer or for increased density, the City will ascertain, at the time of capacity fee assessment, the number of new EDUs required and charge the fee accordingly.

Figure ES-3 provides a summary of Metro agency capacity fees and shows the City's current and proposed capacity fees. It shows that the proposed fee of \$4,776 is in line with other Metro agencies that have recently updated their capacity fees and include the Metro component.

¹ One EDU is equivalent to the assumed gallons per day of a single family residential user. Imperial Beach uses 232 gallons per day for a single family residential user. All other users are assigned EDUs at the time they purchase a capacity fee in their proportional relationship to a single family user.

² The buy-in approach is appropriate for an older system which is mostly built-out. New customers are served by existing capacity in the current system. It is calculated as the value of current facilities divided by the equivalent dwelling units (or sewer units) which can be served by the existing system.

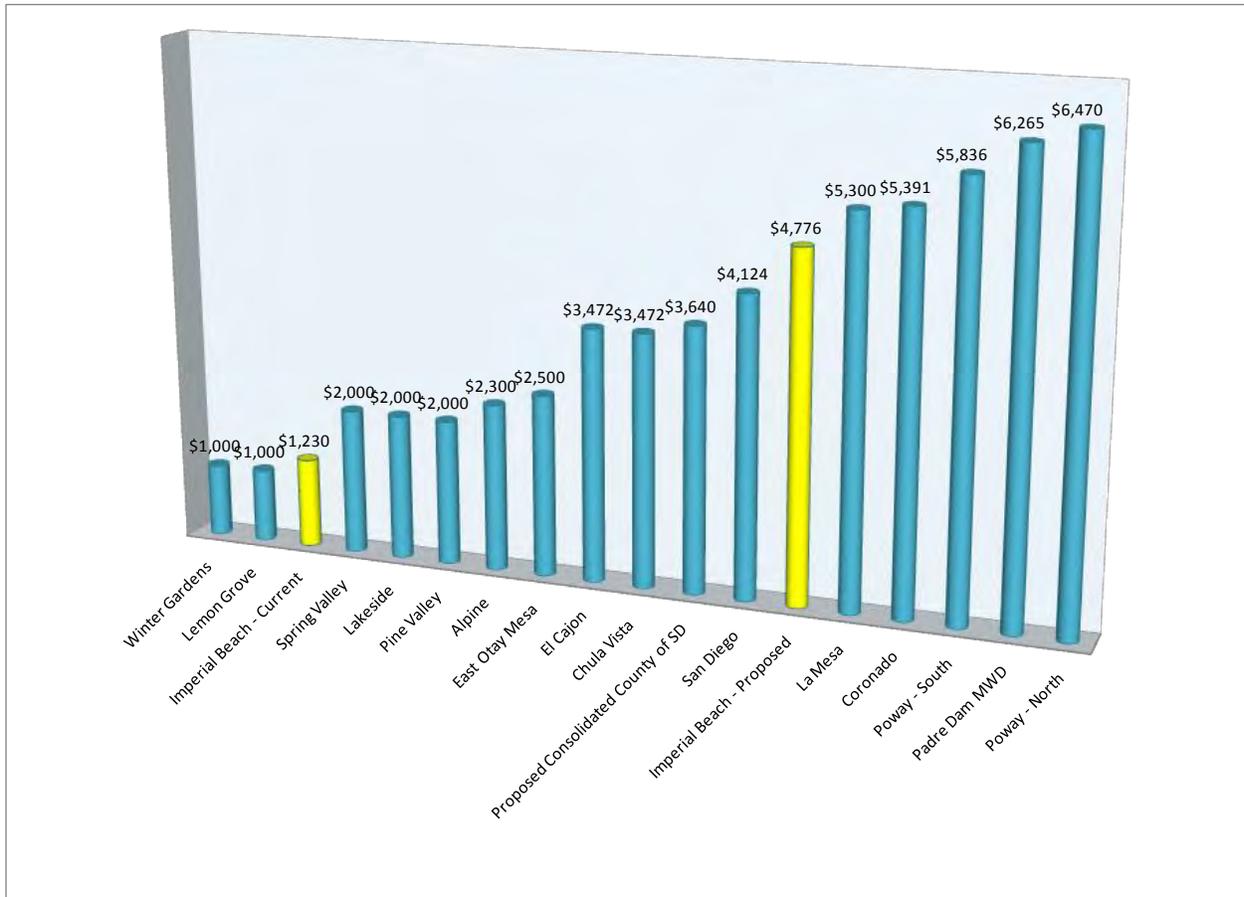
California state law regarding capacity fees requires a valuation of an agencies system as was prepared by this study. Once the total value of the system is established as shown in Table ES-3 an agency can establish their capacity fee up to the maximum valuation. However, an agency can choose to adopt a lower capacity fee. At the City Council Meeting of January 23, 2013, Council directed staff and consultant to adopt a capacity fee based on the replacement cost less depreciation methodology of \$4,000 per EDU and then phase in the remaining \$776.

Table ES-3 Proposed Sewer Capacity Fee

(A) Line No.	(B) Valuation Component	(C) Replacement Costs	(D) Replacement Cost Less Depreciation
1	Pipelines	\$46,031,303	\$23,015,652
2	Cost Per EDU (a)	\$4,352	\$2,176
3	Pump Stations	\$15,596,987	\$5,197,589
4	Cost Per EDU (a)	\$1,475	\$491
5	Metro Assets	\$32,818,033	\$22,300,011
6	Cost Per EDU (a)	\$3,103	\$2,108
7	Total Cost Per EDU	\$8,929	\$4,776
	(a) Total EDUs	\$10,577	\$10,577

Note: Pipelines and Pump Stations are based on replacement costs Metro Assets are valued as Reproduction Cost from Raftelis 2005 Study brought to present value using the June 2012 ENR

Figure ES-3 Sewer Capacity Fees for Metro Agencies



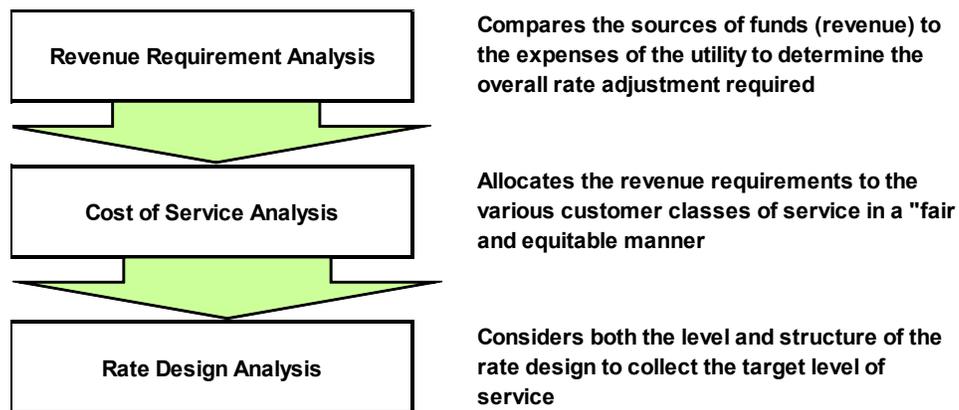
Section 1

Overview of the Sewer User Rate Setting Process

1.1 Overview of the Rate Study Process

A comprehensive rate study typically utilizes three interrelated analyses to address the adequacy and equity of the utility’s rates. These three analyses are a revenue requirement analysis, a cost of service analysis, and a rate design analysis. The process is illustrated in Figure 1-1.

Figure 1-1 Overview of the Comprehensive Rate Study Analysis



The City’s sewer utility was evaluated on a “stand-alone” basis. That is, no subsidies between the utility or other City funds occur. By viewing the utility on a stand-alone basis, the need to adequately fund both operations and maintenance (O&M) and capital infrastructure must be balanced against the rate impacts on utility customers.

1.2 Generally Accepted Rate Setting Principles

As a practical matter, utilities should consider setting their rates around some generally accepted or global principles and guidelines. Utility rates should be:

- Cost-based, equitable, and set at a level that meets the utility’s full revenue requirement
- Easy to understand and administer

- Design to conform with generally accepted rate setting techniques
- Stable in their ability to provide adequate revenues for meeting the utility's financial, operating, and regulatory requirements
- Established at a level that is stable from year-to-year from a customer's perspective
- Established to meet any legal (e.g. Proposition 218) or regulatory requirements

These principles and guidelines were applied, to the degree possible, in the development of the rate analyses developed for the City.

1.3 Prudent Financial Planning

The establishment of financial planning and rate setting policies are intended to provide guidance in the financial planning and rate-setting process, and in the day-to-day financial management of the City's sewer utility.

Adoption and use of financial policies provides a strong foundation for the long-term sustainability of the utility and provides the outside financial community with a better understanding of the City's commitment to managing the utility in a financially prudent manner. Atkins also recommended some financial practices as part of developing the revenue requirement for the City's sewer utility. These recommended financial policies and practices are summarized below:

- ***Establishing Minimum Rate Stabilization Fund Balance (Operating Reserve):*** The City strives to maintain a cash balance sufficient to meet the day-to-day cash flow requirements and operating expenses of the utility. The City bills their sewer user charges on the San Diego County property tax roll and although the City's operating budget starts July 1st of each year the first time user revenue is received is in January of the following year. Thus prudent financial management would advise that the City should maintain six-months of operating cash to pay the bills in the first six months prior to receiving user rate revenue. The City's projected 2014 revenue requirement is \$4.2 million thus the Operating Reserve should be established at \$2 million.
- ***Establishing Minimum Capital Reserve Funds:*** Capital reserves are established to fulfill the cash flow requirements of capital infrastructure construction costs, which can vary significantly annually, depending on each year's projects and the funding sources available. Within the utility industry, capital reserves are generally established based on an average of projected annual capital expenditures, excluding unusually large "one-time" capital needs. The City should attempt to maintain a capital reserve approximately equal to one-year of renewal/replacement projects, or a six-year average of typical renewal and replacement (routine) type projects, not including large one-time expenses. Based on the City's historic renewal and replacement projects the minimum in this reserve should be \$400,000. This study incorporated the funding of this reserve over multiple years starting in FY 2015/2016. The recommended funding for this reserve is \$720,000 during the five- year planning period.
- ***Rate Funding for Renewal and Replacement Capital Projects:*** The funding of ongoing renewal and replacement capital projects should primarily be funded from rates. The use of debt should be reserved for only extraordinarily large capital projects with a useful life of 30 years or more. In order to adequately support this funding method, the

City should budget and fund, at a minimum, an amount equal to or greater than annual replacement costs or depreciation expense. The City’s projected replacement costs during the planning period are \$400,000 per year. It is recommended that funding for this should start in the 2014 revenue requirements and gradually increase to a level approaching depreciation over the next 10 years. Any capital money not spent should be placed in the Capital Reserve Fund to offset unanticipated capital projects.

1.4 Determining the Revenue Requirement

In developing the revenue requirement the City’s 2013 budget was analyzed on a “stand-alone” basis. That is no other funds were used to subsidize utility services. The following paragraphs describe the general methodology and approach that Atkins used to develop the City’s sewer user rate study.

1.4.1 Establishing a Projected Time Frame

Reviewing a multi-year period is recommended to identify any major expenses that may be on the horizon. The financial planning model developed by Atkins for the City contains a seven-year planning horizon. This is based on two-years after the five-year time period of FY2014 to FY2018 that was used for establishing rates. This was done to allow for planning of any additional Metro Costs associated with their waiver renewal process from secondary treatment that may arise but are unknown at this time.

1.4.2 Establishing a Methodology and Approach

The second step in determining the revenue requirement for the City was to decide on the basis of accumulating costs. For the City’s revenue requirements, a “cash basis” approach was utilized. For municipal utilities, the cash basis approach is the most frequently used methodology. Table 1-1 provides a summary of the cash basis methodology used to develop the sewer revenue requirement.

Table 1-1 Overview of “Cash Basis” Revenue Requirement Methodology

+ Operations and Maintenance
+ Transfer Payments
<u>+ Capital Projects Based on Rates</u>
= Total Revenue Requirement
- <u>Miscellaneous Revenues</u>
= Net Revenue Requirement from Rates

In addition to the above cost components, some utilities may include a component for a “change in working capital” which is a use of, or additional funding for, operating or capital reserves. This component is either used to help mitigate the need for a rate adjustment, or to replenish operating and capital reserves. This is the case with the gradual increase in the rate for funding for renewal and replacement projects over the five year period.

1.5 Cost of Service Analysis

After the total revenue requirement is determined it is allocated to the users of the service. The equitable allocation of a utility's cost is usually accomplished via a cost of service analysis. A cost of service analysis allocates cost in a manner that fairly reflects the cost relationships for producing and delivering services.

A cost of service study requires three steps:

1. Costs are **functionalized** or grouped into the various cost categories related to providing service (for example for a sewer rate study costs are functionalized to customer, capacity, collection, and treatment).
2. The functionalized costs are then **classified** to specific cost components. Classification refers to the arrangement of the functionalized data into cost components. Sewer utility costs are typically classified between volume of flow, strength of wastewater, and customer related costs, etc.
3. Once costs are classified into cost components, they are **allocated** to the customer classes of service (residential, multi-family, commercial, etc.). The allocation is based on each customer class' relative contribution to the cost component. For example, customer-related costs are proportionally allocated to each class of service based on the total number of customer in that class of service. Once costs are allocated, the required revenues for achieving cost-based rates can be determined. Average unit costs (cost-based rates) are also determined within the cost of service and can be used as a starting point for establishing final proposed rate designs.

1.6 Designing Rates

The final step of the comprehensive rate study process is the development of rates to collect the desired levels of revenues, based on the results of the revenue requirement and cost of service analysis. In reviewing rate designs, consideration is give to the *level* of the rates and the *structure* of the rates. Level refers to the amount of revenue to be collected, while structure refers to the way in which the revenue is collected (e.g. fixed versus variable costs).

1.6.1 Rate Design Criteria

Prudent rate administration dictates that several criteria must be considered when setting utility rates. Some of the rate design criteria are listed below:

- Rates which are easy to understand from the customer's perspective
- Rates which are easy for the utility to administer
- Consideration of the customer's ability to pay
- Continuity, over time, of the rate making philosophy
- Policy considerations (encourage conservation, economic development, etc.)
- Yield the total revenue requirements
- Provide revenue stability from month to month and year to year
- Promote efficient allocation of the resource.
- Equitable and non-discriminatory (cost based)

It is impossible to achieve all of these rate design goals and objectives in a single rate. Given that, the rate design goals and objectives noted above need to be prioritized in order to be able to achieve the utility's overall rate design goals and objectives. For the most part, a major focus should be on establishing rates which are cost-based, equitable and generate sufficient revenues from year-to-year. For this particular study, we believe that each one of those three goals was achieved.

Section 2

Development of the Sewer User Rate Study

2.1 Introduction

This section describes the development of the sewer rate study for the City. One of the objectives of the study is to develop cost-based rates using current industry standard guidelines. The City has performed rate studies from time to time, most recently in 2005, to insure that its revenue requirements are met. Yet, the current sewer rate structure was established in 1992 and would benefit from the proposed updates.

2.2 Determining the Sewer Revenue Requirement

The sewer revenue requirement assumes the full and proper funding on a stand-alone basis needed to operate and maintain the system on a financially sound and prudent basis. The primary financial inputs in this process were the City's accounting and billing records, capital plan, and budget. Provided below is a detailed discussion of the steps and key assumptions contained within the development of the City's revenue requirement analysis.

2.2.1 Determination of Time Period and Method of Accumulating Costs

The initial step in calculating the revenue requirement for the City was to establish a "time period", or time frame of reference for the revenue requirement analysis. As discussed in Section 2, Atkins forecasted the City's sewer revenue requirements for the seven -year period of FY 2013/2014 to FY 2019/2020. By reviewing costs over an extended time period, the City can anticipate and plan around any significant changes or needs in operating and capital requirements. By planning around these anticipated needs, the City can minimize short-term rate impacts and overall long-term rates.

The second step in determining the revenue requirements for the City was to decide on the basis of accumulating costs. As noted in Section 1.4.2, a "cash basis" approach is typically used for this analysis.

Given a time period around which to develop the City's revenue requirements, and a method to accumulate those costs, the focus now shifts to the development of the revenues and expenses for the sewer utility, and ultimately to the development of a seven-year financial plan.

2.2.2 Capital Improvements

To forecast and examine the City's revenue requirements, Atkins and City Staff analyzed annual historical trends for replacement capital improvement plan (CIP) costs. The City has historically funded \$400,000 of capital improvements on a pay-as-you-go basis. CIP costs for future years were escalated at 3% annually beginning in FY 2014/2015 to keep up with construction inflation.

2.2.3 Projection of Operation and Maintenance Expenses

O&M expenses are incurred by the City to provide sewer service to the City's customers. O&M expenses are accounted for during the current year and are not capitalized or amortized over an extended period of years. For the purpose of forecasting O&M expenses, the City provided its latest budget estimates for FY 2012/2013.

The City groups its O&M expenses into categories including wages, benefits, professional series, utilities, materials and supplies, and other supplies necessary to maintain the City sewer collection system. Atkins reviewed escalation factors with City staff to use in budget forecasts for future years. The escalation factors used in this study range of 2.0% to 4% per year, depending on the type of cost and recent inflationary trends general inflation and employee related costs.

To project future O&M expenses, Atkins used the City's budget numbers from FY 2012/2013. Beyond FY 2012/2013, Atkins escalated O&M expenses based on the previously mentioned escalation factors.

Total sewer O&M expenses, less non-operating revenues, are projected to be approximately \$4.2 million in FY 2013/2014. This amount is projected to increase to approximately \$4.6 million by FY 2019/2020.

2.2.4 Projection of Direct Costs

The largest single item in the City's budget is the payment for transportation, treatment, and disposal of the wastewater generated by the City's customers. The City is a participating agency in the Metro system. Table 2-1 summarizes the current and projected Metro costs. For FY 2013/2014, sewer Metro costs were projected to be \$2.5 million which is \$100K higher than FY2012/2013 because of increased sewer flows. Sewer Metro costs were projected to remain constant until FY 2015/2016 when they will escalate with inflation. Any additional increases in direct costs above inflation are recommended to be addressed by the City as a "pass-through" cost and rates are adjusted at that time as discussed in Section 2.6.

Table 2-1 Summary of Projected San Diego Metro Transportation and Treatment Costs

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Treatment & Disposal	\$2,379,434	\$2,491,584	\$2,491,584	\$2,541,416	\$2,617,658	\$2,696,188	\$2,777,074	\$2,888,156
Transportation	\$6,030	\$6,151	\$6,274	\$6,399	\$6,591	\$6,789	\$6,993	\$7,272
Palm City Trunk Sewer	\$249,982	\$249,982	\$124,991					
Metro TAC	\$8,160	\$8,160	\$8,160	\$8,323	\$8,573	\$8,830	\$9,095	\$9,459
Total	\$2,643,606	\$2,755,877	\$2,631,009	\$2,556,138	\$2,632,822	\$2,711,807	\$2,793,161	\$2,904,888

2.2.5 Forecast of Sewer Non-Rate Revenues

The City collects non-rate revenues that reduce the revenue required from sewer rates. These non-rate revenues include Jurisdictional Urban Runoff Management Program charges (\$115,000) and other miscellaneous revenues. The City's miscellaneous sewer revenues are minimal. The City provided its FY 2012/2013 projection of \$32,000 in miscellaneous revenues. At the City's request, Atkins maintained that amount as the annual forecast of miscellaneous revenues for the entire planning period.

2.2.6 Summary of the Sewer Revenue Requirements

The prior components of the revenue requirements come together to develop the overall sewer revenue requirements for the City. In developing the final revenue requirements, consideration was given to the financial planning considerations of the City. In particular, emphasis was placed on attempting to minimize rates, yet still have adequate funds to support the operational activities and capital projects throughout the planning period.

The sewer financial planning model that Atkins developed for the City is designed to calculate the necessary overall adjustments to annual rate revenue in order to meet the City's existing and future revenue requirements. Based on the revenue requirements described above, less non-rate revenues, Atkins calculated annual rate revenue adjustments that met the City's goals including minimal annual impacts on Customers, while meeting all of the needs of the sewer utility's operations and capital infrastructure. Summaries of the annual sewer rate revenue adjustments and example single family customer impacts are shown in Table 2-2. An average single family customer in Imperial Beach uses 96 hundred cubic feet (HCF) of water per year. When adjusted for the single family rate of return for the sewer to exclude capturing outside irrigation in the sewer rate the average customer is billed on 72 HCF annually.

Table 2-2 Summary of Average Single Family Annual Bill Impacts

Fiscal Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Rate Adjustment		3.0%	1.6%	1.6%	1.6%	1.6%
Example Annual Bill	\$421.23	\$433.99	\$441.12	\$448.27	\$455.38	\$462.88
Example Annual Change		\$12.76	\$7.13	\$7.15	\$7.11	\$7.49

Based on the annual rate revenue adjustments shown in Table 2-2, Atkins projected that the City will need to annually adjust their sewer revenue requirement by an average of 1.6% per year in order to meet its sewer revenue requirements for the planning period. A summary of the sewer revenue requirements is shown in Table 2-3. Note that total sources and uses of funds pertaining to the City's sewer revenue requirements match in each year of the forecast. Table 2-3 includes the proposed annual sewer rate adjustments.

Table 2-3 Summary of Annual Sewer Revenue Requirements

Expense Description	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Operation & Maintenance									
Total Sewer Enterprise Fund	\$3,648,402	\$3,802,958	\$3,939,933	\$3,840,369	\$3,791,417	\$3,902,190	\$4,016,287	\$4,133,806	\$4,291,024
Total	-	-	-	-	-	-	-	-	-
Nonoperating Expenditures									
Capital Improvements	-	-	\$400,000	\$412,000	\$424,360	\$437,091	\$450,204	\$463,710	\$477,621
Increase Operations Reserve	-	-	-	-	-	-	-	-	-
Establish Capital Reserve	-	-	-	\$150,000	\$250,000	\$190,000	\$130,000	-	-
Subtotal Expenditures	\$3,648,402	\$3,802,958	\$4,339,933	\$4,402,369	\$4,465,777	\$4,529,281	\$4,596,490	\$4,597,516	\$4,768,645
Less Non-Operating Revenues	\$147,185	\$147,185	\$147,185	\$147,185	\$147,185	\$147,185	\$147,185	\$147,185	\$147,185
Revenue Requirement	\$3,501,217	\$3,655,773	\$4,192,748	\$4,255,184	\$4,318,592	\$4,382,096	\$4,449,305	\$4,450,331	\$4,621,460

2.2.7 Conclusions of the Sewer Revenue Requirements Analysis

Based on the revenue requirement analysis and rate revenue adjustments developed herein, assuming a 1.6% annual sewer revenue requirement adjustment, the City is projected to meet its revenue requirements for the planning period. The City should regularly review its revenue and expenses and recommend adjustments as necessary. The City will have Atkins's financial planning tool for use in these regular reviews in the future.

2.3 Sewer Cost of Service Analysis

A cost of service analysis is a method to equitably allocate the total sewer revenue requirements to the various customer groups (classes of service) served by the utility. For the sewer cost of service study, the customer classes of service were defined as residential single family, multi-family and commercial/industrial.

The cost of service analysis process functionalized, classified and allocated the sewer revenue requirement the customer classes in the manner in which the utility incurs the expense. When available, utility specific data was utilized. Where City specific data was not available, Atkins estimated the classification based upon its experience with previous sewer cost of service studies of a similar nature.

2.3.1 Classification of Costs

Classification determines why the expenses were incurred or what type of need is being met. The City's accounts and revenue requirement were reviewed and classified using the following cost classifiers:

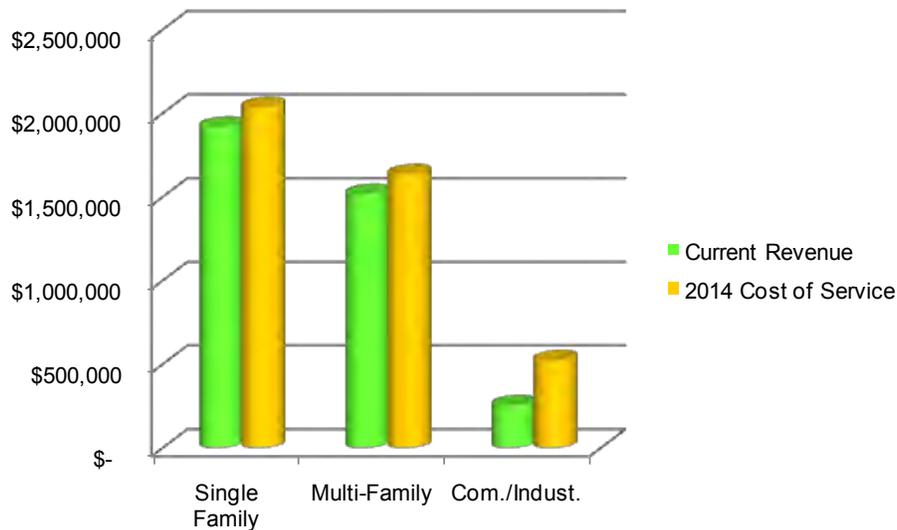
- Volume Related Costs
- Strength Related Costs
- Customer Related Costs
- Capacity Related Costs
- Revenue Related Costs
- Direct Assignments

2.3.2 Summary of the Cost of Service Results

In summary form, the sewer cost of service analysis began by functionalizing the utility's plant asset records and then the operating expenses. The functionalized plant and expense accounts were then classified into their various cost components.

The individual classification totals were then allocated to the various customer groups based upon the appropriate allocation factors. The allocated expenses for each customer group were aggregated to determine each customer group's overall revenue responsibility. The present rate revenue from each customer class of service, along with the equitably allocated costs were placed in the context of \$/HCF. A summary of the detailed cost responsibility developed by customer class is shown in Figure 2-1.

Terminology of a Sewer Cost of Service Analysis
Functionalization – The arrangement of the cost data by functional category (e.g. treatment, collection etc.)
Classification – The assignment of functionalized costs to cost components (e.g. volume, strength, and customer related).
Volume Costs – Costs that are classified as volume related vary with the total flow of wastewater (e.g. electrical use for pumping facilities).
Strength Costs – Costs classified as strength related refer to the wastewater treatment function. Typically, strength-related costs are further defined as biochemical oxygen demand (BOD) and total suspended solids (TSS).
Customer Costs – Costs classified as customer related vary with the number of customers on the system, e.g. billing costs.
Capacity Costs – If all customers used the utility in the same way over time (average annual daily volume flows), capacity costs would not need to be recognized. However various customer classes' peaks are realized throughout the year and even throughout the day. Residential customers peak during weekday mornings and commercial accounts tend to peak seasonally due to visitors (conventions or summer visitors). The costs associated with peaking (capacity) are allocated to these customers through the recognition of capacity costs. WW treatment plants and sewers are designed with peak flows in mind and thus a portion of O&M costs can also be attributed to peak flows (using the design basis cost allocation). Capacity cost can be more important when assigning capital costs to volume or capacity since sewers and treatment plants are designed with capacity in mind.
Direct Assignment – Costs that can be clearly identified as belonging to a specific customer group or group of customers.
Customer Classes of Service – The grouping of customers into similar groups based usage characteristics and/or facility requirements

Figure 2-1 Summary of Sewer Cost of Service Analysis

As part of this study a fresh approach to customer cost allocations was used to bring the City's rate structure up to recently adopted industry standards. Sewage strength levels were revised in the non-residential user class to equate to current industry standards. A full listing of non-residential customers and their estimated sewage strengths is included in Appendix A to this study.

The City should review cost of service at the time of the next rate study to determine whether these cost relationships are still appropriate. Details of the sewer cost of service analysis are provided in Appendix B.

2.3.3 Consultant's Conclusions and Recommendations

As was noted in Figure 2-1, some minor differences in cost appear to exist between the customer classes of service. Given the overall objective of the sewer utility financially standing on its own, it is recommended the overall level of rates be adjusted to collect the revenue requirements over the time period. All sewer customer classes of service should be adjusted based on their cost of service. Details of the cost of service analysis are provided in Appendix B.

2.4 Sewer Rate Design Analysis

The final step of the sewer rate study process is the design of sewer rates to collect the desired levels of revenues, based on the results of the revenue requirement analysis. In reviewing sewer rate designs, consideration is given to the level and the structure of the rates.

2.4.1 Review of the Overall Sewer Rate Adjustments

As indicated in the revenue requirement analyses, a priority for the sewer utility was to adjust and transition the overall level of the sewer rates to meet the overall financial needs of the utility for both operations and capital replacement needs.

2.4.2 Review of the Method of Determining Billing Units

Sewer customers are not metered for their wastewater discharge. As a result, the City must use an alternative method or approach to approximate wastewater flows. The City has historically used an approach in which the volume a customer is billed is based upon a review of the customer's Cal Am water account for the prior year and 100% of the prior year's annual water usage is used to establish the upcoming years sewer rate.

An initial step in the sewer rate design analysis was to review rate structure alternatives to the City's current rate structure. These included the following:

Flat Rate Method – A flat rate method simply ignores the volumetric use (as measured by the City's current methodology of using 100% of annual water usage) and charges each customer a flat rate. The advantage of this method is it simplifies the issue of volumetric contribution, but in doing so, some customers will perceive this method as being unfair. The individual living by themselves will pay the same flat rate as the family with five children. Flat rates were common many years ago when sewer rates were fairly low. However, as rates have risen, the use of flat rates has fallen out of favor. Atkins and City staff felt that while viable this is an antiquated rate structure and the City has progressively used annual water usage to establish their volumetric rate for many years.

Metered Water Consumption with a Rate of Return – This method is similar to the City's current rate structure. Annual metered water consumption is a surrogate for sewer wastewater flow (contributions). This approach addresses the short-comings of the flat rate method. It also updates the City's current rate structure to deal with interior versus exterior water usage. Sewer volumetric rates are based as closely as possible to equate to only indoor usage as water used for landscaping does not return to the sewer system and therefore does not contribute to the cost of service. Industry standard rates of return were applied to each customer class's annual water usage as shown in Table 2-4 in Column B.

Average Winter Water Usage – An alternative to address the problems associated with using metered water consumption, an alternative is to utilize a customer's average winter water use as a surrogate for their indoor use (i.e. wastewater contributions). This method uses a pre-defined winter period (e.g. November to February) and calculates an average monthly use. This average monthly water usage is then annualized to become the total volume to be included in each sewer user's rate. While this is widely used for single family it is not normally used for multi-family and commercial/industrial users as they normally do not have a large irrigate-able area and their usage is based more on tenant occupancy for multi-family and business cycles for commercial/industrial. In discussions with City staff it was determined that they were having very few customer complaints and that changing the way they determined the customer charge could lead to confusion with very little change in the outcome.

Table 2-4 Summary of Rate of Returns by User Class

Units of Service and Loadings:		Flow:		
User Group	No. of Accounts	(A) Annual Consumption per User Class (HCF)	(B) Rate of Return	(C) Adjust for Rate of Return (HCF)
Residential				
Single Family	4,682	450,570	75.0%	337,928
Subtotal Residential	4,682	450,570		337,928
Non-Residential				
Commercial				
Rest/Bakeries/Mort./Groc.	48	12,560	90.0%	11,304
Small Commercial	114	13,051	90.0%	11,746
Car Wash/Laundries	13	8,081	90.0%	7,273
Public Agency/Institutional	71	37,632	75.0%	28,224
Heavy Commercial	7	2,929	90.0%	2,636
Mixed Use Light	33	6,852	90.0%	6,167
Mixed Use Heavy	2	333	90.0%	300
Navy	5	30,180	90.0%	27,162
Multi-Family	1,627	346,541	95.0%	329,214
Subtotal Non-Residential	1,920	458,159		424,025
Total	6,602	908,729		761,953

Include a Base Charge for all Users –While customers may have very low use or vacant properties, it is still important to understand that a large proportion of the costs associated with the sewer system are generally fixed in nature. That is, even if a customer does not contribute any wastewater to the system, there are still costs associated with the system which should be met by all customers. These fixed charges are normally recovered from each customer based on their assumed capacity in the system as measured by the size of their water meter. Single family residential customers are assumed to all have a 5/8" water meter as any larger meters are for external usage such as landscape irrigation which is not assumed to be returned to the sewer system. Non-residential customers normally have little or no landscaping and thus their water meter is sized to provide system capacity for internal water usage. The distribution of the City's sewer customers by water meter size is shown in Table 2-5.

Table 2-5 Sewer Customers by User Class and Water Meter Size

User Group	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"
Single Family	4,682							
Multi-family	1,267		207	101	51	1		
Rest/Bakeries/Mort./Groc.	36		7	4	1			
Small Commercial	83		19	10	2			
Car Wash/Laundries	4	1	1	8				
Public Agency/Institutional	12		11	15	30		2	
Heavy Commercial	2		4		1			
Mixed Use Light	17		13	1	2			
Mixed Use Heavy	1		1					
Navy	1			2				2
Total	6,105	1	263	141	87	1	2	2

After review of the rate structure alternatives Atkins and City staff determined that the following changes to the City's current rate structure would establish an updated allocation of costs to your customers.

1. Include a Base Charge for all Users – Atkins developed a fixed variable analysis of the City's sewer costs and concluded that approximately 25% of the City's sewer costs are fixed in nature. In the past the City has only charged residential customers fixed or base charges. Atkins is recommending that every account should be charged a base charge and for non-residential (multi-family and commercial/industrial) this should be based on the size of their water meter.
2. Establish a Rate of Return for Each User Class – Atkins recommended and City staff concurred that the rates of return as shown per user class in Table 2-4 should be applied to each user's annual water usage. This will discount each customer's annual water usage for water not returned to the sewer system, which includes landscaping and other purposes.

2.4.3 Review of the Sewer Charge Formula

The City serves three distinct sewer customer groups; single-family residential, multi-family and commercial/industrial. For each of these customer groups, the City has a specific sewer charge formula. This study has recommended changes in only the multi-family and commercial/industrial user's formulas to include base fees. In addition, industry standard rates of returns are applied to each user's annual water usage as discussed in Section 2.4.2. The following are the recommended sewer charge formulas:

Single-Family Residential Sewer Charge Formula

$$\begin{aligned} &\text{Annual Water Consumption} \times \text{Return to Sewer } 75\% = \text{Billing Units} \\ &(\text{Billing Units} \times \text{Residential Sewer Rate}) + (\text{Base Fee}) = \text{Total Sewer Monthly Bill} \end{aligned}$$

Multi-Family Sewer Charge Formula

$$\begin{aligned} &\text{Annual Water Consumption} \times \text{Return to Sewer } 95\% = \text{Billing Units} \\ &(\text{Billing Units} \times \text{Residential Sewer Rate}) + (\text{Base Fee per Water Meter Size}) = \text{Total Sewer} \\ &\text{Monthly Bill} \end{aligned}$$

Commercial Sewer Charge Formula

$$\begin{aligned} &\text{Annual Water consumption} \times \text{Return to Sewer } \% = \text{Billing Units} \\ &(\text{Billing Units} \times \text{Strength Rate}) + (\text{Base Fee per Water Meter Size}) = \text{Total Sewer Monthly Bill} \end{aligned}$$

As can be seen, for each of these groups (rate schedules) a slightly different sewer charge formula is used. Embedded within each of these formulas are a fixed base fee and a volumetric sewer rate. Provided in the following subsections is an overview of the present and proposed rates for each of these rate schedules.

2.4.4 Present and Proposed Single Family Sewer Rates

In developing the proposed rate designs, the City's existing rate structures were reviewed. As stated in subsection 3.4.3 then present single-family residential sewer rate is composed of a base sewer fee and a volumetric sewer rate. The base sewer fee is stated in \$/year as the City bills sewer service charges on the County of San Diego County Tax Assessor's Property Tax

Roll. The single family rate also has a cap of \$983.36 or 260 HCF annually. The dollar amount of the cap is indexed each year based on the change in the Consumer Price Index from the prior year.

The proposed single-family residential sewer rate has maintained the same structure including the cap except that a rate of return of 75% has been used to adjust for landscape irrigation. As shown on Table 2-6 the base charge is decreasing. This is because the fixed costs recovered by the base charge are being spread across all users. This will lower the residential rate for the low end users. The volumetric or commodity rate is increasing as are all other commodity rates for other user classes due to increased City of San Diego costs and the inclusion of funding for needed sewer collection system capital replacement projects. Table 2-6 shows the projected rate adjustments for all single family users up to the current cap of \$938.36 per year. The median single family user (87 HCF per year) will see a 2.1% rate increase or \$8.42 per year. The average single family user (96 HCF per year) will see a rate adjustment of 3% or \$12.76 per year. The table also summarizes how many single family users fall into each of the billing bins, the percentage of users in each bin, and the cumulative percentage of users.

Table 2-6 Summary of Proposed FY 2013/2014 Single Family Sewer User Rates

Annual Consumption (HCF)	Number of Users	Percent of Users	Cumulative Percent	FY2013 Current (At 100%)			FY2014 Proposed (At 75%)			Difference	
				Base Charge	Consumption Charge	Total Charge	Base Charge	Consumption Charge	Total Charge	Dollars	%
0	26	0.56%	0.56%	\$173.75	\$2.58	\$176.32	\$140.24	\$4.08	\$144.32	-\$32.00	-18.1%
5	45	0.96%	1.52%	\$173.75	\$12.89	\$186.64	\$140.24	\$15.30	\$155.54	-\$31.09	-16.7%
10	70	1.50%	3.01%	\$173.75	\$25.78	\$199.53	\$140.24	\$30.60	\$170.84	-\$28.68	-14.4%
15	74	1.58%	4.59%	\$173.75	\$38.67	\$212.42	\$140.24	\$45.90	\$186.14	-\$26.27	-12.4%
20	90	1.92%	6.51%	\$173.75	\$51.56	\$225.31	\$140.24	\$61.20	\$201.44	-\$23.87	-10.6%
25	107	2.29%	8.80%	\$173.75	\$64.45	\$238.20	\$140.24	\$76.50	\$216.74	-\$21.46	-9.0%
30	111	2.37%	11.17%	\$173.75	\$77.34	\$251.09	\$140.24	\$91.80	\$232.04	-\$19.05	-7.6%
35	125	2.67%	13.84%	\$173.75	\$90.23	\$263.98	\$140.24	\$107.10	\$247.34	-\$16.64	-6.3%
40	124	2.65%	16.49%	\$173.75	\$103.12	\$276.87	\$140.24	\$122.39	\$262.64	-\$14.23	-5.1%
45	162	3.46%	19.95%	\$173.75	\$116.01	\$289.76	\$140.24	\$137.69	\$277.94	-\$11.82	-4.1%
50	158	3.37%	23.32%	\$173.75	\$128.90	\$302.65	\$140.24	\$152.99	\$293.24	-\$9.41	-3.1%
55	152	3.25%	26.57%	\$173.75	\$141.79	\$315.54	\$140.24	\$168.29	\$308.54	-\$7.00	-2.2%
60	189	4.04%	30.61%	\$173.75	\$154.68	\$328.43	\$140.24	\$183.59	\$323.84	-\$4.59	-1.4%
65	168	3.59%	34.19%	\$173.75	\$167.57	\$341.32	\$140.24	\$198.89	\$339.14	-\$2.18	-0.6%
70	191	4.08%	38.27%	\$173.75	\$180.46	\$354.21	\$140.24	\$214.19	\$354.44	\$0.23	0.1%
75	173	3.70%	41.97%	\$173.75	\$193.35	\$367.10	\$140.24	\$229.49	\$369.73	\$2.64	0.7%
80	172	3.67%	45.64%	\$173.75	\$206.24	\$379.99	\$140.24	\$244.79	\$385.03	\$5.05	1.3%
87	164	3.50%	49.15%	\$173.75	\$224.29	\$398.03	\$140.24	\$266.21	\$406.45	\$8.42	2.1%
90	161	3.44%	52.58%	\$173.75	\$232.02	\$405.77	\$140.24	\$275.39	\$415.63	\$9.87	2.4%
96	144	3.08%	55.66%	\$173.75	\$247.49	\$421.23	\$140.24	\$293.75	\$433.99	\$12.76	3.0%
100	157	3.35%	59.01%	\$173.75	\$257.80	\$431.55	\$140.24	\$305.99	\$446.23	\$14.68	3.4%
105	152	3.25%	62.26%	\$173.75	\$270.69	\$444.44	\$140.24	\$321.29	\$461.53	\$17.09	3.8%
110	152	3.25%	65.51%	\$173.75	\$283.58	\$457.33	\$140.24	\$336.59	\$476.83	\$19.50	4.3%
115	119	2.54%	68.05%	\$173.75	\$296.47	\$470.22	\$140.24	\$351.89	\$492.13	\$21.91	4.7%
120	116	2.48%	70.53%	\$173.75	\$309.36	\$483.11	\$140.24	\$367.18	\$507.43	\$24.32	5.0%
125	119	2.54%	73.07%	\$173.75	\$322.25	\$496.00	\$140.24	\$382.48	\$522.73	\$26.73	5.4%
130	121	2.58%	75.65%	\$173.75	\$335.14	\$508.89	\$140.24	\$397.78	\$538.03	\$29.14	5.7%
135	99	2.11%	77.77%	\$173.75	\$348.03	\$521.78	\$140.24	\$413.08	\$553.33	\$31.55	6.0%
140	102	2.18%	79.94%	\$173.75	\$360.92	\$534.67	\$140.24	\$428.38	\$568.63	\$33.96	6.4%
145	84	1.79%	81.74%	\$173.75	\$373.81	\$547.56	\$140.24	\$443.68	\$583.93	\$36.37	6.6%
150	88	1.88%	83.62%	\$173.75	\$386.70	\$560.45	\$140.24	\$458.98	\$599.23	\$38.78	6.9%

Annual Consumption (HCF)	Number of Users	Percent of Users	Cumulative Percent	FY2013 Current (At 100%)			FY2014 Proposed (At 75%)			Difference	
				Base Charge	Consumption Charge	Total Charge	Base Charge	Consumption Charge	Total Charge	Dollars	%
155	77	1.64%	85.26%	\$173.75	\$399.59	\$573.34	\$140.24	\$474.28	\$614.52	\$41.19	7.2%
160	71	1.52%	86.78%	\$173.75	\$412.48	\$586.23	\$140.24	\$489.58	\$629.82	\$43.60	7.4%
165	72	1.54%	88.32%	\$173.75	\$425.37	\$599.12	\$140.24	\$504.88	\$645.12	\$46.01	7.7%
170	49	1.05%	89.36%	\$173.75	\$438.26	\$612.01	\$140.24	\$520.18	\$660.42	\$48.42	7.9%
175	48	1.03%	90.39%	\$173.75	\$451.15	\$624.90	\$140.24	\$535.48	\$675.72	\$50.82	8.1%
180	46	0.98%	91.37%	\$173.75	\$464.04	\$637.79	\$140.24	\$550.78	\$691.02	\$53.23	8.3%
185	49	1.05%	92.42%	\$173.75	\$476.93	\$650.68	\$140.24	\$566.08	\$706.32	\$55.64	8.6%
190	33	0.70%	93.12%	\$173.75	\$489.82	\$663.57	\$140.24	\$581.38	\$721.62	\$58.05	8.7%
195	43	0.92%	94.04%	\$173.75	\$502.71	\$676.46	\$140.24	\$596.68	\$736.92	\$60.46	8.9%
200	26	0.56%	94.60%	\$173.75	\$515.60	\$689.35	\$140.24	\$611.97	\$752.22	\$62.87	9.1%
205	28	0.60%	95.19%	\$173.75	\$528.49	\$702.24	\$140.24	\$627.27	\$767.52	\$65.28	9.3%
210	21	0.45%	95.64%	\$173.75	\$541.38	\$715.13	\$140.24	\$642.57	\$782.82	\$67.69	9.5%
215	18	0.38%	96.03%	\$173.75	\$554.27	\$728.02	\$140.24	\$657.87	\$798.12	\$70.10	9.6%
220	18	0.38%	96.41%	\$173.75	\$567.16	\$740.91	\$140.24	\$673.17	\$813.42	\$72.51	9.8%
225	18	0.38%	96.80%	\$173.75	\$580.05	\$753.80	\$140.24	\$688.47	\$828.72	\$74.92	9.9%
230	16	0.34%	97.14%	\$173.75	\$592.94	\$766.69	\$140.24	\$703.77	\$844.01	\$77.33	10.1%
235	11	0.23%	97.37%	\$173.75	\$605.83	\$779.58	\$140.24	\$719.07	\$859.31	\$79.74	10.2%
240	16	0.34%	97.71%	\$173.75	\$618.72	\$792.47	\$140.24	\$734.37	\$874.61	\$82.15	10.4%
245	10	0.21%	97.93%	\$173.75	\$631.61	\$805.36	\$140.24	\$749.67	\$889.91	\$84.56	10.5%
250	12	0.26%	98.18%	\$173.75	\$644.50	\$818.25	\$140.24	\$764.97	\$905.21	\$86.97	10.6%
255	9	0.19%	98.38%	\$173.75	\$657.39	\$831.14	\$140.24	\$780.27	\$920.51	\$89.37	10.8%
260	7	0.15%	98.53%	\$173.75	\$670.28	\$844.03	\$140.24	\$795.57	\$935.81	\$91.78	10.9%
260+	69	1.47%	100.00%	\$173.75	\$764.61	\$938.36	\$140.24	\$798.12	\$938.36	\$0.00	0.0%

As can be seen, the bill comparison indicates that there will be little change in the typical bills for median and average customers. This bill comparison is for FY 2013/2014, or the time period of the initial rate adjustment.

The proposed single-family residential sewer rates have been developed for a five-year period of 2014 through 2018. It is the intent of the City to have these rates become effective July 1 of each year. Presented below in Table 2-7 is the City’s proposed single-family residential sewer rates for the five year period. It is the current policy of the City to cap their single family sewer rates. The cap is currently \$938.36 per customer per year. The City should continue to follow its current practice of increasing the cap based on change of inflation from year to year starting in FY 2014/15.

The rate adjustments in the following years should provide similar bill comparisons since all components of the sewer rate were adjusted by the overall targeted rate adjustment of 1.6% per year.

Table 2-7 Summary of the Proposed Single-Family Residential Sewer Rate

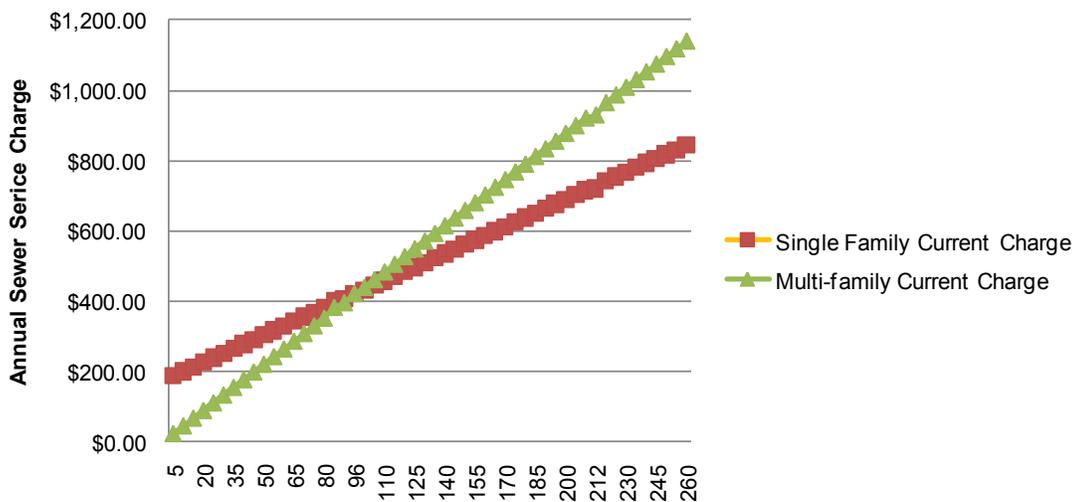
	Current		Proposed			
	2013	2014	2015	2016	2017	2018
Base Sewer Fee (\$/Year)	\$173.75	\$140.24	\$143.47	\$146.78	\$150.89	\$155.13
Sewer Rates (\$/HCF)	\$2.58	\$4.08	\$4.13	\$4.19	\$4.23	\$4.27

Note: Residential Sewer Charge Formula: Base Sewer Fee plus previous year's annual water usage X 75% X \$/HCF.

2.4.5 Present and Proposed Multi-Family Sewer Rates

The present multi-family sewer rate is similar in structure to the single-family residential rate structure except that it does not include a base charge and recovers a portion of fixed costs in the volumetric (commodity) rate. As both are residential users and have the same sewage strength they should be paying the same commodity charge and have the same base charge. The current rate structure does not have the multi-family users at the same level of HCF annually paying the same amounts for sewer service. This is illustrated in Figure 2-2 which shows the current annual charges paid by single family and multi-family for FY 2012/2013. In a comparison between Table 2-7 (Single Family Rates) and Table 2-10 (multi-family rates) the commodity rate is lower for single family but a base charge is included. This causes the average and median single family users to be paying more than multi-family users and less at higher HCF per year.

Figure 2-2 Single Family Versus Multi-Family Annual Charges



As shown in Table 2-8 when full cost of service is applied the non-residential over-all annual rate will increase 3.7% or \$34.04 per year. It should be noted that this increase will be spread over multiple living units and thus should be similar to the impacts on single family residences.

The proposed multi-family sewer rate structure has been revised to include a base charge based on the size of the property’s water meter. In addition a 95% rate of return has been applied to discount for exterior water usage. As discussed earlier this base charge is established using the size of each customer’s water meter. Table 2-9 illustrates the American Water Works Association (AWWA) hydraulic capacities for each meter size, the adjusted billing equivalencies which are applied to each meter size, and the resulting annual base charge per meter size. This same base charge is used for commercial/industrial users.

Table 2-8 Summary of the Present and Proposed Multi-Family Sewer Rate

Annual Consumption (HCF)	FY2013 Current (At 100%)			FY2014 Proposed (At 95%)			Difference	
	Base Charge	Commodity Charge	Total Charge	Base Charge (5/8" Meter)	Commodity Charge	Total Charge	Dollars	%
100	\$0.00	\$437.68	\$437.68	\$140.24	\$387.58	\$527.83	\$90.15	20.6%
105	\$0.00	\$459.56	\$459.56	\$140.24	\$406.96	\$547.21	\$87.64	19.1%
110	\$0.00	\$481.45	\$481.45	\$140.24	\$426.34	\$566.59	\$85.14	17.7%
120	\$0.00	\$525.22	\$525.22	\$140.24	\$465.10	\$605.34	\$80.13	15.3%
125	\$0.00	\$547.10	\$547.10	\$140.24	\$484.48	\$624.72	\$77.62	14.2%
130	\$0.00	\$568.98	\$568.98	\$140.24	\$503.86	\$644.10	\$75.12	13.2%
135	\$0.00	\$590.87	\$590.87	\$140.24	\$523.24	\$663.48	\$72.61	12.3%
140	\$0.00	\$612.75	\$612.75	\$140.24	\$542.62	\$682.86	\$70.11	11.4%
145	\$0.00	\$634.64	\$634.64	\$140.24	\$562.00	\$702.24	\$67.60	10.7%
150	\$0.00	\$656.52	\$656.52	\$140.24	\$581.38	\$721.62	\$65.10	9.9%
155	\$0.00	\$678.40	\$678.40	\$140.24	\$600.76	\$741.00	\$62.60	9.2%
160	\$0.00	\$700.29	\$700.29	\$140.24	\$620.13	\$760.38	\$60.09	8.6%
165	\$0.00	\$722.17	\$722.17	\$140.24	\$639.51	\$779.76	\$57.59	8.0%
170	\$0.00	\$744.06	\$744.06	\$140.24	\$658.89	\$799.14	\$55.08	7.4%
175	\$0.00	\$765.94	\$765.94	\$140.24	\$678.27	\$818.52	\$52.58	6.9%
180	\$0.00	\$787.82	\$787.82	\$140.24	\$697.65	\$837.90	\$50.07	6.4%
185	\$0.00	\$809.71	\$809.71	\$140.24	\$717.03	\$857.27	\$47.57	5.9%
190	\$0.00	\$831.59	\$831.59	\$140.24	\$736.41	\$876.65	\$45.06	5.4%
200	\$0.00	\$875.36	\$875.36	\$140.24	\$775.17	\$915.41	\$40.05	4.6%
205	\$0.00	\$897.24	\$897.24	\$140.24	\$794.55	\$934.79	\$37.55	4.2%
210	\$0.00	\$919.13	\$919.13	\$140.24	\$813.93	\$954.17	\$35.04	3.8%
212	\$0.00	\$927.88	\$927.88	\$140.24	\$821.68	\$961.92	\$34.04	3.7%
215	\$0.00	\$941.01	\$941.01	\$140.24	\$833.31	\$973.55	\$32.54	3.5%
225	\$0.00	\$984.78	\$984.78	\$140.24	\$872.06	\$1,012.31	\$27.53	2.8%
230	\$0.00	\$1,006.66	\$1,006.66	\$140.24	\$891.44	\$1,031.69	\$25.02	2.5%
235	\$0.00	\$1,028.55	\$1,028.55	\$140.24	\$910.82	\$1,051.07	\$22.52	2.2%
240	\$0.00	\$1,050.43	\$1,050.43	\$140.24	\$930.20	\$1,070.45	\$20.01	1.9%
245	\$0.00	\$1,072.32	\$1,072.32	\$140.24	\$949.58	\$1,089.82	\$17.51	1.6%
250	\$0.00	\$1,094.20	\$1,094.20	\$140.24	\$968.96	\$1,109.20	\$15.00	1.4%
255	\$0.00	\$1,116.08	\$1,116.08	\$140.24	\$988.34	\$1,128.58	\$12.50	1.1%
260	\$0.00	\$1,137.97	\$1,137.97	\$140.24	\$1,007.72	\$1,147.96	\$9.99	0.9%
265	\$0.00	\$1,159.85	\$1,159.85	\$140.24	\$1,027.10	\$1,167.34	\$7.49	0.6%
270	\$0.00	\$1,181.74	\$1,181.74	\$140.24	\$1,046.48	\$1,186.72	\$4.98	0.4%

Table 2-9 Multi-Family and Commercial/Industrial 2014 Base Charge Per Meter Size

Size of Water Meter	AWWA Hydraulic Capacity	Billing Equivalence Based on Customer & Capacity Costs	2014 Annual Base Charge Per Meter Size
5/8 inch	1.00	1.00	\$140.24
3/4 inch	1.00	1.00	\$140.24
1 inch	1.67	1.50	\$209.83
1 1/2 inch	3.33	2.74	\$383.78
2 inch	5.33	4.23	\$592.53
3 inch	10.00	7.70	\$1,079.61
4 inch	16.67	12.66	\$1,775.44
6 inch	33.33	25.06	\$3,515.02

Table 2-10 uses the base rate for a 5/8" meter as this is the most frequent multi-family meter size. Rates have been developed for a five-year period of 2014 through 2018. Presented in Table 2-10 is the City's proposed multi-family sewer rates.

Table 2-10 Summary of the Proposed Multi-Family Sewer Rate

	Current		Proposed			
	2013	2014	2015	2016	2017	2018
Base Sewer Fee (\$/Year)	-	\$140.24	\$143.47	\$146.78	\$150.89	\$155.13
Sewer Rates (\$/HCF)	\$4.38	\$4.08	\$4.13	\$4.19	\$4.23	\$4.27

Note: Example is based on a 5/8" water meter.

Multi-Family Sewer Charge Formula: Base Sewer Fee plus previous year's annual water usage X 95% X \$/HCF

As footnoted in Table 2-10 the example of the projected multi-family base sewer fees per year is based on a 5/8" water meter size which is the most common multi-family water meter size. However, multi-family and commercial sewer customer's base fees are established on their actual water meter size. Table 2-11 summarizes the annual base charge per water meter size for multi-family and commercial users (non-residential meters).

Table 2-11 Summary of Non-Residential Base Charges by Meter Size

Meter Size	No. of Meters	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
5/8"	6,105	\$140.24	\$143.47	\$146.78	\$150.89	\$155.13
3/4"	1	\$140.24	\$143.47	\$146.78	\$150.89	\$155.13
1"	263	\$209.83	\$214.65	\$219.60	\$225.76	\$232.11
1 1/2"	141	\$383.78	\$392.61	\$401.66	\$412.93	\$424.53
2"	87	\$592.53	\$606.16	\$620.13	\$637.53	\$655.45
3"	1	\$1,079.61	\$1,104.44	\$1,129.90	\$1,161.60	\$1,194.25
4"	2	\$1,775.44	\$1,816.27	\$1,858.14	\$1,910.26	\$1,963.96
6"	2	\$3,515.02	\$3,595.84	\$3,678.73	\$3,781.93	\$3,888.24
Total	6,602					

As noted in Table 2-5 the larger meters are for the Navy and large commercial or multi-family complexes which have multiple units connected to one water meter.

2.4.6 Present and Proposed Commercial Sewer Rates

The present commercial rates contain a volumetric rate which varies by strength level. As will be recalled from the sewer cost of service analysis, “strength” refers to the characteristics of the wastewater. Strength is generally defined in terms of biochemical oxygen demand (BOD) and total suspended solids (TSS). The City uses these same measures to categorize customers into the various strength related parameters.

It should be noted that the proposed rates will maintain the same strength categories and no change in the categorization of customers has been proposed within this study. However the commercial/ industrial user strength classifications have been update to current industry standards. Table 2-12 illustrates the strength factors shown in milligrams per liter (mg/l) that are used in determining the strength coefficient of commercial/industrial user rates.

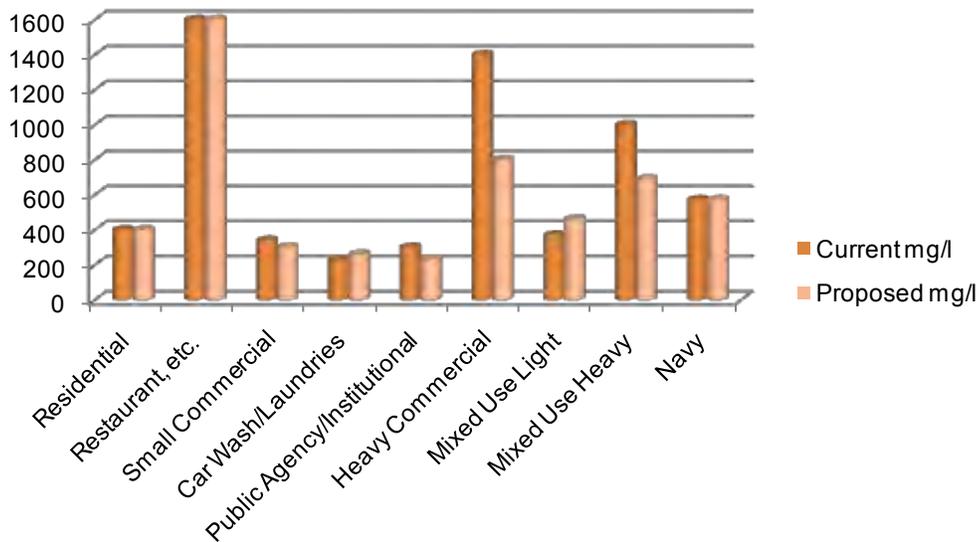
Table 2-12 Combined BOD and TSS Strength Coefficients

User Class	Current mg/l	Proposed mg/l
Residential	400	400
Restaurant, etc.	1600	1600
Small Commercial	340	300
Car Wash/Laundries	230	260
Public Agency/Institutional	300	230
Heavy Commercial	1400	800
Mixed Use Light	370	460
Mixed Use Heavy	1000	690
Navy	572	572

It is sometimes easier to understand the relationships of sewage strengths and billing rates when viewed graphically. The City of San Diego charge’s Imperial Beach based on a formula of 47.8% for volumetric flow and 52.2% for sewage strengths. Higher strength sewage such as restaurants’ cost more to treat than a single family’s sewage and thus the strength portion of their volumetric rate of must be based proportionately. Figure 2-3 not only shows the proportions of the sewage strength between the user classes but also illustrates graphically the proposed sewage strength adjustments in the commercial/industrial user classes.

Table 2-13 summarizes the current and proposed commercial/industrial user rates during the planning period. The example is based on a 5/8” water meter which is the most prevalent meter size in this user class. For larger meter sizes please refer to Table 2-11. It should be noted that while most of the general commercial rates increase slightly each year the higher strength users (restaurants and heavy commercial) go down in FY 2015 because of decreased San Diego Metro costs as shown on Table 2-1. Higher strength commercial pick up proportionately larger share of treatment costs and since these rates are set on cost of service as are other user classes they vary with the annual treatment costs more significantly than a lower strength user.

Figure 2-3 Current versus Proposed Changes in Commercial/Industrial Sewage Strengths



Imperial Beach, as do other cities, has strip malls with multi-use businesses of various sewage strength categories attached to the same water meter. The City currently classifies strip malls with a proportionate mixture of higher and lower strength users as a heavy commercial user. However in a case where the predominance of the water usage through the water meter is for a higher strength user such as a restaurant then the City classifies them as a restaurant. This policy of classifying a commercial/industrial user based on the highest water usage and highest strength is appropriate and the City should continue with this practice.

Table 2-13 Summary of Proposed Commercial/Industrial Rates

	Current		Proposed			
	2013	2014	2015	2016	2017	2018
Base Sewer Fee (\$/Year)⁽¹⁾	\$0.00	\$140.24	\$143.47	\$146.78	\$150.89	\$155.13
Sewer Rates (\$/HCF)						
Rest/Bakeries/Mort./Groc.	\$8.38	\$9.18	\$8.99	\$8.90	\$9.09	\$9.29
Small Commercial	\$4.35	\$3.65	\$3.72	\$3.79	\$3.82	\$3.85
Car Wash/Laundries	\$3.97	\$3.46	\$3.54	\$3.62	\$3.64	\$3.67
Public Agency/Institutional	\$3.67	\$3.33	\$3.42	\$3.50	\$3.52	\$3.54
Heavy Commercial	\$7.65	\$5.82	\$5.79	\$5.79	\$5.88	\$5.98
Mixed Use Light	\$4.44	\$4.37	\$4.41	\$4.45	\$4.50	\$4.56
Mixed Use Heavy	\$6.46	\$5.28	\$5.28	\$5.30	\$5.37	\$5.46
Navy	\$5.02	\$4.87	\$4.89	\$4.92	\$4.99	\$5.05

⁽¹⁾ Example is based on a 5/8" water meter.

Commercial/Industrial Sewer Charge Formula: Base Sewer Fee plus previous year's annual water usage X rate of return per user class X \$/HCF

2.5 Other Billing Issues

As part of this study City staff requested that the City's current definition of a multi-family unit. The City's definition of multi-family is:

- **Multi-family residential** means the residential customer classification with more than one living unit served by a single water meter, and shall include all residential accounts other than single-family residential.
- **Single-family residential** means the residential customer classification where one living unit is served by one water meter with the exception of that where four or more living units are attached then they are treated as multi-family residential regardless of the number of water meters.

Atkins gathered multi-family definitions from other Metro member agencies. One of the clearer definitions provided by other agencies is from the Otay Water District (Section 53.09 Basis for Determination of EDUs).

- **Residential Facilities EDUs** – The number of EDUs for sewer service shall be determined on the following basis:
 - Single-Family Residence (Includes manufactured homes, and mobile homes which are on private lots. A secondary structure with a kitchen is considered an additional EDU;
 - Apartments and Multiple Family Housing – Each individual living unit;
 - Residential condominiums – Each individual living unit;
 - Mobile Home and Trailer Parks – Per each individual space
- **Multi-Residential Rate Charges** – Defined as sewer service for master metered water service for multiple-residential households including for example; duplex, townhomes, apartments, and mobile homes.

The City of La Mesa further defines what a single dwelling unit is. One dwelling unit would be what Otay refers to as “an EDU”. It should be noted that La Mesa considers a duplex to be a single family living unit (in other words a duplex is considered to be two single family units). Accessory dwelling units are also considered to be single family as long as they comply with the definitions that follow:

- **Dwelling unit** is one independent living facility in a building or buildings intended for or providing permanent residence. The presence of independent living facilities for purposes of this title may be based on the existence of such facilities as:
 - Kitchen facilities (room or space used, intended for, or designated for food preparation, cooking and eating)
 - Toilet facilities
 - Bathing facilities
 - Separate connections to, or separate metering of, any utility
 - Separate access from outdoors
 - Lack of access from the interior of any other dwelling or structure
- **Accessory dwelling unit** means either a detached or attached dwelling unit which provides complete, independent living facilities for one or two persons. It shall include

permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel or parcels as the primary unit is situated.

City staff should continue discussions with their planning consultants to see if the description of multi-family should be amended to include some of the suggested wording of this subsection.

2.6 Sewer Pass-Through Costs

The sewer rates as shown and proposed within this study do not include any increases to rates from direct costs and sewer treatment providers except for adjustments for inflation. Actual future pass-through rate information is not available at this time. The City in their enabling ordinance should establish the ability “pass-through” higher than anticipated costs in the following areas:

1. Any increase in the cost to treat and dispose of the City’s wastewater by the City of San Diego or year-end closeout adjustments for prior years based upon billings to Imperial Beach by the City of San Diego. This study only identifies projected costs based on inflationary factors as determined in discussions with City of San Diego staff. It does not include any costs associate with San Diego’s waiver process from secondary treatment at Pt. Loma wastewater treatment plant and the possible outcome of year-end adjustments due to delayed City of San Diego audits from fiscal year 2010 forward and any other billing issues.

It should be noted that San Diego’s waiver is the only one remaining in the United States as the only other waiver holder was Honolulu, Hawaii. Honolulu gave up their waiver last year and will be moving forward with upgrading their treatment plants to secondary treatment and is required to achieve it by the Federal Environmental Protection Agency (EPA) to have designed and constructed the facilities within 10 years. If San Diego is forced to give up their waiver by the State of California, the Coastal Commission, and/or EPA the estimated cost is \$1 billion. Imperial Beach is currently responsible for 1.3% of the total costs of the Metro System. This would equate to a total cost to Imperial Beach customer of \$13 million. These costs of course would be spread over years and the construction portion would be financed but San Diego staff is predicting that sewer rates will double for all users in the Metro System. Per San Diego staff the waiver is due no later than 7/30/15. The ruling on the application would come sometime during FY 2015/2016.

2. Any increase in energy rates imposed on the City by energy providers for the pumping of water. SDG&E has numerous rate cases before the Public Utilities Commission of the State of California that could impact public agency clients significantly.

If either higher cost should materialize the City would only pass-through the costs needed to pay for unknown increases at the time this study was prepared. Pass-through increases are necessary in order to maintain the safety and reliability of the City’s sewer system and avoid deficits and depletion of financial reserves when costs arise that is out of the City’s control.

2.7 Summary of the Sewer Rate Study

This completes the analysis for the City's sewer utility. The proposed sewer rate adjustments and corresponding rate design were developed using generally accepted rate setting methodologies and are based on accounting, budgeting and customer records information provided by the City. The proposed rates are intended to provide adequate revenue to maintain the sewer utility system in a sustainable manner.

Section 3

Introduction to Capacity Fees

3.1 Capacity Fee Methodologies

There are three main capacity fee methodologies:

- Buy-in method,
- Incremental (growth) method, and
- Combined method.

Each one of these methodologies is defined in the next three subsections.

3.1.1 System Buy-In Method

The system buy-in method is based on the average investment in the wastewater system by current customers. Raffelis in the Comprehensive Guide to Water and Wastewater Finance and Pricing, Second Edition (1993) describes the system buy-in methodology as follows:

"Under this approach, capital recovery charges are based upon the 'buy-in' concept that existing users, through service charges, tax contributions, and other up-front charges, have developed a valuable public capital facility. The charge to users is designed to recognize the current value of providing the capacity necessary to serve additional users."

The American Water Works Association (AWWA) Manual M26 suggests that a system buy-in charge be calculated by taking the net equity investment (net investment less depreciation) and dividing by the number of customers (or equivalent customers). Once new customers have paid their fee, they become equivalent to (or on par with) existing customers and share equally in the responsibility for existing and future facilities.

The system buy-in methodology has several distinct advantages:

- The buy-in methodology is a common, easily explained and well-accepted methodology for calculating capacity fees. The method is popular with developers because it can result in lower capacity fees than other methods (depending on valuation methods used).

- The buy-in methodology includes only cost of existing facilities and excludes costs of future or planned facilities; it therefore does not require a formal capital improvement program. The buy-in methodology does not necessarily depend on an assessment of existing capacity availability, and therefore does not require more detailed analyses required to justify fees based on other methodologies.
- Capacity fees based on the buy-in method are a reimbursement for past capital costs; therefore, the use of fees is to reimburse the agency (or existing customers). Once reimbursed, a utility is able to spend capacity fee revenue as it desires on either replacement or expansion capital facilities. As a result, detailed accounting of capacity fee expenditures is greatly simplified.

The buy-in fee calculation is:

$$\frac{\text{Existing Asset Value}}{\text{Existing EDUs or Equivalent Meters}}$$

3.1.2 Growth (Incremental Cost) Method

The growth methodology is also a fairly common approach for establishing capacity fees, particularly for communities experiencing considerable new growth. The approach is based on the cost of future capital facilities. The cost of growth-related future facilities is allocated to new development that is to be served by the facilities. No allowance is made for existing capacity that may also serve new connections. Under this approach, new customers pay for the incremental investment necessary for system expansion. The incremental approach is most commonly applied when extensive new facilities are required to provide capacity for new development.

The calculation of capacity fees using the growth method is:

$$\frac{\text{Value of Future Facilities}}{\text{Future EDUs or Equivalent Meters}}$$

Revenue from growth capacity fees must be set aside and used only for funding growth related capital projects.

3.1.3 Combined Approach

Frequently, aspects of both system buy-in and growth methodologies are combined when calculating capacity fees. This might occur when the wastewater system has excess capacity in some elements but insufficient capacity in other elements (e.g., wastewater treatment plant). Under this example, a combined approach might include cost of existing capital facilities in a buy-in component and cost of upsizing of the treatment plant through an incremental cost component. A combined or hybrid approach is not the sum of the buy-in and incremental fees but rather the weighted average. The combined capacity fee is calculated as:

$$\frac{\text{Existing and Future Asses Value}}{\text{Existing and Future EDUs or Equivalent Meters}}$$

The future asset value in the numerator is the present value in today's dollars. The combined approach does complicate accounting of capacity fees since the growth portion of combined fee revenue must be spent on growth related projects.

3.2 Applicability of Each Capacity Fee Methodology

The suitability of each of the methods mentioned in Section 3.1 normally depends on the degree to which future customers can be served by the existing utility system, which is also related to where a utility is in its growth cycle.

The incremental method is most suitable for a young agency and/or an agency which requires extensive new infrastructure to serve new customers or those with increased density. The buy-in method is most appropriate when an agency is mostly built-out and/or when new customers or those with increased density can be served by the existing system. An agency that falls somewhere in between, in which customers will use existing system capacity while also requiring capacity in newly constructed facilities, would be best served by the combined methodology which is most appropriate up until the 80% percentile of build-out.

After examining all three methodologies it was determined by Atkins and City Staff that the buy-in methodology is the most appropriate for the City since the City is essentially built-out and new customers or those with increased density would be served by the existing wastewater system.

3.3 Valuation Methodologies Used in Capacity Fee Calculation

The buy-in methodology requires a valuation of the utility system. The most prevalent cost-based valuation methods for utility systems are:

- Original cost,
- Reproduction cost,
- Reproduction cost less depreciation,
- Replacement cost, and
- Replacement cost less depreciation

Capacity fees using original cost valuation methods are usually the least popular since original cost usually does not reflect the true, current asset value. There is a subtle difference between reproduction cost and replacement cost. Reproduction cost is the cost to reproduce an *exact* replica of existing assets. Replacement cost is the cost to replace the *functionality* of an asset given any technological advances that may have come about since the asset was originally constructed. A relevant example for wastewater utilities is the cost of pipelines. Reproduction cost normally involves (but is not limited to) escalating the original cost of pipelines using a construction cost index: the ENR-CCI. Since the computed cost is for the exact same pipeline assets, it constitutes a reproduction cost. When a cost per linear foot by diameter (obtained from recent construction cost estimates) is applied to the current pipeline inventory, it more than likely represents replacement cost since the construction costs often represent the latest pipeline materials (e.g. PVC, HDPE) and construction methods which were used to a lesser degree in the past. Valuations using construction cost estimates are rarely close to those constructed using escalated original costs.

Some agencies choose to subtract depreciation from the reproduction or replacement costs of their assets. While this is not a scientific condition assessment, depreciation does recognize that the asset is not new and has been subject to wear and tear. There are arguments for and against using depreciation. Arguments for include the fact that the existing assets that a new user is connecting to have been subject to wear and tear. Arguments against include the fact that ongoing maintenance that keeps the assets at required service levels is not capitalized and thus is not included in an agency's fixed asset records.

Section 4

Capacity Fees

4.1 Current Capacity Fee

The City's current wastewater capacity fee is \$1,230 per single family residence and \$1,230 for each EDU for non-residential users. This fee was established in 2005 and has not been updated since that time. In addition it does not include the full valuation of the City's capacity in the Metro System.

4.2 Collection System Buy-in Capacity Fee

As discussed previously, the City is best suited for a capacity fee calculated under the buy-in approach. The buy-in capacity fee is based on the premise that new customers, or those with increased density, should pay a fee equal to the equity in the system attributable to existing customers. Under capacity fee revenue regulations, the City is free to use buy-in capacity fee revenue for any capital projects (growth or non-growth related). The basic buy-in capacity calculation is:

$$\frac{\text{Value of Existing System}}{\text{Total EDUs Served by Existing System}}$$

The buy-in capacity fee methodology requires a utility asset valuation. Atkins valued the City's assets using the two methods shown in Table 4-1. Note that only the City's pipes and manholes were valued using replacement cost and replacement cost less depreciation. The length of pipe and number of manholes were obtained from the City's Geographical Information System (GIS). The remaining assets (pump stations) were valued using the values from an insurance appraisal.

Using replacement cost (recent unit pipeline construction estimates applied to a pipeline inventory) to value pipelines is quite common since pipeline construction estimates are readily available, easy to use and likely produce a more accurate cost to construct pipeline networks for a particular area. Replacement cost is also used because, in many cases, a wastewater agency may not have an accurate or up-to-date inventory of pipes in its financial statements (balance sheet) but often has a more accurate piping inventory in its GIS database. Therefore, the ease and accuracy with which the calculation can be performed makes it a preferred capacity fee alternative for many agencies.

Table 4-1 shows the three components of the City's capacity fee. The upper portion of the table shows the capacity fee based on the replacement value of the City's sewer system (line 2). The middle portion of the table shows the value of the City's pump stations and the related capacity fee (line 4). Each of the two components value is divided by the current number of EDUs in the City's sewer system as shown on line 8 (10,577). Per the City's master plan one sewer EDU is equal to 232 gallons per day. The estimated total EDUs as shown on line 8 are determined by dividing the current system flow by the average EDU.

4.3 San Diego Metro Component of the Capacity Fee

The City has purchased capacity to treat wastewater in San Diego's Metro System. The value of this capacity is considered an asset which must be incorporated into the total wastewater capacity fee. The bottom half of Table 4-1 shows the Metro component of the capacity fee. The value of capacity in the Metro System has been initially assessed by Raftelis Financial Consultants, Inc. (RFC) (2005), and updated by Atkins (2012).

Table 4-1, line 5, shows the updated value of capacity in the Metro System under each of the valuation method. The Metro component of the capacity fee is calculated by dividing the sewer units into the value of the City's portion of the Metro System (line 6). Line 7 shows the total capacity fee under each valuation alternative for a single family residence or one sewer EDU. The fee for each customer would vary with the number of sewer EDUs as prescribed by the City's Director of Public Services.

Table 4-1 Buy-in Capacity Fee Calculation

(A) Line No.	(B) Valuation Component	(C) Replacement Costs	(D) Replacement Cost Less Depreciation
1	Pipelines	\$46,031,303	\$23,015,652
2	Cost Per EDU (a)	\$4,352	\$2,176
3	Pump Stations	\$15,596,987	\$5,197,589
4	Cost Per EDU (a)	\$1,475	\$491
5	Metro Assets	\$32,818,033	\$22,300,011
6	Cost Per EDU (a)	\$3,103	\$2,108
7	Total Cost Per EDU	\$8,929	\$4,776
8	(a) Total EDUs	10,577	10,577

Note: Pipelines and Pump Stations are based on replacement costs Metro Assets are valued as Reproduction Cost from Raftelis 2005 Study brought to present value using the June 2012 ENR

Section 5

User Rate and Capacity Fee Comparisons

5.1 Sewer User Rate Comparison

Comparing two public agencies rate for sewer service is an imprecise science because it requires an apple to apples comparison and no two agencies have the same footprint. Gathering financial information is challenging because no two agencies prepare their budgets in the same format or account for their revenue and expenses in the same manner. Thus results from the use rate and capacity fee comparison must be used with care because the data is often misleading and most general surveys inaccurately use and compare data for many reasons. Utilities recover different portions of costs in user rates or have off-setting non-rate revenues. Examples of this are:

- Some agencies are growth agencies and can fund significant portions of their replacement and expansion costs through capacity fees while agencies that are close to build out have to fund all of their capital replacement costs in their user rates.
- Some special districts receive property taxes or standby fees which allow them to lower their revenue requirement recovered by user rates and thus have lower fees.
- Some agencies recover the costs of pumping through direct charges to the user based on pump zones while other agencies spread the costs to all users and thus their user rates are higher to reflect these costs.

Other significant factors that can influence rates and thus make rate comparisons challenging are:

- Sewage Treatment Costs. Sewage treatment costs are based on whether an agency treats their own sewage or is part of a regional system. There are definite economies of scale as multiple studies have shown that larger treatment facilities normally are more cost effective than small treatment plants. In this rate comparison we have three different treatment facilities. The first is a small treatment facility but was paid for 100% by a developer and then turned over to the District. The second is the Encina system where the original facilities were paid for 94% with U.S. Environmental Protection Agency (EPA) grants. And the final, of which Imperial Beach is a member, is the Metro system. As opposed to the two other systems, Metro did not take advantage of EPA grants and has incurred \$1 billion in debt to finance the existing facilities.

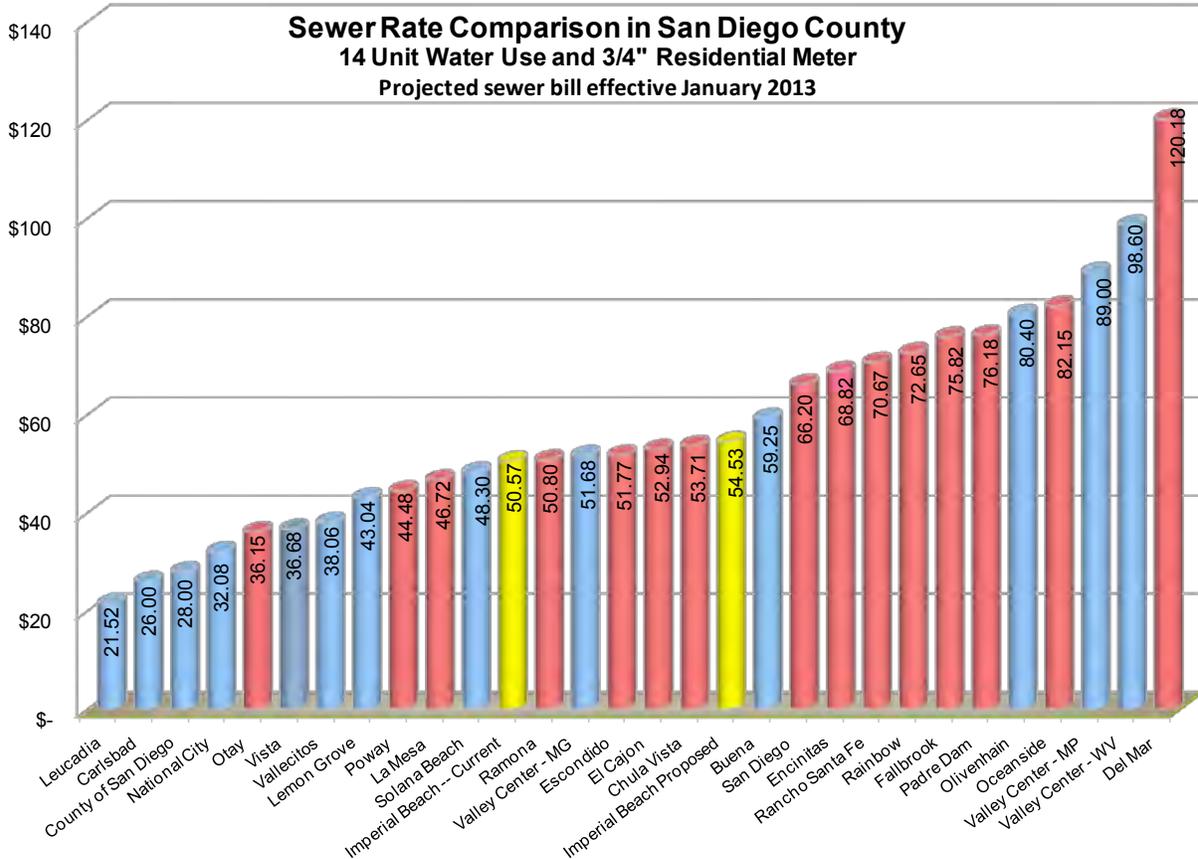
- **Debt Service on Facilities.** Not only do the costs of regional facilities influence the rate to the end user but also internal debt costs for each agency comes into play. All agencies differ in their policies for funding capital facilities. Some agencies require all developers to put in their required facilities while others only require in-tract facilities. Some agencies are aggressive in securing grants and low interest loans or fund capital facilities on pay-as-you-go and others rely on debt financing for major capital facilities. The amount of debt included in user rates can have a significant impact on low versus higher user rates.
- **Reserve Funds.** An agencies reserve policies and the amount of money in their reserves can have a significant impact on user fees. For instance if an agency has a fully funded replacement reserve then they will not need to incur debt for replacement capital projects and pay the associated interest expense that is associated with bond issues. But this can mean either higher or lower rates than surrounding agencies based on the level of funding versus bond expense.
- **Geographical Location.** The location and topography of an agency can have major impacts on user rates. If an agency is sprawling and has significantly more miles of pipeline and pump stations than a dense flat urban area the maintenance cost per customer will increase. In addition the maintenance policy of each agency differs. If an agency maintains their service facilities to a higher level of standards than another their maintenance expense per customer may be higher. However, deferred maintenance of facilities, especially pipelines, has shown to cost an agency more because of breakages and replacements in their system.
- **Timing of last rate adjustment.** Some agencies keep up with their cost of service by having annual rate adjustments and others do not. This is important in the comparison because if an agency is using reserves to moderate their rate adjustments or not adjusting their rates to keep up with their cost-of-service then their rates cannot be compared to an agency that is annually recovering their cost-of-service.
- **Budget Documents are not in the Same Format.** Although there are guidelines for public agencies through the Government Finance of America no two agencies use the same format to exhibit their budget. In addition operational costs are not classified and exhibit uniformly.
- **Require Information Not Always Available.** To create apples-to-apples metric similar information is required. But as with the format of budget documents this information is not always readily available based on the transparency of the particular agency.

However public agencies like to see how they compare to other surrounding communities user rates. Figure 5-1 is a recent survey as of January 1, 2013 of County of San Diego sewer agencies user rates. The Otay Water District prepares this survey annually and circulates it to all of the listed agencies. As such it is considered the “go-to” for a sewer rate survey.

The survey is based on 14 HCF monthly for single family residences. The average is \$47.97 monthly for all users and the median is \$50.68. When calculating the average and median for just Metro members the average increases to \$54.90 while the median decreases to \$46.72.

The yellow bars represent Imperial Beach’s single family user showing both the current and the proposed FY2013/2014 monthly rates. It also shows that the City’s proposed rates are very close to the average Metro member rates and thus in-line with other Metro member agencies.

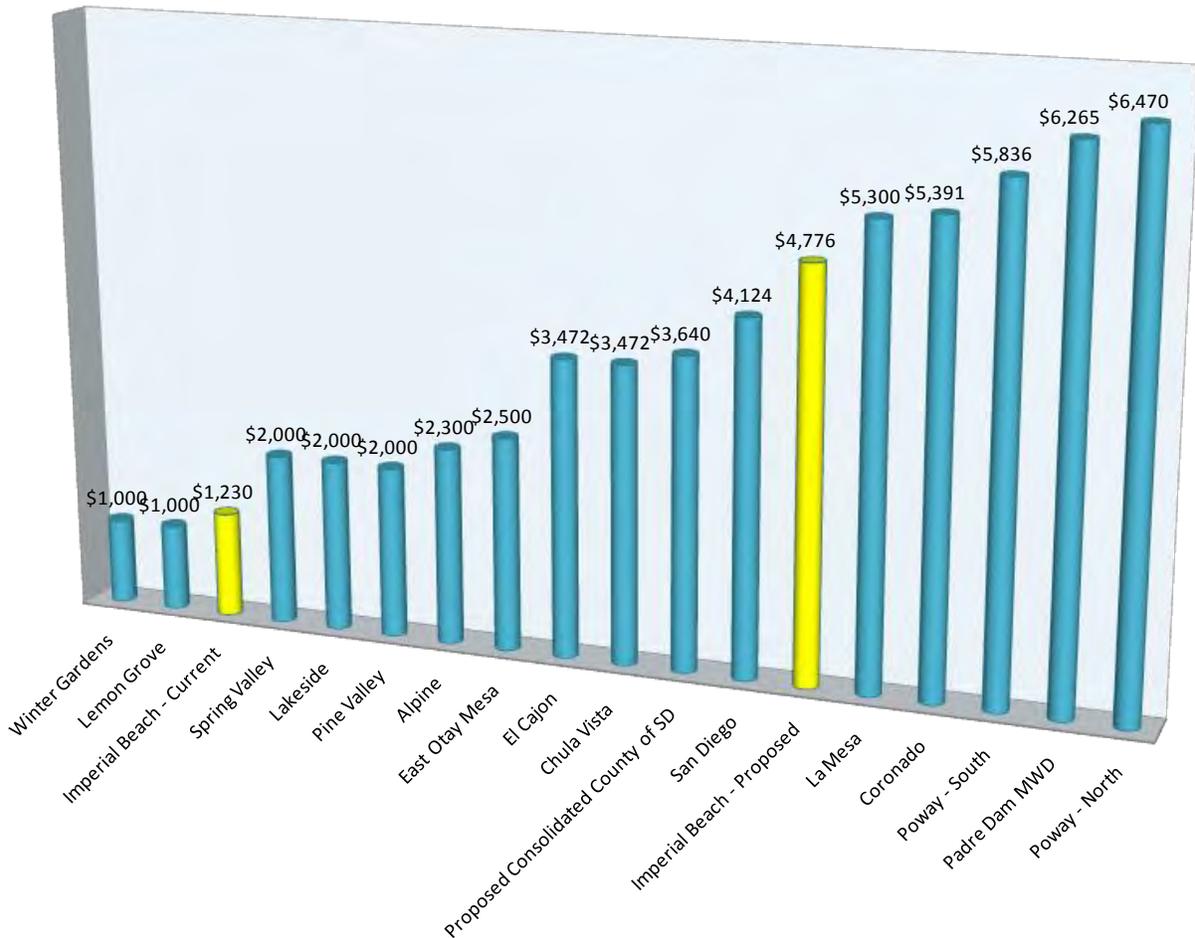
Figure 5-1 Sewer User Survey



5.2 Capacity Fee Comparison

This section compares Imperial Beach’s proposed capacity fees with those of other San Diego Metro agencies. The yellow bar on Figure 5-2 show the proposed City capacity fee using replacement cost less depreciation cost, including the Metro component of the fee. The median and mean (average) for the distribution below is \$3,472 and \$3,488 respectively.

Figure 5-2 Sewer Capacity Fees of San Diego Metro Agencies



It should be noted that the proposed capacity fee for the City of Imperial Beach is comparable to other Metro Agencies that have updated their capacity fees to include the Metro components and valued their assets based on replacement cost or replacement cost less depreciation. These include La Mesa, Coronado, Poway, and Padre Dam. The City of San Diego is currently updating their capacity fees and their study should be complete by mid-2013. The lower end of the capacity fees have not been updated in years and therefore do not provide a valid point of comparison to the capacity fees calculated for this report.

Section 6

Summary and Conclusions

The City proposes to update its sewer user rates and capacity fees. This report proposes several changes to both.

6.1 Sewer User Fee Assumptions and Recommendations

The sewer user fee study made the following assumption:

1. The base year for the study is FY 2012/2013. The budget for FY 2012/2013 is inflated during the planning period as shown in Table 6-1.

Table 6-1 Annual Inflation Rates

Inflation Rates	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Interest Earnings (on Cash Balances)	Actual	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
General Inflation	Actual	2.0%	2.0%	2.0%	3.0%	3.0%	3.0%	4.0%
Construction Inflation (ENR-CCI-LA)	Actual	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Compound Construction Inflation	Actual	100.0%	100.0%	103.0%	106.1%	109.3%	112.6%	115.9%
Inflation - Labor	Actual	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

2. All user classes will have a base fee to recover fixed costs proportionately. Non-single family (multi-family) and commercial industrial customer's base fee will be established on the size of their water meter.
3. Current industry standard sewage strengths will be used for commercial/industrial users.
4. Industry standard rates of returns to the sewer will be used for all user classes to eliminate charging sewer user rates for external irrigations which does not return to the sewer.

The sewer user fees study makes the following recommendations:

1. Continue to use annual water usage for each customer but Include appropriate rates of return to the sewer by user class.
2. Update commercial/industrial user's sewer user strengths to industry standards.

3. Include a base charge for each user. The base charge for non-residential users (multi-family and commercial/industrial users) should be based on the size of each customer's water meter.
4. Adopt a "pass-through" ordinance as discussed in Section 2-6.
5. Adopt the reserve policies contained in this report and establish a formal replacement reserve.
6. Review annual actual revenue to projected revenue to maintain financial stability should use patterns change.
7. Continue the current policy of the City to cap single family sewer rates. The cap is currently \$938.36 per customer per year. The City should continue to follow its current practice of increasing the cap based on change of inflation from year to year starting in FY 2014/15.

The output from the sewer user model is included as Appendix B.

6.2 Capacity Fee Assumptions and Recommendations

The capacity fee study made the following assumptions:

1. The City's pipelines and manholes were valued at replacement costs. Depreciation of each asset was applied to account for system wear and tear.
2. The City's pump stations were valued based on an insurance appraisal. Depreciation was also applied to these assets.
3. The value of the City's investment in the City of San Diego Metro Wastewater System was determined from a report prepared for San Diego and the PAs by Raffetis Consultancy.
4. Total EDUs for the system were determined by dividing the current total system flow by the average single family user (one EDU).
5. The buy-in methodology was used where the total value of the City's assets less depreciation is divided by the total system EDUs.

This report proposes several changes to the City capacity fees:

1. Adopt new fee based on the replacement cost less depreciation buy-in method including the Metro capacity fee.
2. Review capacity fees every three to five years to reflect changes in depreciation, asset additions and construction costs. In between formal capacity fee studies, we suggest escalating the fees using the ENR-CCI for Los Angeles.
3. Based on input from the City Council at their January 23, 2013 it is recommended that the capacity fee be adopted at \$4,000 per EDU and the remainder of the fee phased in over the five year period of this study. Thus from fiscal year 2014/2015 to 2017/18 the capacity fee would be increased by \$191.50 plus inflationary increases.

The output from the capacity fee model is included in the Appendix C.

APPENDIX A

**APPENDIX A
SEWER CLASSIFICATIONS**

USER Category	CLASS NO.	DESCRIPTON	BOD	SS
Single-Family Residence	1.0		200	200
		Residential: SFR/duplex/condo/townhouse		
Mult-Residential	2.0		200	200
		Homeless Shelter	200	200
		Hospital-Psychiatric	250	100
		Residential: Artist (2/3 area)	200	200
		Residential: Artist Residence	200	200
		Residential: Boarding House	200	200
		Residential: Apts.	200	200
		Residential: Condos	200	200
		Residential: Dorm: College or Res.	200	200
		Residential: Mobile Home	200	200
		School: Dormitory	200	200
		Spa/Jacuzzi (residential)	200	200
		Swimming Pool	200	200
Restaurants / Bakeries / Mortuaries / Groceries	3.0		1,000	600
		Banquet Room/Ballroom	1,000	600
		Bar: Cockerel, Public Table Area	1,000	600
		Bar: Juice, Pastry Only	1,000	600
		Bowling Facility: Arcade/Bar/Restaurant	1,000	600
		Cafeteria: Fixed Seat	1,000	600
		Caterers	1,000	600
		Coffee House: Pastry Only	1,000	600
		Coffee House: Serves cooked food	1,000	600
		Doughnut Shop	1,000	600
		Golf Course Facility: Lobby/Office/Restaurant	1,000	600
		Restaurant: Drive-up	1,000	600
		Restaurant: Fast food (indoor/outdoor)	1,000	600
		Restaurant: Full Service (indoor/outdoor)	1,000	600
		Restaurant: Take out	1,000	600
		Rifle range Facility: Bar/restaurant	1,000	600
		Store: Ice Cream	1,000	600
		Mortuaries: Embalming	800	800
		Markets: Retail	800	800
		Markets: Wholesale	800	800
		Manufacturing -- Baked Foods	1000	600
		Restaurant/Bar (W/Food Preparation)	1000	600
		Manufacturing -- Beverages	1500	300
		Manufacturing -- Paint	1300	1100
		Manufacturing -- Other Chemical Products	1300	1100
		Manufacturing -- Dairy Products	2369	922
		Steam Cleaning -- Auto	1150	2150
		Manufacturing -- Other Food Products	2213	1453
		Septage	5400	12000
Small Commercial	4.0		160	140
		Arcade - Video game (no food preparation)	150	150
		Auditorium/Theater	150	150
		Auto Parking	150	150

**APPENDIX A
SEWER CLASSIFICATIONS**

USER Category	CLASS NO.	DESCRIPTON	BOD	SS
		Auto Body/Mechanical Shop (domestic)	150	150
		Bar: Fixed Seat (no food preparation)	200	200
		Bar: Juice, No Food & Pastry	200	200
		Barber Shop	150	150
		Beauty Parlor	150	150
		Bowling Alley: Alley & Lobby area	150	150
		Building Construction/Field Office	150	150
		Camp, Park	150	150
		Chapel: Fixed seat (no kitchen)	150	150
		Church: Fixed seat (no kitchen)	150	150
		Cocktail Lounge: Fixed seat (no food preparation)	200	200
		Coffee House: No Food & Pastry	200	200
		Comfort Station	150	150
		Commercial use	150	150
		Community Center	150	150
		Convention Center, Fairground (no food preparation)	150	150
		Dairy: Retail area	150	150
		Dance Studio	150	150
		Equipment Booth	150	150
		Filming Processing: Industrial	130	150
		Gas Station: Self Service (no repair or food preparation)	150	150
		Golf Course: 18 hole/9 hole green area	150	150
		Gold Course: Driving range	150	150
		Gymnasium: Basketball, volleyball	150	150
		Health Club/Spa	150	150
		Hospital	250	100
		Hospital: Convalescent	250	100
		Hospital: Surgical	250	100
		Hospital: Animal	150	150
		Hotel (no restaurant or kitchens)	310	120
		Kennel: Dog Kennel/Open	150	150
		Library: Public Area	150	150
		Library: Back, storage	150	150
		Lobby of Retail	150	150
		Lodge Hall (LACSDs - "Club") (no food preparation)	150	150
		Lounge (Bar) (no food preparation)	200	200
		Markets without Garbage Disposals (prepackaged food only)	150	150
		Massage parlor	150	150
		Mortuary: Chapel only	150	150
		Museum: All Area	150	150
		Night Club: Fixed Seats (no food preparation)	200	200
		Night Club: Dancing area (no food preparation)	200	200
		Night Club: Public Table Area (no food preparation)	200	200
		Nurseries	150	150
		Office: Trailer - Construction/Field Office	150	150
		Office: Credit Union	150	150
		Office: Bank Branch	150	150
		Office: Acupuncture	130	80
		Office: Bank Headquarters	130	80
		Office: Chiropractic Office	130	80

**APPENDIX A
SEWER CLASSIFICATIONS**

USER Category	CLASS NO.	DESCRIPTON	BOD	SS
		Office: Conference Room of Office Bldg.	130	80
		Office: Counseling Center	130	80
		Office: Dental Office Center	130	80
		Office: Drug Abuse	130	80
		Office: Medical Bldg.	130	80
		Office: Medical Office/Clinic	130	80
		Office Building	130	80
		Office Building with Cooling Tower	108	87
		Office: Public Administration	130	80
		Office: Veterinarian	130	80
		Pool Hall (No alcohol or food)	150	150
		Post Office: Full Service	150	150
		Post Office: Private Mail Box Rental	150	150
		Recreation Facility	150	150
		Rest Home	250	100
		Retail area	150	150
		Rifle Range: Shooting stalls, Lobby	150	150
		Skating Rink: Ice or Roller (no food preparation)	150	150
		Spa/Jacuzzi (commercial)	150	150
		Storage: Self serve	150	150
		Store: Retail	150	150
		Studio: Film/TV - Audience Viewing Room	150	150
		Studio: Film/TV - Regular Use Indoor	150	150
		Studio: Film/TV - Industrial Use Film Processing	150	150
		Studio: Recording	150	150
		Swimming Pool (Commercial)	0	0
		Tanning Salon: Within a Health Spa/Club	150	150
		Theatre: Drive-In	150	150
		Theatre: Live/Music/Opera	150	150
		Theatre: Cinema	150	150
		Waste Dump: Residential	150	150
		Wine Tasting Room (no food preparation)	200	200
Car Washes / Laundries	5.0		150	110
		Auto Laundry	20	150
		Car Wash: Automatic	20	150
		Car Wash: Coin Operated	20	150
		Car Wash: In Bay	20	150
		Laundromat	150	110
Public Agency / Institutional	6.0		130	100
		Church School: Day Care/Elementary	130	100
		Church School: One Day Use	130	100
		School: Arts/Dancing/Music	130	100
		School: Nursery/Day Care Center	130	100
		School: Kindergarten/Elementary/Jr. High/High School	130	100
		School: Martial Arts	130	100
		School: Special Class-LAC	130	100
		School: Trade or Vocation	130	100

**APPENDIX A
SEWER CLASSIFICATIONS**

USER Category	CLASS NO.	DESCRIPTON	BOD	SS
		School: Training	130	100
		School: University/College	130	100
		Camp Surf	130	100
		Estuary	130	100
Heavy Commercial	7.0		400	400
		Combined Comm. & Retail Shop(including food preparation)	400	400
		Mini-Mall(including food preparation)	400	400
		Regional Mall (including food preparation)	400	400
		Machine Shop	290	550
		Manufacturing -- Metal Industry	330	550
		Manufacturing -- Lumber & Wood Products	240	431
		Manufacturing -- Stone, Clay, Glass Products	320	700
		Reproduction/Mailing Service	733	400
		Hotel (With Restaurant)	701	600
		Manufacturing -- Paper/Containers	260	500
		Manufacturing -- Printing & Publishing	270	500
		Laundry (Industrial)	721	680
Mixed Use Light - Low Strength	8.0		200	170
		Auto Repair Residential w/commercial	180	280
		Auto Body/Mechanical Shop (Industrial)	180	280
		Auto Mfg., Serv. Maint	180	280
		Bus. Mfg. & Servicing	180	280
		Gas Station: With service area drained to sewer	180	280
		Hanger (Aircraft)	180	280
		Heliport	180	280
		Misc. Repair Shops	250	250
		Truck Repair & Service	180	280
Mixed Use - High Strength	8.5		450	240
		Laundry: Linen & General	450	240
		Laundry: Towel & Uniform	450	240
		Manufacturing -- Electric/Electronic Equipment	300	350
		Manufacturing - Instruments	300	350
		Manufacturing -- Fabricated Metal Products	300	350
		Manufacturing -- Transport Equipment	400	250
		Transportation -- Bus/Air Terminal	350	350
U.S. Navy	9.0	Navy	200	372

APPENDIX B

City of Imperial Beach
Wastewater Rate Study
Assumptions

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Inflation Rates								
Interest Earnings (on Cash Balances)	Actual	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
General Inflation	Actual	2.0%	2.0%	2.0%	3.0%	3.0%	3.0%	4.0%
Construction Inflation (ENR-CCI-LA)	Actual	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Compound Construction Inflation	Actual	100.0%	100.0%	103.0%	106.1%	109.3%	112.6%	115.9%
Inflation - Labor	Actual	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Reserve Assumptions								
Operating Reserve Goal	\$	1,659,253						
Projected Increase		0%	Add to ORG					
Account Growth Projections								
		Number of Accounts						
User Class	FY13	Growth per Year						
Single Family	4,682	4,682	4,682	4,682	4,682	4,682	4,682	4,682
Multi-Family	1,627	1,627	1,627	1,627	1,627	1,627	1,627	1,627
Commercial								
Rest/Bakeries/Mort./Groc.	48	48	48	48	48	48	48	48
Small Commercial	114	114	114	114	114	114	114	114
Car Wash/Laundries	13	13	13	13	13	13	13	13
Public Agency/Institutional	71	71	71	71	71	71	71	71
Heavy Commercial	7	7	7	7	7	7	7	7
Mixed Use Light	33	33	33	33	33	33	33	33
Mixed Use Heavy	2	2	2	2	2	2	2	2
Navy	5	5	5	5	5	5	5	5
Total	6,602	6,602	6,602	6,602	6,602	6,602	6,602	6,602
Hydraulic Capacity Growth Projections								
		Number of Accounts						
User Class	FY13	Growth per Year						
Single Family	4,682	4,682	4,682	4,682	4,682	4,682	4,682	4,682
Multi-Family	2,231	2,231	2,231	2,231	2,231	2,231	2,231	2,231
Commercial								
Rest/Bakeries/Mort./Groc.	66	66	66	66	66	66	66	66
Small Commercial	159	159	159	159	159	159	159	159
Car Wash/Laundries	33	33	33	33	33	33	33	33
Public Agency/Institutional	274	274	274	274	274	274	274	274
Heavy Commercial	14	14	14	14	14	14	14	14
Mixed Use Light	53	53	53	53	53	53	53	53
Mixed Use Heavy	3	3	3	3	3	3	3	3
Navy	74	74	74	74	74	74	74	74
Total	7,588	7,588	7,588	7,588	7,588	7,588	7,588	7,588
Annual Water Usage (HCF)								
Single Family	450,570	450,570	450,570	450,570	450,570	450,570	450,570	450,570
Multi-Family	346,541	346,541	346,541	346,541	346,541	346,541	346,541	346,541
Commercial								
Rest/Bakeries/Mort./Groc.	12,560	12,560	12,560	12,560	12,560	12,560	12,560	12,560
Small Commercial	13,051	13,051	13,051	13,051	13,051	13,051	13,051	13,051
Car Wash/Laundries	8,081	8,081	8,081	8,081	8,081	8,081	8,081	8,081
Public Agency/Institutional	37,632	37,632	37,632	37,632	37,632	37,632	37,632	37,632
Heavy Commercial	2,929	2,929	2,929	2,929	2,929	2,929	2,929	2,929
Mixed Use Light	6,852	6,852	6,852	6,852	6,852	6,852	6,852	6,852
Mixed Use Heavy	333	333	333	333	333	333	333	333
Navy	30,180	30,180	30,180	30,180	30,180	30,180	30,180	30,180
Total	908,729	908,729	908,729	908,729	908,729	908,729	908,729	908,729

6 months Operating Cash Requirements:

2009	\$	1,496,394.0
2010	\$	1,097,749.0
2011	\$	2,256,102.0
2012	\$	1,786,768.0
Average	\$	1,659,253.3

City of Imperial Beach
 FY 13-14 Base Year Model
 Step 1 – Customer Summary and Estimated Flows

FY14

Units of Service and Loadings	No. of Accounts	FLOW:			Total Flow in MGD	BOD:		SS:	
		(A) Annual Consumption per User Class	(B) Rate of Return	(C) Adjust for Rate of Return		(E) BOD User	(F) Annual BOD Load	(G) SS per User	(H) Annual Load
User Group		(HCF)		(HCF)		(MG/L)	(LBS/YR)	(MG/L)	(LBS/YR)
Single Family	4,682	450,570	75.0%	337,928	0.693	200	421,921	200	421,921
Subtotal- Residential	4,682	450,570		337,928	0.693		421,921		421,921
Commercial									
Rest/Bakeries/Mort./Groc.	48	12,560	90.0%	11,304	0.023	1,000	70,568	600	42,341
Small Commercial	114	13,051	90.0%	11,746	0.024	150	10,999	150	10,999
Car Wash/Laundries	13	8,081	90.0%	7,273	0.015	150	6,810	110	4,994
Public Agency/Institutional	71	37,632	75.0%	28,224	0.058	130	22,906	100	17,620
Heavy Commercial	7	2,929	90.0%	2,636	0.005	400	6,583	400	6,583
Mixed Use Light	33	6,852	90.0%	6,167	0.013	180	6,930	280	10,779
Mixed Use Heavy	2	333	90.0%	300	0.001	450	842	240	449
Navy	5	30,180	90.0%	27,162	0.056	200	33,913	372	63,079
Multi-Family	1,627	346,541	95.0%	329,214	0.675	200	411,042	200	411,042
Subtotal Non-Residential	1,920	458,159		424,025	0.869		570,593		567,886
TOTAL	6,602	908,729		761,953	1.562		992,514		989,807

Conversion Factors	
2.205E-06	lbs/mg
3.7854118	liters/gal
	days/year
748.05	gal/HCF

EDUs for Capacity Fee	
Flow	1,561,585.83
Average	147.92
EDUs	<u>10,556.89</u>

City of Imperial Beach
FY 13-14 Base Year Model
Step 2 – Determination of Unit Costs

		FY14	FY15	FY16	FY17	FY18	FY19	FY20
Cost Category		Unit Cost						
1. Customer Related Costs		\$ 236,811	\$ 241,872	\$ 247,056	\$ 253,874	\$ 260,896	\$ 268,129	\$ 277,227
Number of Customers		6,602	6,602	6,602	6,602	6,602	6,602	6,602
Unit Cost (\$ / Customer)		\$ 35.87	\$ 36.64	\$ 37.42	\$ 38.45	\$ 39.52	\$ 40.61	\$ 41.99
2. Capacity Related Costs		\$ 792,028	\$ 810,680	\$ 829,819	\$ 853,229	\$ 877,342	\$ 902,177	\$ 931,878
Number of Hydraulic Equivalencies		7,588	7,588	7,588	7,588	7,588	7,588	7,588
Unit Cost		\$ 104.37	\$ 106.83	\$ 109.35	\$ 112.44	\$ 115.62	\$ 118.89	\$ 122.80
Total Fixed Charge Based on Hydraulic Meters		\$ 140.24	\$ 143.47	\$ 146.78	\$ 150.89	\$ 155.13	\$ 159.50	\$ 164.80
Accounts		6,602	6,602	6,602	6,602	6,602	6,602	6,602
Base Charge (Fixed costs divided by total accounts)		\$ 155.84	\$ 159.43	\$ 163.11	\$ 167.69	\$ 172.41	\$ 177.27	\$ 183.14
3. Collection System Volume Related Costs		\$ 523,032	\$ 686,623	\$ 800,579	\$ 757,171	\$ 714,261	\$ 601,863	\$ 622,466
Annual Flow (HCF)		761,953	761,953	761,953	761,953	761,953	761,953	761,953
Unit Cost (\$ / HCF)		\$ 0.69	\$ 0.90	\$ 1.05	\$ 0.99	\$ 0.94	\$ 0.79	\$ 0.82
4. Treatment Plant - Wastewater Strength Related		\$ 2,640,877	\$ 2,516,009	\$ 2,441,138	\$ 2,517,822	\$ 2,596,807	\$ 2,678,161	\$ 2,789,888
Flow (HCF)	Parameter Allocation %'s							
BOD (LBS.)	47.8%	\$ 1,262,339	\$ 1,202,652	\$ 1,166,864	\$ 1,203,519	\$ 1,241,274	\$ 1,280,161	\$ 1,333,566
SS (LBS.)	24.5%	\$ 647,015	\$ 616,422	\$ 598,079	\$ 616,866	\$ 636,218	\$ 656,149	\$ 683,522
	27.7%	\$ 731,523	\$ 696,934	\$ 676,195	\$ 697,437	\$ 719,316	\$ 741,851	\$ 772,799
	100.00%							
Annual Flow (HCF)		761,953	761,953	761,953	761,953	761,953	761,953	761,953
Pounds of BOD (lbs)	52.2%	992,514	992,514	992,514	992,514	992,514	992,514	992,514
Pounds of SS (lbs)		989,807	989,807	989,807	989,807	989,807	989,807	989,807
Unit Cost (\$ / HCF)		\$ 1.66	\$ 1.58	\$ 1.53	\$ 1.58	\$ 1.63	\$ 1.68	\$ 1.75
Unit Cost (\$ / lb)		\$ 0.65	\$ 0.62	\$ 0.60	\$ 0.62	\$ 0.64	\$ 0.66	\$ 0.69
Unit Cost (\$ / lb)		\$ 0.74	\$ 0.70	\$ 0.68	\$ 0.70	\$ 0.73	\$ 0.75	\$ 0.78
Total Revenue Requirement For Rates		\$ 4,192,748	\$ 4,255,184	\$ 4,318,592	\$ 4,382,096	\$ 4,449,305	\$ 4,450,331	\$ 4,621,461
Add ___Revenue		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Add Fog Program Revenue		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total		\$ 4,192,748	\$ 4,255,184	\$ 4,318,592	\$ 4,382,096	\$ 4,449,305	\$ 4,450,331	\$ 4,621,461
Check		-	-	-	-	-	-	-

**City of Imperial Beach
Metro Budget**

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Treatment & Disposal	\$2,379,434	\$2,491,584	\$2,491,584	\$2,541,416	\$2,617,658	\$2,696,188	\$2,777,074	\$2,888,156
Transportation	\$6,030	\$6,151	\$6,274	\$6,399	\$6,591	\$6,789	\$6,993	\$7,272
Palm City Trunk Sewer	\$249,982	\$249,982	\$124,991					
Metro TAC	\$8,160	\$8,160	\$8,160	\$8,323	\$8,573	\$8,830	\$9,095	\$9,459
Total	\$2,643,606	\$2,755,877	\$2,631,009	\$2,556,138	\$2,632,822	\$2,711,807	\$2,793,161	\$2,904,888
<hr/>								
	FY09	Recycled	FY10	Total				
Year-end Adjustments	\$ 270,921	\$ (88,616)	\$ 191,663	\$ 373,968				
Note: Year-end adjustments have not been included in this rate case								

**City of Imperial Beach
Budget Summary
TABLE 3-2**

Expense Description	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
OPERATION & MAINTENANCE									
TOTAL SEWER ENTERPRISE FUND	\$3,648,402	\$3,802,958	\$3,939,933	\$3,840,369	\$3,791,417	\$3,902,190	\$4,016,287	\$4,133,806	\$4,291,024
TOTAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NONOPERATING EXPENDITURES									
CAPITAL IMPROVEMENTS	\$0	\$0	\$400,000	\$412,000	\$424,360	\$437,091	\$450,204	\$463,710	\$477,621
INCREASE OPERATIONS RESERV	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ESTABLISH CAPITAL RESERVE	\$0	\$0	\$0	\$150,000	\$250,000	\$190,000	\$130,000	\$0	\$0
Subtotal Expenditures	\$3,648,402	\$3,802,958	\$4,339,933	\$4,402,369	\$4,465,777	\$4,529,281	\$4,596,490	\$4,597,516	\$4,768,645
Less Non-Operating Revenues	\$147,185								
Revenue Requirement	\$3,501,217	\$3,655,773	\$4,192,748	\$4,255,184	\$4,318,592	\$4,382,096	\$4,449,305	\$4,450,331	\$4,621,460

City of Imperial Beach
 FY 13-14 Base Year Model
 Step 4 – Sewer Rate Determination

Months
 12

FY14				Average Single Family Flat Fee		Unit Charges		Unit Charges - Monthly Fixed Charge & Commodity Rate				Revenue - Fixed/ Flat Charges			
User Group	No. of Cust. Accts	Hydraulic Equivalents	Adjusted Yrly Consumption (HCF)	Yearly	Monthly	Fixed Yearly \$/Acct.	Commodity Rate (\$ /HCF)	Cust Fixed Charge	Cap Fixed Charge (5/8")	Total Fixed Charge (5/8")	Commodity Rate (\$ /HCF)	Revenue - Fixed/ Flat Charges	Revenue - Commodity Charges	Total	%
Single Family	4,682	4,682	337,928	\$ 434.71	\$ 36.23	\$ 155.84	\$ 4.08	\$ 2.99	\$ 8.70	\$ 11.69	\$ 4.08	\$ 656,623	\$ 1,378,687	\$ 2,035,310	48.5%
Subtotal- Residential	4,682	4,682	337,928									\$ 656,623	\$ 1,378,687	\$ 2,035,310	
Non-Residential (Includes Multi-Family)															
Rest/Bakeries/Mort./Groc.	48	66	11,304			\$ 155.84	\$ 9.18	\$ 2.99	\$ 8.70	\$ 11.69	\$ 9.18	\$ 8,645	\$ 103,783	\$ 112,428	2.7%
Small Commercial	114	159	11,746			\$ 155.84	\$ 3.65	\$ 2.99	\$ 8.70	\$ 11.69	\$ 3.65	\$ 20,650	\$ 42,822	\$ 63,471	1.5%
Car Wash/Laundries	13	33	7,273			\$ 155.84	\$ 3.46	\$ 2.99	\$ 8.70	\$ 11.69	\$ 3.46	\$ 3,945	\$ 25,172	\$ 29,118	0.7%
Public Agency/Institutional	71	274	28,224			\$ 155.84	\$ 3.33	\$ 2.99	\$ 8.70	\$ 11.69	\$ 3.33	\$ 31,111	\$ 94,087	\$ 125,198	3.0%
Heavy Commercial	7	14	2,636			\$ 155.84	\$ 5.82	\$ 2.99	\$ 8.70	\$ 11.69	\$ 5.82	\$ 1,712	\$ 15,333	\$ 17,045	0.4%
Mixed Use Light	33	53	6,167			\$ 155.84	\$ 4.37	\$ 2.99	\$ 8.70	\$ 11.69	\$ 4.37	\$ 6,681	\$ 26,934	\$ 33,614	0.8%
Mixed Use Heavy	2	3	300			\$ 155.84	\$ 5.28	\$ 2.99	\$ 8.70	\$ 11.69	\$ 5.28	\$ 350	\$ 1,583	\$ 1,933	0.0%
Navy	5	74	27,162			\$ 155.84	\$ 4.87	\$ 2.99	\$ 8.70	\$ 11.69	\$ 4.87	\$ 7,938	\$ 132,371	\$ 140,309	3.3%
Multi-Family	1,627	2,231	329,214			\$ 155.84	\$ 4.08	\$ 2.99	\$ 8.70	\$ 11.69	\$ 4.08	\$ 291,184	\$ 1,343,137	\$ 1,634,322	39.0%
Subtotal Non-Residential	1,920	2,906	424,025									\$ 372,217	\$ 1,785,222	\$ 2,157,438	51.5%
TOTAL	6,602	7,588	761,953									\$ 1,028,839	\$ 3,163,909	\$ 4,192,748	100%
Check												25%	75%	\$ -	

APPENDIX C

**City of Imperial Beach
Capacity Fee Calculation**

(A) Line No.	(B) Valuation Component	(C) Replacement Costs	(D) Replacement Cost Less Depreciation
1	Pipelines	\$46,031,303	\$23,015,652
2	Cost Per EDU (a)	\$4,352	\$2,176
3	Pump Stations	\$15,596,987	\$5,197,589
4	Cost Per EDU (a)	\$1,475	\$491
5	Metro Assets	\$32,818,033	\$22,300,011
6	Cost Per EDU (a)	\$3,103	\$2,108
7	Total Cost Per EDU	\$8,929	\$4,776
	(a) Total EDUs	10,577	10,577

Note: Pipelines and Pump Stations are based on replacement costs Metro Assets are valued as Reproduction Cost from Raftelis 2005 Study brought to present value using the June 2012 ENR

City of Imperial Beach
 Pipeline Replacement Cost Valuation

	Diameter	Material	Count	Length	Unit Costs (\$/LF)	Cost / In-Ft	Estimated Replacement Costs
	4	PVC	1	95	\$ 85.00	\$ 21.25	\$ 8,075.00
	4	VCP	1	517	\$ 100.00	\$ 25.00	\$ 51,700.00
Total	4		2	612			
	6	CIP	2	186	\$ 135.00	\$ 22.50	\$ 25,110.00
	6	PVC	3	841	\$ 160.00	\$ 26.67	\$ 134,560.00
	6	VCP	178	45,514	\$ 155.00	\$ 25.83	\$ 7,054,670.00
Total	6		183	46,541			
	8	CIP	1	147	\$ 175.00	\$ 21.88	\$ 25,725.00
	8	PVC	20	6,149	\$ 180.00	\$ 22.50	\$ 1,106,820.00
	8	VCP	584	143,407	\$ 195.00	\$ 24.38	\$ 27,964,365.00
Total	8		605	149,703			
	10	CIP	1	2,146	\$ 180.00	\$ 18.00	\$ 386,280.00
	10	PVC	3	1,712	\$ 185.00	\$ 18.50	\$ 316,720.00
	10	VCP	44	6,766	\$ 195.00	\$ 19.50	\$ 1,319,370.00
Total	10		48	10,624			
	12	PVC	9	20,726	\$ 198.00	\$ 16.50	\$ 4,103,748.00
	12	VCP	28	7,405	\$ 215.00	\$ 17.92	\$ 1,592,075.00
Total	12		37	28,131			
	15	VCP	15	3,781	\$ 250.00	\$ 16.67	\$ 945,250.00
Total	15		15	3,781			
	16	CIP	1	229	\$ 260.00	\$ 16.25	\$ 59,540.00
	16	VCP	1	58	\$ 295.00	\$ 18.44	\$ 17,110.00
Total	16		2	287			
	18	VCP	1	148	\$ 295.00	\$ 16.39	\$ 43,660.00
Total			1	148			
	21	VCP	6	1,227	\$ 335.00	\$ 15.95	\$ 411,045.00
Total	21		6	1,227			
	24	VCP	3	1,293	\$ 360.00	\$ 15.00	\$ 465,480.00
Total	24		3	1,293			
Total All Lines			902	242,347			\$ 46,031,303.00

Grand Total	242,347
Force main	25,043
Gravity Main - Feet	217,304
Gravity Main - Miles	41.16
Force main - Feet	25,043
Force main - Miles	4.74

City of Imperial Beach
 Replacement Costs: Pump Stations

Valuation Component		Replacement Cost				Replacement Costs Less Depreciation					
Pump Station Name	Pump Station Location	Construction Cost	2008 Equipment	ENR Equipment	Total	Year Built	Remaining	Remaining	Construction	2008	Total RCLD
			Replacement	Replacement	Replacement		Life	Life		Equipment	
			Cost	Costs	Costs		Structure	Equipment	Costs	Costs	
Pump Station 1A	862 Seacoast Dr	\$1,500,000	\$150,000	\$157,274	\$1,657,274	1952	-10	16		\$ 125,819	\$ 125,819
Pump Station 1B	1098 Seacoast Dr	\$1,500,000	\$150,000	\$157,274	\$1,657,274	1992	30	16	\$ 900,000	\$ 125,819	\$ 1,025,819
Pump Station 2	1306 Seacoast Dr	\$1,000,000	\$150,000	\$157,274	\$1,157,274	1989	27	16	\$ 540,000	\$ 125,819	\$ 665,819
Pump Station 3	501 elm	\$1,000,000	\$150,000	\$157,274	\$1,157,274	1952	-10	16		\$ 125,819	\$ 125,819
Pump Station 4	755 Delaware	\$1,000,000	\$150,000	\$157,274	\$1,157,274	1952	-10	16		\$ 125,819	\$ 125,819
Pump Station 5	133 Dahlia Ave	\$1,000,000	\$150,000	\$157,274	\$1,157,274	1979	17	16	\$ 340,000	\$ 125,819	\$ 465,819
Pump Station 6	498 Rainbow Dr	\$1,500,000	\$150,000	\$157,274	\$1,657,274	1954	-8	16		\$ 125,819	\$ 125,819
Pump Station 7	504 Oneonta Ave	\$1,000,000	\$150,000	\$157,274	\$1,157,274	1979	17	16	\$ 340,000	\$ 125,819	\$ 465,819
Pump Station 8	895 Imperial Beach Blvd	\$2,000,000	\$300,000	\$314,548	\$2,314,548	1962	0	16		\$ 251,638	\$ 251,638
Pump Station 9	1025 9th St	\$1,000,000	\$150,000	\$157,274	\$1,157,274	2005	43	16	\$ 860,000	\$ 125,819	\$ 985,819
Pump Station 10	814 Cypress Ave	\$1,000,000	\$350,000	\$366,973	\$1,366,973	1989	27	16	\$ 540,000	\$ 293,578	\$ 833,578
		\$13,500,000	\$2,000,000	\$2,096,987	\$15,596,987				\$3,520,000	\$1,677,589	\$5,197,589

Note:

Useful lives: Pump Stations 50
 Equipment 20

City of Imperial Beach
Metro Capacity Fee Calculation

Value Approach/Pricing Perspective	Total Value (2009)	Divisor	Original Study Price per gpd (2005)	Price per gpd (2012)	% Increase (2005 to 2012)
Asset Approach (reproduction costs)	(billion)	(mgd)		(\$/gpd)	
- Without depreciation adjustment	\$2.20	255	\$ 7.27	\$ 8.74	20.2%
- With depreciation adjustment	\$1.25	255	\$ 4.94	\$ 5.94	20.2%
Other Drivers of Investment Value					
Prior Sale					
- Without inflationary adjustment	\$3.36	255	\$ 13.19	\$ 15.85	20.2%
- With inflationary adjustment	\$4.19	255	\$ 15.21	\$ 18.29	20.2%
Buyer's Avoided Cost					
Stand-Alone (B&C Report)					
- Best case alternative	\$4.37	255	\$ 15.87	\$ 19.08	20.2%
- Worst case alternative	\$7.10	255	\$ 25.78	\$ 30.99	20.2%
Collaboration (RMC Report)					
- Best case alternative	\$3.87	255	\$ 14.06	\$ 16.90	20.2%
- Worst case alternative	\$5.84	255	\$ 21.20	\$ 25.49	20.2%
Seller's Potential Future Cost					
- Without upgrade adjustment	\$5.25	255	\$ 23.08	\$ 27.75	20.2%
- With upgrade adjustment*	\$6.36	255	\$ 19.08	\$ 22.94	20.2%
Alternative Investment Value	\$4.15	255	\$ 12.70	\$ 15.27	20.2%

* Adjustment to Remove Secondary Treatment Costs

Line No.	Valuation Component	Reproduction Costs (\$/gpd)	Reproduction Cost Less Depreciation (\$/gpd)	Replacement Costs (\$/gpd)
1	Metro System Valuation (a)	\$ 8.74	\$ 5.94	\$ 15.27
2	Imperial Beach Capacity (MGD)	3.755	3.755	3.755
3	Value of Imperial Beach Capacity (\$)	\$ 32,818,033	\$ 22,300,011	\$ 57,329,989
4	Sewer Equivalent Dwelling Units	10,577	10,577	10,577
5	Metro Component of Capacity Fee	\$ 3,103	\$ 2,108	\$ 5,420

(a) Alternative Value was used to calculate replacement costs as this is the most popular valuation methodology

**City of Imperial Beach
Construction Cost Index -- Los Angeles, CA**

Current (June 30,2012): 10,299.55

YEAR	MONTH	CCI	%CHG
2012	Jun	10,299.55	1.000000
2011	Dec	10,088.80	1.0208895
2010	Dec	10,004.30	1.0295123
2009	Dec	9,763.69	1.0548829
2008	Dec	9,823.19	1.0484934
2007	Dec	9,181.67	1.1217513
2006	Dec	8,878.97	1.1599938
2005	Dec	8,567.42	1.2021764
2004	Dec	8,192.14	1.2572478
2003	Dec	7,531.77	1.3674807
2002	Dec	7,402.75	1.3913140
2001	Dec	7,226.92	1.4251645
2000	Dec	7,068.04	1.4572003
1999	Dec	6,825.97	1.5088771
1998	Dec	6,851.95	1.5031560
1997	Dec	6,663.55	1.5456551
1996	Dec	6,558.44	1.5704268
1995	Dec	6,526.22	1.5781800
1994	Dec	6,532.95	1.5765542
1993	Dec	6,477.84	1.5899667
1992	Dec	6,348.55	1.6223468
1991	Dec	6,090.12	1.6911900
1990	Dec	5,994.55	1.7181523
1989	Dec	5,789.77	1.7789221
1988	Dec	5,770.84	1.7847575
1987	Dec	5,474.14	1.8814919
1986	Dec	5,452.20	1.8890631
1985	Dec	5,446.69	1.8909742
1984	Dec	5,259.93	1.9581154
1983	Dec	5,063.89	2.0339206
1982	Dec	4,934.14	2.0874053
1981	Dec	4,530.96	2.2731496
1980	Dec	4,102.37	2.5106341
1979	Dec	3,638.81	2.8304720
1978	Dec	3,421.25	3.0104640

RECEIVED APR 04 2013

Sun, 31 of ~~AP~~ MARCH

Just writing to Public Works Department
of Imperial Beach. I am writing this protest
because of the proposed sewer increase,
why can't the city find other ways of generating
money instead of always taking from the hard
working property owners. I hope that all of
the property owners in Imperial Beach feel the
same way I do. I am in total opposition of this
proposed sewer increase charge.

CITY MANAGER &
CITY CLERK OFFICES

2013 APR -4 PM 2:59



City of Imperial Beach, California

PUBLIC WORKS DEPARTMENT

825 Imperial Beach Blvd., Imperial Beach, CA 91932 Tel: (619) 423-8311 Fax: (619) 429-4861

City of Imperial Beach Notice of Public Hearing to Consider Proposed Sewer Service Charges Increase

If you are the owner of this property but have a tenant who is responsible for the sewer service charge related to this property, please forward this notice to the tenant.

Notice of Public Hearing on Proposed Sewer Rates

In compliance with Article XIIID of the California Constitution and the Proposition 218 Omnibus Implementation Act, notice is hereby given that the City Council of the City of Imperial Beach will hold a Public Hearing at a regular meeting of the City Council of the City of Imperial Beach on May 1, 2013, at 6:00 PM, or as soon as possible thereafter as the matter can be heard at the regularly scheduled City Council meeting in the Council Chamber of the Civic Center, 825 Imperial Beach Boulevard, Imperial Beach, California, for the purpose of considering an increase in rates for sewer service charges for Fiscal Year 2013/14 through 2017/18. If approved, the rate adjustment will become effective July 1, 2013. Additional data and information on this matter, including a copy of the Akins study (discussed below) may be obtained from the Public Works Department, 495 10th Street, Imperial Beach, California, 91932, Telephone No. (619) 423-8311.

Purpose of Proposed Rate Increases

The purpose of the proposed rate increases is to allow the City to collect sufficient revenue to enable it to continue providing sewer service to its customers in the face of increasing operating costs, and to enable the City to afford capital improvements that are essential for operating the sewer system in a safe and financially prudent manner. Revenues derived from the City's sewer service charges are used solely for the actual and necessary expenses of providing sewer service to its customers. The City is prohibited by law from making a profit on sewer service. The City elected to conduct a comprehensive review of its sewer rates for all users to ensure the long term stability of its sewer services. The new proposed rate increases are based on a 2013 rate study conducted by Atkins, a well respected national wastewater financial consulting firm, the combination of which took into consideration all of the factors described herein and the study in conducting the analysis. The rate study and its methodology are discussed in summary below and will be discussed in more detail at the public hearing.

Protests

At the public hearing, the City Council will consider written protests to the proposed charges either delivered to Attn: City Clerk, City of Imperial Beach, 825 Imperial Beach Boulevard, Imperial Beach, California 91932, by 12:01 PM, May 1, 2013, or filed with the City Clerk prior to the conclusion of the public hearing. Persons interested may appear before the Council at the above date, place and time. Oral comments at the public hearing will not qualify as a formal protest unless accompanied by a written protest. The City Council will receive a final tabulation of all written protests received by the City at the hearing. Written protests must contain a description of the property such as the address or assessor's parcel number, and include the name of the customer submitting the protest. Please send written protests to the above referenced address. If you challenge the matter in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice or in written correspondence delivered to the City Clerk at, or prior to, the public hearing.

The City of Imperial Beach is endeavoring to be in total compliance with the Americans with Disabilities Act. If you require assistance or auxiliary aids in order to participate at City Council meetings, please contact the City Clerk's Office as far in advance of the meeting as possible. If you have any questions about this Notice or the proposed sewer rates, please call the City at 619-423-8311 or visit the City's website at www.cityofib.com.

Proposed Increases

Based upon the Atkins study of the City's sewer rate structure, rate increases will be considered for each of the City's three distinct sewer customer groups; single-family residential, multi-family and commercial/industrial. For each of these customer groups, the City has a specific sewer charge formula. The proposed increases include the base fee, sewer rate, annual cap for single family residential properties and pass through costs. The Atkins study proposes changes in only the multi-family and commercial/ industrial user's formulas to include base fees, which will be considered for adoption by the City Council. At the public hearing, the City Council will also consider clarification of definitions of single-family and multi-family residential users. These modifications, if any, will affect a limited number of properties in the City. In addition, industry standard rates of returns are applied to each user's annual water usage. The following are the recommended sewer charge formulas and corresponding rates that the City Council will consider for adoption at the public hearing:

Single-Family Residential Sewer Charge Formula

$$\text{Annual Water Consumption} \times \text{Return to Sewer } 75\% = \text{Billing Units}$$

$$(\text{Billing Units} \times \text{Residential Sewer Rate}) + (\text{Base Fee}) = \text{Total Sewer Monthly Bill}$$

Table 1 Summary of the Proposed Single-Family Residential Sewer Rate

Presented below in Table 1 are the City's proposed single-family residential sewer rates for the five year period through 2018 that will be considered by the City Council for adoption at the public hearing. The City will consider having the new rate will take effect July 1 of each year.

	Current		Proposed			
	2013	2014	2015	2016	2017	2018
Base Sewer Fee (\$/Year)	\$173.75	\$140.24	\$143.47	\$146.78	\$150.89	\$155.13
Sewer Rates (\$/HCF)	\$2.58	\$4.08	\$4.13	\$4.19	\$4.23	\$4.27

Note: Residential Sewer Charge Formula: Base Sewer Fee plus previous year's annual water usage X 75% X \$/HCF.

In addition, the City currently has an annual cap on single family residential properties, currently set at \$938.36. This cap amount will remain in effect for FY 2014. The City Council will consider increasing the cap annually from FY 2015 through FY 2018 based upon the San Diego Consumer Price Index. Please note that the cap applies only to single family residential properties.

Multi-Family Sewer Charge Formula

$$\text{Annual Water Consumption} \times \text{Return to Sewer } 95\% = \text{Billing Units}$$

$$(\text{Billing Units} \times \text{Residential Sewer Rate}) + (\text{Base Fee per Water Meter Size}) = \text{Total Sewer Monthly Bill}$$

Commercial/Non-Residential Sewer Charge Formula

$$\text{Annual Water consumption} \times \text{Return to Sewer } 90\% = \text{Billing Units}$$

$$(\text{Billing Units} \times \text{Strength Rate}) + (\text{Base Fee per Water Meter Size}) = \text{Total Sewer Monthly Bill}$$

*Note: Rate of return is 90% for all commercial uses except for Public Agency/Institutional, which is 75%

Table 2 Proposed Multi-Family and Commercial/Industrial 2014 Base Charge Per Meter Size

The City will consider imposing a base charge on both multi-family and commercial/non-residential properties based on the figures set forth in Table 2:

Size of Water Meter	AWWA Hydraulic Capacity	Billing Equivalence Based on Customer & Capacity Costs	2014 Annual Base Charge Per Meter Size
5/8 inch	1.00	1.00	\$140.24
3/4 inch	1.00	1.00	\$140.24
1 inch	1.67	1.50	\$209.83

Size of Water Meter	AWWA Hydraulic Capacity	Billing Equivalence Based on Customer & Capacity Costs	2014 Annual Base Charge Per Meter Size
1 1/2 inch	3.33	2.74	\$383.78
2 inch	5.33	4.23	\$592.53
3 inch	10.00	7.70	\$1,079.61
4 inch	16.67	12.66	\$1,775.44
6 inch	33.33	25.06	\$3,515.02

Table 3 Summary of the Proposed Multi-Family Sewer Rate

Presented in Table 3 are the City's proposed multi-family sewer rates. Rates have been developed for a five-year period of 2014 through 2018.

	Current		Proposed			
	2013	2014	2015	2016	2017	2018
Sewer Rates (\$/HCF)	\$4.38	\$4.08	\$4.13	\$4.19	\$4.23	\$4.27

Multi-Family Sewer Charge Formula: Base Sewer Fee plus previous year's annual water usage X 95% X \$/HCF

Table 4 Summary of Multi-Family and Commercial/Non-Residential Base Charges by Meter Size

Table 4 summarizes the annual base charge per water meter size for multi-family and commercial users.

Meter Size	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
5/8"	\$140.24	\$143.47	\$146.78	\$150.89	\$155.13
3/4"	\$140.24	\$143.47	\$146.78	\$150.89	\$155.13
1"	\$209.83	\$214.65	\$219.60	\$225.76	\$232.11
1 1/2"	\$383.78	\$392.61	\$401.66	\$412.93	\$424.53
2"	\$592.53	\$606.16	\$620.13	\$637.53	\$655.45
3"	\$1,079.61	\$1,104.44	\$1,129.90	\$1,161.60	\$1,194.25
4"	\$1,775.44	\$1,816.27	\$1,858.14	\$1,910.26	\$1,963.96
6"	\$3,515.02	\$3,595.84	\$3,678.73	\$3,781.93	\$3,888.24
Total					

Table 5 Summary of Proposed Commercial/Industrial Rates

Table 5 provides a summary of the current and proposed Commercial/Industrial Rates.

	Current		Proposed			
	2013	2014	2015	2016	2017	2018
Base Sewer Fee (\$/Year) ⁽¹⁾	\$0.00	\$140.24	\$143.47	\$146.78	\$150.89	\$155.13
Sewer Rates (\$/HCF)						
Rest/Bakeries/Mort./Groc.	\$8.38	\$9.18	\$8.99	\$8.90	\$9.09	\$9.29
Small Commercial	\$4.35	\$3.65	\$3.72	\$3.79	\$3.82	\$3.85
Car Wash/Laundries	\$3.97	\$3.46	\$3.54	\$3.62	\$3.64	\$3.67
Public Agency/Institutional	\$3.67	\$3.33	\$3.42	\$3.50	\$3.52	\$3.54
Heavy Commercial	\$7.65	\$5.82	\$5.79	\$5.79	\$5.88	\$5.98
Mixed Use Light	\$4.44	\$4.37	\$4.41	\$4.45	\$4.50	\$4.56
Mixed Use Heavy	\$6.46	\$5.28	\$5.28	\$5.30	\$5.37	\$5.46
Navy	\$5.02	\$4.87	\$4.89	\$4.92	\$4.99	\$5.05

⁽¹⁾ Example is based on a 5/8" water meter.

Commercial/Industrial Sewer Charge Formula: Base Sewer Fee plus previous year's annual water usage X rate of return per user class X \$/HCF

Pass Through Costs

The sewer rates as shown and proposed within this notice do not include any increases to rates from direct costs and sewer treatment providers except for adjustments for inflation. Actual future pass-through rate information is not available at this time. At the public hearing, the City of Imperial Beach shall consider establishing a "pass-through" ordinance that will pass along higher than anticipated costs, which will include, but may not be limited to the City of San Diego Metro Wastewater and San Diego Gas and Electric energy rates. If higher costs should materialize the City would only pass-through the costs needed to pay for unknown increases at the time this study was prepared. Pass-through increases are necessary in order to maintain the safety and reliability of the City's sewer system and avoid deficits and depletion of financial reserves when costs arise that is out of the City's control.

ADDITIONAL CHARTS - SUMMARIES OF CURRENT VERSUS PROPOSED RATES

Table 6 Comparison of Current Versus Proposed Sewer User Rates

As shown in Table 6, a base charge has been established for all user classes to recover fixed costs and current industry standard strength allocations have been assigned to non-residential users. This results in the reduction of most non-residential commodity rates by removing fixed costs from the commodity rate and putting it in the base charge. Table 6 summarizes and contrasts the current FY 2012/2013 user rates for each class' average users to the proposed increase in FY 2013/2014 annual rates.

Classes of Users	Current FY 2012/2013 Rates		Proposed FY 2013/2014 Rates	
	Base Charge	Commodity Rate (\$ /HCF)	Base Charge (5/8" Water Meter)	Commodity Rate (\$ /HCF)
Single Family	\$173.75	\$2.58	\$140.24	\$4.08
Non-Residential (Includes Multi-Family)				
Rest/Bakcries/Mort./Gro.		\$8.38	\$140.24	\$9.18
Small Commercial		\$4.35	\$140.24	\$3.65
Car Wash/Laundries		\$3.97	\$140.24	\$3.46
Public Agency/Institutional		\$3.67	\$140.24	\$3.33
Heavy Commercial		\$7.65	\$140.24	\$5.82
Mixed Use Light		\$4.44	\$140.24	\$4.37
Mixed Use Heavy		\$6.46	\$140.24	\$5.28
Navy		\$5.02	\$140.24	\$4.87
Multi-Family		\$4.38	\$140.24	\$4.08

**Table 7 Comparison of Average User Rates Under Current Versus
Proposed Sewer User Rates**

Table 7 summarizes and contrasts the current FY 2012/2013 user rates for each class' average users to the proposed increase in FY 2013/2014 annual rates.

Class of Users	Average Annual Consumption (HCF)	FY 2012/2013 Rates & Structure			Proposed FY 2013/2014 Rates & Structure				% Change
		Base Charge	Commodity Charge	Total Annual Charge	Base Charge 5/8" Meter	Commodity Charge	Total Annual Charge	Dollars	
Single Family	96	\$173.75	\$247.49	\$421.23	\$140.24	\$293.75	\$433.99	\$12.76	3.0%
Multi-Family	212	\$0.00	\$927.88	\$927.88	\$140.24	\$821.68	\$961.92	\$34.04	3.7%
Small Commercial	114	\$0.00	\$495.93	\$495.93	\$140.24	\$374.04	\$514.29	\$18.35	3.7%
Restaurant	260	\$0.00	\$2,177.89	\$2,177.89	\$140.24	\$2,148.36	\$2,288.61	\$110.72	5.1%
Car Wash	621	\$0.00	\$2,462.45	\$2,462.45	\$140.24	\$2,149.35	\$2,289.59	-\$172.86	-7.0%
Public Agency	530	\$0.00	\$1,946.32	\$1,946.32	\$140.24	\$1,766.80	\$1,907.04	-\$39.28	-2.0%

Table 8 Summary of Proposed FY 2013/2014 Single Family Sewer User Rates

Table 8 provides a comparison of the current (2013) versus proposed FY 2014 single family sewer user rates, which are broken down by annual consumption.

Annual Consumption (HCF)	Number of Users	Percent of Users	Cumulative Percent	FY2013 Current (At 100%)			FY2014 Proposed (At 75%)			Difference	
				Base Charge	Consumption Charge	Total Charge	Base Charge	Consumption Charge	Total Charge	Dollars	%
0	26	0.56%	0.56%	\$173.75	\$2.58	\$176.32	\$140.24	\$4.08	\$144.32	-\$32.00	-18.1%
20	90	1.92%	6.51%	\$173.75	\$51.56	\$225.31	\$140.24	\$61.20	\$201.44	-\$23.87	-10.6%
50	158	3.37%	23.32%	\$173.75	\$128.90	\$302.65	\$140.24	\$152.99	\$293.24	-\$9.41	-3.1%
96	144	3.08%	55.66%	\$173.75	\$247.49	\$421.23	\$140.24	\$293.75	\$433.99	\$12.76	3.0%
120	116	2.48%	70.53%	\$173.75	\$309.36	\$483.11	\$140.24	\$367.18	\$507.43	\$24.32	5.0%
150	88	1.88%	83.62%	\$173.75	\$386.70	\$560.45	\$140.24	\$458.98	\$599.23	\$38.78	6.9%
200	26	0.56%	94.60%	\$173.75	\$515.60	\$689.35	\$140.24	\$611.97	\$752.22	\$62.87	9.1%
250	12	0.26%	98.18%	\$173.75	\$644.50	\$818.25	\$140.24	\$764.97	\$905.21	\$86.97	10.6%
260+	69	1.47%	100.00%	\$173.75	\$764.61	\$938.36	\$140.24	\$798.12	\$938.36	\$0.00	0.0%

As can be seen, the bill comparison indicates that there will be little change in the typical bills for median and average customers with an average of 96 units annually. This bill comparison is for FY 2013/2014, or the time period of the initial rate adjustment. The proposed single-family residential sewer rates have been developed for a five-year period of 2014 through 2018. It is the intent of the City to have these rates become effective July 1 of each year.

Table 9 Summary of the Present and Proposed Multi-Family Sewer Rate

Table 9 provides a comparison of the current (2013) versus proposed FY 2014 multi-family sewer user rates, which are broken down by annual consumption. As shown in Table 9 when full cost of service is applied the non-residential over-all annual rate will increase 3.7% or \$34.04 per year. It should be noted that this increase will be spread over multiple living units and thus should be similar to the impacts on single family residences. The proposed multi-family sewer rate structure has been revised to include a base charge based on the size of the property's water meter. In addition a 95% rate of return has been applied to discount for exterior water usage. As discussed earlier, this base charge is established using the size of each customer's water meter. As shown on Table 9 the average multi-family user, with annual consumption of 212 units of water will only see a 3.7% increase in their sewer user rates.

Annual Consumption (HCF)	FY2013 Current (At 100%)			FY2014 Proposed (At 95%)			Difference	
	Base Charge	Commodity Charge	Total Charge	Base Charge (5/8" Meter)	Commodity Charge	Total Charge	Dollars	%
100	\$0.00	\$437.68	\$437.68	\$140.24	\$387.58	\$527.83	\$90.15	20.6%
150	\$0.00	\$656.52	\$656.52	\$140.24	\$581.38	\$721.62	\$65.10	9.9%
200	\$0.00	\$875.36	\$875.36	\$140.24	\$775.17	\$915.41	\$40.05	4.6%
212	\$0.00	\$927.88	\$927.88	\$140.24	\$821.68	\$961.92	\$34.04	3.7%
250	\$0.00	\$1,094.20	\$1,094.20	\$140.24	\$968.96	\$1,109.20	\$15.00	1.4%
270	\$0.00	\$1,181.74	\$1,181.74	\$140.24	\$1,046.48	\$1,186.72	\$4.98	0.4%



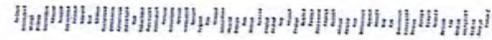
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City of Imperial Beach
Public Works Department
625 Imperial Beach Blvd
Imperial Beach, CA 91932

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**STRIKEOUT/UNDERLINE OF CHANGES TO CHAPTER 13.06 OF
THE IMPERIAL BEACH MUNICIPAL CODE**

Chapter 13.06. SEWER SERVICE CHARGE

13.06.010. Sanitation fund—Established.

There is established a fund to be designated “sanitation fund.” All revenue derived from the service charges designated in this chapter shall be deposited into the said sanitation fund.

13.06.020. Sewer service charges—Payment—Collection.

A. When application is made for permission to connect a premises to the sewer system of the City, there shall become owing, due and payable in advance the sewer service charges for the remainder of the fiscal year in which the application is made, such sewer service charges to be computed by prorating the annual charges from the first day of the calendar month next following the date of such application.

B. Sewer service charges which become owing, due and payable at the time such application is made for permission to connect to the sewer system of the City shall be paid to the City prior to the issuance of any permit authorizing the connecting of such premises to the City’s sewer system. Thereafter, the sewer service charges for such premises shall become owing, due and payable annually as provided in this chapter.

C. Such sewer service charge shall be collected at the same time and in the same manner and by the same person as, together with, and not separately from, the general taxes of the City and shall be delinquent at the same time and thereafter be subject to the same delinquency penalties.

13.06.030. Assessment and collection of funds—Direct billing.

Charges for the maintenance and operation of the Imperial Beach sewer facility, and any other sewer facilities utilized by the City, to be imposed on property where the parcels have been created or the use thereof changed subsequent to July 1st through August 10th of each year shall be separately collected through direct billing by the City Treasurer, except as otherwise provided in this chapter.

13.06.040. Assessment and collection of funds—State law.

The collection of the charges and notices, reports, hearings, liens, assessment rolls, delinquency, etc., shall be in accordance with Sections 5473.1 through 5473.10, inclusive, of the Health and Safety Code.

13.06.050. Rates generally.

Sewer service charges are set forth in Section 13.06.140 of this code.

13.06.060. Rate exceptions—Generally.

The City Manager shall have the power to grant exceptions and to establish policies for the granting of such exceptions from the established sewer service charges. Such exceptions shall only be granted when one or more of the following situations exist:

- A. Where a separately metered fire service connection to the water system is installed;
- B. When water is supplied to premises through a separate water meter and such water is used entirely for irrigation purposes;
- C. Where the premises are not connected to the sewer system of the City and it is not physically possible or reasonably feasible to connect such premises to the City sewer system;
- D. Where water is supplied to premises by more than one water meter and one or more of such additional meters do not provide water, which can be discharged into the sewer system;
- E. Where it can be positively demonstrated to the satisfaction of the City that the percentage of water entering the sewer system is less than the amount assumed for that customer classification in the 2013 Sewer Service Charge and Capacity Fee Study performed by AtkinsForesight Consulting Sewer Rate Study, June 2005;
- F. Where the City has entered into a separate service agreement;
- G. When a premises is not connected to the sewer system or the premises is connected and will not use the sewer system for a period of more than six months.

13.06.070. Appeal upon denial or conditional approval of application for rate exception.

The owner, or his/her agent, of any premises subject to the sewer service charge may apply in writing to the City Manager for an exception as provided in Section 13.06.060 of this chapter; however, no rebate of fees upon such exception shall be allowed for any period preceding the filing of such application. The applicant shall furnish necessary factual data to support such application. Upon denial or conditional approval by the City Manager, any applicant dissatisfied with the decision may appeal same to the City Council. Such appeal must be filed in writing with the City Clerk within thirty days after notice of the City Manager's decision.

13.06.080. Single-family rate limits.

Notwithstanding Section 13.06.140 of this chapter, single-family residential ratepayers shall have an annual rate limit of nine hundred thirty eight and 36/100 dollars (\$938.36) six hundred dollars per household for fiscal year 2013/2014. This limit shall increase at the rate of the cost of living factors implemented on an annual basis under In accordance with Section 13.06.140 of this chapter and its implementing Ordinance No. 2013-1138, this limit shall

annually increase at the rate based on the Consumer Price Index for all Urban Consumers – San Diego - from the prior year, 2005-1030.

13.06.090. Prepayment of certain charges.

All sewer connection charges, sewer capacity fees, pro rata share of construction costs, and pro rata share of sewer service charges for the remainder of a fiscal year shall be payable in advance and prior to beginning of the construction of the sewer connection or annexation at the office of the City Treasurer.

13.06.100. Charges deemed lien.

All costs, charges, fees, etc., for operation and maintenance, as well as charges for principal and interest on construction bonds, shall be a lien on the property to which they apply.

13.06.110. Refund of fees.

In the event an application for the installation of sewer service lateral connections is withdrawn prior to the initiation of construction work on this lateral, a minimum charge of twenty dollars will be made for processing this refund.

13.06.120. Authority to fix charges.

A. If necessary, ~~the~~ City Council shall, on or before July 20th of each year, estimate the amount of money needed and fix the rate of taxation and/or service charges for the purpose of the principal and interest of that year upon outstanding bonds.

B. The City Council shall, on or before August 10th of each year, cause to be filed with the County Auditor and County Tax Assessor the amount necessary for the function and maintenance of the Imperial Beach sewer facility and will fix the rates and/or service charges and the amount that is to be collected.

13.06.130. Assessment and collection of funds—Tax roll.

Except as provided in Section 13.06.030 of this chapter, charges for the maintenance and operation of the Imperial Beach sewer facility, and any other sewer facilities utilized by the City, shall be collected by the tax collector of the County and shall be collected on tax rolls in the same manner at the same time together and not separate from the general taxes.

13.06.140. Sewer service charges—Designated.

A. There is levied and assessed upon each residential and nonresidential customer within the City service area that discharges sewage into the sewer lines maintained by the City, or is considered by the San Diego Metropolitan Sewer System to be within the City jurisdiction, sewer service charges.

B. Said sewer service charges and related classifications are based upon the 2013 Sewer Service Charge and Capacity Fee Study performed by Atkins on behalf of the City, and have been adopted and set forth in Ordinance No. 2013-1138, the Foresight Consulting Sewer Rate Study, June 2005 and supplemental rate analysis conducted by the City in March 2012. Annual sewer service charges will be determined by applying the volume charge per hundred cubic feet (HCF) for each customer classification to each premises as determined by the water utility meter readings for the prior year, and the suspended solids (SS) and biological oxygen demand (BOD) content for such volume.

Revised Sewer Rates FY 2012/13 for Annual Bill Calculations			
City of Imperial Beach			
Customer Class		Current Rate (2011/12)(a)	Requested (2012/13) Sewer Rates (b)
Single-Family Residential (e)			
Volume-Based Rate	Class 1	\$ 2.4321	\$ 2.5780
Annual Base Charge	Class 1	163.9122	173.7469
Multifamily Residential	Class 2	4.1294	4.3768
Restaurants/Bakeries/Mortuaries/Groceries	Class 3	7.9023	8.3765
Small Commercial	Class 4	4.1041	4.3503
Car Wash/Laundries	Class 5	3.7409	3.9653
Public Agency/Institutional	Class 6	3.4644	3.6723
Heavy Commercial	Class 7	7.2165	7.6495
Mixed Use Light	Class 8	4.1850	4.4361
Mixed Use Heavy	Class 8.5	6.0901	6.4555
Navy	Class 9	4.7388	5.0232
Sewer Unit Charges—by Treatment Parameter			
Volume Charges (\$/HCF)		3.2919	3.4894
Strength Surcharges—BOD (\$/lb)		0.5539	0.5871
Strength Surcharges—TSS (\$/lb)		0.5141	0.5449

(a) Current rates effective July 1, 2011.

(b) New rates to be effective July 1, 2012.

(c) Maximum single-family residential rate cap is \$876.75.

C. When less than six months metered water use for the prior year is available, the proportionate base charge plus the average annual water use for that customer classification shall apply. When more than six months, but less than twelve months metered water use for the prior year is available, the proportionate base charge and use shall be normalized to twelve months. For the single-family residential customer classification, the base charge will be applied in arriving at the average or normalized charge.

D. Provided, however, in the case of other businesses and establishments that have unusual character insofar as sewage is concerned, the rate shall be established in each case ~~by the City Manager subject to approval by the City Council. The rate so established shall be fixed~~ based on the estimated or actual volume of flow and the suspended solids (SS) and biological oxygen demand (BOD) content, which may be approved by the City Manager and/or City Council. ~~from such other business or establishment.~~

E. The City Manager is hereby authorized and directed to pass-through all future fees and charges imposed by other entities on the City related to wholesale charges for sewage treatment or wastewater treatment, to those charged sewer service charges, for a five year period beginning July 1, 2013. Prior to implementing any such increase, the City shall provide written notice of the increase to property owners not less than 30 days prior to the effective date of the increase.



STAFF REPORT
CITY OF IMPERIAL BEACH

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: GARY BROWN, CITY MANAGER *RB*
MEETING DATE: MAY 1, 2013
ORIGINATING DEPT.: PUBLIC WORKS *Haf*
SUBJECT: SECOND READING AND ADOPTION OF ORDINANCE NO. 2013-1137 AMENDING CHAPTER 13.05 OF THE IMPERIAL BEACH MUNICIPAL CODE RELATED TO THE SEWER CAPACITY FEE

BACKGROUND & DISCUSSION:

Pursuant to Government Code section 66013 and Chapter 13.05 of the Imperial Beach Municipal Code (IBMC), a sewer capacity fee is charged to all new development in the city limits to defray the costs for expansion and rehabilitation of the existing sewer collections system to meet the demands placed on the system by new development. The City Council of the City of Imperial Beach recently hired Atkins, a global consulting firm, to review the City's sewer capacity fee, which was set in 2005 and is currently charged at \$1,230.00 per equivalent dwelling unit (EDU). Atkins conducted a Sewer Service Charge and Capacity Fee Study (STUDY) and presented it to the City Council for review in February 2013, indicating that the current sewer capacity fee does not meet the estimated costs for expansion and rehabilitation of the existing sewer collection system, and other sewer facilities utilized by the city, by new development.

On February 20, 2013, City Council adopted Resolution 2013-7304 setting the time and place for a Public Hearing to consider adoption of the Sewer Capacity Fee for Fiscal Year 2014 and beyond. The Public Hearing was set for Wednesday, April 3, 2013 @ 6:00 p.m. at the regularly scheduled City Council meeting. Noticing was published in the Imperial Beach Eagle & Times newspaper on March 14, 2013 which included the following statement, "Notice is hereby given that the City Council of the City of Imperial Beach will conduct a public hearing to review a potential increase to the sewer capacity fee amount, currently \$1,230.00 per Equivalent Dwelling Unit (EDU). The City Council will consider increasing the fee to an amount up to \$4,776.00 per EDU." At the April 3, 2013 City Council meeting the Public Hearing was continued to the April 17, 2013 City Council meeting. On April 17, 2013, City Council held the public hearing, approved a sewer capacity fee of \$2,667, which will become effective July 1, 2013 and conducted the first reading of Ordinance No. 2013-1137.

Staff proposes a second reading and adoption of Ordinance No. 2013-1137, amending Imperial Beach Municipal Code 13.05 and bringing the Code consistent with State law.

ENVIRONMENTAL DETERMINATION:

Not a project as defined by CEQA.

FISCAL IMPACT:

Setting the Sewer Capacity Fee at a rate of \$2,667 will ensure recovery of the City infrastructure replacement contribution to the Sewer Enterprise Fund. It will not ensure recovery of the Enterprise Fund costs to the Metro Asset System.

DEPARTMENT RECOMMENDATION:

1. Receive this report;
2. Mayor calls for the reading of the title of Ordinance No. 2013-1137;
3. City Clerk read title of the ordinance; and
4. Motion to waive further reading of Ordinance No. 2013-1137 and adopt ordinance by title only.

CITY MANAGER'S RECOMMENDATION:

Approve Department recommendation.

Attachments:

1. Ordinance No. 2013-1137

ORDINANCE NO. 2013-1137

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF IMPERIAL BEACH, CALIFORNIA AMENDING SECTIONS OF CHAPTER 13.05 OF THE IMPERIAL BEACH MUNICIPAL CODE RELATED TO THE SEWER CAPACITY FEE

WHEREAS, pursuant to Government Code section 66013 and Chapter 13.05 of the Imperial Beach Municipal Code (IBMC), a sewer capacity fee is charged to all new development in the city limits to defray the costs for expansion and rehabilitation of the existing sewer collections system to meet the demands placed on the system by new development; and

WHEREAS, the City Council desires to revise the Municipal Code as shown below.

NOW, THEREFORE, IT IS ORDAINED BY THE CITY COUNCIL OF THE CITY OF IMPERIAL BEACH AS FOLLOWS:

Section 1: Section 13.05.010 of the Imperial Beach Municipal Code is hereby amended to read as follows:

“13.05.010. Purpose.

Any person making a connection to the sanitary sewer system of the city, or expanding, modifying, enlarging or conducting any other activity that will increase the volume and/or strength of sewage emitting from a premises already connected to the sanitary sewer system of the city, shall pay a sewer capacity fee to the city to defray the costs for expansion and rehabilitation of the existing sewer collection system, and any other sewer facilities utilized by the city, to meet the demands placed on the system(s). The sewer capacity fee is a “capacity charge” for purposes of Cal. Gov’t Code 66013. No connection shall be made by any person to a sewer line of the city without first having paid to the city the proper sewer capacity fee set forth in this chapter.”

Section 2: Section 13.05.020 of the Imperial Beach Municipal Code is hereby amended to read as follows:

“13.05.020. Sewer capacity fee.

The city council shall, in a council resolution, set forth the specific amount of the sewer capacity fee and the basis for determining the fee.”

Section 3: Section 13.05.030 of the Imperial Beach Municipal Code is hereby amended to read as follows:

“13.05.030. Limited use of fees.

The revenues raised by payment of this fee shall be placed in a separate and special account, and such revenues, along with any interest earnings on that account, shall be used solely to pay for rehabilitation and expansion of the existing sewer collection system, and any other sewer facilities utilized by the city, described in the resolution enacted pursuant to Section 13.05.020 of this chapter.”

Section 4: Section 13.05.040 of the Imperial Beach Municipal Code is hereby amended to read as follows:

“13.05.040. Fee application and adjustments.

A. Application. This fee shall apply to any person making a connection to the sanitary sewer system of the city, or expanding, modifying, enlarging or conducting any other activity that will increase the volume and/or strength of sewage emitting from a premises already connected to the sanitary sewer system of the city, for any single-family or multifamily dwelling units, commercial, industrial or other nonresidential improvements and redevelopment. Credit shall be given for previous sewer connections as measured by the number of equivalent dwelling units being assessed against the property.

B. Adjustments. A developer of any project subject to the fee described in Section 13.05.020 of this chapter may apply to the City Council for a reduction or adjustment to that fee, or a waiver of that fee, based upon the absence of any reasonable relationship or nexus between the sewer impacts of that development and either the amount of the fee charged or the type of facilities to be financed. The application shall be made in writing and filed with the City Clerk not later than (1) ten days prior to the public hearing on the development permit application for the project, or (2) if no development permit is required, at the time of the filing of the request for a building permit. The application shall state in detail the factual basis for the claim of waiver, reduction or adjustment. The City Council shall consider the application at the public hearing on the permit application or at a separate hearing held within sixty days after the filing of the fee adjustment application, whichever is later. The decision of the City Council shall be final. If a reduction, adjustment or waiver is granted, any change in use within the project shall invalidate the waiver, adjustment or reduction of the fee.”

Section 5: Section 13.05.050 of the Imperial Beach Municipal Code is hereby amended to read as follows:

“13.05.050. Annual review of fee amount.

Annually, City staff shall make publicly available the information required by Cal. Gov’t Code 66013(d) with respect to the sewer capacity fee.”

Section 6: Severability. If any section, subsection, subdivision, paragraph, sentence, clause or phrase of this Ordinance, or its application to any person or circumstance, is for any reason held to be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining sections, subsections, subdivisions, paragraphs, sentences, clauses or phrases of this Ordinance, or its application to any other person or circumstance. The City Council declares that it would have adopted each section, subsection, subdivision, paragraph, sentence, clause or phrase hereof, irrespective of the fact that any one or more other sections, subsections, subdivisions, paragraphs, sentences, clauses or phrases hereof be declared invalid or unenforceable.

Section 7: The City Clerk is directed to prepare and have published a summary of this ordinance no less than five days prior to the consideration of its adoption and again within fifteen (15) days following adoption indicating votes cast.

EFFECTIVE DATE: This Ordinance shall be effective thirty (30) days after its adoption.

INTRODUCED AND FIRST READ at a regular meeting of the City Council of the City of Imperial Beach, California, on the 17th day of April 2013;

THEREAFTER ADOPTED at a regular meeting of the City Council of the City of Imperial Beach, California, on the 1st day of May 2013, by the following vote:

AYES:
NAYS:
ABSENT:

Jim Janney, Mayor

ATTEST:

Jacqueline Hald, City Clerk

APPROVED AS TO FORM:

Jennifer M. Lyon, City Attorney

I, City Clerk of the City of Imperial Beach, do hereby certify the foregoing to be an exact copy of Ordinance No. 2013 -1137, "AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF IMPERIAL BEACH, CALIFORNIA AMENDING SECTIONS OF CHAPTER 13.05 OF THE IMPERIAL BEACH MUNICIPAL CODE RELATED TO THE SEWER CAPACITY FEE."

JACQUELINE HALD, CITY CLERK

DATE _____



**STAFF REPORT
CITY OF IMPERIAL BEACH**

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: GARY BROWN, CITY MANAGER *MB*

MEETING DATE: MAY 1, 2013 *HB*

ORIGINATING DEPT.: PUBLIC WORKS

SUBJECT: RESOLUTION 2013-7328 FOR THE PUBLIC HEARING TO CONSIDER CONFIRMATION OF THE INTEGRATED SOLID WASTE MANAGEMENT SERVICES MAXIMUM FEE INCREASE REQUESTED BY EDCO DISPOSAL CORPORATION PURSUANT TO THE 2009 CONTRACT AMENDMENT

BACKGROUND:

On June 16, 1999, City Council adopted Resolution No. 99-5080 selecting EDCO Disposal Corporation as the City's provider of integrated waste management services. EDCO commenced services for the City on January 1, 2000. There have been three amendments to the Agreement since Resolution No. 99-5080 was adopted. The elements of Amendment No. 3 was considered and approved by the City Council on March 18, 2009 per Resolution No. 2009-6722. The approval included a requirement to mail a 45-day public hearing notice to all record owners within the City of Imperial Beach, all of which was done in accordance with legal requirements, including Proposition 218.

The EDCO Agreement with amendments provides for an annual rate adjustment. If a rate adjustment is to be requested for the succeeding year, EDCO must submit the request to the City no later than March 1st. Otherwise, the annual rate adjustment is forgone until the following fiscal year. Upon receipt of the rate adjustment request, the rates are subject to approval by City Council.

On February 27, 2013, EDCO Vice President, John Snyder, delivered a letter to Public Works requesting a Solid Waste Fee adjustment in the maximum allowable service fee. The letter is provided in Attachment 2. The EDCO Agreement specifies the method and formula to be used in calculating the maximum allowable rate adjustment based on the Consumer Price Index (CPI) and fluctuations in disposal tipping fees. The formula is applied to three customer rate categories: 1) single family residential, 2) commercial and multifamily residential and 3) roll-off services.

On March 20, 2013, City Council set the time and place for the public hearing on the proposed EDCO rate adjustment through Resolution 2013-7311 and directed staff to place a notice in the I.B. Eagle and Times. The notice is provided in Attachment 3.

Historical EDCO rate adjustments:

- 2002 – A maximum rate increase of 1.2% was approved by City Council.
- 2003 – EDCO did not request a rate adjustment.
- 2004 – A maximum rate increase of 3.1% was approved by City Council.

- 2005 – Maximum rate increases of 4.5% for single-family residential and 4.3% for commercial / multi-family residential were approved by City Council.
- 2006 – Maximum rate increases of 4.0% for single-family residential and 3.9% for commercial / multi-family residential were approved by City Council.
- 2007 – Maximum rate increase of 4.9% for single-family residential and commercial / multi-family residential were approved by City council
- FY 2008/09 – Maximum rate increase of 4.6% for single-family residential and 4.9% for commercial / multi-family residential were approved by City council
- FY 2009/10 – No EDCO rate increase
- FY 2010/11 – No EDCO rate increase but the City increased the franchise fee by 6%
- FY 2011/12 – No EDCO rate increase
- FY 2012/13 – Maximum rate increase of increase of 3.5% for basic residential and 3.6% for commercial / multi-family residential were approved by City council

DISCUSSION:

Rate adjustments are calculated using a formula based on two factors. The first factor considers changes in landfill tipping fees (1.4% since last rate increase). The second factor is tied to changes in the Consumer Price Index (2.04% since the last rate increase). Considered together, these factors equate to a 1.89% increase for basic residential service, a 1.84% increase in basic commercial service, and 2.04% increase for rolloff rates. These increases are proposed to be effective July 1, 2013.

The table below compares existing maximum solid waste rates with the new maximum monthly rates should the requested maximum rate adjustment be granted.

	CURRENT MAX. MONTHLY SERVICE RATE	REQUESTED MAX. MONTHLY SERVICE RATE (Effective 7/1/2013)
Single-Family Residential Accounts		
35-gallon cart	\$25.61	\$26.09
64-gallon cart	\$26.40	\$26.90
90-gallon cart	\$27.29	\$27.81
Additional 64-gallon cart	\$6.45	\$6.45
Additional 90-gallon cart	\$6.88	\$6.88
Multi-Family Residential & Commercial		
3-yard bin once per week	\$146.19	\$148.87
3-yard bin twice per week	\$266.81	\$271.71
3-yard bin three times per week	\$387.42	\$394.53
3-yard bin four times per week	\$508.07	\$517.39
3-yard bin five times per week	\$628.68	\$640.22
3-yard bin six times per week	\$749.31	\$763.06
Roll-off Bins		
Standard roll-off charge per load	\$220.65	\$225.14
Compactor charge per load	\$330.98	\$337.71
Delivery or relocation charge	\$63.17	\$64.46
Charge per ton over weight limit	\$74.98	\$76.03

ENVIRONMENTAL DETERMINATION:

Not a project as defined by CEQA.

FISCAL IMPACT:

No significant fiscal impact

DEPARTMENT RECOMMENDATION:

Staff recommends the City Council

1. Open the public hearing.
2. Receive this report.
3. Close the public hearing.
4. Consider proposed changes to the maximum allowable Integrated Solid Waste Management Services fees charged by EDCO Disposal Corp. becoming effective July 1, 2013. A 1.89% adjustment of the refuse rate is being proposed due to the increased costs of providing refuse collection and recycling services to the single-family residential units and 1.84% for business multi-family communities and 2.04% for the roll off component. The amount of refuse bill is determined by the quantity and size of the refuse containers and the frequency of collection.
5. Direct staff to mail out notices to property owners on the rate increase at least 30 days before going into effect.
6. Adopt the attached resolution.

CITY MANAGER'S RECOMMENDATION:

Approve Department recommendation.

Attachments:

1. Resolution No. 2013-7328
2. EDCO Rate Letter
3. Notice of Pubic Hearing

RESOLUTION NO. 2013-7328

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IMPERIAL BEACH, CALIFORNIA, ADOPTING THE INTEGRATED SOLID WASTE MANAGEMENT SERVICES MAXIMUM FEE INCREASE REQUESTED BY EDCO DISPOSAL CORPORATION

WHEREAS, on June 16, 1999, City Council adopted Resolution No. 99-5080 selecting EDCO Disposal Corporation's bid proposal for Integrated Waste Management Services commencing January 1, 2000; and

WHEREAS, an Agreement between the City of Imperial Beach and EDCO Disposal Corporation for Integrated Waste Management Services was subsequently signed on August 4, 1999; and

WHEREAS, there have been three amendments to the Agreement since Resolution No. 99-5080 was adopted; and

WHEREAS, the Agreement provides for a rate adjustment schedule for the maximum allowable service charge beginning the third year of the Agreement and for all subsequent years; and

WHEREAS, the Agreement specifies the method and formula to be used in calculating the maximum allowable rate adjustment based on the Consumer Price Index (CPI) and fluctuations in disposal tipping fees; and

WHEREAS, EDCO Disposal Corporation was granted a maximum allowable increase in the disposal rates for calendar years 2002, 2004, 2005, 2006, 2007, fiscal year 2008/09, and fiscal year 2012/13; and

WHEREAS, EDCO Disposal Corporation has requested a maximum allowable rate increase for fiscal year 2013-14 based on formulas and methods described in the Agreement; and

WHEREAS, a maximum increase of 1.89% is being requested for basic residential service, 1.84% for basic commercial/multi-family service and 2.04% for standard roll off service; and

WHEREAS, City staff have reviewed the proposed EDCO rate adjustment and concur that it follows the formulas and methods stated in the Agreement; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Imperial Beach as follows:

1. The above recitals are true and correct.
2. This legislative body of the City of Imperial Beach approves the EDCO rate adjustment for the maximum refuse disposal rate of 1.89% for basic residential service, 1.84% for basic commercial/multi-family service and 2.04% for standard roll off service.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of Imperial Beach at its meeting held on the 1st day of May 2013, by the following vote:

AYES: COUNCILMEMBERS:
NOES: COUNCILMEMBERS:
ABSENT: COUNCILMEMBERS:

JAMES C. JANNEY, MAYOR

ATTEST:

JACQUELINE M. HALD, CMC
CITY CLERK

EDCO

WASTE & RECYCLING SERVICES

February 27, 2013

Mr. H.A. (Hank) Levien
Director of Public Works
City of Imperial Beach
495 Tenth Street
Imperial Beach, CA 91932

Dear Mr. Levien,

EDCO has proudly served the citizens and businesses in Imperial Beach with waste collection and recycling services for several years. During that time our organization has been dedicated to providing the highest level of service while operating in a safe and professional manner.

As you are aware, EDCO's Solid Waste and Recycling Services Agreement with the City of Imperial Beach allows for periodic rate adjustments. Changes in the rate structure must be based on the Consumer Price Index (CPI) and any fluctuation in disposal tipping fees. For FY-2014 collectively these adjustments equal a 1.9% increase for basic residential service and a 1.8% increase for basic commercial service and are proposed to be effective July 1, 2013.

As always if you should have any questions or require more information please contact me at (619) 287-5696 ext 4204 or email jsnyder@edcodisposal.com.

Sincerely,



John Snyder
Vice President

"We'll Take Care of It"

Single Family Residential Rates

Step One: Deduct franchise fees from gross rate revenue

Revenue Component (including Franchise Fees) PRIOR YEAR	Annual Amount	Percent of Gross Revenue Including Franchise Fees
Actual Gross Single Family Rate Revenue	\$ 1,660,866	100.0%
Actual Single Family Franchise Fees	\$ 597,912	36.0%
Actual Single Family Rate Revenue Net of Franchise Fees	\$ 1,062,954	64.0%

Step Two: Determine disposal expense and service revenue as a percent of actual rate revenue net of Franchise Fees

Revenue Component (net of Franchise Fees) PRIOR 12 MONTHS	Annual Amount	Percent of Gross Revenue Net of Franchise Fees
Actual Single Family Rate Revenue Net of Franchise Fees	\$ 1,062,954	100.0%
Less: Actual Single Family Refuse Disposal Expense	\$ 238,083	22.4%
Actual Single Family Service Revenue	\$ 824,872	77.6%

Step Three: Calculate percentage change in adjustment factors

Adjustment Factor	Old	New	Percent Change
Disposal Tipping Fee per Ton	\$ 47.91	\$ 48.58	1.40%
CPI- Los Angeles Index	231.928	236.648	2.04%

Step Four: Calculate weighted percentage change in single family rates

Components of Actual Revenue	Component Weight	Percent Change	Weighted Rate Adjustment
Refuse Disposal	22.4%	1.40%	0.31%
Service	77.6%	2.04%	1.58%
Total	100.0%	N/A	1.89%

Step Five: Apply weighted percentage change to single family rates
Includes .03 for Printing and Mailing cost

Service	Current Rate	Weighted Rate Adjustment	Adjusted Monthly Rate
35 gallon cart	\$ 25.61	1.89%	\$ 26.09
64 gallon cart	\$ 26.40	1.89%	\$ 26.90
90 gallon cart	\$ 27.29	1.89%	\$ 27.81
Additional 64 gallon refuse cart	\$ 6.45		\$ 6.45
Additional 90 gallon refuse cart	\$ 6.88		\$ 6.88

Interim Step: HHW Rate base adjust	HHW fund in Current Rate	New HHW fund in Rate	Rate change
HHW Base	\$ 12,000	\$ 12,000	-
Monthly rate	\$ 0.22	\$ 0.22	-

Step Six: Franchise Fee Adjustment

Service	Adjusted Monthly Rate	Add: Franchise Fee Incremental	Final Rate	total increase
35 gallon cart	\$ 26.09	\$ -	\$ 26.09	1.87%
64 gallon cart	\$ 26.90	\$ -	\$ 26.90	1.89%
90 gallon cart	\$ 27.81	\$ -	\$ 27.81	1.91%
Additional 64 gallon refuse cart	\$ 6.45	\$ -	\$ 6.45	0.00%
Additional 90 gallon refuse cart	\$ 6.88	\$ -	\$ 6.88	0.00%

Commercial and MFR Bin Rates

Step One: Deduct franchise fees from gross rate revenue

Revenue Component (including Franchise Fees)	Annual Amount	Percent of Gross Revenue Including Franchise Fees
PRIOR YEAR		
Actual Gross Commercial and MFR Rate Revenue	\$ 1,512,605	100.0%
Actual Commercial and MFR Franchise Fees	\$ 544,538	36.0%
Actual Commercial MFR Rate Revenue Net of Franchise Fees	\$ 968,067	64.0%

Step Two: Determine disposal expense and service revenue as a percent of actual rate revenue

Revenue Component (net of Franchise Fees)	Annual Amount	Percent of Gross Revenue Net of Franchise Fees
PRIOR YEAR		
Actual Commercial and MFR Rate Revenue Net of Franchise Fees	\$ 968,067	100.0%
Less: Actual Commercial and MFR Refuse Disposal Expense	\$ 303,963	31.4%
Actual Commercial and MFR Service Revenue	\$ 664,105	68.6%

Step Three: Calculate percentage change in adjustment factors

Adjustment Factor	Old	New	Percent Change
Disposal Tipping Fee per Ton	\$ 47.91	\$ 48.58	1.40%
CPI- Los Angeles Index	231.928	236.648	2.04%

Step Four: Calculate weighted percentage change in commercial and MFR rates

Components of Actual Revenue	Component Weight	Percent Change	Weighted Rate Adjustment
Refuse Disposal	31.4%	1.40%	0.44%
Service	68.6%	2.04%	1.40%
Total	100.0%	N/A	1.84%

Step Five: Apply weighted percentage change to commercial and MFR rates (Includes .03 for mailing notices)

Service	Current Rate	Weighted Rate Adjustment	Adjusted Monthly Rate
1 ea 3 yard bin once per week	\$ 146.19	1.84%	\$ 148.87
1 ea 3 yard bin twice per week	\$ 266.81	1.84%	\$ 271.71
1 ea 3 yard bin three times per week	\$ 387.42	1.84%	\$ 394.53
1 ea 3 yard bin four times per week	\$ 508.07	1.84%	\$ 517.39
1 ea 3 yard bin five times per week	\$ 628.68	1.84%	\$ 640.22
1 ea 3 yard bin six times per week	\$ 749.31	1.84%	\$ 763.06

Step Six: Franchise Fee Adjustment

Service	Adjusted Monthly Rate	Add: Franchise Fee Incremental	Final Rate	total increase
1 ea 3 yard bin once per week	\$ 148.87	\$ -	\$ 148.87	1.83%
1 ea 3 yard bin twice per week	\$ 271.71	\$ -	\$ 271.71	1.84%
1 ea 3 yard bin three times per week	\$ 394.53	\$ -	\$ 394.53	1.84%
1 ea 3 yard bin four times per week	\$ 517.39	\$ -	\$ 517.39	1.83%
1 ea 3 yard bin five times per week	\$ 640.22	\$ -	\$ 640.22	1.84%
1 ea 3 yard bin six times per week	\$ 763.06	\$ -	\$ 763.06	1.84%

Rolloff Rates

Step One: Calculate percentage change in CPI

Adjustment Factor	Old	New	Percent Change
CPI- Los Angeles Index	231.93	236.65	2.04%

Step Two: Apply percentage change in Consumer Price Index to rolloff rates

Service	Current Rate	Rate Adjustment	Adjusted Rate
Standard rolloff charge per load	\$ 220.65	2.04%	\$ 225.14
Compactor charge per load	\$ 330.98	2.04%	\$ 337.71
Delivery or relocation charge	\$ 63.17	2.04%	\$ 64.46
Charge per ton for each ton over weight limit	\$ 74.98	1.40%	\$ 76.03

Step Three: Franchise Fee Adjustment

Service	Adjusted Rate	Add: Franchise Fee Incremental	Final Rate	total increase
Standard rolloff charge per load	\$ 225.14	\$ -	\$ 225.14	2.0%
Compactor charge per load	\$ 337.71	\$ -	\$ 337.71	2.0%
Delivery or relocation charge	\$ 64.46	\$ -	\$ 64.46	2.0%
Charge per ton for each ton over	\$ 76.03	\$ -	\$ 76.03	1.4%

**City of Imperial Beach
Public Hearing to Consider
Proposed Integrated Solid Waste Management Services
Maximum Fee Increase**

NOTICE IS HEREBY GIVEN that the City Council of the City of Imperial Beach will hold a Public Hearing at a regular meeting of the City Council of the City of Imperial Beach on May 1, 2013, at 6:00 p.m., or as soon as possible thereafter as the matter can be heard in the Council Chambers of the Civic Center, 825 Imperial Beach Boulevard, Imperial Beach, California, for the purpose of reviewing and confirming the maximum fee increase request by EDCO Disposal Corporation in accordance with the 2009 rate adjustment under the Third Amendment to the agreement between the City and EDCO. The EDCO Agreement specifies the method and formula to be used in calculating the maximum allowable rate adjustment based on the Consumer Price Index (CPI) and fluctuations in disposal tipping fees. The formula is applied to three customer rate categories: 1) single family residential, 2) commercial and multifamily residential and 3) roll-off services. Collectively the proposed EDCO rate adjustments equate to a 1.89% increase for basic residential service, a 1.84% increase in basic commercial service, and 2.04% in standard roll-off rates. Changes are proposed to be effective July 1, 2013.

At the public hearing, the City Council will consider objections and protests to the proposed charges either delivered to Attn: City Clerk, City of Imperial Beach, 825 Imperial Beach Boulevard, Imperial Beach, California 91932, by 12:00 p.m., May 1, 2013, or filed with the City Clerk prior to the conclusion of the public hearing. Additional information pertaining to this matter may be obtained from the Public Works Department, 495 10th Street, Imperial Beach, California 91932. They may be contacted by calling (619) 423-8311.

Persons interested may appear before the Council at the above date, place and time. If you challenge the matter in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice or in written correspondence delivered to the City Clerk at, or prior to, the public hearing. The City of Imperial Beach is endeavoring to be in total compliance with the Americans with Disabilities Act. If you require assistance or auxiliary aids in order to participate at City Council meetings, please contact the City Clerk's Office as far in advance of the meeting as possible.

/s/
JACQUELINE M. HALD, MMC
CITY CLERK



AGENDA ITEM NO. 6.1

STAFF REPORT
CITY OF IMPERIAL BEACH

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: GARY BROWN, CITY MANAGER *KB*
MEETING DATE: MAY 1, 2013
ORIGINATING DEPT.: ADMINISTRATIVE SERVICES DEPARTMENT *KV*
SUBJECT: PROPOSED BUDGETS FOR FISCAL YEARS 2013-2015

BACKGROUND:

On March 6, 2013, City Council received an overview of the General Fund for FY 2012-13 through FY 2014-15. For Council consideration and discussion, attached are the City Manager's Proposed Budgets for FY 2013-14 and FY 2014-15 for all City funds. A five-year projection of the General Fund is also presented for review and discussion.

The budgets for Fiscal Years 2013-2014 and 2014-2015 are cautiously optimistic in light of a slowly improving local economy, stabilization of property values, an economic catalyst in the form of a new hotel, and improvements to the City's infrastructure. There are also fiscal and physical challenges such as: long-term maintenance of streets, sewers, parks, and other City facilities; rising health care costs, retention and development of the City workforce, maintenance of adequate public safety services (Sheriff, Fire, Emergency Medical and Lifeguards), economic development, and the fiscal uncertainties posed by State government. Simply put, City budgets beyond the next two years may call for additional reductions unless revenues exceed current expectations.

It's not unusual for Imperial Beach to have five-year fiscal forecasts showing deficits in the out-years, yet the City has managed to stay fiscally stable and maintain basic services at adequate, though not optimal, levels. The next two years of balanced budgets continue the practice of maintaining adequate service levels while making incremental improvements that have added up to major positive changes over the years.

DISCUSSION:

A detailed summary of the Proposed Budget is provided in the attached PowerPoint presentation. The presentation provides an overview of the City-wide Budget and budget reduction efforts of the past few years.

A detailed overview of the General Fund's estimated revenue, proposed expenditures, and estimated fund balances is provided, along with a Five-Year Forecast. Several fund balance reserves in the General Fund are proposed for consideration. The advantages of the creation of a CalPERS "Side Fund" is provided, which is aimed at reducing the City's unfunded pension liability and diminishing future contribution rate increases.

Also included are overviews of the proposed budgets for the Wastewater Fund, Other Operating Funds and Internal Service Funds. Potential budget uncertainties are outlined, as well as suggested next steps toward final Council adoption of the budget.

Some key points are:

1. For the second year of the two-year budget, 2014-15, the following is recommended:
 - a. Filling the unfilled firefighter/paramedic position.
 - b. Replacing two part-time code compliance officers with one full-time code enforcement person.
 - c. Filling the vacant Deputy City Clerk position.
2. Funds are recommended for strategic marketing of the City.
3. Adequate balances will be maintained in the following funds to sustain City operations:
 - a. Vehicle replacement and maintenance
 - b. Self-insurance
 - c. Information Technology
 - d. Facilities maintenance
4. \$2 million is recommended to pay off nearly half of the City's unfunded pension liability totaling \$4.45 million. This will save the City approximately \$117,000 annually. (Council could allocate less than \$2M and thereby retain a larger reserve for unforeseen events.)
5. Setting aside \$1.8M (approximately 10% of General Fund expenditures) from General Fund Reserves into an Economic Uncertainty Fund to sustain the City through periods of unexpected downturns and loss of revenues is suggested.
6. We plan to discuss Sports Park in much greater depth at the June 5 Council meeting, and the budget will be amended to reflect Council's decisions. The currently proposed budget shows \$115,500 in FY 2013-14 and \$50,000 in FY 2014-15. This will be amended to reflect Council's decisions about the management of Sports Park.
7. The budget will also be amended to reflect the results of labor negotiations.

FISCAL IMPACT:

The total proposed budget expenditures total \$27,069,795 for FY 2013-14 and \$26,031,525 for FY 2014-15. The General Fund expenditures within the total budget are \$17,611,389 for Fiscal Year 2013-14 and \$18,000,842 for Fiscal Year 2014-15. Total projected revenues equal expenditures and thus the budget is balanced.

DEPARTMENT RECOMMENDATION:

It is recommended that the City Council provide feedback on the Proposed Budget, and based upon Council comments, staff will modify the budgets for Council's consideration at a subsequent Council meeting.

CITY MANAGER'S RECOMMENDATION:

Approve Department recommendation.

Attachments:

1. PowerPoint of Proposed Budget for Fiscal Years 2013 - 2015
2. Proposed Budget Book for Fiscal Years 2013 - 2015

Proposed Budget for 2013-2015

City of Imperial Beach, California

City Council Meeting

May 1, 2013



Budget Presentation

- City-wide Budget Overview
- Looking Back at the Budget
- General Fund Budget
- Wastewater (Sewer) Fund Budget
- Gas Tax and TransNet Funds
- Internal Service Funds
- Potential Budget Uncertainty
- Budget Process – Next Steps

City-wide Budget

<i>Revenues and Other Sources by City Departments</i>	FY 2013 Projected Revenues & Other Sources	FY 2014 Estimated Revenues & Other Sources	% Change from FY 2013	FY 2015 Estimated Revenues & Other Sources	% Change from FY 2014
General Government	9,018,096	8,705,291	-3%	8,998,698	3%
Administrative Services	2,877,880	3,155,542	10%	2,794,148	-11%
Community Development	442,200	424,223	-4%	430,223	1%
Fire-Rescue	700,565	672,330	-4%	704,710	5%
Law Enforcement	2,212,202	2,253,245	2%	2,280,391	1%
Lifeguards	1,421,000	1,442,420	2%	1,463,317	1%
Public Works	5,233,107	6,068,379	16%	4,891,035	-19%
Wastewater	4,939,089	4,343,615	-12%	4,467,702	3%
Sports Park & Senior Services	9,800	4,750	-52%	1,300	-73%
TOTAL REVENUES	\$26,853,939	\$27,069,795	1%	\$26,031,525	-4%

<i>Proposed Expenditures by City Departments</i>	FY 2013 Projected Expenditures	FY 2014 Proposed Expenditures	% Change from FY 2013	FY 2015 Proposed Expenditures	% Change from FY 2014
General Government	1,584,583	1,512,727	-5%	1,579,417	4%
Administrative Services	1,789,766	2,104,876	18%	1,760,400	-16%
Community Development	1,050,592	1,155,368	10%	1,178,855	2%
Fire-Rescue	2,187,236	2,188,206	0%	2,286,255	4%
Law Enforcement	6,575,647	6,811,731	4%	7,054,721	4%
Lifeguards	1,320,691	1,442,420	9%	1,463,317	1%
Public Works	7,201,459	7,293,820	1%	6,235,809	-15%
Wastewater	4,939,089	4,343,615	-12%	4,321,202	-1%
Sports Park & Senior Services	204,876	217,032	6%	151,548	-30%
TOTAL EXPENDITURES	\$26,853,939	\$27,069,795	1%	\$26,031,525	-4%

Sources are recommended be drawn from available fund balance for one-time items needed to sustain operations. Items include replacement vehicles, IT needs, a replacement fire engine.

Fund reserves were also utilized for the Eco-Bikeway project, approved by Council last fall.



Looking Back at the Budget

- Reduced Programs and Services
- Loss of redevelopment agency funds
- Eliminated 10.5 full-time and 4.0 part time positions, resulting in an annual saving of \$954,000
- Froze salary increases and reduced employee benefits
- Pension reforms:
 - In FY 2011 City paid-off \$1.33 million “Side Fund”, the unfunded pension liability reported as of June 30, 2010.
 - Established 3rd PERS retirement tier (2% at 60)
 - Eliminated City paid employee portion, \$161,000 annual savings
 - *Employee paid contributions currently are 8% of annual earnings (9% for safety employees)*



General Fund Budget

- Fund Balance
- Revenues
- Expenditures
- Five Year Forecast

General Fund Available Fund Balance

GENERAL FUND	FY 2012-13	FY 2013-14	FY 2014-15
	Projected	Proposed	Proposed
	Budget	Budget	Budget
<i>numbers in 000's</i>			
<i>Available Fund Bal, Start of Year</i>	9,537	9,697	9,881
Revenues	\$ 17,838	\$ 17,796	\$ 18,050
Expenditures	17,679	17,611	18,001
Net Change	160	184	49
<i>Available Fund Bal, End of Year</i>	\$ 9,697	\$ 9,881	\$ 9,930

- The budget is balanced for all three fiscal years.
- Net change shows that estimated revenues exceed proposed expenditures.
- The net change is positive, but future increasing costs exceed forecasted revenue growth.
- Began current fiscal year with \$9.5 million in available fund balance.
- A portion of these available fund balances are proposed to be reserved for anticipated critical needs.

Proposed Fund Balance Reserves

GENERAL FUND (AVAILABLE AND RESERVED FUND BALANCES)

	Projected FY 2012-13	Proposed FY 2013-14	Proposed FY 2014-15
Estimated Ending Available Fund Balance:	9,697,052	9,881,248	9,930,226
Proposed New Reserves:			
Economic Uncertainty Reserve	1,800,000	1,800,000	1,800,000
Public Safety Communications Reserve	800,000	800,000	800,000
Pension Liability Reserve	2,000,000	2,000,000	2,000,000
Proposed Fund Balance Reserves	\$ 4,600,000	\$ 4,600,000	\$ 4,600,000
Est. Avail Fund Balance after Reserves	\$ 5,097,052	\$ 5,281,248	\$ 5,330,226

- Three new reserves are proposed totaling \$4.6 million.
- Proposed reserves reduce available fund balance from \$9.7 million to \$5.1 million.
- Available fund balance of \$5.1 million, or 28% of total General Fund expenditures, is a level recommended for cities with a limited tax base.
- 28% represents over 3 months of operations costs.



Proposed Fund Balance Reserve (cont.)

- City Council Policy No. 420 – Fund Balance Reserves
 - Adopted May 18, 2011 authorizes City Manager and/or City Council to assign residual net resources (available fund balance) for specific purposes
- Proposed Fund Balance Reserve Assignments
 - Economic Uncertainty Reserve – 10% of General Fund expenditures.
 - City previously had this policy.
 - Public Safety Communication Reserve – IB portion estimated \$800,000 in infrastructure costs for Next Generation Radio Communication System (RCS) Backbone anticipated to be due in 3 to 4 years.
 - Full payment will save \$265,000 in interest costs.
 - Pension Liability Reserve – Proposed \$2 million is less than half the City's \$4.5 million unfunded pension liability



Pension Liability: CalPERS “Side Fund”

- Propose creating an Imperial Beach “Side Fund” with CalPERS
- A “Side Fund” is where extra payments towards the City’s pension plans’ unfunded liabilities would be held/invested
- For every \$1 million put in the “Side Fund”, the City reduces its required pension contributions by \$58,500 every year for the next 30 years
- Two reasons for a “Side Fund”:
 - City would save on the amount it’s required to pay every year towards its pension liability.
 - Would diminish the impact of recent changes in CalPERS’ actuarial methods related to “smoothing”.

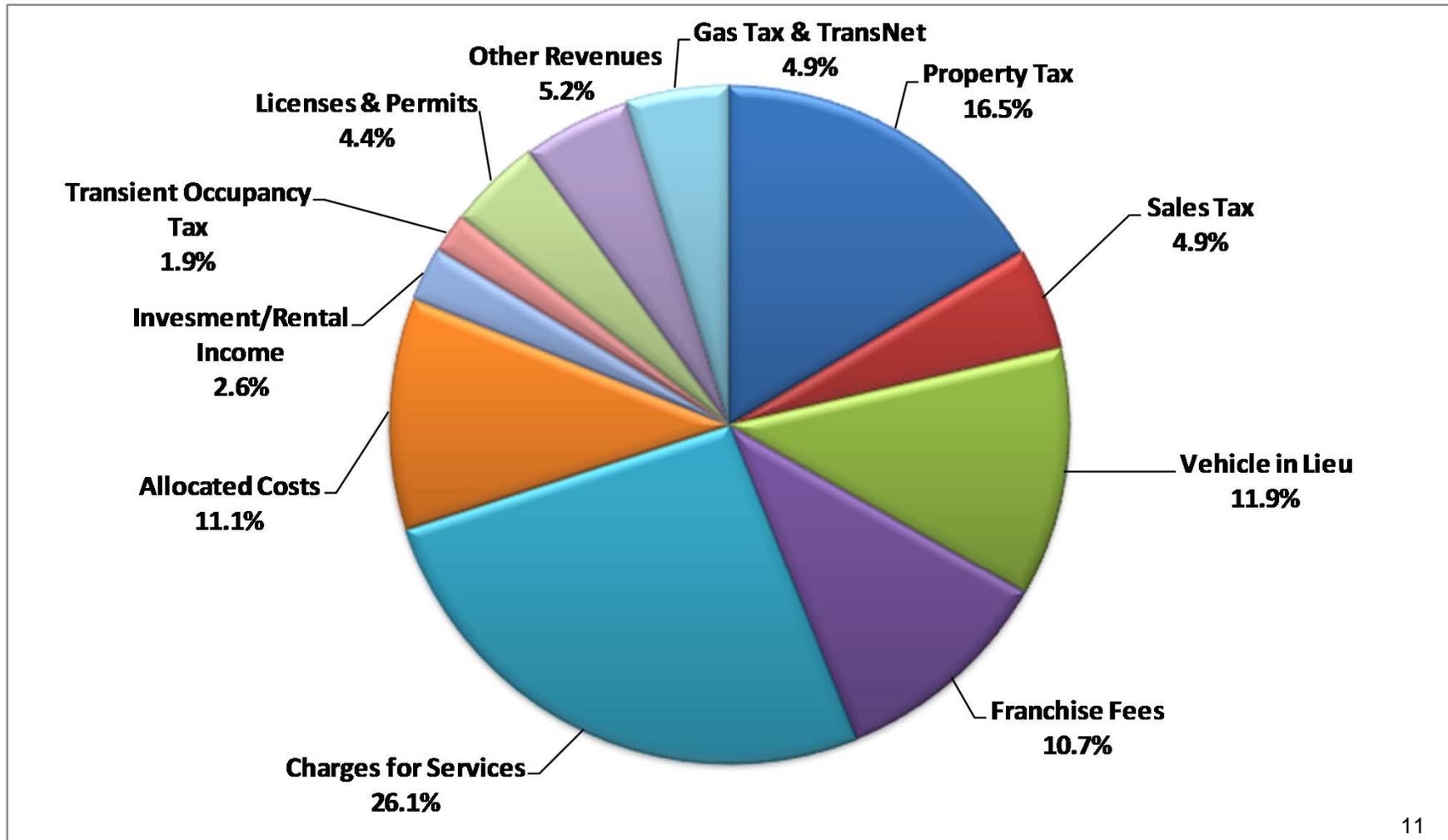


CalPERS Pension Cost Increases

- Change in Actuarial Method adopted by CalPERS April, 2013
 - No more 15-yr (Rolling) smoothing period; Change to Direct Rate smoothing in 5 years along with a 30-yr fixed amortization period.
 - Impact: Estimated to increase contributions rates from 5% to 7% over 5 years beginning in FY 2015-16, with the largest increase in first year (FY 2015-16).
 - Five-Year Forecast includes these increased pension costs, additional \$52,000 in FY 2015-16 and another \$55,000 in FY 2016-17.

- More possible changes for CalPERS Board discussion in 2014
 - Change in 7.5% investment rate of return to lower percent; Potential increase between 2%-4% of payroll (\$100,000 to \$200,000); Phased-in over time.
 - Change in mortality assumption; Potential increase between 2% - 4% of payroll, or \$100,000 to \$200,000; Phased-in over time.

FY 2014 Proposed General Fund Revenues

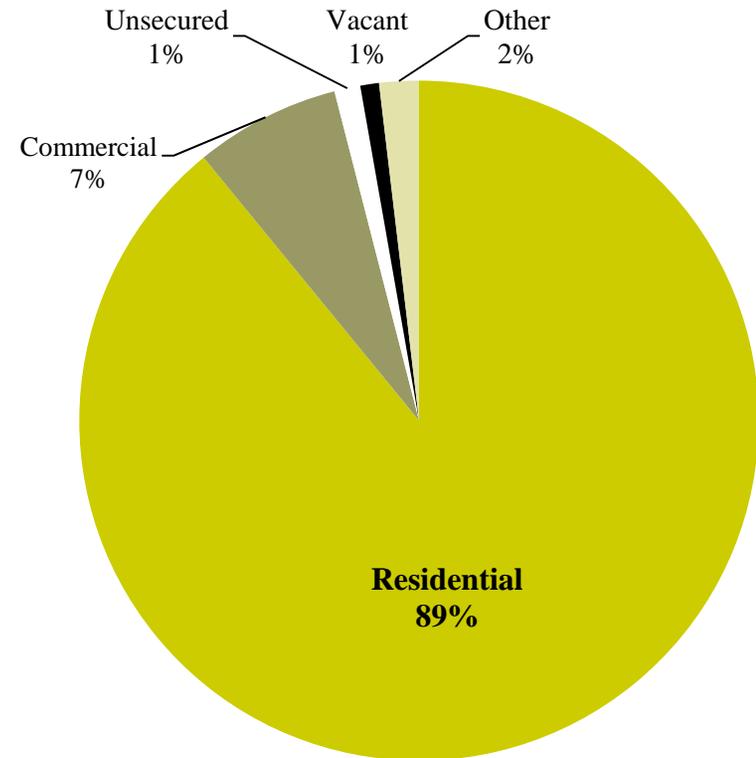


FY 2014 & FY 2015 Estimated Revenues

General Fund Revenue Categories	FY 2013 Projected Revenues	FY 2014 Estimated Revenues	% Change from FY 2013 Projected	FY 2015 Estimated Revenues	% Change from FY 2014 Estimate
Property Tax	2,929,500	2,929,500	0%	2,959,500	1%
Vehicle in Lieu	2,110,000	2,110,000	0%	2,110,000	0%
Charges for Services	4,604,800	4,644,945	1%	4,706,621	1%
Franchise Fees	1,866,000	1,899,556	2%	1,922,075	1%
Sales Tax	860,000	874,000	2%	880,000	1%
Licenses & Permits	787,000	791,100	1%	791,100	0%
Transient Occupancy Tax	231,000	333,332	44%	430,000	29%
Gas Tax & TransNet	701,000	871,000	24%	884,065	1%
Other Revenues	1,031,963	609,500	-41%	641,500	5%
Investments / Rental Income	455,000	457,000	0%	457,000	0%
Fines & Forfeitures	271,500	271,500	0%	277,500	2%
From Other Agencies	268,565	37,000	-86%	37,000	0%
Allocated Cost Charges	1,721,911	1,967,152	14%	1,953,458	-1%
TOTAL REVENUES	\$ 17,838,239	\$ 17,795,585	0%	\$ 18,049,820	1%

IB Assessed Value Growth by Category

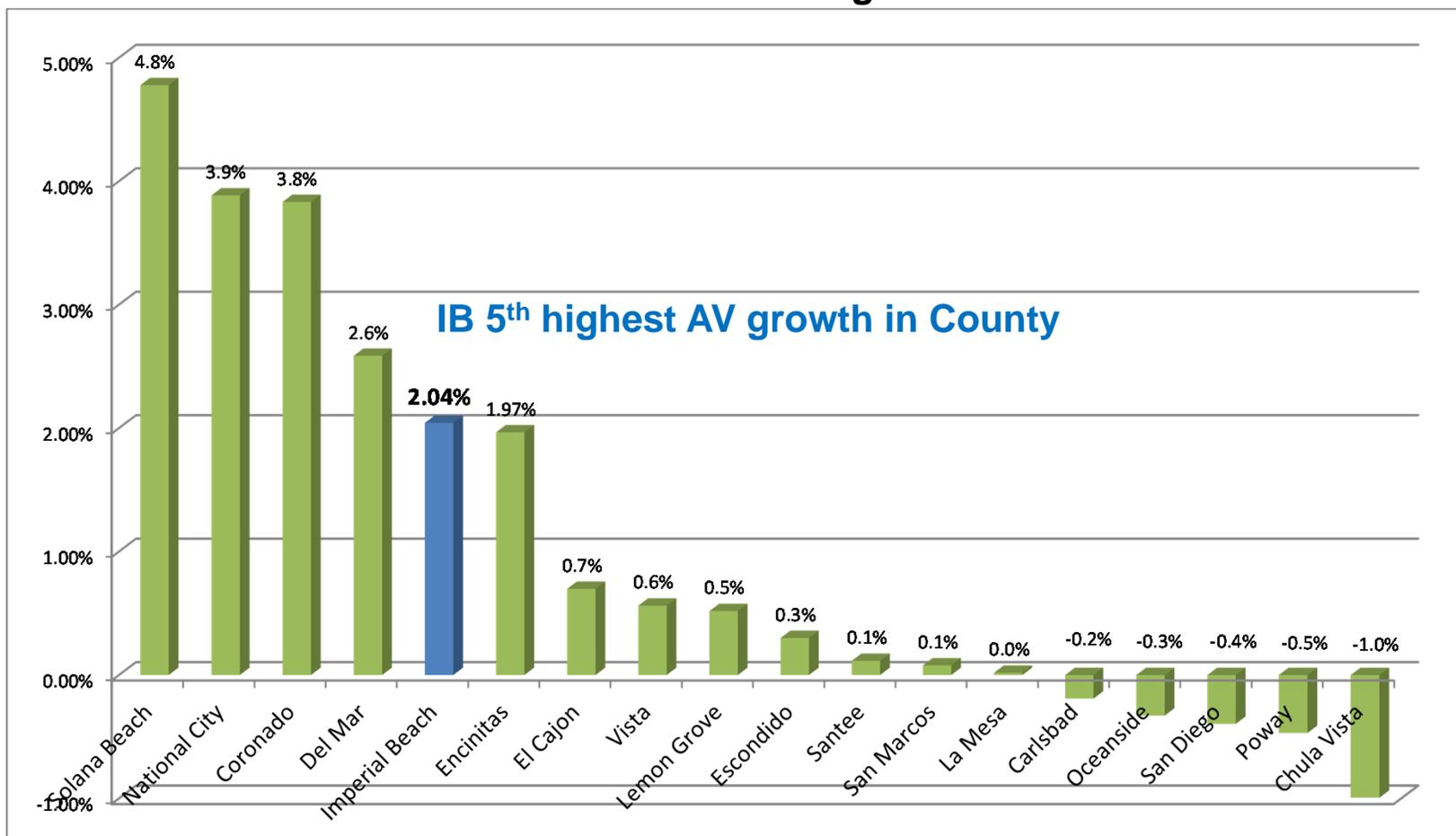
	FY 2012-13	% Total	\$ Change	% Change
Residential	\$1,292,311,474	89%	\$ 23,021,428	1.8%
Commercial	100,387,715	7%	5,709,651	6.0%
Unsecured	17,918,656	1%	(113,506)	-0.6%
Vacant/Other	40,219,533	3%	95,926	0.2%
Total	\$1,450,837,378	100%	\$ 28,713,499	2.0%



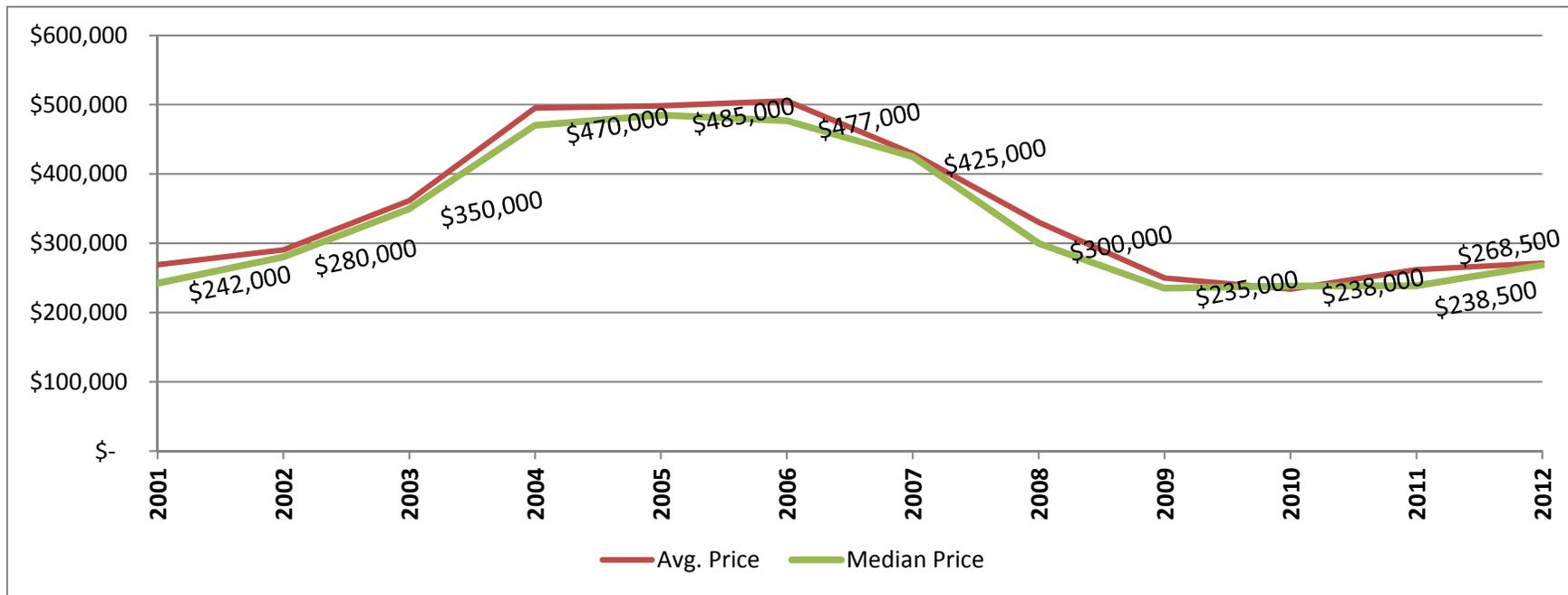
- Property tax is 17% of total General Fund revenues, most from residential properties.
- Total AV up 2% compared to 2011/12
 - Residential AV up 1.8%
 - Commercial AV up 6%
- IB AV lowest in San Diego County
- Ranked 5th highest in AV growth

San Diego Property Tax Growth Comparison

- 2012/13 Net Taxable Assessed Value Change

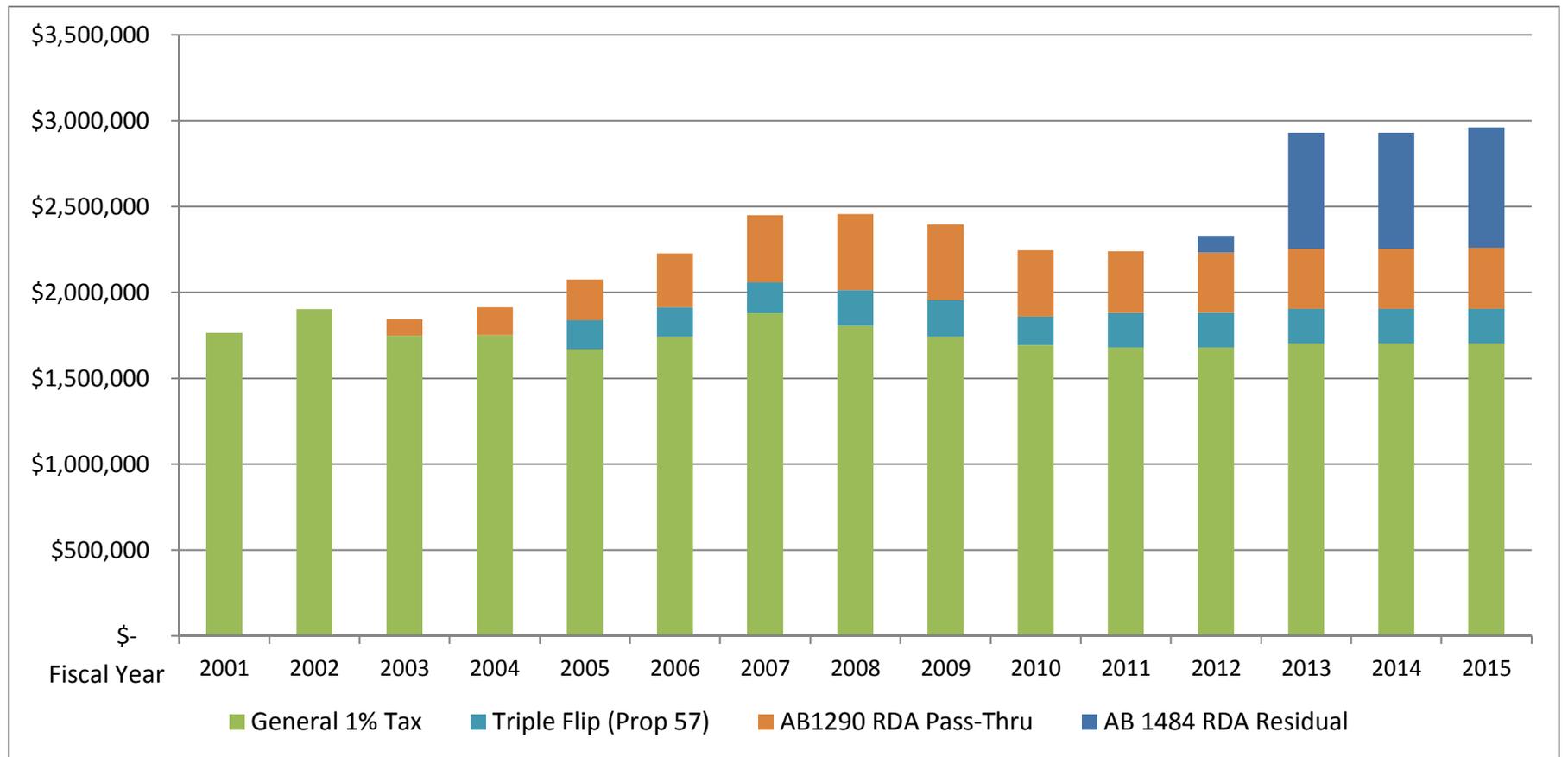


IB Single-Family Residential Sales Value History

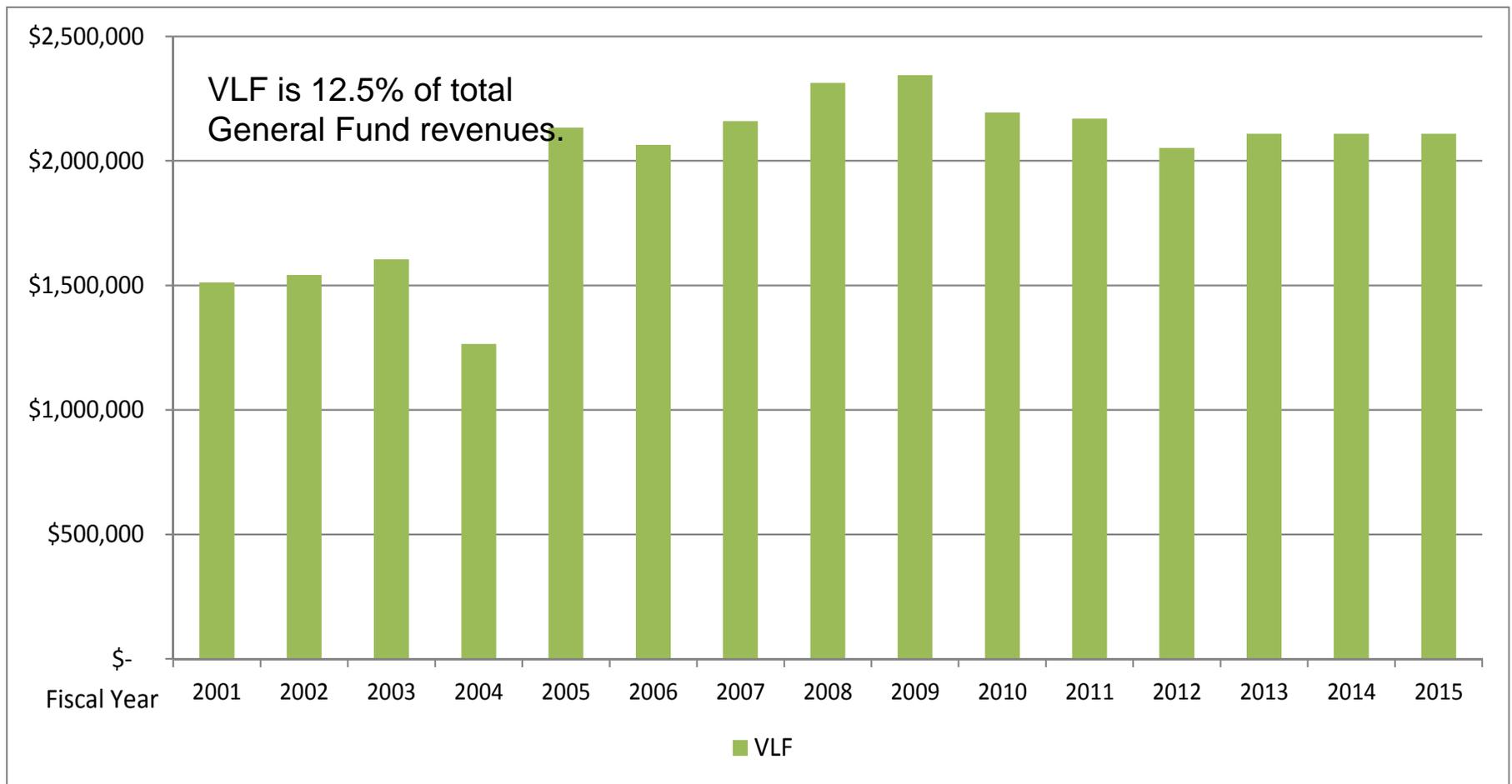


- 89% of IB assessed value are from residential properties.
- End of 2012 shows an up tick in single-family residential home sales values at \$268,500, slightly higher than the 2001 low of \$242,000.

IB General Fund Property Tax Revenue History



IB Vehicle in Lieu Revenue History



Sales Tax History

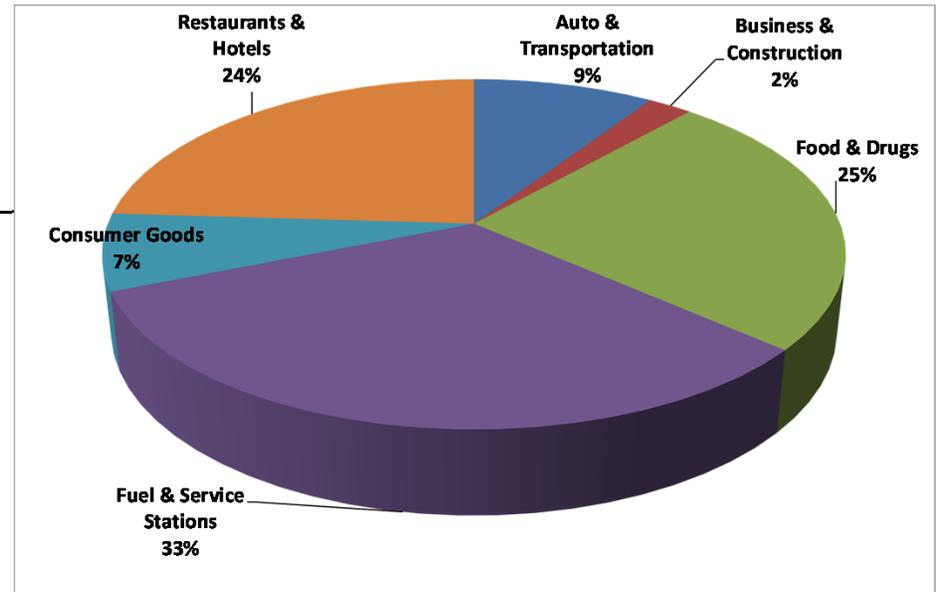
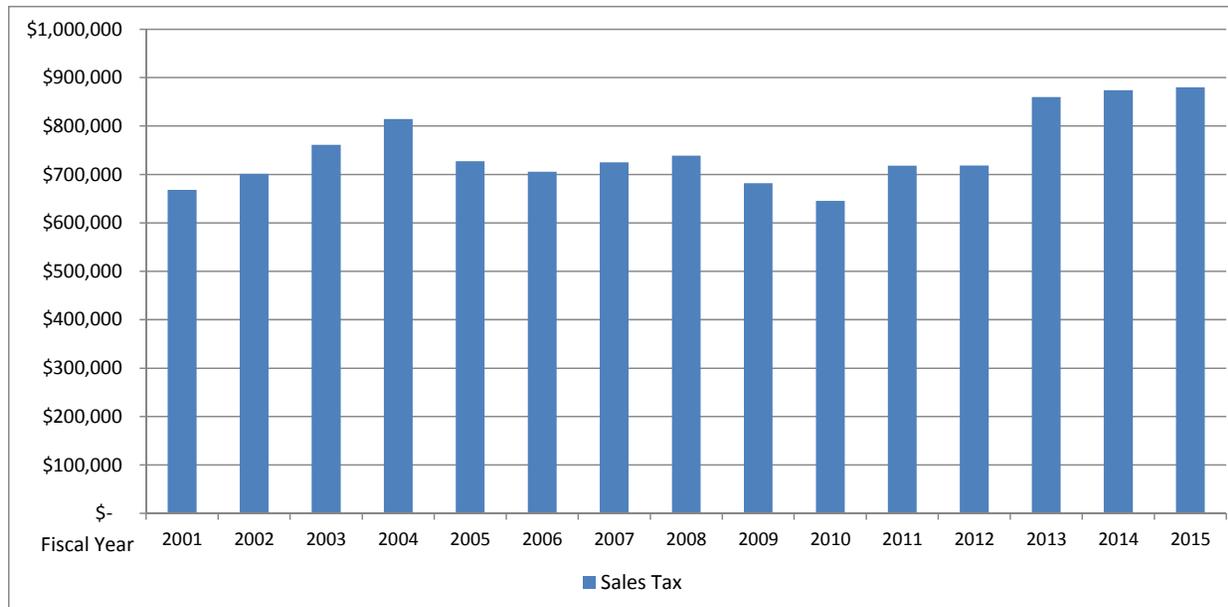
IB Sales Tax Facts

Sales tax is 5% of total General Fund revenue.

Annual Sales Tax per Capita

- State average: \$282
- IB average: \$17

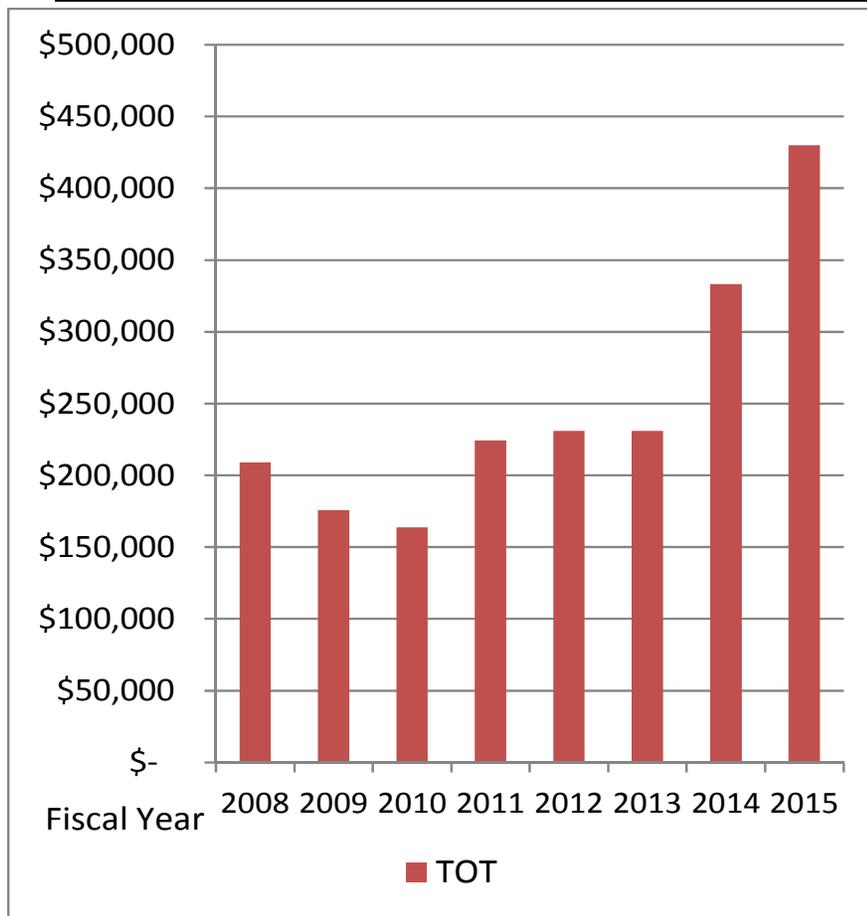
Sales Tax revenue collections since FY 2001



FY 2012 Sales Tax Receipts by Industry

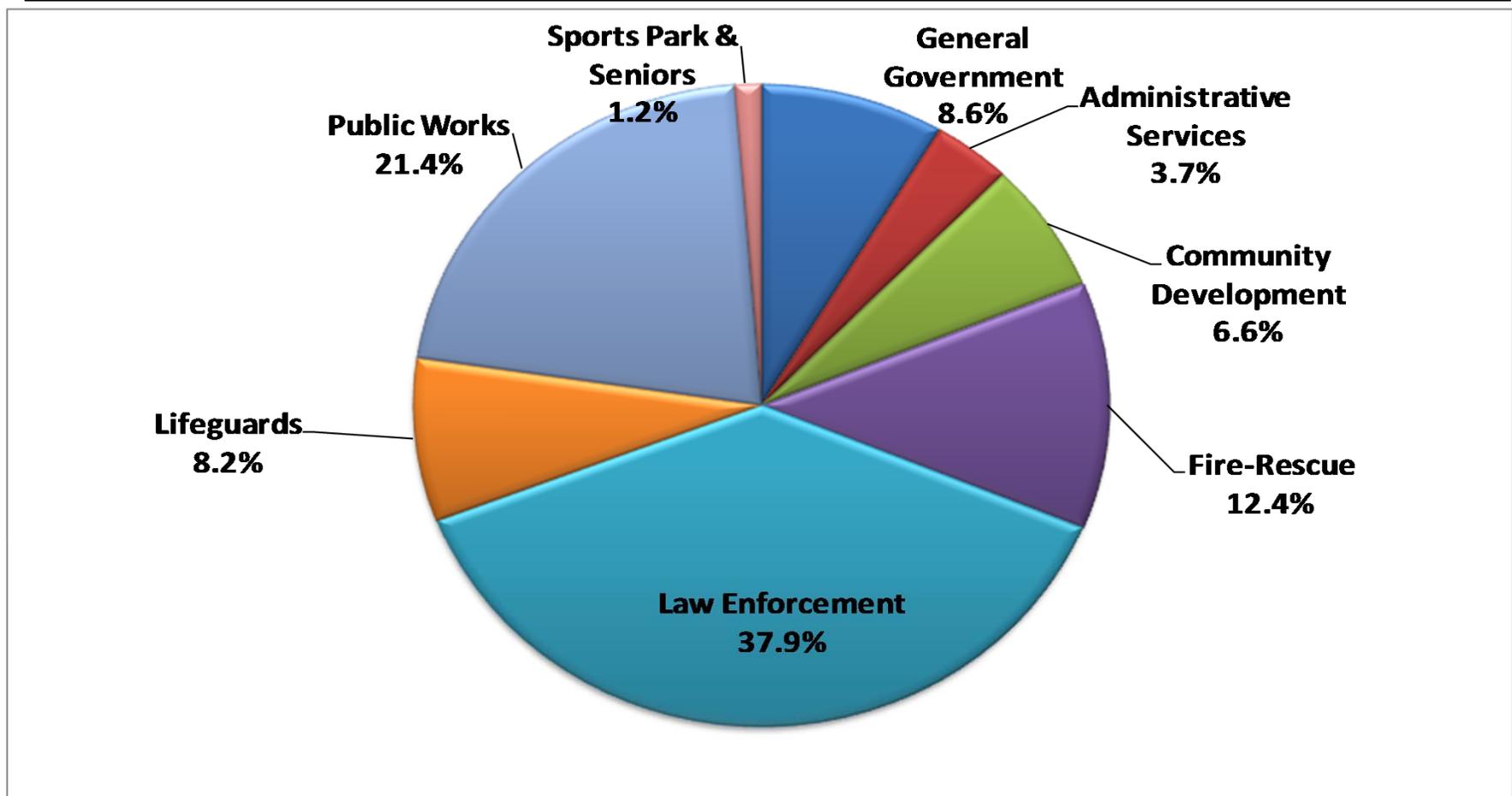
Transient Occupancy Tax

TOT is 2% of General Fund revenue.



- **FY 2014 Pier South Hotel**
 - Expected opening in September, 2013
 - Average daily room rate \$175
 - 60% occupancy of 78 hotel rooms for one-half of the year
 - Additional \$100,000 over base
- **FY 2015 Pier South Hotel**
 - Full year of operations
 - 60% occupancy of 78 hotel rooms for two-thirds of the year
 - Another additional \$100,000 over FY 2013-14 estimate

Proposed FY 2014 General Fund Expenditures



FY 2014 & FY 2015 General Fund Expenditures

General Fund Departments	FY 2013 Projected Expenditures	FY 2014 Proposed Expenditures	% Change from FY 2013 Projected	FY 2015 Proposed Expenditures	% Change from FY 2014 Budget
General Government	1,584,583	1,512,727	-5%	1,579,417	4%
Administrative Services	747,177	642,978	-14%	645,383	0%
Community Development	1,050,592	1,155,369	10%	1,178,855	2%
Fire-Rescue	2,187,236	2,188,206	0%	2,286,255	4%
Law Enforcement	6,445,550	6,681,731	4%	6,924,721	4%
Lifeguards	1,320,691	1,442,420	9%	1,463,317	1%
Public Works	4,137,861	3,770,926	-9%	3,771,345	0%
Sports Park & Senior Services	204,876	217,032	6%	151,548	-30%
TOTAL EXPENDITURES	\$17,678,566	\$17,611,389	0%	\$18,000,842	2%



Proposed GF Expenditure Budget

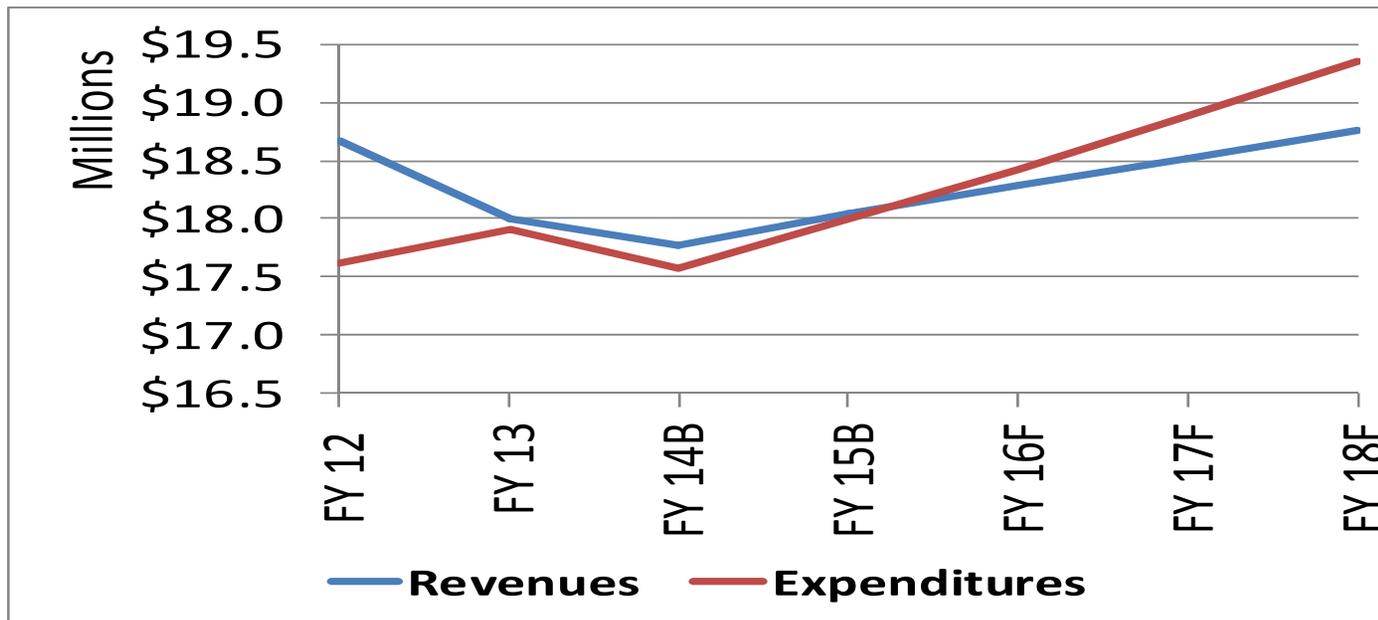
- CalPERS required contribution rate increases range from 10% to 14% over next two years; GF pension cost increase of \$118,000 in FY14 would be reduced by \$100,000 with a \$2 million “Side Fund” contribution (annual savings for next 30 years).
- Increased Lifeguard services at cost of \$84,000
- Decreases in salary/benefits totaling \$280,000 in General Government, Administrative Services, Planning, Public Works Administration, Streets, and Sports Park due to retirements, reduction of programming, and changes in allocation of costs to other City funds
- Results of labor negotiations uncertain
- Fill the vacant Firefighter/Paramedic position in FY 2014-15
- Restore the Deputy City Clerk beginning in FY 2014-15



Proposed GF Expenditure Budget (cont.)

- Convert 2.0 part-time Code Compliance Officers to 1.0 full-time Code Compliance position beginning in FY 2014-15
- Sherriff's Contract increases
 - 5.6% increase in FY 2013-14, per Contract's "Attachment B"
 - 4.0% increase in FY 2014-15, based on estimate
- Sports Park funding totals \$165,000 over two budget years
 - \$90,000 – 6 months City operations (July to December 2013)
 - Assuming transfer of operations January 2014, subsidy for utility costs of \$25,000 (January-June 2014) growing to \$50,000 for FY 2015
- City Marketing/Economic Development Program - \$50,000 per year

General Fund Forecast



- Expenditure line (red) is below revenue line (blue) between FY 2012 to FY 2015.
- Beginning in FY 2016 estimated expenditures exceed revenues, and the imbalance grows in the years past the forecast period.

General Fund Forecast (cont.)

GENERAL FUND	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
<i>numbers in 000's</i>	Budget	Budget	Forecast	Forecast	Forecast
Avail Fund Bal, <i>Start of Year</i>	5,016	5,200	5,249	5,097	4,728
Revenues	\$ 17,796	\$ 18,050	\$ 18,289	\$ 18,528	\$ 18,773
Expenditures	17,611	18,001	18,441	18,897	19,363
Net Change	184	49	(152)	(369)	(590)
Avail Fund Bal, <i>End of Year</i>	\$ 5,200	\$ 5,249	\$ 5,097	\$ 4,728	\$ 4,138

- The City has often faced deficit projections in its Five-Year Forecast.
- Conservative assumptions have been used for revenue growth.
 - Property Tax and VLF revenues estimated at no growth during the period.
 - Port District Charges for Services increase a modest 1.5% per year.
- Due to unknown outcomes of labor negotiations, Sherriff's contract estimated to increase by 4% in FY 2016 and FY 2017, and 5% in FY 2018.
- If revenue estimates for FY 2014 are not realized, the City can decide not to hire the proposed 2.0 FTE in FY 2015, savings \$150,000 in each of the four forecast years.

Wastewater Enterprise Fund Budget

WASTEWATER FUND	FY 2012-13	FY 2013-14	FY 2014-15
	Projected	Proposed	Proposed
	Budget	Budget	Budget
<i>numbers in 000's</i>			
Unrestricted Net Assets, <i>Start of Year</i>	2,330	2,043	2,060
Revenues	\$ 3,848	\$ 4,360	\$ 4,428
Expenditures	4,135	4,344	4,321
Net Change	(287)	17	106
Unrestricted Net Assets, <i>End of Year</i>	\$ 2,043	\$ 2,060	\$ 2,166

- Budget is balanced with proposed sewer service charge changes.
- Includes projected increases in sewer treatment charges by the City of San Diego; 1.7% in FY 2013-14; 4% for FY 2014-15
- Sewer improvements of \$400,000 per year
- Storm water moved out of Wastewater Fund to General Fund
 - Accounting treatment change; No net impact in either fund
 - For FY 2013, table above only reflects sewer related activity.

Gas Tax and TransNet Funds Budget

GAS/TRANSNET FUNDS	FY 2013-14	FY 2014-15	Two-Year Total
<i>Totals for two funds combined. numbers in 000's</i>	Proposed Budget	Proposed Budget	Proposed Budget
Available Fund Bal, <i>Start of Year</i>	1,861	1,880	1,861
Revenues	\$ 1,468	\$ 1,470	\$ 2,937
Expenditures	1,449	1,469	2,918
Net Change	19	1	20
Available Fund Bal, <i>End of Year</i>	\$ 1,880	\$ 1,881	\$ 1,881

- Fund balances restricted for street/transportation improvements. Revenue projections from State BOE and SANDAG.
- Of total \$2.6 million beginning fund balance, \$809,000 in TransNet Fund.
- SANDAG (TransNet audit) requires City spend down \$786,000 in Local Roads and Street Improvements (non-maintenance) before releasing future revenues.
- In FY 2013 & FY 2014 TransNet expenditures include \$600,000 towards Eco-Route Bikeway Project, approved by Council (Resolution No. 2012-7281).
- Expenditures of two funds also include \$880,000 in transfers to General Fund, for ongoing street maintenance costs.

Internal Service Funds Budget

INTERNAL SERVICE FUNDS	FY 2013-14 Projected Budget	FY 2013-14 Proposed Budget	Two-Year Total Proposed Budget
<i>Totals for four funds combined. numbers in 000's</i>			
Available Fund Bal, <i>Start of Year</i>	2,726	1,432	2,726
Revenues	\$ 1,912	\$ 1,600	\$ 3,512
Expenditures	3,206	2,081	5,287
Net Change	(1,294)	(480)	(1,774)
Available Fund Bal, <i>End of Year</i>	\$ 1,432	\$ 952	\$ 952

- Vehicles/Equipment, City Facilities-Major Projects, Information Technology, and Risk Management
- Proposed annual contributions towards reserves for future needs: \$120,000 for vehicles, \$100,000 for facilities, and \$32,000 for technology equipment
- Major items: Replace Fire Engine, 3 Trucks, Financial/Building Permit Software Conversion; Paid from fund balances & \$300,000 CDBG funds (fire engine)
- Expenditures also include \$1.0 million per year in operating expenses for maintenance of vehicles, technology support, insurance premiums, and risk management.



Potential Budget Uncertainty

- ❑ CalPERS Health Care & Affordable Care Act costs
- ❑ CalPERS contribution rate
- ❑ Port District MSA future adjustments
- ❑ Federal budget uncertainty impact on local economy
- ❑ Sheriff contract and future labor negotiations
- ❑ Potential adverse judicial determinations
- ❑ State Budget situation and threats to local revenues
- ❑ Employee Retention as the economy improves
- ❑ Local impact of global economic stress
- ❑ How to continue redevelopment efforts?



Budget Process – Next Steps

- Current Discussion
- May 15th Council Meeting
 - Council adoption of the budget
- GANN Appropriation Limit for June 5th

Pension Liability – CalPERS “Side Fund”

- Propose establishing an Imperial Beach “Side Fund” with CalPERS, where extra payments towards the City’s pension plans’ unfunded liabilities would be held/invested
- Benefit: Significant reduction in annual employer contribution rates for future 30 years

Pension Plans	Plan Description	FY 2013 rate	FY 2014 rate	% Increase	FY 2015 est. rate*	% Increase	FY 2016 est. rate	% Increase
Miscellaneous	2.7% @ 55	15.178%	15.685%	3.340%	16.6%	5.834%	17.1%	3.0%
Fire	3% @ 50	24.706%	26.149%	5.841%	28.0%	7.079%	29.1%	4.0%
Lifeguards	2% @ 50	20.084%	20.742%	3.276%	22.0%	6.065%	22.9%	4.0%

* Employer contribution rate provided by CalPERS.

Pension Plans	Entry Age Normal Accrued Liability (a)	Unfunded Liability (MVA Basis) (a)	Unfunded Liability (AVA Basis) (a)	Funded Ratio	Possible "Side Fund" funding level	Estimated contribution rate reduction	FY 2014 (no "Side Fund")	FY 2014 (with \$2 M "Side Fund")	Estimated Annual Savings	NPV total Savings over 30 yrs @ 2% discount (CPI) rate	Annual Avg. Rate of Return
Miscellaneous	18,977,758	4,397,413	2,813,164	85.2%	1,260,000	-2.0%	570,439	497,702	72,737	1,653,001	4.4%
Fire	13,312,617	2,806,601	1,556,908	88.3%	700,000	-4.4%	249,267	207,324	41,943	953,196	4.5%
Lifeguards	697,507	147,681	83,347	88.1%	40,000	-1.0%	52,541	50,008	2,533	57,566	4.8%
Totals	\$32,987,882	\$ 7,351,695	\$ 4,453,419		\$ 2,000,000		\$ 872,247	\$ 755,034	\$ 117,213	\$ 2,663,763	4.4%

(a) Source: CalPERS Actuarial Valuation Report Dated October 2012, based on payroll data thru June 30, 2011. MVA-"Market Value" of Assets. AVA -"Actuarial Value" of Assets.

(b) Cost information amongst three pension plans is estimated based on projected payroll estimated by CalPERS.

Item No. 6.1

Attachment 2
to be provided prior to
City Council Meeting



AGENDA ITEM NO. 6.2

**STAFF REPORT
CITY OF IMPERIAL BEACH**

TO: HONORABLE MAYOR AND CITY COUNCIL
CHAIR AND MEMBERS OF THE SUCCESSOR AGENCY
CHAIR AND MEMBERS OF THE PUBLIC FINANCING AUTH.

FROM: GARY BROWN, CITY MANAGER/EXECUTIVE DIRECTOR *GB*

MEETING DATE: MAY 1, 2013

ORIGINATING DEPT.: ADMINISTRATIVE SERVICES *KV*

SUBJECT: ANNUAL FINANCIAL REPORT OF THE CITY OF IMPERIAL BEACH AND IMPERIAL BEACH REDEVELOPMENT SUCCESSOR AGENCY FOR THE YEAR ENDED JUNE 30, 2012; AND THE FORMER IMPERIAL BEACH REDEVELOPMENT AGENCY FOR THE YEAR ENDED JANUARY 31, 2012

BACKGROUND:

This report transmits the following independently audited financial statements:

- City of Imperial Beach and Imperial Beach Redevelopment Successor Agency Financial Statements for the Year Ended June 30, 2012, and
- Imperial Beach Redevelopment Agency Financial Statements for the Year Ended January 30, 2012.

Also included in this report are the Audit Responsibility Letters. Bound copies of the audited statements were submitted to City Council members and the same report is reproduced as an attachment following this report. These financial statements will also be available on the City's website.

DISCUSSION:

The firm of Lance, Soll & Lunghard, LLP performed the City's independent financial audit. The auditors have issued an "unqualified" audit opinion, which means that City's financial statements "present fairly, in all material respects," the financial position of the City of Imperial Beach and the Imperial Beach Redevelopment Successor Agency for the fiscal year ending June 30, 2012. A "unqualified" audit opinion was also issued for the financial statement as of January 31, 2012 for the former Imperial Beach Redevelopment Agency.

Included with the financial statements is a letter from the auditors describing their audit scope and tests of internal control over financial reporting.

ENVIRONMENTAL DETERMINATION:

Not a project as defined by CEQA.

FISCAL IMPACT:

The City's total assets are \$94.9 million compared to \$7.6 million in liabilities, for total net assets of \$87.3 million. The City's largest fund, the General Fund, has unrestricted reserves of \$9.5 million.

The Imperial Beach Redevelopment Successor Agency's total assets are \$25.2 million compared to \$44.7 million in liabilities, for total net assets deficit of (\$19.5 million).

DEPARTMENT RECOMMENDATION:

It is respectfully requested that the City Council receive and file the independently audited City of Imperial Beach and Imperial Beach Redevelopment Successor Agency Financial Statements for the Year Ended June 30, 2012, and former Imperial Beach Redevelopment Agency Financial Statements for the Year Ended January 30, 2012.

CITY MANAGER'S RECOMMENDATION:

Approve Department recommendation.

Attachments:

1. City of Imperial Beach and Imperial Beach Redevelopment Successor Agency Financial Statements for the year ended June 30, 2012, and Auditor's Responsibility Letter
2. Imperial Beach Redevelopment Agency for the year ended January 31, 2012, and Auditor's Responsibility Letter



- David E. Hale, CPA, CFP
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

Brandon W. Burrows, CPA, Retired

March 25, 2013

To the Honorable Mayor and Members of the City Council
City of Imperial Beach, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Imperial Beach (the City) for the year ended June 30, 2012, and have issued our report thereon dated March 25, 2013. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 4, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

During the year ended June 30, 2012, a significant and unusual transaction was made regarding the dissolution of the former Redevelopment Agency, which transferred all related Assets and Liabilities, in accordance with AB 1x 26 and AB 1484, to the Successor Agency. These transactions were recorded as a transfer of balance to the Successor Agency.

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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:



To the Honorable Mayor and Members of the City Council
City of Imperial Beach, California
Page 2

The disclosures of the Successor Agency Trust for Assets of Former Redevelopment Agency in Note 14 to the financial statements identify the outstanding balances as of June 30, 2012 of the former Redevelopment Agency. These balances are dependent on the approval of the activity of transactions within the year ended June 30, 2012 by the California Department of Finance.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, we detected misstatements as a result of audit procedures which were material, and were subsequently corrected by management. The details of these misstatements are described in a separate letter dated March 25, 2013.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the 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 March 25, 2013.

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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



To the Honorable Mayor and Members of the City Council
City of Imperial Beach, California
Page 3

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America and *Government Auditing Standards*, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2011-2012 audit:

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* –The City was not affected by this pronouncement at this time.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53* – The City was not affected by this pronouncement at this time.

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in your next fiscal year 2012-2013 audit and should be reviewed for proper implementation by management:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statement 14 and 34*

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

This information is intended solely for the use of the members of the City Council or individual(s) charged with governance and management of the City, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads 'Lance, Soll & Loughard, LLP'.

Brea, California

CITY OF IMPERIAL BEACH, CALIFORNIA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

Prepared By:
FINANCE DEPARTMENT

CITY OF IMPERIAL BEACH, CALIFORNIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

CITY OF IMPERIAL BEACH
 FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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CITY OF IMPERIAL BEACH
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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CERTIFIED PUBLIC ACCOUNTANTS

- ◊ David E. Hale, CPA, CFP
- ◊ Donald G. Slater, CPA
- ◊ Richard K. Kikuchi, CPA
- ◊ Susan F. Matz, CPA
- ◊ Shelly K. Jackley, CPA
- ◊ Bryan S. Gruber, CPA
- ◊ Deborah A. Harper, CPA

Brandon W. Burrows, CPA, Retired

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of Imperial Beach, California

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 Imperial Beach, California, (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Imperial Beach's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable thereof, and the budgetary comparison for the General Fund and Housing Authority Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 14 – "Successor Agency Trust for Assets of the Former Redevelopment Agency". The note provides information on the dissolution of the Redevelopment Agency and the new formed Successor Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



To the Honorable Mayor and Members of the City Council
City of Imperial Beach, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Imperial Beach, California's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Lance, Solt & Loughard, LLP

Brea, California
March 25, 2013

CITY OF IMPERIAL BEACH

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 29,830,403	\$ 3,163,884	\$ 32,994,287
Receivables:			
Accounts	848,432	60,206	908,638
Notes and loans	7,579,393	-	7,579,393
Accrued interest	17,704	-	17,704
Internal balances	614,596	(614,596)	-
Due from other governments	2,826,013	314,333	3,140,346
Inventories	3,705	-	3,705
Land held for resale	330,691	-	330,691
Due from Successor Agency	5,201,879	-	5,201,879
Capital assets not being depreciated	20,358,845	1,198,690	21,557,535
Capital assets, net of depreciation	18,373,875	4,776,200	23,150,075
Total Assets	85,985,536	8,898,717	94,884,253
Liabilities:			
Accounts payable	3,759,552	114,541	3,874,093
Accrued liabilities	401,098	37,590	438,688
Unearned revenue	734,524	-	734,524
Deposits payable	302,050	-	302,050
Noncurrent liabilities:			
Due within one year	505,325	15,251	520,576
Due in more than one year	1,715,450	39,901	1,755,351
Total Liabilities	7,417,999	207,283	7,625,282
Net Assets:			
Invested in capital assets, net of related debt	38,732,720	5,974,890	44,707,610
Restricted for:			
Public safety	16,223	-	16,223
Highways and streets	1,588,781	-	1,588,781
Community development projects	13,666,212	-	13,666,212
Capital projects	1,091,420	-	1,091,420
Unrestricted	23,472,181	2,716,544	26,188,725
Total Net Assets	\$ 78,567,537	\$ 8,691,434	\$ 87,258,971

CITY OF IMPERIAL BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 6,920,361	\$ 1,286,013	\$ 184,863	\$ -
Public safety	10,225,563	615,792	4,140,737	-
Parks, recreation and senior center	1,801,908	42,090	-	-
Public works	3,106,391	894,668	726,826	1,428,762
Interest on long-term debt	929,416	-	-	-
Total Governmental Activities	22,983,639	2,838,563	5,052,426	1,428,762
Business-Type Activities:				
Sewer	4,613,291	3,833,190	-	-
Total Business-Type Activities	4,613,291	3,833,190	-	-
Total Primary Government	\$ 27,596,930	\$ 6,671,753	\$ 5,052,426	\$ 1,428,762

General Revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Utility users tax

Motor vehicle in lieu - unrestricted

Use of money and property

Other

**Extraordinary gain/(loss) on dissolution
of redevelopment agency (Note 14)**

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

Net Assets at End of Year

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (5,449,485)	\$ -	\$ (5,449,485)
(5,469,034)	-	(5,469,034)
(1,759,818)	-	(1,759,818)
(56,135)	-	(56,135)
(929,416)	-	(929,416)
(13,663,888)	-	(13,663,888)
-	(780,101)	(780,101)
-	(780,101)	(780,101)
(13,663,888)	(780,101)	(14,443,989)
7,919,069	-	7,919,069
230,942	-	230,942
1,066,225	-	1,066,225
1,791,099	-	1,791,099
362,092	-	362,092
1,486,677	-	1,486,677
14,189	-	14,189
874,671	8,690	883,361
519,043	131,448	650,491
19,489,395	-	19,489,395
(773,075)	773,075	-
32,980,327	913,213	33,893,540
19,316,439	133,112	19,449,551
59,242,980	8,558,322	67,801,302
8,118	-	8,118
\$ 78,567,537	\$ 8,691,434	\$ 87,258,971

CITY OF IMPERIAL BEACH

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Special Revenue Fund Housing Authority	Capital Projects Funds C.I.P. 2010 Bond	Debt Service Fund Debt Service RDA
Assets:				
Cash and investments	\$ 11,967,548	\$ -	\$ 9,536,775	\$ -
Receivables:				
Accounts	848,432	-	-	-
Contract and notes	-	7,579,393	-	-
Accrued interest	17,704	-	-	-
Due from other governments	1,383,449	-	1,000,000	-
Due from other funds	247,187	-	-	-
Inventories	3,705	-	-	-
Land held for resale	-	330,691	-	-
Due from Successor Agency	3,738,100	1,463,779	-	-
Total Assets	\$ 18,206,125	\$ 9,373,863	\$ 10,536,775	\$ -
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,300,201	\$ 1,610	\$ 2,423,787	\$ -
Accrued liabilities	374,643	-	7,587	-
Deferred revenues	421,467	418,330	-	-
Unearned revenues	691,055	-	-	-
Deposits payable	302,050	-	-	-
Due to other funds	-	1,430	-	-
Total Liabilities	3,089,416	421,370	2,431,374	-
Fund Balances:				
Nonspendable:				
Land held for resale	-	330,691	-	-
Contract and notes	-	7,161,063	-	-
Due from Successor Agency	3,738,100	1,463,779	-	-
Restricted for:				
Community development projects	-	-	8,105,401	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Assigned to:				
Public Works	1,841,230	-	-	-
Unassigned	9,537,379	(3,040)	-	-
Total Fund Balances	15,116,709	8,952,493	8,105,401	-
Total Liabilities and Fund Balances	\$ 18,206,125	\$ 9,373,863	\$ 10,536,775	\$ -

CITY OF IMPERIAL BEACH

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	Other Governmental Funds	Total Governmental Funds
Assets:		
Cash and investments	\$ 2,860,690	\$ 24,365,013
Receivables:		
Accounts	-	848,432
Contract and notes	-	7,579,393
Accrued interest	-	17,704
Due from other governments	320,551	2,704,000
Due from other funds	-	247,187
Inventories	-	3,705
Land held for resale	-	330,691
Due from Successor Agency	-	5,201,879
Total Assets	\$ 3,181,241	\$ 41,298,004
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$ 16,256	\$ 3,741,854
Accrued liabilities	2,153	384,383
Deferred revenues	85,507	925,304
Unearned revenues	43,469	734,524
Deposits payable	-	302,050
Due to other funds	245,757	247,187
Total Liabilities	393,142	6,335,302
Fund Balances:		
Nonspendable:		
Land held for resale	-	330,691
Contract and notes	-	7,161,063
Due from Successor Agency	-	5,201,879
Restricted for:		
Community development projects	-	8,105,401
Public safety	16,223	16,223
Parks and recreation	39,637	39,637
Public works	2,837,105	2,837,105
Assigned to:		
Public Works	-	1,841,230
Unassigned	(104,866)	9,429,473
Total Fund Balances	2,788,099	34,962,702
Total Liabilities and Fund Balances	\$ 3,181,241	\$ 41,298,004

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CITY OF IMPERIAL BEACH

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Fund balances of governmental funds	\$ 34,962,702
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	38,071,631
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Compensated absences	(792,913)
Governmental funds report all OPEB contributions as expenditures, however in the Statement of Net Assets any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as an assets or a liabilities.	(89,058)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	925,304
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	<u>5,489,871</u>
Net assets of governmental activities	<u><u>\$ 78,567,537</u></u>

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

		Special Revenue Funds	Capital Projects Funds	Debt Service Funds
	General	Housing Authority	C.I.P. 2010 Bond	Debt Service RDA
Revenues:				
Taxes	\$ 7,154,069	\$ -	\$ -	\$ 3,045,017
Assessments	-	-	-	-
Licenses and permits	540,784	-	-	-
Intergovernmental	876,886	-	-	-
Charges for services	7,781,946	-	2,342	-
Use of money and property	588,851	7,162	69,734	31,811
Fines and forfeitures	173,349	-	-	-
Miscellaneous	524,488	-	-	-
Total Revenues	17,640,373	7,162	72,076	3,076,828
Expenditures:				
Current:				
General government	3,203,967	325,906	98,701	984,819
Public safety	9,793,793	-	-	-
Parks, recreation and senior center	1,514,469	-	-	-
Public works	2,154,265	-	-	-
Capital outlay	150,032	-	3,051,555	-
Debt service:				
Interest and fiscal charges	-	-	-	954,380
Total Expenditures	16,816,526	325,906	3,150,256	1,939,199
Excess (Deficiency) of Revenues Over (Under) Expenditures	823,847	(318,744)	(3,078,180)	1,137,629
Other Financing Sources (Uses):				
Transfers in	1,027,708	-	-	-
Transfers out	(796,075)	(1,033,839)	-	(2,804,223)
Total Other Financing Sources (Uses)	231,633	(1,033,839)	-	(2,804,223)
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 14)	(11,618,969)	3,391,754	-	(4,753,953)
Net Change in Fund Balances	(10,563,489)	2,039,171	(3,078,180)	(6,420,547)
Fund Balance:				
Beginning of year, as originally reported	25,680,198	6,913,322	11,183,581	6,420,547
Restatements	-	-	-	-
Beginning of year, as restated	25,680,198	6,913,322	11,183,581	6,420,547
Fund Balances, End of Year	\$ 15,116,709	\$ 8,952,493	\$ 8,105,401	\$ -

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Other Governmental Funds	Total Governmental Funds
Revenues:		
Taxes	\$ 761,254	\$ 10,960,340
Assessments	11,393	11,393
Licenses and permits	-	540,784
Intergovernmental	1,635,955	2,512,841
Charges for services	24,915	7,809,203
Use of money and property	34,454	732,012
Fines and forfeitures	-	173,349
Miscellaneous	9,168	533,656
Total Revenues	2,477,139	23,273,578
Expenditures:		
Current:		
General government	1,831,971	6,445,364
Public safety	116,599	9,910,392
Parks, recreation and senior center	23,467	1,537,936
Public works	320,211	2,474,476
Capital outlay	399,488	3,601,075
Debt service:		
Interest and fiscal charges	113,175	1,067,555
Total Expenditures	2,804,911	25,036,798
Excess (Deficiency) of Revenues Over (Under) Expenditures	(327,772)	(1,763,220)
Other Financing Sources (Uses):		
Transfers in	3,856,062	4,883,770
Transfers out	(1,022,708)	(5,656,845)
Total Other Financing Sources (Uses)	2,833,354	(773,075)
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 14)	(6,426,057)	(19,407,225)
Net Change in Fund Balances	(3,920,475)	(21,943,520)
Fund Balance:		
Beginning of year, as originally reported	6,700,456	56,898,104
Restatements	8,118	8,118
Beginning of year, as restated	6,708,574	56,906,222
Fund Balances, End of Year	\$ 2,788,099	\$ 34,962,702

CITY OF IMPERIAL BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds \$ (21,943,520)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	\$	3,629,684	
Depreciation		<u>(928,336)</u>	2,701,348

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Amortization of bond discount		(31,069)
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Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.

169,208

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(52,203)

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the Statement of Activities only the ARC is an expense.

(24,692)

Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.

285,298

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.

(684,551)

Extraordinary gains and losses relating to capital assets and long-term liabilities transferred to the Successor Agency are reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Long-term liabilities		39,569,089	
Unamortized bond issuance costs		<u>(672,469)</u>	<u>38,896,620</u>

Change in net assets of governmental activities

\$ 19,316,439

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
 GENERAL FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 25,680,198	\$ 25,680,198	\$ 25,680,198	\$ -
Resources (Inflows):				
Taxes	6,956,000	6,956,000	7,154,069	198,069
Licenses and permits	526,000	526,000	540,784	14,784
Intergovernmental	173,000	426,120	876,886	450,766
Charges for services	7,220,379	7,220,379	7,781,946	561,567
Use of money and property	915,000	915,000	588,851	(326,149)
Fines and forfeitures	196,500	196,500	173,349	(23,151)
Miscellaneous	183,000	183,000	524,488	341,488
Transfers in	919,115	894,115	1,027,708	133,593
Amounts Available for Appropriations	42,769,192	42,997,312	44,348,279	1,350,967
Charges to Appropriations (Outflow):				
General government				
Mayor/City Council	99,066	112,066	111,887	179
City Clerk's Office	256,071	272,071	240,132	31,939
City Manager	273,039	280,039	279,345	694
Personnel	218,206	233,206	233,291	(85)
Administrative Services	608,464	617,464	614,703	2,761
City Attorneys	205,000	205,000	173,849	31,151
Community Development	316,623	316,623	505,947	(189,324)
Facilities Maintenance	284,223	268,223	267,947	276
Non-Departmental	119,591	713,591	776,866	(63,275)
Public safety				
Law Enforcement Contract	6,171,962	6,171,962	5,894,980	276,982
Fire Protection Rescue	2,206,088	2,206,088	1,903,892	302,196
Ocean Beach Safety	1,370,477	1,370,477	1,235,420	135,057
Building Inspection	337,458	317,458	297,657	19,801
Animal Control	282,356	222,356	258,051	(35,695)
Disaster Preparedness	51,706	56,706	57,208	(502)
Code Enforcement	96,692	116,692	116,276	416
AVA Program	35,152	35,152	30,309	4,843
Parks and recreation				
Recreation Svcs. & Skatepark	267,258	258,258	246,840	11,418
Park Maintenance	410,540	410,540	405,804	4,736
Senior Services	27,988	27,988	27,038	950
Tideland Maintenance	885,523	885,523	834,787	50,736
Public works				
Street Maintenance	919,115	839,115	829,139	9,976
Public Works Admin.	540,783	645,783	623,279	22,504
Graffiti Removal	-	75,000	74,078	922
Solid Waste Management	97,050	97,050	627,769	(530,719)
Capital outlay	27,695	51,695	150,032	(98,337)
Transfers out	852,000	852,000	796,075	55,925
Extraordinary loss on dissolution of redevelopment agency	-	-	11,618,969	(11,618,969)
Total Charges to Appropriations	16,960,126	17,658,126	29,231,570	(11,573,444)
Budgetary Fund Balance, June 30	\$ 25,809,066	\$ 25,339,186	\$ 15,116,709	\$ (10,222,477)

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON STATEMENT
HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 6,913,322	\$ 6,913,322	\$ 6,913,322	\$ -
Resources (Inflows):				
Use of money and property	-	-	7,162	7,162
Extraordinary gain on dissolution of redevelopment agency	-	-	3,391,754	3,391,754
Amounts Available for Appropriation	6,913,322	6,913,322	10,312,238	3,398,916
Charges to Appropriation (Outflow):				
General government	-	3,849,000	325,906	3,523,094
Transfers out	-	-	1,033,839	(1,033,839)
Total Charges to Appropriations	-	3,849,000	1,359,745	2,489,255
Budgetary Fund Balance, June 30	\$ 6,913,322	\$ 3,064,322	\$ 8,952,493	\$ 5,888,171

CITY OF IMPERIAL BEACH

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2012

	<u>Enterprise Fund</u>	<u>Governmental</u>
	<u>Sewer</u>	<u>Activities- Internal Service Funds</u>
Assets:		
Current:		
Cash and investments	\$ 3,163,884	\$ 5,465,390
Receivables:		
Accounts	60,206	-
Due from other governments	314,333	122,013
Total Current Assets	3,538,423	5,587,403
Noncurrent:		
Capital assets - net of accumulated depreciation	5,974,890	661,089
Total Noncurrent Assets	5,974,890	661,089
Total Assets	\$ 9,513,313	\$ 6,248,492
Liabilities and Net Assets:		
Liabilities:		
Current:		
Accounts payable	\$ 114,541	\$ 17,698
Accrued liabilities	37,590	16,715
Compensated absences	15,251	17,309
Claims and judgments	-	267,785
Total Current Liabilities	167,382	319,507
Noncurrent:		
Compensated absences	39,901	43,710
Claims and judgments	-	1,010,000
Total Noncurrent Liabilities	39,901	1,053,710
Total Liabilities	207,283	1,373,217
Net Assets:		
Invested in capital assets, net of related debt	5,974,890	661,089
Unrestricted	3,331,140	4,214,186
Total Net Assets	9,306,030	4,875,275
Total Liabilities and Net Assets	\$ 9,513,313	\$ 6,248,492
Reconciliation of Net Assets to the Statement of Net Assets		
Net Assets per Statement of Net Assets - Proprietary Funds	\$ 9,306,030	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(576,751)	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds	(37,845)	
Net Assets per Statement of Net Assets	\$ 8,691,434	

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Enterprise Fund</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	
Operating Revenues:		
Sales and service charges	\$ 3,833,190	\$ 1,187,348
Miscellaneous	131,448	257,713
Total Operating Revenues	3,964,638	1,445,061
Operating Expenses:		
Services and supplies	3,869,688	671,234
Claims expense	-	867,932
Depreciation	166,613	145,087
Personnel and administrative	539,145	508,086
Total Operating Expenses	4,575,446	2,192,339
Operating Income (Loss)	(610,808)	(747,278)
Nonoperating Revenues (Expenses):		
Interest revenue	8,690	30,327
Gain (loss) on disposal of capital assets	-	(5,445)
Total Nonoperating Revenues (Expenses)	8,690	24,882
Income (Loss) Before Transfers	(602,118)	(722,396)
Transfers in	773,075	5,000
Transfers out	-	(5,000)
Changes in Net Assets	170,957	(722,396)
Net Assets:		
Beginning of Year	9,135,073	5,597,671
End of Fiscal Year	\$ 9,306,030	\$ 4,875,275
Reconciliation of Changes in Net Assets to the Statement of Activities:		
Changes in Net Assets, per the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	\$ 170,957	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds	(37,845)	
Changes in Net Assets of Business-Type Activities per Statement of Activities	\$ 133,112	

CITY OF IMPERIAL BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Enterprise Fund</u>	<u>Governmental</u>
	<u>Sewer</u>	<u>Activities- Internal Service Funds</u>
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 3,903,117	\$ -
Cash received from/(paid to) interfund service provided	-	1,364,109
Cash paid to suppliers for goods and services	(3,772,495)	(943,835)
Cash paid to employees for services	(513,964)	(495,873)
Net Cash Provided (Used) by Operating Activities	(383,342)	(75,599)
Cash Flows from Non-Capital		
Financing Activities:		
Cash transfers out	-	(5,000)
Cash transfers in	773,075	5,000
Net Cash Provided (Used) by Non-Capital Financing Activities	773,075	-
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(338,942)	(6,401)
Net Cash Provided (Used) by Capital and Related Financing Activities	(338,942)	(6,401)
Cash Flows from Investing Activities:		
Interest received	8,690	30,327
Net Cash Provided (Used) by Investing Activities	8,690	30,327
Net Increase (Decrease) in Cash and Cash Equivalents	59,481	(51,673)
Cash and Cash Equivalents at Beginning of Year	3,104,403	5,517,063
Cash and Cash Equivalents at End of Year	\$ 3,163,884	\$ 5,465,390
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (610,808)	\$ (747,278)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	166,613	145,087
(Increase) decrease in accounts receivable	(44,318)	7,739
(Increase) decrease in due from other governments	(17,203)	(91,774)
(Increase) decrease in inventories	-	3,083
Increase (decrease) in accounts payable	97,193	391
Increase (decrease) in accrued liabilities	22,004	5,787
Increase (decrease) in claims and judgments	-	594,940
Increase (decrease) in compensated absences	3,177	6,426
Total Adjustments	227,466	671,679
Net Cash Provided (Used) by Operating Activities	\$ (383,342)	\$ (75,599)

CITY OF IMPERIAL BEACH

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Agency Funds	Private- Purpose Trust Fund Sucessor Agency of the Former RDA
Assets:		
Pooled cash and investments	\$ 462,707	\$ 1,811,198
Receivables:		
Accounts	-	596
Deferred loans	-	3,750
Land held for resale	-	17,048,281
Deferred charges	-	662,440
Restricted assets:		
Cash and investments with fiscal agents	-	5,304,483
Total Assets	\$ 462,707	\$ 25,200,355
Liabilities:		
Accounts payable	\$ -	\$ 398,130
Due to bondholders	462,707	-
Due to City	-	5,201,879
Long-term liabilities:		
Due in one year	-	620,000
Due in more than one year	-	38,491,249
Total Liabilities	\$ 462,707	44,711,258
Net Assets:		
Held in trust for other purposes		\$ (19,510,903)
Total Net Assets		\$ (19,510,903)

CITY OF IMPERIAL BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Private- Purpose Trust Fund <u>Successor Agency of the Former RDA</u>
Additions:	
Taxes	\$ 1,382,843
Interest and change in fair value of investments	(17,442)
Contributions from City	677,425
Miscellaneous	<u>24,166</u>
Total Additions	<u>2,066,992</u>
Deductions:	
Administrative expenses	998,756
Interest expense	<u>1,089,744</u>
Total Deductions	<u>2,088,500</u>
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 14)	(19,489,395)
Changes in Net Assets	(19,510,903)
Net Assets - Beginning of the Year	<u>-</u>
Net Assets - End of the Year	<u>\$ (19,510,903)</u>

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I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The City of Imperial Beach, California (the City), was incorporated July 18, 1956, and operates as a General Law City. The City operates under a Council/Manager form of government and provides the following services: general government, fire, highways and streets, planning and zoning, and public improvements. Police services are contracted through the County of San Diego Sheriff's Department. The City is not subject to federal or state income taxes.

As required by generally accepted accounting principles, these financial statements present the City of Imperial Beach (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These entities are legally separate from each other. However, the City of Imperial Beach's elected officials have a continuing full or partial accountability for fiscal matters of the other entities. The financial reporting entity consists of: 1) the City, 2) organizations for which the City is financially accountable, and 3) organizations for which the nature and significance of their relationship with the City are such that exclusions would cause the City's financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, component units' balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. A description of these component units and the method of incorporating their financial information in the accompanying financial statements are summarized as follows:

Blended Component Units

Imperial Beach Redevelopment Agency

The Imperial Beach Redevelopment Agency (RDA) was activated in October 1995 pursuant to Section 33101 of the California Health and Safety Code. The purpose of the RDA is to eliminate deteriorating conditions and conserve, rehabilitate and revitalize project areas in accordance with the redevelopment plan. The RDA is designed to encourage cooperation and participation of residents, businesspersons, community organizations and public agencies in the revitalization area. The RDA has established an Amended Project Area that encompasses nearly the entire city. Separate financial statements for the Imperial Beach Redevelopment Agency of the City of Imperial Beach can be obtained at the City of Imperial Beach's City Hall. The Agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. See Note 13 for more information on the dissolution.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

Imperial Beach Public Financing Authority

The Imperial Beach Public Financing Authority was established on November 20, 2003, by a joint exercise of powers agreement between the City of Imperial Beach and the Imperial Beach Redevelopment Agency pursuant to the Community Redevelopment Law (commencing with Section 33000) of the Health and Safety Code of the State of California. Separate financial statements are not prepared for the Authority.

Imperial Beach Housing Authority

The Imperial Beach Housing Authority was established on January 14, 2011, by Council resolution to transact business and exercise powers in the City of Imperial Beach and to accept any appropriate funds from the Imperial Beach Redevelopment Agency. The Authority also acts as the Housing Successor Agency.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The private-purpose trust funds are reported using the economic resources management focus and the full accrual basis of accounting.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

All proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned and become measurable; expenses are recognized when they are incurred. Unbilled service receivables are recorded as accounts receivable and as revenue when earned.

Private-sector standards of accounting and financial reporting issued prior to December 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.
- The Housing Authority Fund accounts for the transactions of the Imperial Beach's Housing Authority which was established to for the development of low and moderate income housing in the City.
- The C.I.P. 2010 Bond Capital Projects Fund accounts for redevelopment projects funded with the proceeds of the 2010 Tax Allocation Bonds.
- The Redevelopment Agency Debt Service Fund accounts for the general activity of the Redevelopment Agency.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary fund:

- The Sewer Fund is an Enterprise Fund that accounts for the revenues and expenses associated with providing wastewater treatment services to residents of the City.

Additionally, the City reports the following fund types:

- Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
- Capital Projects Funds account for the financial resources to be used for the capital improvement projects of the City.
- Internal Service Funds account for the financing of goods or services related to repair, replacement and maintenance of City-owned equipment, the City's self-insurance programs, the City's general information systems and telecommunications hardware, software and the repair, replacement and maintenance of City-owned facilities. These services are provided to other departments or agencies of the City on a cost reimbursement basis.
- The Private Purpose Trust Fund accounts for the assets and liabilities of the former redevelopment agency and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.
- Agency Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. They do not involve measurement of results of operations. The City's agency funds account for its special assessment districts.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds and of the Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

d. Assets, Liabilities and Net Assets or Equity

Cash and Investments

For purposes of the statement of cash flows, the City considers cash and cash equivalents to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For financial statement presentation purposes, cash and cash equivalents are shown as both restricted and unrestricted cash and investments in the Proprietary Funds.

Investments for the City, as well as for its component units, are reported at fair value. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Functional Classifications

Expenditures of the Governmental Funds are classified by function. Functional classifications are defined as follows:

- General Government includes legislative activities that have a primary objective of providing legal and policy guidelines for the City. Also included in this classification are those activities that provide management or support services across more than one functional area.
- Public Safety includes those activities that involve the protection of people and property.
- Parks, Recreation and Senior Center include those activities that involve community park maintenance and recreational activities within the community.
- Public Works includes those activities that involve the maintenance and improvement of City streets, roads and park department development and maintenance.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

- Debt Service includes those activities that account for the payment of long-term debt principal, interest and fiscal charges.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. The General Fund inventory is accounted for on the consumption method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with GASB Statement No. 34, the City has reported general infrastructure assets acquired in prior and current years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	25 - 50
Improvements Other than Buildings	10 - 50
Sewer lines and Pump Stations	35 - 50
Equipment	3 - 20
Vehicles	5 - 10
<u>Infrastructure</u>	<u>Years</u>
Pavement	33
Curb and Gutter	50
Sidewalk	50

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

All permanent employees of the City are permitted to accumulate a maximum of two times their annual accrual rate (annual leave). Maximum sick leave accrual for miscellaneous employees is 1,000 hours and for safety employees is 1,400 hours. Upon termination of employment, an employee is paid for accumulated annual leave but forfeits accumulated sick leave unless the employee has over five years of service. After five years of service, upon termination, the employee is paid for half the accumulated sick leave. Compensated absences are paid out of the General Fund and are reported there as a liability when they have matured.

Accumulated vested sick pay and vacation pay for employees of the Proprietary Funds have been accrued. All accumulated compensated absences are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types 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 financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

Nonspendable includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a City Council resolution.

CITY OF IMPERIAL BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 1: Summary of Significant Accounting Policies (Continued)

Assigned includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Resolution No. 2011-7039 authorizes the City Manager to assign amounts to a specific purpose.

Unassigned includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. The City uses a modified encumbrance system in which only significant, select encumbrances are carried over at year-end. All other encumbrances lapse at year-end and are re-encumbered in the following fiscal year.

Property Tax Revenue

Property tax revenue is recognized on the basis of NCGA Interpretation No. 3; (adopted by GASB) that is, in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of San Diego collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31.

I. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

General Budget Policies

The two-year operating budget adopted by the City Council provides for the general operations of the City. It includes proposed expenditures and the means of financing them on a departmental basis. Budgets are legally adopted for the General Fund and the Special Revenue Funds, except for the Traffic Safety Fund, the Parks Grant Fund, Prop 1B Fund, Housing Redevelopment Fund, Capital Projects RDA Fund, C.I.P. 2010 Bond Fund and Debt Service RDA Fund.

The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. All amendments made during the year are included in the budgetary amounts reported herein. The "appropriated budget" covers all City expenditures, with the exception of debt service on bond issues and capital improvement projects carried forward from prior years, which expenditures constitute the legally authorized "non-appropriated budget." Actual expenditures may not exceed budgeted appropriations at the fund level, which is the legal level of control for the Capital Projects Funds. All other funds use the departmental level as the legal level of control.

Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Appropriations that are encumbered lapse at year-end and then are added to the following years' budgeted appropriations.

Budgets for the General Fund and Special Revenue Funds are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. Appropriations for capital projects authorized but not constructed or completed during the year are carried forward as continuing appropriations into the following year's budget.

Under Article XIII-B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset by a deficit in the following year. For the fiscal year ended June 30, 2012, based on calculations by City staff, proceeds of taxes did not exceed appropriations. Further, Section 5 of Article XIII-B allows the City to designate a portion of fund balance for general contingencies to be used for any purpose.

Appropriations lapse at the end of the fiscal year except for the Capital Projects Funds, which may be carried over to the next fiscal year if not completed at year-end. Expenditures may not exceed budget appropriations at the department level for the General Fund and at the function level for the Special Revenue Funds.

A project-length budget is adopted for the capital projects funds. The debt service fund is governed by bond covenants; therefore, a formal budget is not adopted. Thus, the City does not show a budget comparison for these funds. In addition, the Traffic Safety Fund, the Parks Grant Fund, Prop 1B Fund, Housing Redevelopment Fund, Capital Projects RDA Fund, C.I.P. 2010 Bond Fund and Debt Service RDA Fund did not adopt a budget; therefore, a budget comparison is not shown.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2012, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 29,830,403
Business-Type activities	3,163,884
Fiduciary funds	<u>7,578,388</u>
Total Cash and Investments	<u>\$ 40,572,675</u>

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on monthly cash and investment balances. Interest Income from cash and investments with fiscal agents is credited directly to the related fund.

Deposits

At June 30, 2012, the carrying amount of the City's deposits was \$358,588 and the bank balance was \$1,811,337. The \$1,452,749 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities with a value of 110% of a city's deposits. California law also allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction account at all FDIC-insured institutions. This provision was effective from December 31, 2010 and will remain effective until December 31, 2012. Noninterest-bearing transaction accounts is defined as an account (1) with respect to which interest is neither accrued nor paid; (2) on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and (3) on which the FDIC-insured depository institutions does not reserve the right to require advance notice of an intended withdrawal. As of June 30, 2012, the City maintains cash deposits that are temporarily covered by this provision.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 3: Cash and Investments (Continued)

Investments

Under provisions of the City's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- U.S. Treasury Obligations (bills, notes and bonds)
- Bonds, notes or other evidence of indebtedness issued or guaranteed by agency of the United States government
- Certificates of Deposit or Time Deposits placed with commercial banks and savings and loans
- Medium-term Corporate Notes with an "A" or comparable ratings
- Instruments of other California Government Entities with an "A" or comparable rating
- Banker's Acceptances
- Repurchase Agreements
- Local Agency Investment Fund Demand Deposits (State Pool)
- County of San Diego Treasury (County Pool)
- California Arbitrage Management Program (Bond Pool)
- Passbook Savings Account Demand Deposits
- Money Market funds, which invest solely in securities issued by the U.S. Treasury and agencies of the Federal government, and repurchase agreements collateralized with U.S. Treasury and Federal agency obligations
- Overnight Sweep accounts as managed by the depository bank as part of the checking account packaged contracted by the City, provided the sweep account is collateralized in accordance with state law

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 3: Cash and Investments (Continued)

GASB Statement No. 31

The City adopted GASB Statement of No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Credit Risk

The City's investment policy limits investments in medium-term notes (MTN's) to those rated "AA" or higher by Standard and Poor's (S&P) or by Moody's. As of June 30, 2012, the City had no investments in medium-term notes. In addition, the City's investments in Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation were rated "AAA" by Moody's and by S&P. All securities were investment grade and were legal under State law. Investments in U.S. Treasuries are not considered to have credit risk; therefore, their credit quality is not disclosed.

On August 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA. As a result, on August 8, 2011, Standard & Poor's Ratings Services lowered its issuer credit ratings and related issue ratings on various Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac to AA+ from AAA. In addition, the ratings on 126 Federal Deposit Insurance Corp.-guaranteed debt issues from 30 financial institutions under the Temporary Liquidity Guarantee Program (TLGP), and four National Credit Union Association-guaranteed debt issues from two corporate credit unions under the Temporary Corporate Credit Union Guarantee Program (TCCUGP) have also been downgraded to AA+ from AAA. The City also invests in LAIF which invests in various underlying securities, including the federal agency securities. While LAIF is not rated, the federal agency securities are, and these have been affected by this rating change as well.

As of June 30, 2012, the City's investments in external investment pools, money market mutual funds and investment agreements are unrated.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a specific policy addressing custodial credit risk. As of June 30, 2012, none of the City's deposits or investments was exposed to custodial credit risk.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 3: Cash and Investments (Continued)

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer to 25% of the total investment pool. With respect to concentration risk, as of June 30, 2012, the City has not invested more than 25% of its total investments in any one issuer. In addition, GASB 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value. As of June 30, 2012, the City has investments with the following issuers, which exceed 5% of the total investment value:

Federal Home Loan Bank	\$	4,020,880	12%
Federal Farm Credit Bank		4,003,300	12%
Corporate Bonds		5,874,420	17%

Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that the City's investment portfolio will not directly invest in securities maturing in more than five years. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2012, the City had the following investments and original maturities:

Investments	Investment Maturities (in Years)				Fair Value
	1 year or less	1 to 3 years	3 to 5 years	5 and more years	
California Local Agency Investment Fund	\$ 21,011,004	\$ -	\$ -	\$ -	\$ 21,011,004
Federal Farm Credit Bank	-	-	4,003,300	-	4,003,300
Federal Home Loan Bank	-	4,020,880	-	-	4,020,880
Corporate Bonds	-	999,120	3,000,480	1,874,820	5,874,420
Money Market Mutual Funds - held by fiscal agent	5,304,483	-	-	-	5,304,483
	<u>\$ 26,315,487</u>	<u>\$ 5,020,000</u>	<u>\$ 7,003,780</u>	<u>\$ 1,874,820</u>	<u>\$ 40,214,087</u>

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,638,532	\$ -	\$ -	\$ -	\$ 1,638,532
Infrastructure right-of-way	12,406,327	-	-	-	12,406,327
Construction-in-progress	4,696,965	(1,966,048)	3,583,069	-	6,313,986
Total Capital Assets, Not Being Depreciated	18,741,824	(1,966,048)	3,583,069	-	20,358,845
Capital assets, being depreciated:					
Structures and improvements	7,331,584	379,125	-	-	7,710,709
Equipment and vehicles	4,164,290	-	53,016	26,928	4,190,378
Infrastructure	16,237,309	1,586,923	-	-	17,824,232
Total Capital Assets, Being Depreciated	27,733,183	1,966,048	53,016	26,928	29,725,319
Less accumulated depreciation:					
Structures and improvements	3,158,307	-	283,503	-	3,441,810
Equipment and vehicles	3,035,072	-	262,860	21,483	3,276,449
Infrastructure	4,106,125	-	527,060	-	4,633,185
Total Accumulated Depreciation	10,299,504	-	1,073,423	21,483	11,351,444
Total Capital Assets, Being Depreciated, Net	17,433,679	1,966,048	(1,020,407)	5,445	18,373,875
Governmental Activities Capital Assets, Net	\$ 36,175,503	\$ -	\$ 2,562,662	\$ 5,445	\$ 38,732,720

Depreciation expense was charged to functions/programs of the primary government as follows:

General Government	\$ 143,351
Public Safety	54,044
Public Works	538,746
Parks, Recreation and Senior Center	192,194
Internal Service Funds	145,088
Total Governmental Activities	\$ 1,073,423

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 4: Capital Assets (Continued)

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Business-Type Activities:					
Capital assets, not being depreciated:					
Construction-in-progress	\$ 862,176	\$ -	\$ 336,514	\$ -	\$ 1,198,690
Total Capital Assets, Not Being Depreciated	862,176	-	336,514	-	1,198,690
Capital assets, being depreciated:					
Sewer Lines and Pump Stations	8,283,860	-	2,429	-	8,286,289
Total Capital Assets, Being Depreciated	8,283,860	-	2,429	-	8,286,289
Less accumulated depreciation:					
Sewer Lines and Pump Stations	3,343,475	-	166,614	-	3,510,089
Total Accumulated Depreciation	3,343,475	-	166,614	-	3,510,089
Total Capital Assets, Being Depreciated, Net	4,940,385	-	(164,185)	-	4,776,200
Business-Type Activities Capital Assets, Net	\$ 5,802,561	\$ -	\$ 172,329	\$ -	\$ 5,974,890

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-Type Activities:	
Sewer	\$ 166,614

Note 5: Loans Receivable

Loans receivable consist of the following:

South Bay Community Services Loan – Hemlock Ave.

In April 2006, the Agency entered into a loan agreement for an amount not-to-exceed \$540,425 with South Bay Community Services (SBCS) to loan low and moderate income housing set-aside funds to rehabilitate a seven-unit apartment complex located at 1360 Hemlock Avenue. This loan agreement was amended in October 2007 and increased the loan agreement by \$89,183, creating a total not-to-exceed amount of \$629,608. SBCC intends to rent all seven units to families earning 50% or below of the area median income, for a term of fifty-five years. Beginning May 31, 2006, and continuing through 2061, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are not required to be paid if the rental and occupancy conditions are met for the property. All principal and accrued interest on the Loan shall be due in full on (i) the date of any transfer not authorized by the Agency; (ii) the date of any Default; or (iii) the expiration of the Loan Term, whichever occurs first. However, upon expiration of the Loan Term, the Loan amount pursuant to the Note and accrued interest shall be forgiven provided all covenants and conditions were met over the Loan Term. Accrued interest at June 30, 2012, amounts to \$102,471 and is offset by deferred revenue. The loan has not been fully disbursed at June 30, 2012. The outstanding balance at June 30, 2012, is \$732,079, including accrued interest.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 5: Loans Receivable (Continued)

South Bay Community Services Loan – Calla Ave.

In April 2006, the Agency entered into a loan agreement for an amount not-to-exceed \$491,271 with South Bay Community Services (SBCS) to loan low and moderate income housing set-aside funds to rehabilitate an eight-unit apartment complex located at 1260 Calla Avenue. SBCC intends to rent all seven units to families earning 50% or below of the area median income, for a term of fifty-five years. Beginning May 31, 2006, and continuing through 2061, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are not required to be paid if the rental and occupancy conditions are met for the property. All principal and accrued interest on the Loan shall be due in full on (i) the date of any transfer not authorized by the Agency; (ii) the date of any Default; or (iii) the expiration of the Loan Term, whichever occurs first. However, upon expiration of the Loan Term, the Loan amount pursuant to the Note and accrued interest shall be forgiven provided all covenants and conditions were met over the Loan Term. Accrued interest at June 30, 2012, amounts to \$86,088 and is offset by deferred revenue. The loan has not been fully disbursed at June 30, 2012. The outstanding balance at June 30, 2012, is \$572,543, including accrued interest.

Tax Increment Loan - 12th Street

In August 2008, the Agency entered into a loan agreement for an amount not-to-exceed \$1,945,000 with Beachwind Court, LP to loan low and moderate income housing set-aside funds to rehabilitate a fifteen-unit apartment complex located at 624 12th Street. Beachwind Court, LP intends to rent seven units to families earning 50% or below of the area median income and to rent all seven units to families earning 60% or below of the area median income, for a term of fifty-five years. Beginning on the date of disbursement, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are required to be paid within 30 days of completion of the annual audit equivalent to 50% of the residual receipts generated by the projects audited records. Accrued interest at June 30, 2012, amounts to \$209,271 and is offset by deferred revenue. The outstanding balance at June 30, 2012, is \$2,154,271, including accrued interest.

American Legion Loan

The Imperial Beach Housing Authority and Hitzke Development Corporation entered into an Affordable Housing Agreement for the development of a mixed-use affordable housing development project and new American Legion Post. The Authority authorized financing for the Project for an amount not to exceed \$4,100,000 to construct thirty (30) units of affordable housing consisting of twenty-nine (29) affordable residential rental units and one manager's unit. Monthly principal and interest payments are required to be paid within 30 days of completion of the annual audit equivalent to 50% of the residual receipts generated by the projects audited records. Accrued interest at June 30, 2012, amounts to \$20,500 and is offset by deferred revenue. The outstanding balance at June 30, 2012, is \$4,120,500, including accrued interest.

Total loans receivable at June 30, 2012, amounts to \$7,579,393.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 6: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2012, is as follows:

Due To/Due From Other Funds

Funds	Due to Other Funds	
	Non-major Governmental Funds	Total
Due From Other Funds:		
General Fund	\$ 247,187	\$ 247,187
Total	\$ 247,187	\$ 247,187

Due from Successor Agency

In previous fiscal years, the City of Imperial Beach made loans to the former redevelopment agency. These loans bear interest at rates up to 12% per annum depending upon when the loan was initiated. The City may demand payment of all or a portion of the principal balance at any time as funds become available; however, such demands are not anticipated with the next fiscal year. As of June 30, 2012, loans made from the General Fund to the Redevelopment Agency Capital Projects Fund, including accrued unpaid interest owed on those loans, were \$3,738,100.

During the current fiscal year, the Imperial Beach Housing Authority loaned the Private Purpose Trust Fund \$1,463,779 to assist the Trust in meeting its debt service payment on the 2003 and 2003 Tax Allocation Bonds, of which was due December 1, 2012. These borrowed funds were subsequently repaid when the Trust received an RPTTF payment from the County in January of 2013.

Interfund Transfers

	Transfers In				Total
	General Fund	Sewer Fund	Internal Service Funds	Nonmajor Govt Funds	
Transfers Out:					
General Fund	\$ -	\$ 773,075	\$ 5,000	\$ 18,000	\$ 796,075
Housing Authority	-	-	-	1,033,839	1,033,839
Debt Service RDA	-	-	-	2,804,223	2,804,223
Internal Service Funds	5,000	-	-	-	5,000
Nonmajor Govt Funds	1,022,708	-	-	-	1,022,708
Total	\$ 1,027,708	\$ 773,075	\$ 5,000	\$ 3,856,062	\$ 5,661,845

Transfers were made from the General Fund to reimburse the Sewer Fund for maintenance costs, assist in facility maintenance, and augment resources in the Lighting and Landscape Assessment District #67. Transfers into the General Fund were made from the Gas Tax Fund and Prop A Tax Fund to support street maintenance and transportation costs. Transfers from the Housing Authority and between former Redevelopment Agency funds were made to meet debt service payment obligations.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 7: Deferred Revenue and Unearned Revenue

General Fund deferred revenue of \$139,948 relates to excess Vehicle License Fee (VLF) and sales tax revenue accrued but not yet received within the recognition periods.

General Fund unearned revenue consists of \$640,000 relating to a lease with the Unified Port District of San Diego and \$51,055 of other miscellaneous grant revenues received but not earned. The City entered into an agreement with the Port District in 1993 whereby the Port District leases the Pier Plaza and a parking lot from the city. The District paid the City \$1,800,000 at the beginning of the lease. Each year of the 30-year contract, the City recognizes \$60,000 of income and reduces the unearned revenue. As of June 30, 2012, \$640,000 remains of this unearned lease revenue.

Note 8: Long-Term Debt

a. Long-Term Debt – Governmental Activities

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2012:

	Balance 6/30/2011	Additions	Deletions	Transferred to Successor Agency	Balance 6/30/2012	Due Within One Year
Tax Allocation Bonds						
2003, Series A	\$ 18,925,000	\$ -	\$ -	\$ (18,925,000)	\$ -	\$ -
2010	21,595,000	-	-	(21,595,000)	-	-
Other Post-Employment Benefits Obligation	64,366	32,781	8,089	-	89,058	-
Compensated Absences	795,306	494,985	436,359	-	853,932	237,540
Claims & Judgments	682,845	783,495	188,555	-	1,277,785	267,785
	<u>\$ 42,062,517</u>	<u>\$ 1,311,261</u>	<u>\$ 633,003</u>	<u>\$ (40,520,000)</u>	<u>2,220,775</u>	<u>\$ 505,325</u>

The Agency had pledged, as security for tax allocation bonds it has issued, a portion of tax increment revenues, including Low and Moderate Income Housing set-aside that it receives. These bonds were to provide financing for various capital projects and to accomplish Low and Moderate Income Housing projects. The Agency has committed to appropriate each year, from these resources amounts sufficient to cover the principal and interest requirements on the debt. For the current year, the total tax increment revenue, net of pass through payments, recognized by the Agency was \$3,045,017 and the debt service obligation on the bonds was \$1,067,555.

Other Post-Employment Benefits Obligation

The City's policies relating to other post-employment benefits are described in Note 10 of the Notes to Financial Statements.

Compensated Absences

The City's policies relating to compensated absences are described in Note 1 of the Notes to Financial Statements.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 8: Long-Term Debt (Continued)

Claims and Judgments

The City's liability regarding self-insurance is described in Note 11 of the Notes to Financial Statements. The liability will be paid in future years from the Self Insurance Fund.

b. Long-Term Debt – Business-Type Activities

The following is a summary of changes in Proprietary Fund long-term debt for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Enterprise Fund:					
Compensated absences	\$ 51,975	\$ 43,637	\$ 40,460	\$ 55,152	\$ 15,251

c. Special Assessment Bonds

The City has four assessment districts that issued bonds from 1981 through 2004 that are outstanding with no City obligation. The bonds were issued to finance alley paving within the City. The bonds are secured by the unpaid assessments levied against the private property within the assessment districts. The bonds are not general obligations of the City, and neither the faith and credit, nor the taxing power of the City, is pledged to the payment of the bonds.

The liability of property owners for unpaid principal assessments at June 30, 2012, was \$94,000. This bond liability has not been recorded in the accompanying financial statements in compliance with GASB Statement No. 6.

d. Limited Obligation Improvement Bonds

On March 21, 2005 the City of Imperial Beach Assessment District No. 71 issued \$70,000 in limited obligation improvement bonds with interest rates varying from 5.00% to 5.50% pursuant to the provisions of the Improvement Bond Act of 1915. The bonds were issued to finance certain public improvements to benefit property within the City's Assessment District No. 71. The issues described above are not reflected in the liabilities on the statement of net assets because they are special obligations payable solely from and secured by specific revenue sources described in the resolutions and official statement of the issues. Neither faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof is pledged for the payment of these bonds.

IV. OTHER INFORMATION

Note 9: City Employees Retirement Plan

Plan Description

The City of Imperial Beach contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 16.312% for miscellaneous employees, 30.875% for fire employees and 20.658% for ocean lifeguards, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Required Contribution

For 2012, the City's required contribution of \$765,238 for PERS was equal to the City's actuarial required contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial costs method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases range from 3.55% to 14.45% depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis over 19, 18 and 16 years.

Fiscal Year Ending	Required Contribution	Percentage Contributed
<u>Miscellaneous Members</u>		
6/30/2010	\$ 446,820	100%
6/30/2011	1,795,553	100%
6/30/2012	497,428	100%
<u>Safety Members</u>		
6/30/2010	\$ 418,927	100%
6/30/2011	388,266	100%
6/30/2012	267,811	100%

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 9: City Employees Retirement Plan (Continued)

For fiscal year 2011-2012, the City participated in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date, starting with the June 30, 2003 valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

Note 10: Other Post-Employment Benefits

Plan Description

The City provides other post-employment benefits (OPEB) through a single-employer defined benefit healthcare plan by contributing up to a maximum of \$75.75 per month for of all premiums charged under the health benefit plan for all eligible employees and qualified family members. These benefits are provided per contract between the City and the employee associations. A separate financial report is not available for the plan.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or employee associations. Currently, contributions are not required from plan members. A contribution of \$8,089 was made during the 2011-2012 fiscal year and was not included in the October 1, 2012 actuarial study. The purpose of the contribution was to pay current year premiums for retirees.

As a result, the City calculated and recorded a Net OPEB Liability, representing the difference between the Annual Required Contribution (ARC) and actual contributions, as presented below:

Annual required contribution (ARC)	\$ 34,496
Interest on net OPEB obligation	1,270
Adjustments to ARC	<u>(2,985)</u>
Annual OPEB cost	32,781
Contributions made	<u>8,089</u>
(Decrease) increase in Net OPEB obligation	24,692
Net OPEB obligation (asset) - beginning of year	<u>64,366</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ 89,058</u></u>

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 10: Other Post-Employment Benefits (Continued)

The contribution rate of 23.4% is based on the ARC of \$34,496 an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the annual normal cost and the amortization of unfunded actuarial liabilities (or funding excess) over a thirty year period.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011-2012, and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2010	\$ 25,329	\$ 4,858	19.18%	\$ 48,649
6/30/2011	23,101	7,384	31.96%	64,366
6/30/2012	32,781	8,089	24.68%	89,058

Funded Status and Funding Progress

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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Only one year is presented as this is the first year of the plan.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio	Covered Payroll	UAAL as Percent of Covered Payroll
9/1/2009	\$ -	\$ 238,144	\$ 238,144	0.0%	\$ 4,454,378	5.35%
10/1/2012	116,507	357,437	240,930	32.6%	4,664,039	5.17%

Actuarial Methods and Assumptions

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 of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 10: Other Post-Employment Benefits (Continued)

In the October 1, 2012 actuarial valuation, the level percentage of payroll actuarial cost method was used. The actuarial assumptions include a 5% investment rate of return, which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and annual healthcare cost trend rate of 4%. The actuarial value of assets is set equal to the reported market value of assets. The UAAL is being amortized as a level dollar on an open basis. The remaining amortization period at June 30, 2012, was twenty-seven years. The number of current employees who are eligible to participate in OPEB once retired is 78, the number of retirees currently receiving benefits are 4, and to be eligible to receive benefits the employee must retire from the City and be taking medical insurance at the time of retirement.

Note 11: Self-Insurance Program

General Liability

On August 8, 1990, the City became one of twelve members of the San Diego Pooled Insurance Program Authority (SANDPIPA) and San Diego County Cities Risk Management Authority (SDCCRMA). These organizations were created by a joint powers authority (JPA) to provide liability, property and casualty coverage to its members. Under the joint powers agreement SANDPIPA provides liability insurance coverage for the City for the difference between \$2,000,000 and the individual self-insured retention of \$125,000 each occurrence, \$15,000,000 annual aggregate for the pool. Commercial excess liability insurance is provided from the \$2,000,000 up to \$35,000,000 per occurrence. The premiums billed by the JPA to member cities are planned to match the expenses of the self-insurance as well as the cost of providing the excess layer coverage and the cost of administering the plan.

In addition to its coverage through the JPA, effective July 1, 1993, the San Diego Unified Port District agreed to fund an Escrow Reserve Account of \$300,000 for the purpose of reimbursing the City for any claim costs not covered by the JPA insurance, provided they are directly related to services provided to the District and arising from incidents actually occurring on tidelands and/or lands leased by the City to the District.

Workers Compensation

The City is a member of CSAC Excess Insurance Authority. The City is self-insured for the first \$250,000 of workers' compensation claims. Claims between \$250,000 and \$5,000,000 are covered through the City's risk sharing membership in CSAC. Claims between \$5,000,000 and \$300,000,000 are covered by excess purchased insurance.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 11: Self-Insurance Program (Continued)

The City established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risk of loss when it became a member of SANDPIPA, SDCCRMA and CSAC for liability, property casualty and workers compensation coverage. All funds of the City participate in the program and make payments to the Self-Insurance Fund based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. The estimated claims liability of \$1,277,785 reported at June 30, 2012, is based on the requirements of Governmental Accounting Standards Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The above amount includes an estimate for incurred but not reported claims.

During the last three fiscal years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

Changes in the reported liability for the last two fiscal years are as follows:

	<u>2010-2011</u>	<u>2011-2012</u>
Claims outstanding at beginning of year	\$ 390,323	\$ 682,845
Claims and changes in estimates	462,858	783,495
Claim payments	<u>(170,336)</u>	<u>(188,555)</u>
Claims outstanding at end of year	<u>\$ 682,845</u>	<u>\$1,277,785</u>

Note 12: Contingencies

Litigation

The City is involved in various lawsuits of which the outcome was undetermined as of June 30, 2012. No amount has been accrued for these contingent amounts.

Major Service Contracts

The San Diego Unified Port District owns the beachfront and bayfront in the City of Imperial Beach. Starting in fiscal year 1989-1990, the City entered into a contractual agreement with the San Diego Unified Port District, whereby the Port District provides reimbursement to the City for costs incurred in the maintenance and public safety services for the over two million visitors to the Port's beach area. Beginning July 2012, the City entered into a new contract with the San Diego Unified Port District whereby the Port District will provide reimbursement to the City for costs incurred relative to the beachfront from July 1, 2012 through June 30, 2021. This is a renewal of the previous contract which ended June 30, 2012. The new contract provides for cost reimbursement to the City of Imperial Beach in an amount not to exceed \$4,381,743 through June 30, 2013. The contract includes a re-evaluation of the financial terms every three years and future year payments would be subject to the lesser of San Diego Consumer Price Index or the San Diego Port District revenue performance with a capped at (4%) or 4%. A failure to renew the agreement either through the Port District's unwillingness or inability to do so would result in the City adjusting expenditures and service levels to meet the Port's level of reimbursement. There is no indication of any proposed substantial change to this contractual relationship. In fiscal year 2011-2012 the City received \$3,847,397 or 21.8% of its general fund revenue from the Port District.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 12: Contingencies (Continued)

The following material construction commitments existed at June 30, 2012:

Project Name	Contract Amount	Expenditures to date as of June 30, 2012	Remaining Commitments
9th & Palm Demolition	\$ 412,674	\$ 422,052	\$ (9,378)
Annual Sewer Main Line Repairs	134,175	240,256	(106,081)
Street Improvements Phase 4/5	3,672,542	3,982,073	(309,531)
Street Improvements Phase 3B	1,550,758	1,435,055	115,703

Note 13: California Redevelopment Agency Dissolution

On July 18, 2011, the California Redevelopment Association (“CRA”) and the League of California Cities (“League”) filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills that were passed as part of the 2011-12 State Budget, AB 1X 26 and 27 (*California Redevelopment Association v. Matosantos*). AB 1X 26 dissolves redevelopment agencies effective October 1, 2011. AB 1X 27 gave redevelopment agencies an option to avoid dissolution if it commits to making defined payments for the benefit of the State, school districts and certain special districts. In 2011-12, these payments amounted to a state-wide total of \$1.7 billion. In 2012-13 and subsequent years, the payments totaled \$400 million, annually. Each city or county’s share of these payments was determined based on its proportionate share of state-wide tax increment.

On August 17, 2011 the Supreme Court issued a stay of the implementation of AB 1X 26 and 27 which allowed a redevelopment agency to continue if it adopted an AB 1X 27 ordinance. However, because of the effect of the stay order, the authority for the Redevelopment Agency to engage in most activities was suspended.

The Supreme Court heard oral arguments on November 10, 2011 and on December 29, 2011 announced its decision in *California Redevelopment Association v. Matosantos*. The court upheld AB 1X 26 which dissolves redevelopment agencies, but invalidated in its entirety AB 1X 27 which allowed redevelopment agencies to continue as long as they made the required payments. AB 1X 26 established deadlines for the process of Redevelopment Agency dissolution and the handling of existing obligations. The full text of AB 1X 26 may be obtained from the California legislative information website maintained by the Legislative Counsel of the State of California at: <http://www.leginfo.ca.gov/bilinfo.html>.

As of January 31, 2012, the Redevelopment Agency has been dissolved and the City of Imperial Beach has elected to become the Successor Agency. The Successor Agency will be responsible for winding down the remaining activities of the dissolved Redevelopment Agency.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 14: Successor Agency Trust For Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Imperial Beach that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 5, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-7136.

After enactment of the law, which occurred on June 28, 2011, 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 projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be 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 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If 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 is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012, was reported in the private-purpose trust fund as an extraordinary gain (or loss).

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 14: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in the governmental funds - increase to net assets of the Successory Agency Trust Fund	\$ 19,407,225
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	<u>(38,896,620)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u><u>\$ (19,489,395)</u></u>

a. Cash and investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 1,811,198
Cash and investments with fiscal agent	<u>5,304,483</u>
	<u><u>\$ 7,115,681</u></u>

b. Loans Receivable

Loans receivable consist of the following:

Capital Project Funds

In November 2002, the Agency loaned \$25,000 to the Imperial Beach Community Clinic (IBCC) to be repaid on or before January 1, 2013. IBCC may receive credit toward the repayment of the Note in accordance with an Owner Participation Agreement (OPA) by and between the Agency and IBCC. The Agency will forgive \$2,500 of the loan for each year that IBCC complies with the OPA and operates the facility as a health clinic in substantially the same manner as on the date the OPA was executed (November 13, 2002). During fiscal year 2011-2012, \$2,500 of the debt was forgiven and \$2,500 was added, leaving a balance of \$3,750.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 14: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

c. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2012, follows:

	Balance July 1, 2011	Transferred from the former RDA	Additions	Repayments	Balance June 30, 2012	Due Within One Year
Fiduciary Funds:						
2003 Tax Allocation, Series A	\$ -	\$ 18,925,000	\$ -	\$ 470,000	\$ 18,455,000	\$ 490,000
2010 Tax Allocation Bonds	-	21,595,000	-	-	21,595,000	130,000
Total Fiduciary Funds	<u>\$ -</u>	<u>\$ 40,520,000</u>	<u>\$ -</u>	<u>\$ 470,000</u>	<u>40,050,000</u>	<u>\$ 620,000</u>
				Unamortized Premiums/Discounts	(938,751)	
				Total Long-term Debt	<u>\$ 39,111,249</u>	

Tax Allocation Bonds, 2003 Series A

In December 2003, the Imperial Beach Public Financing Authority issued \$22,765,000 Tax Allocation Revenue Bonds, 2003 Series A. The proceeds of the bonds were loaned to the Imperial Beach Redevelopment Agency to fund redevelopment activities, to provide for a reserve fund and to provide for the costs of issuance of the bonds. Although the bonds were issued by the Authority and loaned to the Redevelopment Agency, the loan transaction has been eliminated from these financial statements, as the Public Financing Authority does not have its own financial statements or fund, and certain revenues of the Redevelopment Agency are pledged for repayment of the debt. Interest on the bonds is payable semiannually and principal payments are due annually. Debt service payments occur from June 1, 2004 through June 1, 2033. Interest rates on the bonds range from 1.75% to 6.10% per annum. The balance at June 30, 2012, excluding unamortized original issue discount of \$232,094, is \$18,455,000.

The following is a schedule by years, of future debt service payments as of June 30:

	2003 Tax Allocation Bonds, Series A	
	Principal	Interest
2012 - 2013	\$ 490,000	\$ 1,061,584
2013 - 2014	510,000	1,037,574
2014 - 2015	540,000	1,012,074
2015 - 2016	570,000	985,074
2016 - 2017	595,000	955,719
2017 - 2022	3,500,000	4,251,419
2022 - 2027	4,635,000	3,118,735
2027 - 2032	6,155,000	1,586,858
2032 - 2037	1,460,000	87,600
Totals	<u>\$ 18,455,000</u>	<u>\$ 14,096,637</u>

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 14: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

Tax Allocation Bonds, 2010

In November 2010, the Imperial Beach Public Financing Authority issued \$21,595,000 Tax Allocation Bonds, 2010. The proceeds of the bonds were loaned to the Imperial Beach Redevelopment Agency to fund redevelopment activities, to provide for a reserve fund and to provide for the costs of issuance of the bonds. Although the bonds were issued by the Authority and loaned to the Redevelopment Agency, the loan transaction has been eliminated from these financial statements, as the Public Financing Authority does not have its own financial statements or fund. The Agency's obligations under the Loan Agreements are secured by a pledge of Tax Revenues, not including Low and Moderate Income Housing set-aside that it receives. Interest on the bonds is payable semiannually and principal payments are due annually. The bonds consist of \$2,135,000 in term bonds due June 1, 2030, with interest at 5.000%; term bonds of \$5,170,000 due June 1, 2035, with interest at 5.000% and term bonds of \$10,715,000 due June 1, 2040, with interest at 5.125%. The balance at June 30, 2012, excluding unamortized original issue discount of \$714,395, is \$21,595,000.

The following is a schedule by years, of future debt service payments as of June 30:

	2010 Tax Allocation Bonds	
	Principal	Interest
2012 - 2013	\$ 130,000	\$ 1,051,906
2013 - 2014	230,000	1,048,006
2014 - 2015	235,000	1,041,106
2015 - 2016	245,000	1,034,056
2016 - 2017	255,000	1,026,706
2017 - 2022	1,445,000	4,988,675
2022 - 2027	1,820,000	4,649,988
2027 - 2032	2,380,000	4,150,719
2032 - 2037	8,100,000	3,124,556
2037 - 2042	6,755,000	704,431
Totals	\$ 21,595,000	\$ 22,820,149

On June 14, 2012, Moody's Investors Service ("Moody's") downgraded all California tax allocation bonds rated 'Baa3' and above. As such, the Bonds' insured rating was downgraded from 'A3' to 'Ba1' and underlying rating was downgraded from 'A3' to 'Ba1'. According to Moody's, all California tax allocation bond ratings remain on review for possible withdrawal.

Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 14: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$79,966,786 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the City and Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$1,382,843 and the debt service obligation on the bonds was \$1,537,555.

d. Insurance

The Successor Agency is covered under the City of Imperial Beach's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 11.

e. Commitments and Contingencies

At June 30, 2012, the Successor Agency was involved as a defendant in several lawsuits arising out of the ordinary conduct of its affairs. It is the opinion of management that settlements of these lawsuits, including losses for claims that are incurred but not reported, if any, will not have a material effect on the financial position of the Successor Agency.

f. Reversal of Transfers of Assets

On April 20, 2012, pursuant to Health and Safety Code Section 34167.5, the California State Controller issued an order to cities, counties, and agencies, directly or indirectly receiving assets from a redevelopment agency after January 1, 2011, to reverse the transfer and return assets to successor agency. The California State Controller will specifically review and audit cities, counties, and public agencies to ensure that all applicable asset transfers have been reversed. Any reversals of transfers are not reflected in the Agency's financial statements as of January 31, 2012. Upon the Controller's review, any assets, if applicable, would be transferred to the Successor Agency in accordance with the order.

g. Subsequent Events

Assembly Bill 1484 established a requirement for the successor agency to remit to the County auditor-controller three payments as determined by the auditor-controller which consist of a payment to be made in July 2012 for taxing entities' share of December 2011 property tax distribution to redevelopment agency/successor agency, a payment to be made in November 2012 related to Low-Moderate Income Housing Fund Due Diligence Review for unencumbered cash, and a payment to be made in April 2013 related to the other Redevelopment Funds Due Diligence Review for unencumbered cash. As of the date of the report the payment in July 2012 was made in the amount of \$0. In addition, the Low-Moderate Income Housing Due Diligence Review resulted in an amount due of \$0 and the other Redevelopment Funds Due Diligence Review resulted in an amount due of \$0, both of which have been confirmed by the Department of Finance.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 15: Fund Equity and Net Assets Restatements

Beginning nets assets/fund balance in the Capital Projects RDA Fund was restated by \$8,118 to adjust prior year expenditures.

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue Funds			
	Gas Tax	Prop A Tax	Residential Construction	CDBG Grant
Assets:				
Cash and investments	\$ 1,740,881	\$ 811,078	\$ 202,646	\$ -
Due from other governments	84,041	-	-	134,763
Total Assets	\$ 1,824,922	\$ 811,078	\$ 202,646	\$ 134,763
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 1,145	\$ -	\$ 6,608
Accrued liabilities	-	396	-	1,757
Deferred revenues	-	-	-	85,507
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	145,055
Total Liabilities	-	1,541	-	238,927
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	1,824,922	809,537	202,646	-
Unassigned	-	-	-	(104,164)
Total Fund Balances	1,824,922	809,537	202,646	(104,164)
Total Liabilities and Fund Balances	\$ 1,824,922	\$ 811,078	\$ 202,646	\$ 134,763

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(Continued)

	Special Revenue Funds			
	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Lighting District #67	Traffic Safety Fund
Assets:				
Cash and investments	\$ -	\$ 66,210	\$ 39,674	\$ 110
Due from other governments	100,000	-	1,747	-
Total Assets	\$ 100,000	\$ 66,210	\$ 41,421	\$ 110
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 6,628	\$ 1,875	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	43,469	-	-
Due to other funds	100,702	-	-	-
Total Liabilities	100,702	50,097	1,875	-
Fund Balances:				
Restricted for:				
Public safety	-	16,113	-	110
Parks and recreation	-	-	39,546	-
Public works	-	-	-	-
Unassigned	(702)	-	-	-
Total Fund Balances	(702)	16,113	39,546	110
Total Liabilities and Fund Balances	\$ 100,000	\$ 66,210	\$ 41,421	\$ 110

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue Funds		Capital Projects Funds	
	Parks Grant Fund	Prop 1B	Housing Redevelopment	Capital Projects RDA
Assets:				
Cash and investments	\$ 91	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-
Total Assets	\$ 91	\$ -	\$ -	\$ -
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Parks and recreation	91	-	-	-
Public works	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	91	-	-	-
Total Liabilities and Fund Balances	\$ 91	\$ -	\$ -	\$ -

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Total Nonmajor Governmental Funds
Assets:	
Cash and investments	\$ 2,860,690
Due from other governments	320,551
Total Assets	<u>\$ 3,181,241</u>
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 16,256
Accrued liabilities	2,153
Deferred revenues	85,507
Unearned revenues	43,469
Due to other funds	245,757
Total Liabilities	<u>393,142</u>
Fund Balances:	
Restricted for:	
Public safety	16,223
Parks and recreation	39,637
Public works	2,837,105
Unassigned	<u>(104,866)</u>
Total Fund Balances	<u>2,788,099</u>
Total Liabilities and Fund Balances	<u>\$ 3,181,241</u>

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds			
	Gas Tax	Prop A Tax	Residential Construction	CDBG Grant
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Intergovernmental	809,504	528,685	-	187,794
Charges for services	-	10,615	14,300	-
Use of money and property	12,676	6,805	1,070	(1,698)
Miscellaneous	-	-	-	-
Total Revenues	822,180	546,105	15,370	186,096
Expenditures:				
Current:				
General government	114,405	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	68,369	116,701	-	122,097
Debt service:				
Interest and fiscal charges	-	-	-	-
Total Expenditures	182,774	116,701	-	122,097
Excess (Deficiency) of Revenues Over (Under) Expenditures	639,406	429,404	15,370	63,999
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(403,155)	(172,300)	-	-
Total Other Financing Sources (Uses)	(403,155)	(172,300)	-	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 14)	-	-	-	-
Net Change in Fund Balances	236,251	257,104	15,370	63,999
Fund Balances, Beginning of Year	1,588,671	552,433	187,276	(168,163)
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	1,588,671	552,433	187,276	(168,163)
Fund Balances, End of Year	\$ 1,824,922	\$ 809,537	\$ 202,646	\$ (104,164)

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(Continued)

	Special Revenue Funds			
	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Lighting District #67	Traffic Safety Fund
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Assessments	-	-	11,393	-
Intergovernmental	100,000	9,972	-	-
Charges for services	-	-	-	-
Use of money and property	142	625	57	-
Miscellaneous	-	-	-	-
Total Revenues	100,142	10,597	11,450	-
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	100,000	16,599	-	-
Parks and recreation	-	-	23,467	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Interest and fiscal charges	-	-	-	-
Total Expenditures	100,000	16,599	23,467	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	142	(6,002)	(12,017)	-
Other Financing Sources (Uses):				
Transfers in	-	-	18,000	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	18,000	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 14)	-	-	-	-
Net Change in Fund Balances	142	(6,002)	5,983	-
Fund Balances, Beginning of Year	(844)	22,115	33,563	110
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	(844)	22,115	33,563	110
Fund Balances, End of Year	\$ (702)	\$ 16,113	\$ 39,546	\$ 110

CITY OF IMPERIAL BEACH

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Special Revenue Funds		Capital Projects Funds	
	Parks Grant Fund	Prop 1B	Housing Redevelopment	Capital Projects RDA
Revenues:				
Taxes	\$ -	\$ -	\$ 761,254	\$ -
Assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	2,154	35,167	(22,544)
Miscellaneous	-	-	1,000	8,168
Total Revenues	-	2,154	797,421	(14,376)
Expenditures:				
Current:				
General government	-	-	518,513	1,199,053
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	320,211	-	-
Capital outlay	-	-	-	92,321
Debt service:				
Interest and fiscal charges	-	-	113,175	-
Total Expenditures	-	320,211	631,688	1,291,374
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(318,057)	165,733	(1,305,750)
Other Financing Sources (Uses):				
Transfers in	-	-	1,033,839	2,804,223
Transfers out	-	-	-	(447,253)
Total Other Financing Sources (Uses)	-	-	1,033,839	2,356,970
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 14)	-	-	(3,908,768)	(2,517,289)
Net Change in Fund Balances	-	(318,057)	(2,709,196)	(1,466,069)
Fund Balances, Beginning of Year	91	318,057	2,709,196	1,457,951
Restatements	-	-	-	8,118
Fund Balances, Beginning of Year, as Restated	91	318,057	2,709,196	1,466,069
Fund Balances, End of Year	\$ 91	\$ -	\$ -	\$ -

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Total Nonmajor Governmental Funds
Revenues:	
Taxes	\$ 761,254
Assessments	11,393
Intergovernmental	1,635,955
Charges for services	24,915
Use of money and property	34,454
Miscellaneous	9,168
	<hr/>
Total Revenues	2,477,139
Expenditures:	
Current:	
General government	1,831,971
Public safety	116,599
Parks and recreation	23,467
Public works	320,211
Capital outlay	399,488
Debt service:	
Interest and fiscal charges	113,175
	<hr/>
Total Expenditures	2,804,911
Excess (Deficiency) of Revenues Over (Under) Expenditures	<hr/> (327,772)
Other Financing Sources (Uses):	
Transfers in	3,856,062
Transfers out	(1,022,708)
	<hr/>
Total Other Financing Sources (Uses)	2,833,354
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 14)	<hr/> (6,426,057)
Net Change in Fund Balances	<hr/> (3,920,475)
Fund Balances, Beginning of Year	6,700,456
Restatements	8,118
	<hr/>
Fund Balances, Beginning of Year, as Restated	6,708,574
	<hr/>
Fund Balances, End of Year	\$ 2,788,099

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,588,671	\$ 1,588,671	\$ 1,588,671	\$ -
Resources (Inflows):				
Intergovernmental	521,000	521,000	809,504	288,504
Use of money and property	7,000	7,000	12,676	5,676
Amounts Available for Appropriations	2,116,671	2,116,671	2,410,851	294,180
Charges to Appropriations (Outflow):				
General government	-	-	114,405	(114,405)
Capital outlay	-	-	68,369	(68,369)
Transfers out	723,115	723,115	403,155	319,960
Total Charges to Appropriations	723,115	723,115	585,929	137,186
Budgetary Fund Balance, June 30	\$ 1,393,556	\$ 1,393,556	\$ 1,824,922	\$ 431,366

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 PROP A TAX
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 552,433	\$ 552,433	\$ 552,433	\$ -
Resources (Inflows):				
Intergovernmental	690,000	690,000	528,685	(161,315)
Charges for services	-	-	10,615	10,615
Use of money and property	10,000	10,000	6,805	(3,195)
Amounts Available for Appropriations	1,252,433	1,252,433	1,098,538	(153,895)
Charges to Appropriations (Outflow):				
Capital outlay	-	-	116,701	(116,701)
Transfers out	171,000	171,000	172,300	(1,300)
Total Charges to Appropriations	171,000	171,000	289,001	(118,001)
Budgetary Fund Balance, June 30	\$ 1,081,433	\$ 1,081,433	\$ 809,537	\$ (271,896)

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 RESIDENTIAL CONSTRUCTION
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 187,276	\$ 187,276	\$ 187,276	\$ -
Resources (Inflows):				
Charges for services	4,000	4,000	14,300	10,300
Use of money and property	2,000	2,000	1,070	(930)
Amounts Available for Appropriations	193,276	193,276	202,646	9,370
Budgetary Fund Balance, June 30	\$ 193,276	\$ 193,276	\$ 202,646	\$ 9,370

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 CDBG GRANT
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (168,163)	\$ (168,163)	\$ (168,163)	\$ -
Resources (Inflows):				
Intergovernmental	-	185,107	187,794	2,687
Use of money and property	-	-	(1,698)	(1,698)
Amounts Available for Appropriations	(168,163)	16,944	17,933	989
Charges to Appropriations (Outflow):				
Capital outlay	-	-	122,097	(122,097)
Total Charges to Appropriations	-	-	122,097	(122,097)
Budgetary Fund Balance, June 30	\$ (168,163)	\$ 16,944	\$ (104,164)	\$ (121,108)

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 SUPPLEMENTAL LAW ENFORCEMENT
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (844)	\$ (844)	\$ (844)	\$ -
Resources (Inflows):				
Intergovernmental	-	100,000	100,000	-
Use of money and property	-	-	142	142
Amounts Available for Appropriations	(844)	99,156	99,298	142
Charges to Appropriations (Outflow):				
Public safety	-	-	100,000	(100,000)
Total Charges to Appropriations	-	-	100,000	(100,000)
Budgetary Fund Balance, June 30	\$ (844)	\$ 99,156	\$ (702)	\$ (99,858)

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 LOCAL LAW ENFORCEMENT BLOCK GRANT
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 22,115	\$ 22,115	\$ 22,115	\$ -
Resources (Inflows):				
Intergovernmental	-	9,972	9,972	-
Use of money and property	-	-	625	625
Amounts Available for Appropriation	22,115	32,087	32,712	625
Charges to Appropriation (Outflow):				
Public safety	-	-	16,599	(16,599)
Total Charges to Appropriations	-	-	16,599	(16,599)
Budgetary Fund Balance, June 30	\$ 22,115	\$ 32,087	\$ 16,113	\$ (15,974)

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 LIGHTING DISTRICT #67
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 33,563	\$ 33,563	\$ 33,563	\$ -
Resources (Inflows):				
Assessments	12,000	12,000	11,393	(607)
Use of money and property	-	-	57	57
Transfers in	18,000	18,000	18,000	-
Amounts Available for Appropriations	63,563	63,563	63,013	(550)
Charges to Appropriations (Outflow):				
Parks and recreation	30,000	30,000	23,467	6,533
Total Charges to Appropriations	30,000	30,000	23,467	6,533
Budgetary Fund Balance, June 30	\$ 33,563	\$ 33,563	\$ 39,546	\$ 5,983

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CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012

	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication
Assets:			
Current:			
Cash and investments	\$ 1,337,490	\$ 3,261,823	\$ 566,489
Due from other governments	21,207	100,806	-
Total Current Assets	1,358,697	3,362,629	566,489
Noncurrent:			
Capital assets - net of accumulated depreciation	638,741	-	22,348
Total Noncurrent Assets	638,741	-	22,348
Total Assets	\$ 1,997,438	\$ 3,362,629	\$ 588,837
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 13,567	\$ 583	\$ 2,004
Accrued liabilities	7,411	4,335	4,969
Accrued compensated absences	9,012	4,708	3,589
Accrued claims and judgments	-	267,785	-
Total Current Liabilities	29,990	277,411	10,562
Noncurrent:			
Accrued compensated absences	29,678	9,363	4,669
Accrued claims and judgments	-	1,010,000	-
Total Noncurrent Liabilities	29,678	1,019,363	4,669
Total Liabilities	59,668	1,296,774	15,231
Net Assets:			
Invested in capital assets, net of related debt	638,741	-	22,348
Unrestricted	1,299,029	2,065,855	551,258
Total Net Assets	1,937,770	2,065,855	573,606
Total Liabilities and Net Assets	\$ 1,997,438	\$ 3,362,629	\$ 588,837

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012

	<u>Facilities Repair & Maintenance</u>	<u>Total</u>
Assets:		
Current:		
Cash and investments	\$ 299,588	\$ 5,465,390
Due from other governments	-	122,013
Total Current Assets	299,588	5,587,403
Noncurrent:		
Capital assets - net of accumulated depreciation	-	661,089
Total Noncurrent Assets	-	661,089
Total Assets	\$ 299,588	\$ 6,248,492
Liabilities and Net Assets:		
Liabilities:		
Current:		
Accounts payable	\$ 1,544	\$ 17,698
Accrued liabilities	-	16,715
Accrued compensated absences	-	17,309
Accrued claims and judgments	-	267,785
Total Current Liabilities	1,544	319,507
Noncurrent:		
Accrued compensated absences	-	43,710
Accrued claims and judgments	-	1,010,000
Total Noncurrent Liabilities	-	1,053,710
Total Liabilities	1,544	1,373,217
Net Assets:		
Invested in capital assets, net of related debt	-	661,089
Unrestricted	298,044	4,214,186
Total Net Assets	298,044	4,875,275
Total Liabilities and Net Assets	\$ 299,588	\$ 6,248,492

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Vehicle Replacement & Maintenance</u>	<u>Self-Insurance</u>	<u>Technology & Communication</u>
Operating Revenues:			
Sales and service charges	\$ 362,943	\$ 515,225	\$ 309,180
Miscellaneous	134,664	122,906	143
Total Operating Revenues	497,607	638,131	309,323
Operating Expenses:			
Services and supplies	271,405	190,702	202,310
Claims expense	-	867,932	-
Depreciation expense	126,988	-	18,099
Personnel and administrative	246,805	118,179	143,102
Total Operating Expenses	645,198	1,176,813	363,511
Operating Income (Loss)	<u>(147,591)</u>	<u>(538,682)</u>	<u>(54,188)</u>
Nonoperating Revenues (Expenses):			
Interest revenue	7,180	18,871	2,587
Gain (loss) on disposal of capital assets	<u>(5,445)</u>	<u>-</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	1,735	18,871	2,587
Income (Loss) Before Transfers	(145,856)	(519,811)	(51,601)
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Assets	(145,856)	(519,811)	(51,601)
Net Assets:			
Beginning of Year	2,083,626	2,585,666	625,207
End of Fiscal Year	<u>\$ 1,937,770</u>	<u>\$ 2,065,855</u>	<u>\$ 573,606</u>

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Facilities Repair & Maintenance</u>	<u>Total</u>
Operating Revenues:		
Sales and service charges	\$ -	\$ 1,187,348
Miscellaneous	-	257,713
Total Operating Revenues	<u>-</u>	<u>1,445,061</u>
Operating Expenses:		
Services and supplies	6,817	671,234
Claims expense	-	867,932
Depreciation expense	-	145,087
Personnel and administrative	-	508,086
Total Operating Expenses	<u>6,817</u>	<u>2,192,339</u>
Operating Income (Loss)	<u>(6,817)</u>	<u>(747,278)</u>
Nonoperating Revenues (Expenses):		
Interest revenue	1,689	30,327
Gain (loss) on disposal of capital assets	-	(5,445)
Total Nonoperating Revenues (Expenses)	<u>1,689</u>	<u>24,882</u>
Income (Loss) Before Transfers	(5,128)	(722,396)
Transfers in	5,000	5,000
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>
Changes in Net Assets	(5,128)	(722,396)
Net Assets:		
Beginning of Year	<u>303,172</u>	<u>5,597,671</u>
End of Fiscal Year	<u>\$ 298,044</u>	<u>\$ 4,875,275</u>

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication
Cash Flows from Operating Activities:			
Cash received from/(paid to) interfund service provided	\$ 508,824	\$ 545,962	\$ 309,323
Cash paid to suppliers for goods and services	(265,766)	(464,240)	(208,556)
Cash paid to employees for services	(246,692)	(108,525)	(140,656)
Net Cash Provided (Used) by Operating Activities	(3,634)	(26,803)	(39,889)
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	-	-	-
Cash transfers in	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	-	-	-
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(6,401)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(6,401)	-	-
Cash Flows from Investing Activities:			
Interest received	7,180	18,871	2,587
Net Cash Provided (Used) by Investing Activities	7,180	18,871	2,587
Net Increase (Decrease) in Cash and Cash Equivalents	(2,855)	(7,932)	(37,302)
Cash and Cash Equivalents at Beginning of Year	1,340,345	3,269,755	603,791
Cash and Cash Equivalents at End of Year	\$ 1,337,490	\$ 3,261,823	\$ 566,489
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (147,591)	\$ (538,682)	\$ (54,188)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	126,988	-	18,099
(Increase) decrease in accounts receivable	7,739	-	-
(Increase) decrease in due from other governments	395	(92,169)	-
(Increase) decrease in inventory	3,083	-	-
Increase (decrease) in accounts payable	5,639	(546)	(6,246)
Increase (decrease) in accrued liabilities	2,078	2,708	1,001
Increase (decrease) in claims and judgments	-	594,940	-
Increase (decrease) in compensated absences	(1,965)	6,946	1,445
Total Adjustments	143,957	511,879	14,299
Net Cash Provided (Used) by Operating Activities	\$ (3,634)	\$ (26,803)	\$ (39,889)

Non-Cash Investing, Capital, and Financing Activities:

During fiscal year 2011-2012, there was no noncash investing, capital of financing activities.

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	Facilities Repair & Maintenance	Total
Cash Flows from Operating Activities:		
Cash received from/(paid to) interfund service provided	\$ -	\$ 1,364,109
Cash paid to suppliers for goods and services	(5,273)	(943,835)
Cash paid to employees for services	-	(495,873)
Net Cash Provided (Used) by Operating Activities	(5,273)	(75,599)
Cash Flows from Non-Capital Financing Activities:		
Cash transfers out	(5,000)	(5,000)
Cash transfers in	5,000	5,000
Net Cash Provided (Used) by Non-Capital Financing Activities	-	-
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	-	(6,401)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(6,401)
Cash Flows from Investing Activities:		
Interest received	1,689	30,327
Net Cash Provided (Used) by Investing Activities	1,689	30,327
Net Increase (Decrease) in Cash and Cash Equivalents	(3,584)	(51,673)
Cash and Cash Equivalents at Beginning of Year	303,172	5,517,063
Cash and Cash Equivalents at End of Year	\$ 299,588	\$ 5,465,390
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (6,817)	\$ (747,278)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	-	145,087
(Increase) decrease in accounts receivable	-	7,739
(Increase) decrease in due from other governments	-	(91,774)
(Increase) decrease in inventory	-	3,083
Increase (decrease) in accounts payable	1,544	391
Increase (decrease) in accrued liabilities	-	5,787
Increase (decrease) in claims and judgments	-	594,940
Increase (decrease) in compensated absences	-	6,426
Total Adjustments	1,544	671,679
Net Cash Provided (Used) by Operating Activities	\$ (5,273)	\$ (75,599)

Non-Cash Investing, Capital, and Financing Activities:
During fiscal year 2011-2012, there was no noncash inve

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2012</u>
<u>Special Assessment Districts</u>				
Assets:				
Pooled cash and investments	\$ 509,041	\$ 14,667	\$ 61,001	\$ 462,707
Total Assets	<u>\$ 509,041</u>	<u>\$ 14,667</u>	<u>\$ 61,001</u>	<u>\$ 462,707</u>
Liabilities:				
Deposits payable	\$ 509,041	\$ 77,069	\$ 123,403	\$ 462,707
Total Liabilities	<u>\$ 509,041</u>	<u>\$ 77,069</u>	<u>\$ 123,403</u>	<u>\$ 462,707</u>



- ◉ David E. Hale, CPA, CFP
- ◉ Donald G. Slater, CPA
- ◉ Richard K. Kikuchi, CPA
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- ◉ Bryan S. Gruber, CPA
- ◉ Deborah A. Harper, CPA

Brandon W. Burrows, CPA, Retired

February 28, 2013

To the Honorable Chair and Members of the Governing Board
Imperial Beach Redevelopment Agency
Imperial Beach, California

We have audited the financial statements of the governmental activities and each major fund of the Imperial Beach Redevelopment Agency (the Agency) for the seven months ended January 31, 2012, and have issued our report thereon dated February 28, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

Our responsibility, as described by professional standards, is to express opinions about whether the financial statements 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.

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Significant deficiencies in such controls, if any, have been communicated to you by a separate letter. We did not note any such matters.

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Agency's compliance with those requirements. Again, instances of non-compliance with provisions of laws, regulations, contracts and grants noted by us, if any, have been communicated to you by a separate letter. We did not note any such matters.

Planned Scope and Timing of the Audit

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statements.

During the audit, we obtained an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies. Significant deficiencies in such controls, if any, have been communicated to you by a separate letter. We did not note any such matters.



Honorable Chair and Members of the Governing Board
Imperial Beach Redevelopment Agency
Imperial Beach, California
Page 2

Our audit has consisted of a year-end contact which occurred after the dissolution date of January 31, 2012.

Had we noted any significant matters related to the financial statement audit that were, in our professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, we would have communicated those in a separate letter. We did not note any such matters. Generally accepted auditing standards do not require us to design procedures for the purpose of identifying other matters to communicate with those charged with governance.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Agency are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the seven months ended January 31, 2012. We noted no transactions entered into by the Agency during the period for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

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. Where applicable, the Agency utilized accounting estimates for depreciation on Agency assets, amortization of bond related issuance costs, premiums/discounts and gains/losses on bond defeasance and for reporting incurred but not reported amounts relating to the liability for claims and judgments. The methodology used during this audit is consistent with that of prior years. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statements Disclosure

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.



Honorable Chair and Members of the Governing Board
Imperial Beach Redevelopment Agency
Imperial Beach, California
Page 3

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 February 28, 2013.

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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the members of the Governing Board or individual(s) charged with governance and management of the Agency, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Brea, California

**REDEVELOPMENT AGENCY OF THE
CITY OF IMPERIAL BEACH, CALIFORNIA**

BASIC FINANCIAL STATEMENTS

JANUARY 31, 2012

REDEVELOPMENT AGENCY OF THE
CITY OF IMPERIAL BEACH, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JANUARY 31, 2012

REDEVELOPMENT AGENCY OF THE
CITY OF IMPERIAL BEACH, CALIFORNIA

JANUARY 31, 2012

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Brandon W. Burrows, CPA, Retired

INDEPENDENT AUDITORS' REPORT

To the Honorable Chair and Members of the Governing Board
Redevelopment Agency of the City of Imperial Beach
City of Imperial Beach, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Imperial Beach (Agency), a component unit of the City of Imperial Beach, California, as of and for the seven months ended January 31, 2012, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of January 31, 2012, and the respective changes in financial position, thereof for the seven months ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 9 – "California Redevelopment Agency Dissolution". The note provides information on two bills passed, AB X1 26 and AB X1 27 which dissolve redevelopment agencies as of January 31, 2012 based on the California Supreme Court ruling dated December 29, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2013, on our consideration of the Agency'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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



To the Honorable Chair and Members of the Governing Board
Redevelopment Agency of the City of Imperial Beach
City of Imperial Beach, California

The Agency has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Lanci, Soll & Lingham, LLP

Brea, California
February 28, 2013

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 Honorable Chair and Members of the Governing Board
Imperial Beach Redevelopment Agency
City of Imperial Beach, California

We have audited the financial statements of the governmental activities and each major fund of the Imperial Beach Redevelopment Agency, (Agency) as of and for the seven months ended January 31, 2012, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated February 28, 2013. 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.

Internal Control Over Financial Reporting

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures 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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies to be material weaknesses:

Fund Balance Restatements

As a result of our audit procedures, we noted one item that required a fund balance restatement. In the Project fund, a fund balance restatement was made to adjust prior year expenditures.



To the Honorable Chair and Members of the Governing Board
Imperial Beach Redevelopment Agency
Imperial Beach, California

Reconcile Bank Reconciliations to General Ledger

During the audit, we noted that the current format of the bank reconciliation makes reconciliation with the general ledger difficult and it lacked the proper approval. We recommend that the bank reconciliation format be changed to make reconciliation of these items easier and that they are reconciled to the general ledger for all funds. We also recommend that a proper system of checks and balances be followed of which approval would be required. A proper system would ensure that the bank statement is agreed to the general ledger on a monthly basis and approved in a timely manner.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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*.

This report is intended solely for the information and use of management, the governing board, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Lance, Soll & Lughard, LLP

Brea, California
February 28, 2013

IMPERIAL BEACH REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS
 JANUARY 31, 2012

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 2,038,255
Receivables:	
Accounts	\$3,095
Loans	3,424,379
Total Receivables	<u>3,427,474</u>
Land held for resale (net)	5,760,000
Deferred charges	672,469
Restricted assets:	
Cash and investments with trustees	<u>5,830,405</u>
Total Assets	<u>17,728,603</u>
Liabilities:	
Accounts payable and accrued expenses	1,775,966
Due to other governments	358,343
Long-term liabilities:	
Due within one year	509,341
Due in more than one year	42,944,885
Total Long-Term Liabilities	<u>43,454,226</u>
Total Liabilities	<u>45,588,535</u>
Net Assets:	
Restricted for:	
Community development	3,908,768
Debt service	4,753,953
Unrestricted	<u>(36,522,653)</u>
Total Net Assets	<u>\$ (27,859,932)</u>

IMPERIAL BEACH REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012

	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Functions/Programs					
Governmental Activities:					
General government	\$ 1,732,992	\$ -	\$ -	\$ -	\$ (1,732,992)
Community development	92,321	-	-	-	(92,321)
Interest on long-term debt	1,231,699	-	-	-	(1,231,699)
Total Governmental Activities	\$ 3,057,012	\$ -	\$ -	\$ -	(3,057,012)
General Revenues:					
Taxes (net of pass-through payments)					2,833,146
Use of money and property					44,434
Other					595,754
Total General Revenues					3,473,334
Change in Net Assets					416,322
Net Assets at July 1					(28,284,372)
Restatement of Net Assets					8,118
Net Assets at July 1					\$ (27,859,932)

IMPERIAL BEACH REDEVELOPMENT AGENCY

BALANCE SHEET
 GOVERNMENTAL FUNDS
 JANUARY 31, 2012

	Capital Projects	Capital Projects	Debt Service	
	Imperial Beach City-Wide Redevelopment Project Area	Imperial Beach City-Wide Redevelopment Project Area	Imperial Beach City-Wide Redevelopment Project Area	Total Governmental Funds
	Project	Low and Moderate Housing	Tax Increment	
Assets:				
Cash and investments	\$ -	\$ 867,309	\$ 1,170,946	\$ 2,038,255
Cash and investments with trustee	1,274,272	-	4,556,133	5,830,405
Receivables:				
Accounts	3,095	-	-	3,095
Loans	3,750	3,420,629	-	3,424,379
Land held for resale	5,760,000	-	-	5,760,000
Total Assets	\$ 7,041,117	\$ 4,287,938	\$ 5,727,079	\$ 17,056,134
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 427,385	\$ 19,603	\$ 973,126	\$ 1,420,114
Due to City	358,343	-	-	358,343
Deferred revenue	-	359,567	-	359,567
Total Liabilities	785,728	379,170	973,126	2,138,024
Fund Balances:				
Nonspendable:				
Land held for resale	5,760,000	-	-	5,760,000
Long-term receivables	3,750	3,061,062	-	3,064,812
Assigned to:				
Debt Service	-	-	4,753,953	4,753,953
Unassigned	491,639	847,706	-	1,339,345
Total Fund Balances	6,255,389	3,908,768	4,753,953	14,918,110
Total Liabilities and Fund Balances	\$ 7,041,117	\$ 4,287,938	\$ 5,727,079	\$ 17,056,134

IMPERIAL BEACH REDEVELOPMENT AGENCY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JANUARY 31, 2012

Fund balances of governmental funds \$ 14,918,110

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

Deferred revenue is present in governmental fund financial statements to indicate that receivables are not available currently; however, in the Statement of Net Assets these deferrals are eliminated. 359,567

Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:
Unamortized debt issuance costs - amortized over life of new bonds 672,469

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds

Bonds payable	(40,520,000)
Loans from City	(3,738,100)
Other debt	(147,037)
Unamortized net original issue discounts and (premiums)	950,911

Accrued interest payable for the current portion of interest due on Tax Allocation Bonds has not been reported in the governmental funds. (355,852)

Net assets of governmental activities \$ (27,859,932)

IMPERIAL BEACH REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012

	Capital Projects	Capital Projects	Debt Service	
	Imperial Beach City-Wide Redevelopment Project Area	Imperial Beach City-Wide Redevelopment Project Area	Imperial Beach City-Wide Redevelopment Project Area	Total Governmental Funds
	Project	Low and Moderate Housing	Tax Increment	
Revenues:				
Taxes and assessments	\$ -	\$ 761,254	\$ 3,045,017	\$ 3,806,271
Use of money and property	(22,544)	35,167	31,811	44,434
Other revenue	8,168	1,000	-	9,168
Total Revenues	(14,376)	797,421	3,076,828	3,859,873
Expenditures:				
Current:				
General government	1,199,053	518,513	11,694	1,729,260
Capital outlay	92,321	-	-	92,321
Debt service	-	113,175	954,380	1,067,555
Total Expenditures	1,291,374	631,688	966,074	2,889,136
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,305,750)	165,733	2,110,754	970,737
Other Financing Sources (Uses):				
Transfers in	2,804,223	-	-	2,804,223
Transfers out	-	-	(2,804,223)	(2,804,223)
Pass-through agreement payments	-	-	(973,125)	(973,125)
Contribution from (to) City	(447,253)	1,033,839	-	586,586
Total Other Financing Sources (Uses):	2,356,970	1,033,839	(3,777,348)	(386,539)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 1,051,220	\$ 1,199,572	\$ (1,666,594)	\$ 584,198
Fund Balances:				
July 1, as previously reported	\$ 5,196,051	\$ 2,709,196	\$ 6,420,547	\$ 14,325,794
Restatements	8,118	-	-	8,118
July 1, as restated	5,204,169	2,709,196	6,420,547	14,333,912
January 31	\$ 6,255,389	\$ 3,908,768	\$ 4,753,953	\$ 14,918,110

IMPERIAL BEACH REDEVELOPMENT AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012

Net change in fund balances - total governmental funds	\$ 584,198
Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of activities because:	
Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:	
Amortization for current seven months	(14,043)
Unamortized premium or discounts on bonds issued are revenue or expenditures in the governmental funds, but these are spread to future periods over the life of the new bonds:	
Amortization for current seven months	(17,026)
Collections on receivables and loan transactions offset by deferred revenue are reported as revenue and expenditures in governmental funds; however, they do not provide revenue or expenses in the statement of activities.	
	53,569
Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in compensated absences	(3,732)
Current accrual of interest due on bonds	(355,852)
Prior year accrual of interest due on bonds	169,208
	<hr/>
Change in net assets of governmental activities	<u>\$ 416,322</u>

**REDEVELOPMENT AGENCY OF
THE CITY OF IMPERIAL BEACH, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2012**

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The Redevelopment Agency of the City of Imperial Beach is a component unit of a reporting entity that consists of the following primary and component units:

Reporting Entity:

Primary Government:

City of Imperial Beach

Component Units:

Redevelopment Agency of the City of Imperial Beach
Imperial Beach Public Financing Authority

The attached basic financial statements contain information relative only to the Redevelopment Agency of the City of Imperial Beach as one component unit that is an integral part of the total reporting entity. They do not contain financial data relating to the other component unit.

The Redevelopment Agency of the City of Imperial Beach (the Agency) was activated in October of 1995, pursuant to Section 33101 of the California Health and Safety Code. The purpose of the Agency is to eliminate deteriorating conditions and conserve, rehabilitate and revitalize project areas in accordance with the redevelopment plan. The Agency is designed to encourage cooperation and participation of residents, businesspersons, community organizations and public agencies in the revitalization area. The Agency has established one Project Area comprising the entire city.

The criteria used in determining the scope of the reporting entity is based on the provisions of GASB Statement No. 14 and 39. The City of Imperial Beach (the City) is the primary governmental unit. The Agency is a component unit of the City. Component units are those entities which are financially accountable to the primary government, either because the primary unit appoints a voting majority of the component unit Board, or because the component unit will provide financial benefit or impose a financial burden on the primary government. The specific criteria used in determining that the Agency is a component unit of the City are that the members of the City Council are the same as the members of the Agency Board of Directors.

The redevelopment agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. See Note 9 for more information on the dissolution.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all nonfiduciary activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements.

REDEVELOPMENT AGENCY OF
THE CITY OF IMPERIAL BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Agency reports the following major governmental funds:

Debt Service Funds

Debt Service Funds are established to account for tax increment revenues, bond proceeds required to be set-aside for future debt service and related interest income. The funds are used to repay principal and interest on indebtedness of the Agency. Under provisions of the Health and Safety Code, such funds are referred to as "Special Funds."

**REDEVELOPMENT AGENCY OF
THE CITY OF IMPERIAL BEACH, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Capital Project Funds

Capital Project Funds are established to account for loans and advances from the City of Imperial Beach, bond proceeds, interest income on invested funds and certain miscellaneous income. The funds are expended primarily for administrative expenses and redevelopment project costs. Under provisions of the Health and Safety Code, such funds are referred to as "Redevelopment Funds." The Agency is required to set aside 20% of tax increment revenues for low and moderate income housing. Under provisions of the California Health and Safety Code, such funds can be accounted for as Capital Project Funds. The Agency will use the housing funds to provide housing subsidies to low-income households.

d. Assets, Liabilities and Net Assets or Equity

1. Investments

Investments for the Agency are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period, or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of San Diego collects property taxes for the Agency. Tax liens attach annually as of 12:01 A.M. on the first day in January proceeding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent if unpaid on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent on August 31.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**REDEVELOPMENT AGENCY OF
THE CITY OF IMPERIAL BEACH, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Agency does not report any capital assets.

In accordance with GASB Statement No. 34, the City has reported general infrastructure assets acquired in prior and current years. The Agency does not report any infrastructure assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	25 - 50
Improvements Other than Buildings	10 - 50
Sewer lines and Pump Stations	35 - 50
Equipment	3 - 20
Vehicles	5 - 10
<u>Infrastructure</u>	<u>Years</u>
Pavement	33
Curb and Gutter	50
Sidewalk	50

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations, including compensated absences, are reported as liabilities in the governmental activities statement of net assets.

REDEVELOPMENT AGENCY OF
THE CITY OF IMPERIAL BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

6. Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, the City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. By Resolution No. 2011-32 approved on June 21, 2011, the governing body authorized the City Manager to assign fund balances for specific purposes.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. Budgetary Data

General Budget Policies

The Governing Board approves each year's budget submitted by the Executive Director prior to the beginning of the new fiscal year. The Board conducts public meetings prior to its adoption. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Supplemental appropriations, when required during the period, are also approved by the Board. Intradepartmental budget

**REDEVELOPMENT AGENCY OF
THE CITY OF IMPERIAL BEACH, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012**

Note 2: Stewardship, Compliance and Accountability (Continued)

changes are approved by the Executive Director. In most cases, expenditures may not exceed appropriations at the departmental level. At fiscal year-end all operating budget appropriations lapse. During the year several supplementary appropriations were necessary.

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue and similar governmental funds. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in process at year-end are completed. They do not constitute expenditures or estimated liabilities.

Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 2,038,255
Cash and investments with fiscal agent	<u>5,830,405</u>
Total	<u>\$ 7,868,660</u>

The Agency's cash and investments are pooled with the City of Imperial Beach's cash and investment in order to generate optimum interest income. Each fund's share of the pooled cash account is separately accounted for, and investment income is allocated to all participating funds based on the relationship of their average daily cash balances to the total of the pooled cash and investments. Information regarding the authorized types of deposits and investments, the type of risks (i.e. credit, interest rate, custodial, etc.) and other disclosures associated with the City's pooled cash and investments is included in the City's basic financial statements, which are available at City Hall.

Note 4: Loans Receivable

Loans receivable consist of the following:

Capital Project Funds

In November 2002, the Agency loaned \$25,000 to the Imperial Beach Community Clinic (IBCC) to be repaid on or before January 1, 2013. IBCC may receive credit toward the repayment of the Note in accordance with an Owner Participation Agreement (OPA) by

REDEVELOPMENT AGENCY OF
THE CITY OF IMPERIAL BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012

Note 4: Loans Receivable (Continued)

and between the Agency and IBCC. The Agency will forgive \$2,500 of the loan for each year that IBCC complies with the OPA and operates the facility as a health clinic in substantially the same manner as on the date the OPA was executed (November 13, 2002). The outstanding balance at January 31, 2012, is \$3,750.

Low and Moderate Income Housing Set-aside Funds

In April 2006, the Agency entered into a loan agreement for an amount not-to-exceed \$540,425 with South Bay Community Services (SBCS) to loan low and moderate income housing set-aside funds to rehabilitate a seven-unit apartment complex located at 1360 Hemlock Avenue. This loan agreement was amended in October, 2007 and increased the loan agreement by \$89,183, creating a total not-to-exceed amount of \$629,608. SBCC intends to rent all seven units to families earning 50% or below of the area median income, for a term of fifty-five years. Beginning May 31, 2006, and continuing through 2061, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are not required to be paid if the rental and occupancy conditions are met for the property. All principal and accrued interest on the Loan shall be due in full on (i) the date of any transfer not authorized by the Agency; (ii) the date of any Default; or (iii) the expiration of the Loan Term, whichever occurs first. However, upon expiration of the Loan Term, the Loan amount pursuant to the Note and accrued interest shall be forgiven provided all covenants and conditions were met over the Loan Term. Accrued interest at January 31, 2012, amounts to \$94,600 and is offset by deferred revenue. The loan has not been fully disbursed at January 31, 2012. The outstanding balance at January 31, 2012, is \$724,208, including accrued interest.

In April 2006, the Agency entered into a loan agreement for an amount not-to-exceed \$491,271 with South Bay Community Services (SBCS) to loan low and moderate income housing set-aside funds to rehabilitate an eight-unit apartment complex located at 1260 Calla Avenue. SBCC intends to rent all seven units to families earning 50% or below of the area median income, for a term of fifty-five years. Beginning May 31, 2006, and continuing through 2061, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are not required to be paid if the rental and occupancy conditions are met for the property. All principal and accrued interest on the Loan shall be due in full on (i) the date of any transfer not authorized by the Agency; (ii) the date of any Default; or (iii) the expiration of the Loan Term, whichever occurs first. However, upon expiration of the Loan Term, the Loan amount pursuant to the Note and accrued interest shall be forgiven provided all covenants and conditions were met over the Loan Term. Accrued interest at January 31, 2012, amounts to \$80,007 and is offset by deferred revenue. The loan has not been fully disbursed at January 31, 2012. The outstanding balance at January 31, 2012, is \$566,462, including accrued interest.

In August 2008, the Agency entered into a loan agreement for an amount not-to-exceed \$1,945,000 with Beachwind Court, LP to loan low and moderate income housing set-aside funds to rehabilitate a fifteen-unit apartment complex located at 624 12th Street. Beachwind Court, LP intends to rent seven units to families earning 50% or below of the area median income and to rent all seven units to families earning 60% or below of the area median income, for a term of fifty-five years. Beginning on the date of disbursement, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are required to be paid within 30 days of completion of the annual audit equivalent to 50% of the residual receipts generated by

**REDEVELOPMENT AGENCY OF
THE CITY OF IMPERIAL BEACH, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012**

Note 4: Loans Receivable (Continued)

The 2 projects audited records. Accrued interest at January 31, 2012, amounts to \$184,959 and is offset by deferred revenue. The outstanding balance at January 31, 2012, is \$2,129,959, including accrued interest.

Total loans receivable at January 31, 2012, amounts to \$3,424,379.

Note 5: Long-term Debt

- a. Long-term debt consists of the following at January 31, 2012:

City Loans

During prior fiscal years, the City of Imperial Beach loaned the Agency funds to cover operating cash flow needs and to fund various economic development projects. The loans, which were consolidated at June 30, 2004, for \$3,738,100, bear interest at a rate of 6% per annum through June 30, 2005, and are payable as funds become available to the Agency. On June 7, 2006, the City Council and Agency voted to increase the interest rate to 12% per annum. Interest on the loan is paid currently. The balance at January 31, 2012, is \$3,738,100.

Tax Allocation Bonds, 2003 Series A

In December 2003, the Imperial Beach Public Financing Authority issued \$22,765,000 Tax Allocation Revenue Bonds, 2003 Series A. The proceeds of the bonds were loaned to the Imperial Beach Redevelopment Agency to fund redevelopment activities, to provide for a reserve fund and to provide for the costs of issuance of the bonds. Although the bonds were issued by the Authority and loaned to the Redevelopment Agency, the loan transaction has been eliminated from these financial statements, as the Public Financing Authority does not have its own financial statements or fund. The Agency's obligations under the Loan Agreements are secured by a pledge of both Original Area Tax Revenues and the Amended Area Tax Revenues, including Low and Moderate Income Housing set-aside that it receives. Interest on the bonds is payable semiannually and principal payments are due annually. The bonds consist of \$7,640,000 in serial bonds maturing June 1 beginning 2004 and continuing through 2011 with interest rates ranging from 1.75% to 5.375%; term bonds of \$3,705,000 due June 1, 2023, with interest at 5.75%, term bonds of \$4,900,000 with interest at 5.85% due June 1, 2028, and term bonds of \$6,520,000 with interest at 6.0% due June 1, 2033.

The balance at January 31, 2012, excluding unamortized original issue discount of \$236,591, is \$18,925,000.

**REDEVELOPMENT AGENCY OF
THE CITY OF IMPERIAL BEACH, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012**

Note 5: Long-term Debt (Continued)

The following is a schedule by years, of future debt service payments as of January 31:

	2003 Tax Allocation Bonds, Series A	
	Principal	Interest
2011-2012	\$ 470,000	\$ 541,602
2012-2013	490,000	1,061,584
2013-2014	510,000	1,037,574
2014-2015	540,000	1,012,074
2015-2016	570,000	985,074
2016-2021	3,315,000	4,436,713
2021-2026	4,385,000	3,373,648
2026-2031	5,810,000	1,932,270
2031-2036	2,835,000	257,700
Totals	<u>\$ 18,925,000</u>	<u>\$ 14,638,239</u>

Tax Allocation Bonds, 2010

In November 2010, the Imperial Beach Redevelopment Agency issued \$21,595,000 Tax Allocation Bonds, 2010. The proceeds of the bonds were loaned to the Imperial Beach Redevelopment Agency to fund redevelopment activities, to provide for a reserve fund and to provide for the costs of issuance of the bonds. Although the bonds were issued by the Authority and loaned to the Redevelopment Agency, the loan transaction has been eliminated from these financial statements, as the Public Financing Authority does not have its own financial statements or fund. The Agency's obligations under the Loan Agreements are secured by a pledge of Tax Revenues, not including Low and Moderate Income Housing set-aside that it receives. Interest on the bonds is payable semiannually and principal payments are due annually. The bonds consist of \$2,135,000 in term bonds due June 1, 2030, with interest at 5.000%; term bonds of \$5,170,000 due June 1, 2035, with interest at 5.000% and term bonds of \$10,715,000 due June 1, 2040, with interest at 5.125%.

The balance at January 31, 2012, excluding unamortized original issue discount of \$714,320, is \$21,595,000.

**REDEVELOPMENT AGENCY OF
THE CITY OF IMPERIAL BEACH, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012**

Note 5: Long-term Debt (Continued)

The following is a schedule by years, of future debt service payments as of January 31:

	2010 Tax Allocation Bonds	
	Principal	Interest
2011-2012	\$ -	\$ 525,953
2012-2013	130,000	1,051,906
2013-2014	230,000	1,048,006
2014-2015	235,000	1,041,106
2015-2016	245,000	1,034,056
2016-2021	1,385,000	5,040,531
2021-2026	1,730,000	4,729,444
2026-2031	2,255,000	4,263,469
2031-2036	6,600,000	3,456,969
2036-2041	8,785,000	1,154,663
Totals	<u>\$ 21,595,000</u>	<u>\$ 23,346,103</u>

The Agency's has pledged, as security for tax allocation bonds it has issued, a portion of tax increment revenues, including Low and Moderate Income Housing set-aside that it receives. These bonds were to provide financing for various capital projects and to accomplish Low and Moderate Income Housing projects. The Agency has committed to appropriate each year, from these resources amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$78,504,342 with debt service requirements as indicated below. For the current year, the total tax increment revenue, net of pass through payments, recognized by the Agency was \$3,045,017 and the debt service obligation on the bonds was \$1,067,555.

Compensated Absences

All permanent employees of the Agency are permitted to accumulate a maximum of two times their annual accrual rate (annual leave). Maximum sick leave accrual for miscellaneous employees is 1,000 hours and for safety employees is 1,400 hours. Upon termination of employment, an employee is paid for accumulated annual leave but forfeits accumulated sick leave unless the employee has over five years of service. After five years of service, upon termination, the employee is paid for half the accumulated sick leave. All accumulated compensated absences are accrued when incurred in the government-wide and fiduciary fund financial statements. The balance at January 31, 2012, amounts to \$147,037.

**REDEVELOPMENT AGENCY OF
THE CITY OF IMPERIAL BEACH, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012**

Note 5: Long-term Debt (Continued)

b. The following is a summary of changes in long-term debt of the Agency for the year ended January 31, 2012:

	Balance July 1, 2011	Additions	Repayments	Balance January 31, 2012	Due Within One Year
<u>Imperial Beach City-Wide</u>					
<u>Redevelopment Project Area</u>					
City Loans - Principal	\$ 3,738,100	\$ -	\$ -	\$ 3,738,100	\$ -
Bonds - 2003 Tax Allocation, Series A	18,925,000	-	-	18,925,000	470,000
Bonds - 2010 Tax Allocation Bonds	21,595,000	-	-	21,595,000	-
Compensated Absences	143,305	42,074	38,342	147,037	39,341
Total	\$ 44,401,405	\$ 42,074	\$ 38,342	44,405,137	\$ 509,341
Adjustments:					
Unamortized net original issue (discount) or premium				(950,911)	
Net Long-term Debt				\$ 43,454,226	

IV. OTHER DISCLOSURES

Note 6: Interfund Transfers

	<u>Transfers Out</u>
	<u>Tax Increment</u>
	<u>Fund</u>
Transfers In:	
Project Fund	<u>\$ 2,804,223</u>

Transfers were used to fund capital projects within the redevelopment project area.

Note 7: Insurance Coverage

Insurance coverage has been obtained by the City of Imperial Beach for the City and all authorities under its control. Information related to the Agency's insurance coverage can be obtained by contacting the City.

Note 8: Net Assets/Fund Balance Restatement

Beginning net assets/fund balance in the Project fund was restated by \$8,118 to adjust prior year expenditures.

Note 9: California Redevelopment Agency Dissolution

On July 18, 2011, the California Redevelopment Association ("CRA") and the League of California Cities ("League") filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills that were passed as part of the 2011-12 State Budget, AB X1 26 and 27 (*California Redevelopment Association v. Matosantos*). AB X1 26 dissolves redevelopment agencies effective October 1, 2011. AB X1 27 gave redevelopment agencies an option to avoid dissolution if it commits to making

REDEVELOPMENT AGENCY OF
THE CITY OF IMPERIAL BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JANUARY 31, 2012

Note 9: California Redevelopment Agency Dissolution (Continued)

defined payments for the benefit of the State, school districts and certain special districts. In 2011-12, these payments amounted to a state-wide total of \$1.7 billion. In 2012-13 and subsequent years, the payments totaled \$400 million, annually. Each city or county's share of these payments was determined based on its proportionate share of state-wide tax increment.

On August 17, 2011 the Supreme Court issued a stay of the implementation of AB X1 26 and 27 which allowed a redevelopment agency to continue if it adopted an AB X1 27 ordinance. However, because of the effect of the stay order, the authority for the Redevelopment Agency to engage in most activities was suspended.

The Supreme Court heard oral arguments on November 10, 2011 and on December 29, 2011 announced its decision in *California Redevelopment Association v. Matosantos*. The court upheld AB X1 26 which dissolves redevelopment agencies, but invalidated in its entirety AB X1 27 which allowed redevelopment agencies to continue as long as they made the required payments. AB X1 26 established deadlines for the process of Redevelopment Agency dissolution and the handling of existing obligations. The full text of AB X1 26 may be obtained from the California legislative information website maintained by the Legislative Counsel of the State of California at: <http://www.leginfo.ca.gov/bilinfo.html>.

As of January 31, 2012 the Redevelopment Agency has been dissolved and the City of Imperial Beach has elected to become the Successor Agency. The Successor Agency will be responsible for winding down the remaining activities of the dissolved Redevelopment

Note 10: Subsequent Event

On April 20, 2012, pursuant to Health and Safety Code Section 34167.5, the California State Controller issued an order to cities, counties, and agencies, directly or indirectly receiving assets from a redevelopment agency after January 1, 2011, to reverse the transfer and return assets to successor agency. The California State Controller will specifically review and audit cities, counties, and public agencies to ensure that all applicable asset transfers have been reversed. Any reversals of transfers are not reflected in the Agency's financial statements as of January 31, 2012. Upon the Controller's review, any assets, if applicable, would be transferred to the Successor Agency in accordance with the order.



STAFF REPORT
CITY OF IMPERIAL BEACH

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: GARY BROWN, CITY MANAGER *GB*
MEETING DATE: MAY 1, 2013
ORIGINATING DEPT.: PUBLIC WORKS *HW*
SUBJECT: RESOLUTION NO. 2013-7327 AWARDING THE ANNUAL 5-YEAR TREE TRIMMING SERVICES CONTRACT

BACKGROUND:

City Council Resolution No. 2005-6145 awarded the Annual 5-Year Tree Trimming Service contract to West Coast Arborist in May 2005. City Council Resolution No. 2010-6897 approved a three-year extension to the Annual 5-Year Tree Trimming Service contract in April 2010. The West Coast Arborist Contract will expire June 30, 2013. The project is for trimming Palm Trees within the City right-of-way.

The specifications required the successful bidder to be a licensed Tree Service Contractor or a licensed Landscape Contractor. Additionally the successful bidder was to have an ISA Certified Arborist on staff or as a sub-consultant. The successful bidder is authorized to request a maximum of 2% increase annually beginning in July 1, 2015, subject to approval by the City of Imperial Beach. The specifications were written for a five year contract with the provision that the contract could be extended up to an additional five years subject to approval of the City.

On March 21, 2013, City Staff advertised for bids for a new "Annual 5-Year Tree Trimming Services" contract. The bid opening was advertised for Thursday, April 11, 2013 at 2:00 p.m.

DISCUSSION:

The City requested bids for the trimming of 1,313 palm trees of various varieties within the public right-of-way. Bids were opened and evaluated in an advertised public meeting, at 2:00 p.m., April 11, 2013. The lowest responsive and qualified bidder for the Annual 5-Year Tree Trimming Service was from West Coast Arborists at a bid price of \$21,008.00. The price per tree was \$17.50.

The six contractors who submitted proposals are listed below along with their proposed amounts:

- | | |
|---------------------------------------|-------------|
| 1. West Coast Arborists | \$21,008.00 |
| 2. Aztec Landscaping | \$22,977.50 |
| 3. Anton's Service Inc. | \$23,305.75 |
| 4. United Pacific Services, Inc. | \$29,411.00 |
| 5. California Tree Service, Inc. | \$29,870.75 |
| 6. Atlas Environmental Services, Inc. | \$43,942.00 |

Engineer's Estimate was \$25,700.

ENVIRONMENTAL DETERMINATION:

Not a project as defined by CEQA.

FISCAL IMPACT:

Estimated FY 2014 cost of \$ 21,008.00.

Subsequent fiscal year's costs will be \$21,008 plus a potential 2% annually.

Tree trimming budget for FY 2014 is estimated at \$24,200.

DEPARTMENT RECOMMENDATION:

1. Receive this report.
2. Authorize the City Manager to sign an Agreement with West Coast Arborists, Inc. for Annual 5-Year Tree Trimming Service.
3. Adopt attached resolution approving an Annual 5-Year Tree Trimming Services Agreement with West Coast Arborists, Inc.

CITY MANAGER'S RECOMMENDATION:

Approve Department recommendation.

Attachments:

1. Resolution No. 2013-7327

RESOLUTION NO. 2013-7327

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IMPERIAL BEACH, CALIFORNIA, AWARDING THE ANNUAL 5-YEAR TREE TRIMMING SERVICES CONTRACT

WHEREAS, City Council Resolution No. 2005-6145 awarded the Annual 5-Year Tree Trimming Service contract to West Coast Arborist in May 2005; and

WHEREAS, City Council Resolution No. 2010-6897 approved a three-year extension to the Annual 5-Year Tree Trimming Service contract in April 2010; and

WHEREAS, the West Coast Arborist Contract will expire June 30, 2013; and

WHEREAS, the project is for trimming Palm Trees within the City right-of-way; and

WHEREAS, on March 21, 2013, City Staff advertised for bids for a new "Annual 5-Year Tree Trimming Services" contract; and

WHEREAS, bids were opened and evaluated in an advertised public meeting, at 2:00 p.m., April 11, 2013; and

WHEREAS, the lowest responsive and qualified bidder for the Annual 5-Year Tree Trimming Service was from West Coast Arborists at a bid price of \$21,008.00: and.

WHEREAS, the bid price per tree was \$17.50; and

WHEREAS, the Engineer's Estimate was \$25,700.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Imperial Beach as follows:

1. The above recitals are true and correct.
2. The legislative body hereby rejects all proposals for bid except that identified as the lowest responsible and qualified bid. The bid of the lowest, responsible and qualified bidder will be on file with the transcript of these proceedings and open for public inspection in the City Clerk Department on file as Contract No. _____
3. The contractor shall not commence construction or order equipment until he has received a Notice to Proceed.
4. The works of improvement shall be constructed in the manner and form and in compliance with the requirements as set forth in the plans and specifications for the project.
5. The City Manager is authorized to sign a purchase order with the lowest responsible and qualified bidder.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of Imperial Beach at its meeting held on the 1st day of May 2013, by the following vote:

AYES:	COUNCILMEMBERS:
NOES:	COUNCILMEMBERS:
ABSENT:	COUNCILMEMBERS:

JAMES C. JANNEY, MAYOR

ATTEST:

**JACQUELINE M. HALD, MMC
CITY CLERK**



**STAFF REPORT
CITY OF IMPERIAL BEACH**

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: GARY BROWN, CITY MANAGER *MB*

MEETING DATE: MAY 1, 2013

ORIGINATING DEPT.: PUBLIC WORKS *hob*

SUBJECT: DISCUSSION ON CHANGES TO THE RECYCLING ALL-STAR PROGRAM

BACKGROUND:

In 1996 the City's solid waste diversion rate was at 40%. At that time, the City needed to develop a program to encourage recycling throughout the community in order to achieve the 50% solid waste diversion rate requirement of AB 939 by FY 2000. In February 1996, the City and its waste hauler, Laidlaw, initiated the All-Star Recycling Program with the intent of increasing awareness for recycling from single family homes. The All-Star award recognized two single family residents each week between February and August 1996 with free recycling service for a year. A total of 48 single family residences were awarded one year of free recycling service.

The success of the initial program led to a six month extension of the All-Star Program in August of 1996 and the eventual modification to the program to its current form that awards a \$100 per month at a council meeting to a randomly selected resident in a randomly selected neighborhood who demonstrates good recycling behaviors. Subsequent changes included full funding by EDCO for the \$100 prize and the addition of other educational small prizes.

Today, the program is largely unchanged from 1996 even though recycling awareness is considered much higher in the City. Staff believes the Recycling All Star Program has achieved its objective of increased recycling awareness among single family residents and contributed to the successful citywide effort to meet or exceed the AB 939 solid waste diversion mandate.

DISCUSSION:

With the City's increasingly limited resources it may be appropriate for the All-Star Recycling Program to retire and to reallocate the resources towards other City program(s). The EDCO contract currently allows up to \$1,200 annually towards the All-Star Recycling Program that could be reallocated to another purpose. Changes to the All-Star Program are supported by EDCO but will need a contract amendment to memorialize.

One such option may be to consider rolling the monthly All-Star award into the existing EDCO Community Grant Program. In 1999, the community grant program fund was established in the EDCO contract agreement. EDCO currently provides \$5,000 annually towards grants available to the community. In years past, these grants have been used for environmental protection, economic development, youth and senior services, and community outreach programs in the City. Staff believes this would be a more productive or better use of these EDCO funds. However staff is open to discuss other potential options to utilize the Recycling All Star funds.

If these funds are to be redirected to something other than the Recycling All Star program, an EDCO agreement amendment will be necessary and will be brought back to City Council for approval on a subsequent City Council Agenda.

ENVIRONMENTAL DETERMINATION:

Not a project as defined by CEQA.

FISCAL IMPACT:

The transfer of the Recycle All Star program funds to another purpose has the potential of reducing the staff hours devoted to the expense of these funds and to allow staff to focus on more important projects in the City.

DEPARTMENT RECOMMENDATION:

Staff recommends the City Council

1. Receive this report.
2. Discuss possible uses of the Recycling All Star funds.
3. Support the redirection of the All Star Recycling program funds to the Community Grant Program or as otherwise directed by City Council.
4. Direct staff to return with an EDCO contract amendment to modify the Recycling All Star program funds towards another City program (i.e. Community Grants Program).

CITY MANAGER'S RECOMMENDATION:

Approve Department recommendation.