



CITY COUNCIL REGULAR MEETING

Clearlake City Hall Council Chambers

14050 Olympic Dr, Clearlake, CA

Thursday, May 19, 2022

Regular Meeting 6:00 PM

The City Council meetings are viewable in person in the Council Chambers, via livestreaming on the City's YouTube Channel (https://www.youtube.com/channel/UCTyifT_nKS-3woxEu1ilBXA) or "Lake County PEG TV Live Stream" at <https://www.youtube.com/user/LakeCountyPegTV/featured> and the public may participate through Zoom at the link listed below. The public can submit comments and questions in writing for City Council consideration by sending them to the Administrative Services Director/City Clerk at mswanson@clearlake.ca.us. To give the City Council adequate time to review your questions and comments, please submit your written comments prior to 4:00 p.m. on the day of the meeting.

AGENDA

MEETING PROCEDURES: *All items on agenda will be open for public comments before final action is taken. Citizens wishing to introduce written material into the record at the public meeting on any item are requested to provide a copy of the written material to the Administrative Services Director/City Clerk prior to the meeting date so that the material may be distributed to the City Council prior to the meeting. Speakers must restrict comments to the item as it appears on the agenda and stay within a three minutes time limit. The Mayor has the discretion of limiting the total discussion time for an item.*

AMERICANS WITH DISABILITY ACT (ADA) REQUESTS

If you need disability related modification, including auxiliary aids or services, to participate in this meeting, please contact Melissa Swanson, Administrative Services Director/City Clerk at the Clearlake City Hall, 14050 Olympic Drive, Clearlake, California 95422, phone (707) 994-8201, ext 106, or via email at mswanson@clearlake.ca.us at least 72 hours prior to the meeting, to allow time to provide for special accommodations.

AGENDA REPORTS

Staff reports for each agenda item are available for review at www.clearlake.ca.us. Any writings or documents pertaining to an open session item provided to a majority of the City Council less than 72 hours prior to the meeting, shall be made available for public inspection on the City's website at www.clearlake.ca.us.

Zoom Link: <https://clearlakeca.zoom.us/j/83256809167>

A. ROLL CALL

B. PLEDGE OF ALLEGIANCE

C. INVOCATION/MOMENT OF SILENCE: *The City Council invites members of the clergy, as well as interested members of the public in the City of Clearlake, to voluntarily offer an invocation before the beginning of its meetings for the benefit and blessing of the City Council. This opportunity is*

voluntary and invocations are to be less than three minutes, offered in a solemn and respectful tone, and directed at the City Council. Invocational speakers who do not abide by these simple rules of respect and brevity shall be given a warning and/or not invited back to provide a subsequent invocation for a reasonable period of time, as determined appropriate by the City. This policy is not intended, and shall not be implemented or construed in any way, to affiliate the City Council with, nor express the City Council's preference for, any faith or religious denomination. Rather, this policy is intended to acknowledge and express the City Council's respect for the diversity of religious denominations and faith represented and practiced among the citizens of Clearlake. If a scheduled invocational speaker does not appear at the scheduled meeting, the Mayor will ask that the City Council observe a moment of silence in lieu of the invocation. More information about the City's invocation policy is available upon request by contacting the Administrative Services Director/City Clerk at (707) 994-8201x106 or via email at [mwanon@clearlake.ca.us](mailto:mwanson@clearlake.ca.us).

D. ADOPTION OF THE AGENDA *(This is the time for agenda modifications.)*

E. PRESENTATIONS

1. Presentation of May's Adoptable Dogs
- [2.](#) Presentation of a Proclamation Declaring May 21 - 27, 2022 as Safe Boating Week
- [3.](#) Presentation of a Proclamation Declaring May 2022 as California Tourism Month
4. Presentation of the Lake County Tourism Improvement District Annual Report

F. PUBLIC COMMENT: *This is the time for any member of the public to address the City Council on any matter not on the agenda that is within the subject matter jurisdiction of the City. **The Brown Act, with limited exceptions, does not allow the Council or staff to discuss issues brought forth under Public Comment.** The Council cannot take action on non-agenda items. Concerns may be referred to staff or placed on the next available agenda. Please note that comments from the public will also be taken on each agenda item. Comments shall be limited to three (3) minutes per person.*

G. CONSENT AGENDA: *All items listed under the Consent Agenda are considered to be routine in nature and will be approved by one motion. There will be no separate discussion of these items unless a member of the Council requests otherwise, or if staff has requested a change under Adoption of the Agenda, in which case the item will be removed for separate consideration. Any item so removed will be taken up following the motion to approve the Consent Agenda.*

- [5.](#) Consideration of Resolution 2021 - 30 to adopt a list of approved projects for submission to California Transportation Committee (CTC) for funding pursuant to SB1.
Recommended Action: Adopt Resolution 2022 – 24, a Resolution of the City Council of the City of Clearlake Adopting a project list for submission to the California Transportation Committee for funding under the provisions of SB1.
- [6.](#) Warrants
Recommended Action: Receive and file

7. Minutes of the April 13, 2022 Lake County Vector Control District Board Meeting
Recommended Action: Receive and file
8. Adoption of Resolution 2022-25 Supporting the Application of Chelsea Investments for the Local Government Matching Grant (LGMG) Program for Development of Affordable Housing at 15837 18th Avenue, Clearlake
Recommended Action: Adopt resolution

H. BUSINESS

9. Introduction for first reading Ordinance No. 262-2022 Amending Chapter 11-3 of the Clearlake Municipal Code / Establishing Edible Food Recovery Regulations in Accordance with SB 1383
Recommended Action: Move to waive full reading of the ordinance, make any amendments if necessary, and introduce by title only Ordinance No. 262-2022, which amends the Clearlake Municipal Code by establishing regulations related to the establishment of an edible food recovery program, and for it to be placed on an upcoming agenda of the City Council for second reading and adoption
10. Presentation and Acceptance of the Annual Financial Report for Fiscal Year 2019-20;
Resolution No. 2022-26
Recommended Action: Hear presentation and adopt Resolution
11. Consideration of Sale of Vacant Land Located at 4438 Fir Avenue, Clearlake
Recommended Action: Authorize the City Manager to Execute a Sale Agreement for Vacant Land Located at 4438 Fir Avenue, Clearlake
12. Purchase of Axon Fleet 3 for the Police Department
Recommended Action: Authorize the Chief of Police to enter into a 5-year contract with Axon Enterprises Inc. for the purchase of Axon Fleet 3 and adopt Resolution No. 2022-27 waiving the competitive formal bidding process.

I. CITY MANAGER AND COUNCILMEMBER REPORTS

J. FUTURE AGENDA ITEMS

K. CLOSED SESSION

- (13)** Conference with Labor Negotiators: Pursuant to Government Code Section 54957.6: Agency designated representatives: City Manager Flora, Finance Director Young, Administrative Services Director Swanson; Employee Organization: Clearlake Municipal Employee Association; Clearlake Police Officers Association
- (14)** Liability Claim: Claimant: Smiley James Harris; Agency claimed against: City of Clearlake
- (15)** Conference with Legal Counsel- Existing Litigation: Pursuant to Government Code Section 54956.9: Case No. CV-421149; Name of Case: City of Clearlake v. County of Lake, a political subdivision of the State of California; Board of Supervisors of the County of Lake, a public body

of the County of Lake; Barbara C. Ringen, in her official capacity as the Treasurer-Tax Collector of the County of Lake; and Does 1 through 30, inclusive

(16) Conference with Legal Counsel: Existing Litigation Pursuant to Government Code Section 54956.9: Name of Case: 14630 Olympic Drive, Clearlake CA 95422

L. ANNOUNCEMENT OF ACTION FROM CLOSED SESSION

M. ADJOURNMENT

POSTED: May 13, 2022

BY:



Melissa Swanson, Administrative Services Director/City Clerk



**NATIONAL SAFE BOATING WEEK
MAY 21st THROUGH MAY 27th 2022**

WHEREAS, in 2020, 767 people died in boating-related accidents in the United States; 534 of these fatalities were due to drowning and 450 of these boaters would be alive today had they worn their life jackets; and

WHEREAS, there is evidence that boating activities rose significantly during the pandemic resulting in an increase in boating accidents and fatalities in the United States; and

WHEREAS, Lake County Flotilla has donated to Clear Lake State Park children’s life jackets to be loaned for daily use at the swimming beach with the lifeguard being trained by the Flotilla in the proper fitting; and

WHEREAS, the Flotilla is now in partnership with the Clear Lake State Park as Ambassadors of Boating and Marine Safety; and

WHEREAS, the U.S. Coast Guard limitations due to the pandemic for all Flotillas have been eased and Flotilla 8-8 of Lake County will continue its efforts to educate the boating public by resuming safety patrols, offering boating classes, free vessel safety checks, and to encourage the public to practice safe boating habits and to wear your life jackets.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Clearlake does hereby designate the week of May 21st through May 27th, 2022 as National Safe Boating Week in Clearlake and urges all users of Clear Lake, Lake Pillsbury, Blue Lakes, and Indian Valley Reservoir to safeguard their lives by wearing lifejackets when boating, exercising safe boating practices, and

BOAT RESPONSIBLY ~ WEAR YOUR LIFE JACKET

Dated this 5th day of May, 2022

Dirk Slooten, Mayor



California Tourism Month

WHEREAS, Tourism plays a critical role in Lake County and the state’s economic prosperity; and

WHEREAS, A robust travel industry provides significant economic benefits for the entire state, generating more than \$144 billion dollars in visitor spending in 2019; and

WHEREAS, Travel has been the foundation of a healthy workforce, serving as one of the largest private-sector employers in California, supporting 1.2 million jobs in 2019; and

WHEREAS, Spending by travelers benefits state and local governments alike, generating \$12.2 billion dollars in tax revenue in 2019 to support essential public services and programs that benefit all Californians; and

WHEREAS, The COVID-19 pandemic devastated every sector of the travel industry with staggering economic impacts, affecting every community in California, including Lake County; and

WHEREAS, California lost \$79.8 billion dollars in visitor spending in 2020, a 55-percent decline from the previous year, and lost \$6.1 billion dollars in local and state revenues, a 50-percent drop; and

WHEREAS, Nearly one million Californians working in travel and hospitality lost their jobs in the first month of the pandemic, and the employment sector remains by far the hardest hit in California; and

WHEREAS, in 2020 Lake County lost \$47 million in travel generated spending, tax receipts and employment.

WHEREAS, The statewide tourism sector began its recovery in 2021 but remains well short of 2019 levels in employment, visitor spending, and taxes generated; and

WHEREAS, Lake County saw travel-generated spending, tax receipts and employment return to 2019 levels]; and

WHEREAS, The California Legislature in 2016 declared every May as California Tourism Month to celebrate the positive economic impact of the tourism in California; and

WHEREAS, Californians can help put their fellow Californians back to work and support the recovery of local businesses by traveling in California; now,

Therefore, the City Council of the City of Clearlake does hereby proclaim May 2022 as Tourism Month in Clearlake, and urge the residents of Clearlake to join in recognizing the critical role this industry plays in Lake County.

Dated this 19th day of May, 2022

Dirk Slooten, Mayor



CITY OF CLEARLAKE

City Council

STAFF REPORT	
SUBJECT: Consideration of Resolution 2022 - 24 to adopt a list of approved projects for submission to California Transportation Committee (CTC) for funding pursuant to SB1	MEETING DATE: May 19, 2022
SUBMITTED BY: Adeline Brown	
PURPOSE OF REPORT: <input type="checkbox"/> Information only <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

By motion Adopt Resolution 2022 – 24, a Resolution of the City Council of the City of Clearlake Adopting a project list for submission to the California Transportation Committee for funding under the provisions of SB1.

BACKGROUND/DISCUSSION:

Senate Bill 1, the Road Repair and Accountability Act of 2017, was signed into law on April 28, 2017. This legislative package invests \$54 billion over the next decade to fix roads, freeways, and bridges in communities across California and puts more dollars toward transit and safety. These funds will be split equally between state and local investments.

Local roads, transit agencies and an expansion of the state’s growing network of pedestrian and cycle routes will share an even split of SB 1 funding: \$26 billion. Each year, funding will be used for needs on the local road system, including:

Clearlake is proposing a list of projects identified as follows:

1. Lakeshore Drive Corridor Improvements
2. Highlands Park Frontage Improvement Project
3. Airport Road Regional Connector Improvements

The City by resolution must adopt the list of projects and that list needs to include the following items:

1. a description and location of each proposed project.
2. a proposed schedule for the project’s completion; and,
3. the estimated useful life of the improvement.

OPTIONS:

1. Adopt Resolution 2022 – 24, a Resolution of the City Council of the City of Clearlake Adopting a project list for submission to the California Transportation Committee for funding under the provisions of SB1.
2. Other direction

FISCAL IMPACT:

None Budgeted Item? Yes No
 Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$
 Affected fund(s): General Fund Measure P Fund Measure V Fund Other:
 Comments:

STRATEGIC PLAN IMPACT:

- Goal #1: Make Clearlake a Visibly Cleaner City
- Goal #2: Make Clearlake a Statistically Safer City
- Goal #3: Improve the Quality of Life in Clearlake with Improved Public Facilities
- Goal #4: Improve the Image of Clearlake
- Goal #5: Ensure Fiscal Sustainability of City
- Goal #6: Update Policies and Procedures to Current Government Standards
- Goal #7: Support Economic Development

SUGGESTED MOTIONS:

Adopt Resolution 2022 – 24, a Resolution of the City Council of the City of Clearlake Adopting a project list for submission to the California Transportation Committee for funding under the provisions of SB1.

Attachments: Project list and Resolution

RESOLUTION 2022-24

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CLEARLAKE ADOPTING A PROJECT LIST FOR SUBMISSION TO THE CALIFORNIA TRANSPORTATION COMMITTEE FOR FUNDING UNDER THE PROVISIONS OF SB1 AND RMRA.

WHEREAS, the State of California has passed Senate Bill 1, the Road Repair and Accountability Act of 2017, was signed into law on April 28, 2017; and,

WHEREAS, this legislative package invests \$54 billion over the next decade to fix roads, freeways and bridges in communities across California and puts more dollars toward transit and safety. These funds will be split equally between state and local investments; and,

WHEREAS, local roads, transit agencies and an expansion of the state’s growing network of pedestrian and cycle routes will share an even split of SB 1 funding: \$26 billion. Each year, funding will be used to tackle deferred maintenance needs on the local road system; and,

WHEREAS, the City by resolution must adopt the list of projects and that list needs to include the following items:

1. a description and location of each proposed project;
2. a proposed schedule for the project’s completion; and,
3. the estimated useful life of the improvement.

NOW, THEREFORE BE IT RESOLVED by the City Council of the City of Clearlake:

A. Clearlake is proposing a list of five projects identified as follows:

1. Lakeshore Drive Corridor Improvements
2. Highlands park Frontage Improvement Project
3. Airport Road Regional Connector Improvements

Which projects are more specifically defined on the attached “Exhibit A”

B. The City Council hereby adopts the attached “Exhibit A” as its list of projects as required by the provisions of Senate Bill 1.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Clearlake held on May 19, 2022 by the following vote:

AYES:

NOS:

ABSENT:

Dirk Slooten, Mayor

ATTEST:

Melissa Swanson, City Clerk
City of Clearlake

Exhibit A

2022-2023 Proposed Project List - SB1

1. Highlands Park Frontage Improvement Project

- Frontage/parking lot and pedestrian sidewalk improvements
- Proposed completion is 2024.
- Estimated useful life of the project is 20 years.
- Estimated cost is \$516,000

2. Airport Road Improvements

- Regional shopping center connector road.
- *Proposed completion is 2023.*
- *Estimated useful life is 20 years.*
- *Estimated cost is \$1.2 million.*

3. Lakeshore Drive Corridor Improvements

- Pedestrian sidewalk improvements and pavement rehabilitation of roadway from Austin Park to Highlands Park
- *Proposed completion is 2024.*
- *Estimated useful life is 20 years.*
- *Estimated cost is \$1.9 million*



Clearlake, CA

Section G, Item 6.

Check Register

Packet: APPKT01312 - 5/5/22 AP CHECK RUN AA

By Check Number

Vendor Number	Vendor Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
Bank Code: AP-Accounts Payable						
001300	A & B COLLISION	05/05/2022	Regular	0.00	3,131.60	12530
000085	ARAMARK UNIFORM SERVICES	05/05/2022	Regular	0.00	49.31	12531
001435	ARGONAUT CONSTRUCTORS	05/05/2022	Regular	0.00	428,534.05	12532
001397	AT&T CALNET 3	05/05/2022	Regular	0.00	1.95	12533
000068	BOB'S JANITORIAL	05/05/2022	Regular	0.00	103.19	12534
VEN01247	BORDIN SEMMER LLP	05/05/2022	Regular	0.00	877.50	12535
2404	CALTRONICS	05/05/2022	Regular	0.00	160.36	12536
000024	CLEARLAKE POLICE ASSOCIATION	05/05/2022	Regular	0.00	1,500.00	12537
002327	DEBRA SALLY D.V.M.	05/05/2022	Regular	0.00	425.00	12538
000774	DEEP VALLEY SECURITY	05/05/2022	Regular	0.00	82.90	12539
000160	DEPT OF JUSTICE	05/05/2022	Regular	0.00	245.00	12540
VEN01126	ECORP CONSULTING, INC	05/05/2022	Regular	0.00	2,757.50	12541
000120	FED EX	05/05/2022	Regular	0.00	60.76	12542
002287	GARRET COPAS	05/05/2022	Regular	0.00	250.00	12543
001732	GARY PRICE CONSULTING SERVICES	05/05/2022	Regular	0.00	5,445.00	12544
000062	JAMES DAY CONSTRUCTION	05/05/2022	Regular	0.00	15,875.00	12545
VEN01259	LARRY R DANGY - LAWRENCE MOWE	05/05/2022	Regular	0.00	75.00	12546
001489	NAPA AUTO PARTS	05/05/2022	Regular	0.00	196.51	12547
002177	NATIONAL BUSINESS FURNITURE	05/05/2022	Regular	0.00	3,480.38	12548
000026	NATIONWIDE RETIREMENT SOLUTION	05/05/2022	Regular	0.00	1,520.08	12549
001439	NICHOLS CONSULTING	05/05/2022	Regular	0.00	3,600.00	12550
001392	OFFICE DEPOT	05/05/2022	Regular	0.00	137.62	12551
000711	PURCHASE POWER	05/05/2022	Regular	0.00	250.97	12552
002031	REDWOOD COAST FUELS	05/05/2022	Regular	0.00	2,935.78	12553
VEN01226	SPEAKWRITE LLC	05/05/2022	Regular	0.00	546.06	12554
001812	SUTTER HEALTH	05/05/2022	Regular	0.00	25.00	12555
000708	VALIC LOCKBOX	05/05/2022	Regular	0.00	395.00	12556
VEN01221	WINE COUNTRY VENTURES, INC	05/05/2022	Regular	0.00	1,190.00	12557

Bank Code AP Summary

Payment Type	Payable Count	Payment Count	Discount	Payment
Regular Checks	37	28	0.00	473,851.52
Manual Checks	0	0	0.00	0.00
Voided Checks	0	0	0.00	0.00
Bank Drafts	0	0	0.00	0.00
EFT's	0	0	0.00	0.00
	37	28	0.00	473,851.52

Fund Summary

Fund	Name	Period	Amount
999	Pooled Cash	5/2022	473,851.52
			<u>473,851.52</u>



Clearlake, CA

By Check Number

Vendor Number	Vendor Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
Bank Code: AP-Accounts Payable						
001300	A & B COLLISION	05/11/2022	Regular	0.00	4,172.09	12558
000703	ACME RIGGING & SUPPLY	05/11/2022	Regular	0.00	152.14	12559
000085	ARAMARK UNIFORM SERVICES	05/11/2022	Regular	0.00	49.31	12560
001435	ARGONAUT CONSTRUCTORS	05/11/2022	Regular	0.00	2,250,527.88	12561
001418	B & G TIRES OF CLEARLAKE	05/11/2022	Regular	0.00	20.00	12562
2418	BICOASTAL MEDIA, LLC	05/11/2022	Regular	0.00	815.00	12563
VEN01228	BPR CONSULTING GROUP	05/11/2022	Regular	0.00	30.00	12564
001811	CALIFORNIA EXTERMINATORS ALLIA	05/11/2022	Regular	0.00	100.00	12565
002285	DELL FINANCIAL SERVICES LLC	05/11/2022	Regular	0.00	1,488.86	12566
000160	DEPT OF JUSTICE	05/11/2022	Regular	0.00	228.00	12567
000073	EASTLAKE SANITARY LANDFILL	05/11/2022	Regular	0.00	72.68	12568
000120	FED EX	05/11/2022	Regular	0.00	33.15	12569
VEN01280	HABEMATOLEL POMO OF UPPERLAKE	05/11/2022	Regular	0.00	17,308.94	12570
000121	HIGHLANDS WATER COMPANY	05/11/2022	Regular	0.00	1,070.87	12571
001949	ICE WATER DISTRIBUTORS INC	05/11/2022	Regular	0.00	54.00	12572
002344	JOSE VALENCIA	05/11/2022	Regular	0.00	300.00	12573
000108	LAKE COUNTY RECORD BEE	05/11/2022	Regular	0.00	368.94	12574
VEN01123	LOOMIS	05/11/2022	Regular	0.00	587.44	12575
001392	OFFICE DEPOT	05/11/2022	Regular	0.00	119.05	12576
000027	OPERATING ENGINEERS PUBLIC EMP	05/11/2022	Regular	0.00	69,557.00	12577
000387	PACE SUPPLY CORP	05/11/2022	Regular	0.00	182.77	12578
001836	PAK N MAIL	05/11/2022	Regular	0.00	315.38	12579
001538	REGIONAL GOVERNMENT SERVICES	05/11/2022	Regular	0.00	8,395.50	12580
001500	RYAN PETERSON	05/11/2022	Regular	0.00	150.00	12581
001559	ULINE SHIPPING SUPPLIES	05/11/2022	Regular	0.00	183.15	12582
001540	US BANK CORPORATE PMT. SYSTEM	05/11/2022	Regular	0.00	13,585.73	12583
	Void	05/11/2022	Regular	0.00	0.00	12584
	Void	05/11/2022	Regular	0.00	0.00	12585
	Void	05/11/2022	Regular	0.00	0.00	12586
	Void	05/11/2022	Regular	0.00	0.00	12587
VEN01092	US BANK CORPORATE TRUST SERVICE	05/11/2022	Regular	0.00	2,200.00	12588
002206	VICTOR MEDICAL COMPANY	05/11/2022	Regular	0.00	1,321.78	12589

Bank Code AP Summary

Payment Type	Payable Count	Payment Count	Discount	Payment
Regular Checks	114	28	0.00	2,373,389.66
Manual Checks	0	0	0.00	0.00
Voided Checks	0	4	0.00	0.00
Bank Drafts	0	0	0.00	0.00
EFT's	0	0	0.00	0.00
	114	32	0.00	2,373,389.66

Fund Summary

Fund	Name	Period	Amount
999	Pooled Cash	5/2022	2,373,389.66
			<u>2,373,389.66</u>

MINUTES OF PREVIOUS MEETING

April 13, 2022

The regular monthly meeting of the Board of Trustees of the Lake County Vector Control District was called to order at 1:36 P.M. by President Giambruno.

Board Present: Rob Bostock, Curt Giambruno, Chuck Leonard, and Ron Nagy.

Absent: George Spurr (excused).

District Personnel: Jamesina J. Scott, Ph.D., Manager and Research Director, and Jacinda Franusich, Office Manager.

Guests: None.

Citizen’s Input: None.

Agenda Additions/Deletions: None.

Mr. Leonard moved to approve the Board Minutes of March 16, 2022 with a correction to the check numbers to include checks 20784-20800 making the total expenditures for March \$95,266.85. Mr. Bostock seconded the motion. Motion carried unanimously.

Mr. Bostock moved to approve the Board Minutes of the March 28, 2022 Special Meeting. Mr. Leonard seconded the motion. Motion carried unanimously.

Research Report

Dr. Scott reported on arbovirus activity. No West Nile virus (WNV) or other arbovirus activity has been reported in Lake County in 2022.

For the rest of California and the nation two mosquito samples, one from Orange County and one from Riverside County, have tested positive for WNV.

Adult Biting Fly Activity

No report was made.

Dr. Scott reported on tick testing. Nine *Ixodes pacificus* ticks that were removed from Lake County residents were submitted to the Sonoma County Public Health Laboratory for testing for *Borrelia burgdorferi* (the causative agent for Lyme disease). One of the samples was positive, and eight were negative.

Dr. Scott reported on Clear Lake Gnat, Chironominae, and Tanypodinae Surveillance in Clear Lake. Lake checks were not completed in March due to scheduling conflicts and employee health.

Operation Report

During the month of March, 0.75 inches of rainfall was recorded at the District’s rain gauge. The total rainfall recorded this season is 17.60 inches.

On March 1, the level of Clear Lake was 0.50 feet on the Rumsey Gauge. The lake level was 0.43 feet by March 31.

Nine service requests were received online in March, which is typical for the month.

On March 7, the Konocti Christian Academy Board of Directors used the District’s conference room.

On March 25, the District held a retirement luncheon for Vector Control Technician III Terry Sanderson. Several of the District retirees attended the event.

During March the Vector Control Technicians removed the fence and 5,000 pounds of an old rock and concrete wall on the north side of the District’s Esplanade property. Bridges Construction will build a CMU block wall in April.

District staff have been viewing webinars that demonstrate the data management systems used by Mosquito and Vector Control Districts throughout the state. The webinars have provided good information, and the District Manager and staff will work together to select a system that will meet the LCVCD’s needs.

On March 29, District field staff attended the annual pesticide worker safety training, which is required for pesticide handlers. The training was provided by Dennis Candito of Adapco. In the afternoon, the vector control

technicians completed the calibration and droplet testing of the ultra-low volume (ULV) spray equipment.

On March 30, the District participated in the Lakeport Unified School District's Trucks on the Track and Career Day event. The staff spoke to 700 students from Kindergarten through 12th grade.

On May 4 and 11, the District will participate in the 5th Annual Lake County Agriculture and Natural Resources Days at the Lake County Fairgrounds.

Dr. Scott participated in the Mosquito and Vector Control Association of California (MVCAC) All-Hands Conference Call on March 18th.

Update on Employee Health Coverage through Operating Engineers 3 Trust Fund

On March 28, 2022 the District held a Special Meeting to Approve the District joining Industrial Employers Distributors Association (IEDA) and Approve the Participation Agreement with the Operating Engineers 3 (OE3) Trust Fund, and authorize the District Manager to sign the agreements on the District's behalf.

The Participation Agreement then went before the OE3 Trust Fund Board for approval via email. The Participation Agreement required approval by all six Board Members; the three Employer members voted yes, but the three Union members took no action, so the District employees' regular health coverage ended March 31, 2022. The employees' coverage has been extended through COBRA as the District and the employees work with OE3 and the Trust Fund to come to a long-term solution. Because the Union trustees took no action rather than voting no, the arbitration process was avoided.

At this time, because the Participation Agreement has not been approved by the OE3 Trust Fund's Board, the District's employees are pursuing forming a collective bargaining unit with Operating Engineers Local 3 so that they can restore access to the health benefits.

Dr. Scott is continuing to look for alternate health insurance coverage for the District's employees, but has not been able to find comparable benefits for a comparable cost.

Approve Budget Transfers

After some discussion Mr. Bostock moved to approve the budget transfer from 90-91 Contingencies in the amount of \$4,000 to 17-00 Equipment

Maintenance. Mr. Leonard seconded the motion. Motion carried unanimously.

Approval of Checks for April 2022

Mr. Nagy moved to approve Check Nos. 20801-20846 for the month of April 2022 in the amount of \$73,195.48. Mr. Leonard seconded the motion. Motion carried unanimously.

Other Business

No other business was discussed.

Announcement of the Next Board Meeting

The next regular meeting of the Board of Trustees of the Lake County Vector Control District will be at 1:30 P.M. on May 11, 2022 in the LCVCD Board Room, 410 Esplanade, Lakeport, CA 95453.

Adjourn Regular Meeting

Mr. Bostock moved to adjourn the meeting. Mr. Nagy seconded the motion. There being no other business to discuss the meeting was adjourned by President Giamb Bruno at 2:05 PM.

Respectfully submitted,

Ronald Nagy
Secretary

CITY OF CLEARLAKE

City Council



STAFF REPORT	
SUBJECT: Consideration of Resolution Supporting the Application of Chelsea Investment for the Local Government Matching Grant (LGMG) Program for Development of Affordable Housing at 15837 18 th Avenue, Clearlake	MEETING DATE: May 19, 2022
SUBMITTED BY: Alan D. Flora, City Manager	
PURPOSE OF REPORT: <input type="checkbox"/> Information only <input checked="" type="checkbox"/> Discussion <input checked="" type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL:

The City Council is being asked to adopt Resolution 2022-25 Supporting Chelsea Investment’s application for Local Government Matching Grant funds.

BACKGROUND/ DISCUSSION:

Chelsea Investments was selected as the developer of affordable housing on formerly County-owned property (15837 18th Avenue, Clearlake) by the State of California. They have plans to develop 80-units of housing on the site. They are completing their financing package and have applied for City funds available through the 2018 CDBG-DR-MHP program. The funding available still creates a deficit in the project. In early May the state released a new funding program focused on projects falling under the Governor’s Executive Order N-06-19, as this one is. The CDBG-DR funds would be treated as match under the LGMG program and would fill the required gap to fund the project.

OPTIONS:

1. Adopt Resolution 2022-25 and Authorize the Mayor to sign.
2. Provide Direction to Staff.

FISCAL IMPACT:

None \$ Budgeted Item? Yes No

Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$

Affected fund(s): General Fund Measure P Fund Measure V Fund Other:

Comments:

STRATEGIC PLAN IMPACT

- Goal #1: Make Clearlake a Visibly Cleaner City
- Goal #2: Make Clearlake a Statistically Safer City
- Goal #3: Improve the Quality of Life in Clearlake with Improved Public Facilities

- Goal #4: Improve the Image of Clearlake
- Goal #5: Ensure Fiscal Sustainability of City
- Goal #6: Update Policies and Procedures to Current Government Standards
- Goal #7: Support Economic Development

SUGGESTED MOTIONS:

Attachment:

1. **Resolution 2022-25**

RESOLUTION NO. 2022-25

**A RESOLUTION OF THE GOVERNING BODY OF THE CITY OF CLEARLAKE
SUPPORTING THE APPLICATION OF CHELSEA INVESTMENTS FOR THE LOCAL
GOVERNMENT MATCHING GRANTS PROGRAM; APPROVING CLEARLAKE APARTMENTS
BUDGET FOR THE LOCAL GOVERNMENT MATCHING GRANTS PROGRAM**

WHEREAS:

- A. On January 15, 2019, Governor Gavin Newsom signed Executive Order No. N-06-19, which allows the production of Affordable housing on state-owned Excess Sites (“**Excess Sites**”). The Executive Order authorizes the Department of General Services (“**DGS**”) and the Department of Housing and Community Development (“**Department**”) to identify and prioritize Excess Sites for sustainable, cost-effective, and innovative multi-family Affordable housing projects.
- B. On April 30, 2022 **DGS and the Department selected Chelsea Investment** to develop Affordable housing at 15837 18th Avenue, Clearlake (APN 010-043-01) (“**selected project**”) pursuant to Executive Order No. N-06-19.
- C. Chapter 111, Statutes of 2021 (Assembly Bill (AB) 140) makes several statutory changes for the purpose of implementing the housing and homelessness provisions of the Budget Act of 2021, which establishes the Excess Sites Local Government Matching Grants (“**LGMG**”) Program (hereafter, “**Program**”) to be administered by the Department.
- D. The Program was allocated up to \$30 million to provide funds for Predevelopment and Development Costs to selected projects that receive a financial contribution from a Local Government, as defined pursuant to Health and Safety Code section 50704.80(b). Funding for the Program is made available pursuant to Health and Safety Code section 50704.81(a)(2).
- E. The Department has issued a Notice of Funding Availability (“**NOFA**”), dated May 5, 2022, for the Program pursuant to Health and Safety Code section 50704.83(f).
- F. The Program requires contribution from City of Clearlake for CIC Clearlake LP (“**Applicant**”) to apply for Program funds pursuant to Health and Safety Code section 50704.82. Towards that end, Applicant is submitting an Application for Program funds (“**Application**”) to the Department for review and consideration.

- G. The Program requires a resolution from City of Clearlake pursuant to Health and Safety Code section 50704.82(b)(1)(A) approving the budget, including all sources, and demonstrating the amount of Local Government Contribution to the Applicant for Predevelopment and Development Costs for CIC Clearlake LP, and the requested amount from the Program.

THEREFORE, IT IS RESOLVED THAT:

- 1. The City of Clearlake supports CIC Clearlake LP submitting an Application to the Department to receive Program funds for the Local Matching Grant Program to develop Affordable housing on the state-owned Excess Site.
- 2. The City of Clearlake is authorized to submit the approved Project Budget (“**Attachment 1**”) and Anticipated and Committed Project Sources (“**Attachment 2**”) to the Applicant to include in their Application. Attachment 1 and Attachment 2 demonstrate the requested amount from the Program, \$1,646,186 that will be allocated to the Applicant, and all other sources for Predevelopment and Development Costs associated with the development of Affordable housing on the state-owned Excess Site.

Attachment 1: Budget

Attachment 2: Anticipated and Committed Project Sources

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Clearlake held on May 19, 2022, by the following vote:

AYES: _____
NOES: _____

ABSENT: _____
ABSTAIN: _____

STATE OF CALIFORNIA

City of Clearlake

I, Melissa Swanson, City Clerk of the City of Clearlake, State of California, hereby certify the above and foregoing to be a full, true and correct copy of a resolution adopted by said City Council on this 19th day of May, 2022.

Melissa Swanson, City Clerk
of the City of Clearlake, State of California

By: _____



ATTACHMENTS

Attachment 1: Project Budget

Attachment 2: Anticipated and Committed Project Sources



Attachments

Attachment 1: Project Budget (from Program Application)

Development Budget	5/5/2022 v1
	Total Project Costs
LAND COST/ACQUISITION	
Land Cost or Value	\$1,200,000
Demolition	
Legal	\$10,000
Land Lease Rent Prepayment	
Total Land Cost or Value	\$1,210,000
Existing Improvements Cost or Value	
Off-Site Improvements	
Total Acquisition Cost	\$0
Total Land Cost / Acquisition Cost	\$1,210,000
Predevelopment Interest/Holding Cost	
Assumed, Accrued Interest on Existing Debt (Rehab/Acq)	
Excess Purchase Price Over Appraisal	
REHABILITATION	
Site Work	
Structures	
General Requirements	
Contractor Overhead	
Contractor Profit	
Prevailing Wages	
General Liability Insurance	
Other: (Specify)	
Other: (Specify)	
Other: (Specify)	
Other: (Specify)	
Total Rehabilitation Costs	\$0
Total Relocation Expenses	
NEW CONSTRUCTION	
Site Work	\$1,120,000
Structures	\$22,077,389
General Requirements	\$1,391,843
Contractor Overhead	\$463,948
Contractor Profit	\$1,391,843
Prevailing Wages	
General Liability Insurance	



Attachments

Other: (Specify)	
Other: (Specify)	
Other: (Specify)	
Other: (Specify)	
Total New Construction Costs	\$26,445,023
ARCHITECTURAL FEES	
Design	\$430,500
Supervision	
Total Architectural Costs	\$430,500
Total Survey & Engineering	\$747,075
CONSTRUCTION INTEREST & FEES	
Construction Loan Interest	\$1,411,668
Origination Fee	\$315,116
Credit Enhancement/Application Fee	
Bond Premium	
Cost of Issuance	
Title & Recording	\$30,000
Taxes	\$5,000
Insurance	\$100,000
Other: Lender fees/inspections	\$58,125
Other: (Specify)	
Other: (Specify)	
Total Construction Interest & Fees	\$1,919,909
PERMANENT FINANCING	
Loan Origination Fee	\$4,000
Credit Enhancement/Application Fee	
Title & Recording	\$5,000
Taxes	
Insurance	
Other: (Specify)	
Other: (Specify)	
Total Permanent Financing Costs	\$9,000
Subtotals Forward	\$30,761,507
LEGAL FEES	
Legal Paid by Applicant	\$130,000
Other: (Specify)	
Total Attorney Costs	\$130,000
RESERVES	
Operating Reserve	\$143,469
Replacement Reserve	
Transition Reserve	
Rent Reserve	
Other: (Specify)	
Other: (Specify)	



Attachments

Other: (Specify)	
Total Reserve Costs	\$143,469
CONTINGENCY COSTS	
Construction Hard Cost Contingency	\$1,322,251
Soft Cost Contingency	\$401,588
Total Contingency Costs	\$1,723,839
OTHER PROJECT COSTS	
TCAC App/Allocation/Monitoring Fees	\$116,138
Environmental Audit	
Local Development Impact Fees	\$1,765,050
Permit Processing Fees	\$226,160
Capital Fees	
Marketing	\$65,000
Furnishings	\$25,000
Market Study	\$7,500
Accounting/Reimbursable	\$115,000
Appraisal Costs	\$4,500
Other: (Specify)	
Other: (Specify)	
Other: (Specify)	
Other: (Specify)	
Other: (Specify)	
Other: (Specify)	
Total Other Costs	\$2,324,348
SUBTOTAL PROJECT COST	\$35,083,163
DEVELOPER COSTS	
Developer Overhead/Profit	\$2,200,000
Consultant/Processing Agent	
Project Administration	
Broker Fees Paid to a Related Party	
Construction Oversight by Developer	
Other: (Specify)	
Total Developer Costs	\$2,200,000
TOTAL PROJECT COST	\$37,283,163

CITY OF CLEARLAKE

City Council



STAFF REPORT	
SUBJECT: Introduction for first reading Ordinance No. 262-2022 Adding Chapter 11-6 of the Clearlake Municipal Code / Establishing Edible Food Recovery Regulations in Accordance with SB 1383	MEETING DATE: May 19, 2022
SUBMITTED BY: Ryan Jones, City Attorney, and Acting Public Works Director, Dave Swartz	
PURPOSE OF REPORT: <input type="checkbox"/> Information only <input checked="" type="checkbox"/> Discussion <input checked="" type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to adopt an ordinance establishing regulations related to the establishment of an edible food recovery program that recovers edible food from commercial edible food generators for human consumption. The proposed ordinance is related to the requirements of SB 1383.

BACKGROUND/DISCUSSION:

In September 2016 the State adopted SB 1383 (Lara) which established methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants (SLCP) in various sectors of California's economy.

SB 1383 establishes aggressive targets to achieve by year 2025, a 75 percent reduction in the level of the statewide disposal of organic waste from the 2014 level; and establishes an additional target that not less than 20 percent of currently disposed edible food is recovered for human consumption by 2025.

As previously reported to the City Council, SB 1383 is intended to alleviate the impact of short-lived climate pollutants, namely methane emissions created by dairy and livestock as well as organic waste. Organic waste is food waste, green waste, landscape and pruning waste, nonhazardous wood waste, and food-soiled paper waste that is mixed in with food waste. Landfilling of organic waste leads to the anaerobic breakdown of that material, which in turn creates methane which is known to be a major contributor to greenhouse gas emissions.

Edible food recovery is an important component of the SB 1383 legislation. Although the City and other Lake County jurisdictions received Rural Jurisdiction waivers from CalRecycle for certain components of the SB 1383 regulations (through December 31, 2026), edible food recovery is not an exempted program.

SB 1383 requires counties to take the lead collaborating with the jurisdictions located within the county in planning for the food recovery capacity needed to recover and redistribute 20 percent of edible food that would have otherwise been sent to landfills. The law also directs the following:

- Jurisdictions must establish edible food recovery outreach and inspection programs, connect mandated edible food generators with food recovery organizations/services, and ensure there is sufficient county-wide capacity for all the recovered edible food.
- Mandated edible food generators must arrange to recover the maximum amount of their edible food that would otherwise go to landfills. They must establish contracts with food recovery organizations/services that will accept their edible food and keep records of all edible food recovery donations.
- Food recovery organizations and services that work with mandated edible food generators must maintain and submit records of edible food recovery receivables.

The County of Lake is currently working with the City of Clearlake, Lakeport, and other stakeholders to establish a formal food recovery program. We are early in the process, but site inspections and some of the recordkeeping duties are expected to be coordinated by County staff from the Environmental Health and Public Services Departments, respectively.

Each jurisdiction is required by state law to adopt its own edible food recovery regulations and related enforcement mechanism, such as an ordinance, in order to comply with the CalRecycle regulations.

The proposed edible food recovery ordinance is provided for the Council’s consideration (Attachment 1 and Exhibit A/Attachment 2). The regulations were modeled after portions of a recent ordinance adopted by a similar rural northern California city which has an SB 1383 Rural Jurisdiction waiver and is working with their County to establish a formal multi-jurisdictional food recovery program. The ordinance will add Chapter 11-6 of the Clearlake Municipal Code which sets forth the City’s Solid Waste, Garbage Collection and Disposal regulations.

The third attachment (Attachment 3) is a handout prepared by City staff which includes additional background information regarding edible food recovery, including definitions and requirements of Tier 1 and Tier 2 Edible Food Generators who are the focus of the proposed regulations. At the present time there are three Tier 1 Food Generators in the city limits of Lakeport and no Tier 2 generators.

Environmental Considerations: Adoption of this ordinance is exempt from review under the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

OPTIONS:

1. Approve the ordinance as presented.
2. Request revisions to the ordinance.
3. Do not approve but provide direction to staff.

FISCAL IMPACT:

None Budgeted Item? Yes No

Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$

Affected fund(s): General Fund Measure P Fund Measure V Fund Other:

Comments: There is no direct fiscal impact related to this action. In the absence of this resolution, there would be unknown but likely significant costs to the General Fund to develop and implement an organics

recycling and collection program in cooperation with our franchise hauler. The organics program must include all commercial and residential customers as required by SB 1383.

STRATEGIC PLAN IMPACT:

- Goal #1: Make Clearlake a Visibly Cleaner City
- Goal #2: Make Clearlake a Statistically Safer City
- Goal #3: Improve the Quality of Life in Clearlake with Improved Public Facilities
- Goal #4: Improve the Image of Clearlake
- Goal #5: Ensure Fiscal Sustainability of City
- Goal #6: Update Policies and Procedures to Current Government Standards
- Goal #7: Support Economic Development

SUGGESTED MOTIONS:

Move to waive full reading of the ordinance, make any amendments if necessary, and introduce by title only Ordinance No. 262-2022, which adds the Clearlake Municipal Code by establishing regulations related to the establishment of an edible food recovery program, and for it to be placed on an upcoming agenda of the City Council for second reading and adoption.

ATTACHMENTS:

1. Ordinance No. 262-2022
2. Exhibit A – Amendments to Clearlake Municipal Code Ch. 11-6
3. SB 1383 Food Recovery Information Handout

CITY OF CLEARLAKE
ORDINANCE NO. 262-2022

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CLEARLAKE AMENDING CHAPTER XI (SANITATION) OF THE CLEARLAKE MUNICIPAL CODE TO CREATE SECTION 11-6 REGULATION OF EDIBLE FOOD GENERATORS IN COMPLIANCE WITH SB 1383

WHEREAS, state recycling law, Assembly Bill 939 of 1989, the California Integrated Waste Management Act of 1989 (California Public Resources Code Section 40000, et seq., as amended, supplemented, superseded, and replaced from time to time), requires cities and counties to reduce, reuse, and recycle (including composting) Solid Waste generated in their Jurisdictions to the maximum extent feasible before any incineration or landfill disposal of waste, to conserve water, energy, and other natural resources, and to protect the environment.

WHEREAS, state recycling law, Assembly Bill 341 of 2011 (approved by the Governor of the State of California on October 5, 2011, which amended Sections 41730, 41731, 41734, 41735, 41736, 41800, 42926, 44004, and 50001 of, and added Sections 40004, 41734.5, and 41780.01 and Chapter 12.8 (commencing with Section 42649) to Part 3 of Division 30 of, and added and repealed Section 41780.02 of, the Public Resources Code, as amended, supplemented, superseded and replaced from time to time), places requirements on businesses and Multi-Family property owners that generate a specified threshold amount of Solid Waste to arrange for recycling services and requires Jurisdictions to implement a Mandatory Commercial Recycling program.

WHEREAS, state organics recycling law, Assembly Bill 1826 of 2014 (approved by the Governor of the State of California on September 28, 2014, which added Chapter 12.9 (commencing with Section 42649.8) to Part 3 of Division 30 of the Public Resources Code, relating to Solid Waste, as amended, supplemented, superseded, and replaced from time to time), requires businesses and Multi-Family property owners that generate a specified threshold amount of Solid Waste, Recycling, and Organic Waste per week to arrange for recycling services for that waste, requires jurisdictions to implement a recycling program to divert Organic Waste from businesses subject to the law, and requires Jurisdictions to implement a Mandatory Commercial Organics Recycling program.

WHEREAS, SB 1383, the Short-lived Climate Pollutant Reduction Act of 2016, requires CalRecycle to develop regulations to reduce organics in landfills as a source of methane. The regulations place requirements on multiple entities including Jurisdictions, residential households, Commercial Businesses and business owners, Commercial Edible Food Generators, haulers, Self-Haulers, Food Recovery Organizations, and Food Recovery Services to support achievement of Statewide Organic Waste disposal reduction targets.

WHEREAS, SB 1383, the Short-lived Climate Pollutant Reduction Act of 2016, and the SB 1383 Regulations require cities to adopt and enforce an ordinance or enforceable mechanisms to mandate that organic waste generators, haulers, and other entities subject to the requirements of this Article, that are subject to the cities authority comply with relevant provisions of the SB 1383 Regulations. This ordinance will also help reduce food insecurity by requiring Commercial Edible Food Generators to arrange to have the maximum amount of their Edible Food, that would otherwise be disposed, be recovered for human consumption.

WHEREAS, the final regulation text of the SB 1383 Regulations implementing SB 1383 was adopted by CalRecycle on November 3, 2020, and

WHEREAS, nothing in this Ordinance is intended to nor shall it be interpreted or construed as violating 14 California Code of Regulations Sections 18990.1(b) or 18990.2.

THE CITY COUNCIL OF THE CITY OF CLEARLAKE DOES ORDAIN AS FOLLOWS:

SECTION 1. The City Council of the City of Clearlake finds and declares that the Recitals set forth above are true and correct and are incorporated herein by this reference.

SECTION 2. Chapter XI (Sanitation) of the Clearlake Municipal Code is hereby amended to create Section 11-6 as set for in Exhibit A, incorporated by this reference.

SECTION 3. Severability. If any section, subsection, subdivision, paragraph, sentence, clause or phrase in this Ordinance or any part thereof is for any reason held to be unconstitutional or invalid or ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this Ordinance or any part thereof. The City Council hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause or phrase thereof irrespective of the fact that any one (1) or more subsections, subdivisions, paragraphs, sentences, clauses or phrases be declared unconstitutional, or invalid, or ineffective, provided the basic purposes of this Ordinance and the benefits to the City and the public are not substantially impaired.

SECTION 4. The City Clerk shall certify to the adoption of this ordinance and shall cause this ordinance to be published or posted as required by law.

PASSED, APPROVED and ADOPTED this _____ day of _____, _____.

Approved as to form: _____, Mayor

ATTEST:

Ryan Jones
City Attorney

_____, City Clerk

I, _____, City Clerk of Clearlake, California, do hereby certify that the foregoing Ordinance was duly introduced, passed, approved, and adopted by the City Council of the City of Clearlake at a regular meeting of said Council held on the _____ day of _____, 20__ effective on the _____ day of _____, 20__ by the following roll call vote:

AYES: _____

NOES: _____

ABSTAIN: _____ ABSENT: _____

Date: _____
_____, City Clerk

APPROVED AND ADOPTED this ___th day of May, 2022.

Clearlake Municipal Code

Chapter XI SANITATION

11-6 Regulations of Edible Food Generators

11.6.1 Purpose.

The California Integrated Waste Management Act of 1989 (Public Resources Code Sections 40000 through 49620), created by AB 939 (chaptered as 1095) of the 1989 Legislative Session, declares that "the amount of solid waste generated in the state coupled with diminishing landfill space and potential adverse environmental impacts from landfilling constitutes an urgent need for state and local agencies to enact and implement an aggressive new integrated waste management program."

SB 1383, the Short-lived Climate Pollutant Reduction Act of 2016, requires CalRecycle to develop regulations to reduce organics in landfills as a source of methane. The regulations place requirements on multiple entities including cities, residential households, commercial businesses and business owners, Commercial Edible Food Generators, haulers, Self-Haulers, Food Recovery Organizations, and Food Recovery Services to support achievement of Statewide Organic Waste disposal reduction targets. SB 1383 requires cities to adopt and enforce an ordinance or enforceable mechanism to implement relevant provisions of SB 1383 Regulations. This ordinance will also help reduce food insecurity by requiring Commercial Edible Food Generators to arrange to have the maximum amount of their Edible Food, that would otherwise be disposed, be recovered for human consumption.

11.6.2 Definitions.

The following definitions shall be utilized for purposes of implementation of this Section 11-6. Capitalized terms used herein but not defined shall have the meaning ascribed to them in the SB 1383 Regulations. In the event of a conflict between a definition set forth in the SB 1383 Regulations and a definition set forth herein, the definition set forth in the SB 1383 Regulations shall control. In the event of a conflict between the definitions set forth in Section 11-1 and the definition set forth herein, the definition set forth herein shall control.

"CalRecycle" means the California Department of Resources Recycling and Recovery.

"CCR" means the California Code of Regulations.

"City" means the City of Clearlake.

"Commercial Edible Food Generator" includes a Tier One or a Tier Two Commercial Edible Food Generator as defined herein or as otherwise defined in 14 CCR Section 18982(a)(73) and (a)(74). For the purposes of this definition, Food Recovery Organizations and Food Recovery Services are not Commercial Edible Food Generators pursuant to 14 CCR Section 18982(a)(7).

"Composting" includes a controlled microbial degradation of organic wastes yielding a safe and Nuisance free product.

"Community Composting" means any activity that composts green material, agricultural material, food material, and vegetative food material, alone or in combination, and the total amount of feedstock and compost on-site at any one time does not exceed 100 cubic yards and 750 square feet, as specified in 14 CCR § 17855(a)(4); or, as otherwise defined by 14 CCR § 18982(a)(8).

"County" means the County of Lake, California.

"Edible Food" means food intended for human consumption, or as otherwise defined in 14 CCR § 18982(a)(18). Edible Food is not solid waste if it is recovered and not discarded.

"Enforcement Action" means an action of the City to address non-compliance including, but not limited to, issuing administrative citations, fines, penalties, or using other remedies.

“Food Recovery” means actions to collect and distribute food for human consumption that otherwise would be disposed, or as otherwise defined in 14 CCR § 18982(a)(24).

“Food Recovery Organization” means an entity that engages in the collection or receipt of Edible Food from Commercial Edible Food Generators and distributes Edible Food to the public for Food Recovery, either directly or through other entities or as otherwise defined in 14 CCR § 18982(a)(25), including, but not limited to:

- A food bank as defined in Section 113783 of the Health and Safety Code;
- A nonprofit charitable organization as defined in Section 113841 of the Health and Safety code; and,
- A nonprofit charitable temporary food facility as defined in Section 113842 of the Health and Safety Code.

“Food Recovery Service” means a person or entity that collects and transports Edible Food from a Commercial Edible Food Generator to a Food Recovery Organization or other entities for Food Recovery, or as otherwise defined in 14 CCR § 18982(a)(26).

“Food scraps” means all food such as, but not limited to, fruits, vegetables, meat, poultry, seafood, shellfish, bones, rice, beans, pasta, bread, cheese, and eggshells. “Food scraps” excludes fats, oils, and grease when such materials are source separated from other food scraps.

“Generator” means any person or other entity who is responsible for the initial creation of solid waste.

“Grocery store” means a store primarily engaged in the retail sale of canned food; dry goods; fresh fruits and vegetables; fresh meats, fish, and poultry; and any area that is not separately owned within the store where the food is prepared and served, including a bakery, deli, and meat and seafood departments, or as otherwise defined in 14 CCR § 18982(a)(30).

“Inspection” means a site visit where the City reviews records; containers; and an entity’s collection, handling, recycling, or landfill disposal of organic waste or edible food handling to determine if the entity is complying with requirements set forth in this chapter, or as otherwise defined in 14 CCR § 18982(a)(35).

“Large event” means an event, including, but not limited to, a sporting event or a flea market, that charges an admission price, or is operated by a local agency, and serves an average of more than 2,000 individuals per day of operation of the event, at a location that includes, but is not limited to, a public, nonprofit, or privately owned park, parking lot, golf course, street system, or other open space when being used for an event.

“Large venue” means a permanent venue facility that annually seats or serves an average of more than 2,000 individuals within the grounds of the facility per day of operation of the venue facility. A venue facility includes, but is not limited to, a public, nonprofit, or privately owned or operated stadium, amphitheater, arena, hall, amusement park, conference or civic center, zoo, aquarium, airport, racetrack, horse track, performing arts center, fairground, museum, theater, or other public attraction facility. A site under common ownership or control that includes more than one large venue that is contiguous with other large venues in the site, is a single large venue.

“Local Education Agency” means a school district, charter school, or County office of education that is not subject to the control of City related to solid waste, or as otherwise defined in 14 CCR § 18982(a)(40).

“Notice of Violation” or “NOV” means a notice that a violation has occurred that includes a compliance date to avoid an action to seek penalties, or as otherwise defined in 14 CCR § 18982(a)(45) or further explained in 14 CCR § 18995.4.

“Nuisance” includes anything which is injurious to human health or is indecent or offensive to the senses and interferes with the comfortable enjoyment of life or property and affects at the same time an entire community or neighborhood or any considerable number of persons, although the extent of annoyance or damage inflicted upon the individual may be unequal, and which occurs as a result of the storage, removal, transport, processing, or disposal of solid waste.

“Organics,” “Organic Waste,” and “Organic Material” means solid wastes containing material originated from living organisms and their metabolic waste products, including, but not limited to, Food Scraps, green waste, non-hazardous wood waste, and unwaxed food-soiled paper.

“Recovery” means any activity or process described in 14 CCR § 18983.1(b), or as otherwise defined in 14 CCR § 18982(a)(49).

“SB 1383” means Senate Bill 1383 (Chapter 395, Statutes of 2016).

“SB 1383 Regulations” means the Short-Lived Climate Pollutants: Organic Waste Reduction regulations developed by CalRecycle and adopted in 2020 that created 14 CCR, Division 7, Chapter 12 and amended portions of regulations of 14 CCR and 27 CCR.

“Self-hauler” means a Generator, who hauls his or her own solid waste, organic waste, or recyclable materials to another person. Self-hauler also includes a person who back-hauls waste, or as otherwise defined in 14 CCR § 18982(a)(66). Back-hauling is the process of generating and transporting organic waste to a destination owned and operated by the Generator using the Generator’s own employees and equipment, or as otherwise defined in 14 CCR § 18982(a)(66)(A).

“Supermarket” means a full-line, self-service retail store with gross annual sales of two million dollars (\$2,000,000), or more, and which sells a line of dry grocery, canned goods, or nonfood items and some perishable items, or as otherwise defined in 14 CCR § 18982(a)(71).

“Tier One Commercial Edible Food Generator” means a Commercial Edible Food Generator that is one of the following:

1. Supermarket.
2. Grocery Store with a total facility size equal to or greater than 10,000 square feet.
3. Food service provider.
4. Food distributor.
5. Wholesale Food Vendor.

“Tier Two Commercial Edible Food Generator” means a Commercial Edible Food Generator that is one of the following:

1. Restaurant with 250 or more seats, or a total facility size equal to or greater than 5,000 square feet.
2. Hotel with an on-site food facility and 200 or more rooms.
3. Health facility with an on-site food facility and 100 or more beds.
4. Large Venue.
5. Large Event.
6. State agency with a cafeteria with 250 or more seats or total cafeteria facility size equal to or greater than 5,000 square feet.
7. Local Education Agency facility with an on-site food facility.

“Wholesale Food Vendor” means a business or establishment engaged in the merchant wholesale distribution of food, where food (including fruits and vegetables) is received, shipped, stored, prepared for distribution to a retailer, warehouse, distributor, or other destination, or as otherwise defined in 14 CCR § 189852(a)(76).

11.6.3 Requirements for Commercial Edible Food Generators.

- A. Tier One Commercial Edible Food Generators must comply with the requirements of this section commencing January 1, 2022, and Tier Two Commercial Edible Food Generators must comply commencing January 1, 2024.
- B. Large Venue or Large Event operators not providing food services, but allowing for food to be provided by others, shall require food facilities operating at the large Venue or Large Event to comply with the requirements of this section, commencing January 1, 2024.
- C. Commercial Edible Food Generators shall comply with the following requirements:

1. Shall not intentionally spoil Edible Food that is capable of being recovered by a Food Recovery Organization or a Food Recovery Service.
2. Allow the City's designated enforcement agency or designated third party enforcement agency access to the premises and to review records pursuant to 14 CCR § 18991.4.
3. Keep records that include the following information, or as otherwise specified in 14 CCR § 18991.4:
 - a. A list of each Food Recovery Service or Food Recovery Organization that collects or receives its Edible Food pursuant to a contract or written agreement established under 14 CCR § 18991.3(b).
 - b. A copy of all contracts or written agreements established under 14 CCR § 18991.3(B).
 - c. A record of the following information for each of those Food Recovery Services or Food Recovery Organizations:
 - i. The name, address, and contact information of the Food Recovery Service or Food Recovery Organization.
 - ii. The types of Edible Food that will be collected by, or self-hauled to, the Food Recovery Service or Food Recovery Organization.
 - iii. The established frequency that Edible Food will be collected or self-hauled.
 - iv. The quantity of Edible Food, measured in pounds recovered per month, collected or Self-hauled to a Food Recovery Service or Food Recovery Organization for purposes of Food Recovery.
 - d. Nothing in this chapter shall be construed to limit or conflict with the protections provided by the California Good Samaritan Food Donation Act of 2017, the Federal Good Samaritan Act, or share table and school food donation guidance pursuant to Senate Bill 557, Chapter 557, Statutes of 2017.

11.6.4 Requirements for Food Recovery Organizations and Services.

- A. Food Recovery Services collecting or receiving Edible Food directly from Commercial Edible Food Generators via a contract or written agreement established under 14 CCR § 18991.3(b) shall maintain the following records, or as otherwise specified by 14 CCR § 18991.5(a)(1):
 1. The name, address, and contact information for each Commercial Edible Food Generator from which the Service collects Edible Food.
 2. The quantity in pounds of Edible Food collected from each Commercial Edible Food Generator per month.
 3. The quantity in pounds of Edible Food transported to each Food Recovery Organization per month.
 4. The name, address, and contact information for each Food Recovery Organization for which the Food Recovery Service transports Edible Food for Food Recovery.
- B. Food Recovery Organizations collecting or receiving Edible Food directly from Commercial Edible Food Generators via a contract or written agreement established under 14 CCR § 18991.3(b) shall maintain the following records, or as otherwise specified by 14 CCR § 18991.5(a)(2):
 1. The name, address, and contact information for each Commercial Edible Food Generator from which the Organization receives Edible Food.
 2. The quantity in pounds of Edible Food collected form each Commercial Edible Food Generator per month.
 3. The name, address, and contact information for each Food Recovery Service from which the Organization receives Edible Food for Food Recovery.

- C. Food Recovery Organizations and Food Recovery Services that have their primary address physically located in the City and contract or have written agreements with one or more Commercial Edible Food Generators pursuant to 14 CCR § 18991.3(b) shall, no later than March 1, July 1, and September 1 of each calendar year, report to the City or designated enforcement agency the total pounds of Edible Food recovered in the previous calendar year from the Tier One and Tier Two Commercial Edible Food Generators with which they have established a contract or written agreement pursuant to 14 CCR § 18991.3(b).
- D. Food Recovery Capacity Planning. In order to support Edible Food Recovery capacity planning assessments and other studies, Food Recovery Services and Food Recovery Organizations operating in the City shall, upon request, provide information and consultation to the City regarding existing or proposed new or expanded Food Recovery capacity that could be accessed by the City and its Commercial Edible Food Generators.

11.6.5 Requirements for Facility Operators.

- A. Requirements for Facility Operators and Community Composting Operations.
 - 1. Owners of facilities, operations, and activities that recover Organic Waste, including, but not limited to, compost facilities, in-vessel digestion facilities, and publicly owned treatment works shall, upon request of the City or designated enforcement agency, provide information regarding available and potential new or expanded capacity at their facilities, operations, and activities, including information about throughput and permitted capacity necessary for planning purposes. Entities contacted by the City or designated enforcement agency shall respond in writing within sixty (60) days.
 - 2. Community Composting operators, upon request of the City or designated enforcement agency, shall provide information to the City or designated enforcement agency to support Organic Waste capacity planning, including, but not limited to, an estimate of the amount of Organic Waste handled or anticipated to be handled at the Community Composting operating. Entities contacted by the City or designated enforcement agency shall respond in writing within sixty (60) days.

11.6.6 Inspections and Investigations.

- A. City representatives and/or its designated enforcement agency, are authorized to conduct inspections and investigations, at random or otherwise, of any collection container; collection vehicle loads; or transfer, processing, or disposal facilities for materials collected from generators, or source separated materials, to confirm compliance with this chapter by Commercial Edible Food Generators, haulers, Food Recovery Services, and Food Recovery Organizations, subject to applicable laws. This section does not allow the City or its designated enforcement agency to enter the interior of a private Residential Units for inspection.
- B. The regulated entity shall provide or arrange for access during all inspections (with the exception of Residential Unit interiors) and shall cooperate with the City's employee or its designee during such inspections and investigations. Such inspections and investigations may include confirmation of proper placement of materials in containers, Edible Food Recovery activities, records, or any other requirement described herein. Failure to provide or arrange for: (i) access to an entity's premises; or (ii) access to records for any inspection or investigation is a violation of this chapter and may result in penalties described in Section 11.6.6.
- C. Any records obtained by the City during its Inspections and other reviews shall be subject to the requirements and applicable disclosure exemptions of the Public Records Act as set forth in Government Code § 6520 et seq.
- D. City representatives or its designees are authorized to conduct any Inspections or other investigations as reasonably necessary to further the goals of this chapter, subject to applicable laws.
- E. Regulated entities shall relay to the City Public Works Department all written complaints they receive concerning act or omissions of themselves or another entity inside the City that is potentially non-compliant with SB 1383 Regulations, including anonymous written complaints.

11.6.7 Violations and Penalties.

Exhibit A

- A. Violation of any provision of Sections 11.6.1 through 11.6.6 shall constitute grounds for issuance of a Notice of Violation and assessment of a fine by the City or designated enforcement agency. Enforcement Actions under this chapter include issuance of an administrative citation and assessment of a fine in accordance with Section 1-9 of the Clearlake Municipal Code.
- B. Education Period for Non-Compliance. Beginning June 1, 2022 and through December 31, 2023, the City or designated enforcement agency will conduct inspections, route reviews, waste evaluations, and compliance reviews, depending on the type of regulated entity, to determine compliance. If the City or designated enforcement agency determines that self-hauler, Contractor, Tier One Commercial Edible Food Generator, Tier Two Commercial Edible Food Generator, Food Recovery Service, Food Recovery Organization, or other entity is not in compliance, it shall provide educational materials to the entity describing its obligations under this chapter and a notice that compliance is required as of January 1, 2022, and that violations may be subject to administrative civil penalties starting on January 1, 2024.
- C. Civil Penalties for Non-Compliance. Beginning January 1, 2024, if the City or designated enforcement agency determines that a self-hauler, hauler, Tier One Commercial Edible Food Generator, Tier Two Commercial Edible Food Generator, Food Recovery Service, Food Recovery Organization, or other entity is not in compliance with this chapter, it shall document the noncompliance or violation, issue a Notice of Violation, and take Enforcement Action pursuant to this chapter.
- D. This chapter shall be interpreted to be consistent with the City's regulatory authority and shall only apply to Local Education Agencies and other entities to the extent permitted by law, including SB 1383 Regulations.

SB 1383 Edible Food Recovery Information

What is edible food? Edible food is food intended for people to eat, including food not sold because of appearance, age, freshness, grade, surplus, etc. Edible food includes, but is not limited to, prepared foods, packaged foods and produce. All edible food must meet the food safety requirements of the [California Retail Food Code \(PDF\)](#).

Information for Edible Food Generators

[SB 1383](#) (Lara, Chapter 395, Statutes of 2016) requires certain businesses that are defined as either a “Tier 1” or “Tier 2” edible food generator to [recover edible food](#). See the table below for a description of the types of businesses that fall under the Tier 1 and Tier 2 categories and when they are required to start recovering edible food.

Tier 1 Edible Food Generators

These entities are required to recover the maximum amount of edible food (that would otherwise be disposed of) starting January 1, 2022

- **Grocery store** – a store that is 10,000 square feet or more in size that is primarily engaged in the retail sale of canned food, dry goods, fresh fruits and vegetables, fresh meats, fish, and poultry, and any area that is not separately owned within the store where the food is prepared and served, including a bakery, deli, and meat and seafood departments.
- **Supermarket** - a full-line, self-service retail store with gross annual sales \$2,000,000 or more that sells a line of dry grocery, canned goods, or nonfood items and some perishable items
- **Food service provider** - an entity primarily engaged in providing food services to institutional, governmental, commercial, or industrial locations of others based on contractual arrangements with these types of organizations
- **Food distributor** - a company that distributes food to entities including, but not limited to, supermarkets and grocery stores
- **Wholesale food vendor** - a business engaged in the wholesale distribution of food, where food is received, shipped, stored, or prepared for distribution to a retailer, warehouse, distributor, or other destination

Tier 2 Edible Food Generators

These entities are required to recover the maximum amount of edible food (that would otherwise be disposed of) starting January 1, 2024

- **Restaurant** with 250 or more seats, or a total facility size equal to or greater than 5,000 square feet
- **Hotel** with an on-site food facility and 200 or more rooms
- **Health facility with an on-site food facility** and 100 or more beds
- **Large venue** - a permanent venue facility that annually seats or serves an average of more than 2,000 individuals within the grounds of the facility per day of operation of

the venue facility. A venue facility includes, but is not limited to, a public, nonprofit, or privately owned or operated stadium, amphitheater, arena, hall, amusement park, conference or civic center, zoo, aquarium, airport, racetrack, horse track, performing arts center, fairground, museum, theater, or other public attraction facility. A site under common ownership or control that includes more than one large venue that is contiguous with other large venues in the site, is a single large venue

- **Large event** - an event, including, but not limited to, a sporting event or a flea market, that charges an admission price, or is operated by a local agency, and serves an average of more than 2,000 individuals per day of operation of the event, at a location that includes, but is not limited to, a public, nonprofit, or privately owned park, parking lot, golf course, street system, or other open space when being used for an event
- **A state agency with a cafeteria** with 250 or more seats or a total cafeteria facility size equal to or greater than 5,000 square feet
- **A local education agency with an on-site food facility**

SB 1383 [requires](#) Tier 1 and Tier 2 edible food generators to do the following:

- **Recover excess edible food.** SB 1383 does not require all excess edible food to be donated. It does however, state the following for Tier 1 and Tier 2 edible food generators:
 - Tier 1 and Tier 2 edible food generators shall not intentionally spoil edible food that is capable of being recovered by a food recovery organization or service.
 - Edible food generators are allowed to give away excess food to employees, take it home for personal use, give it away to customers, etc.
 - Edible food generators must recover (for human consumption) the maximum amount of edible food that would otherwise be disposed of. This can be accomplished by *donating or paying for the food* to be recovered by a food recovery organization or service, which includes, but is not limited to food banks, food pantries, soup kitchens, for-profit food recovery services and other non-profits that distribute food to people in need.
 - A large venue or large event operator that does not provide food services, but allows for food to be provided, shall require food facilities operating at the large venue or large event to comply with the SB 1383 edible food recovery requirements.
- **Establish contracts or written agreements.** Tier 1 and Tier 2 generators must establish contracts or written agreements with food recovery organizations and services. Food recovery organizations and services vary in the amount and types of food they can receive, so edible food generators may need to establish contracts or written agreements with multiple food recovery organizations and services to be in compliance. CalRecycle has developed a [Model Food Recovery Agreement](#) that can be used as an example. These contracts can include the establishment of a regular edible food delivery or collection schedule, identifying allowable edible foods for recovery, and cost-sharing options.

- **Maintain Recordkeeping.** Tier 1 and Tier 2 edible food generators must maintain records of their food recovery activities. This recordkeeping includes the following:
 - A list of each food recovery service or organization that collects or receives its edible food under a contract or written agreement
 - A copy of contracts or written agreements between the edible food generator and a food recovery service or organization
 - For each food recovery organization or service that the Tier 1 and Tier 2 edible food generators has a contract or written agreement with, records must be kept of:
 - The name, address and contact information of the service or organization
 - The types of food that will be collected by or self-hauled to the service organization
 - The established frequency that food will be collected or self-hauled
 - The quantity of food collected or self-hauled to a service or organization for food recovery. The quantity shall be measured in pounds recovered per month

Jurisdictions are required to monitor compliance by performing annual inspections to review the following records:

- Contract or written agreement information for food recovery organizations and services
- Schedules for food recovery deliveries or collections
- Quantity of food recovered in pounds per month
- Types of food each food recovery organization will receive or collect

More information for Tier 1 and Tier 2 edible food generators is available on CalRecycle’s website: <https://www.calrecycle.ca.gov/organics/slcp/foodrecovery/donors>

Information for Food Recovery Organizations and Food Recovery Services

SB 1383 requires Tier 1 and Tier 2 edible food generators to recover (for human consumption) the maximum amount of their edible food that would otherwise be disposed, but it does not require food recovery organizations and services to participate. Each food recovery organization and service can decide if they would like to work with edible food generators and what, if any, food they will take.

Food Recovery Organization vs. Food Recovery Service

The SB 1383 regulations make a distinction between a *Food Recovery Organization* and a *Food Recovery Service*. These definitions are important because the [requirements for these entities](#) are slightly different under the regulations.

Food recovery organization: *an entity that engages in the collection or receipt of edible food from commercial edible food generators and distributes that edible food to the public for food recovery either directly or through other entities including, but not limited to, a food bank, a nonprofit charitable organization, or a non-profit charitable temporary food facility.*

Food recovery service: a person or entity that collects and transports edible food from a commercial or institutional edible food generator to a food recovery organization or other entities for food recovery.

If a food recovery organization or service does decide to participate in SB 1383 by working with a Tier 1 or Tier 2 edible food generator, they will need to do the following:

- **Contracts or written agreements.** Tier 1 and Tier 2 edible food generators are required to have written agreements or contracts with food recovery organizations or services. CalRecycle has developed a [Model Food Recovery Agreement](#) that can be used as an example. The contracts or written agreements can include:
 - Establishing a regular food recovery delivery or collection schedule
 - Identifying allowable foods for recovery
 - Cost-sharing options (food recovery organizations and services do not need to accept recovered food for free, they can decide to charge for their collection/recovery services)
- **Recordkeeping.** Food recovery organizations or services that have a contract or written agreement to collect or receive edible food directly from Tier 1 or Tier 2 edible food generators are required to keep records.

Recordkeeping requirements for Food Recovery Organizations

- The name, address, and contact information for each Tier 1 or Tier 2 edible food generator that the organization receives edible food from
- The quantity in pounds of edible food received from each Tier 1 or Tier 2 edible food generator per month
- The name, address, and contact information for each food recovery service that the organization receives edible food from for food recovery

Recordkeeping requirements for Food Recovery Services

- The name, address, and contact information for each Tier 1 or Tier 2 edible food generator that the service collects edible food from
- The quantity in pounds of edible food collected from each Tier 1 or Tier 2 edible food generator per month
- The quantity in pounds of edible food transported to each food recovery organization per month
- The name, address, and contact information for each food recovery organization that the service transports edible food to for food recovery
- **Reporting.** Food recovery organizations and services must report the total pounds recovered from Tier 1 and Tier 2 edible food generators in the previous calendar year to the jurisdiction where their primary address is physically located. The jurisdiction will in turn report to CalRecycle the pounds collected to measure statewide progress toward achieving 20 percent edible food recovery goal.

Please visit CalRecycle’s *Food Recovery in California* webpage for more information: <https://www.calrecycle.ca.gov/Organics/SLCP/FoodRecovery>

CITY OF CLEARLAKE

City Council



STAFF REPORT	
SUBJECT: Presentation and Acceptance of the Annual Financial Report for Fiscal Year 2019-20; Resolution No. 2022-26	MEETING DATE: May 19, 2022
SUBMITTED BY: Kelcey Young, Director of Finance	
PURPOSE OF REPORT: <input type="checkbox"/> Information only <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to adopt the resolution to accept the 19/20 audit.

BACKGROUND/DISCUSSION:

Each year the city hires an independent audit firm to complete an audit of the city’s books and records. For the fiscal year 2019-20, the city engaged a new auditing firm, Van Lant & Fankhanel, LLP, to complete the audit. The audit is complete and attached.

It should be noted this audit was significantly delayed for a variety of reasons including changeover of personnel in the Finance Department, carryover issues from prior fiscal years along with complications associated with transitioning to a new enterprise resource planning (ERP) financial software system. It also should be noted that all of the findings are carried over from the 2018-2019 audit, but that the findings reduced from eight findings to five. It should also be noted that the audit reflects the 2019-2020 circumstances and not necessarily current practices.

The findings along with the City’s responses are detailed in Exhibit B.

OPTIONS:

- 1. Move to adopt the resolution
- 2. Other direction

FISCAL IMPACT:

None \$ Budgeted Item? Yes No

Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$

Affected fund(s): General Fund Measure P Fund Measure V Fund Other:

Comments:

STRATEGIC PLAN IMPACT:

- Goal #1: Make Clearlake a Visibly Cleaner City
- Goal #2: Make Clearlake a Statistically Safer City
- Goal #3: Improve the Quality of Life in Clearlake with Improved Public Facilities
- Goal #4: Improve the Image of Clearlake
- Goal #5: Ensure Fiscal Sustainability of City
- Goal #6: Update Policies and Procedures to Current Government Standards
- Goal #7: Support Economic Development

SUGGESTED MOTIONS:

Move to adopt resolution 2022-26

- Attachments:**
 - 1) Resolution 2022-26
 - 2) 19/20 Audit

**RESOLUTION NO. 2022-26
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CLEARLAKE ACCEPTING THE ANNUAL
FINANCIAL REPORT FOR THE FISCAL YEAR 2019-20**

WHEREAS, each year the City hires an independent audit firm to complete an audit of the City’s books and records; and

WHEREAS, the City’s citizens and others rely on the audited financial statements, and other related information published by the City to monitor the City’s financial health; and

WHEREAS, the Auditor has prepared an Annual Financial Report, which includes the Basic Financial Statements as defined in Governmental Accounting Standards, as well as Supplemental Information, along with a report on internal controls and compliance identifying any significant deficiencies, material weaknesses and/or any other suggestions they feel might be of benefit to the city; and

WHEREAS, the Auditor was engaged to perform agreed upon procedures to verify the City’s Gann Limit calculations and has issued a related report thereto; and

WHEREAS, the reports prepared by the Auditor are attached.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Clearlake accepts the Annual Financial Report for the Fiscal Year 2019-20, incorporated by reference as Exhibits A-C.

PASSED AND ADOPTED by the City Council of the City of Clearlake, County of Lake, State of California, on this 19th day of May 2022, by the following vote:

- AYES:
- NOES:
- ABSTAIN:
- ABSENT:

ATTEST: _____
City Clerk

Mayor

April 14, 2022

City Council
City of Clearlake
Clearlake, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Clearlake (City) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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 February 3, 2020. 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 Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the City during the year 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 are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that they are reasonable in relation to the financial statements as a whole.

Management's estimates for the net pension liability is based on actuarial information provided by the California Public Employee Retirement System's (CalPERS) actuarial office. We evaluated the key factors and assumptions to develop the liability in determining that the estimated liability are reasonable in relation to the financial statements as a whole.

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

The disclosure of the fair value of investments in Note 2 to the financial statements represents amounts susceptible to market fluctuation.

The disclosure of accumulated depreciation in Note 5 to the financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

The disclosures for the net pension liability in Note 7 to the financial statements is based on assumptions for discount rates, etc., which could differ from actual experience. The notes disclose the differences in these liabilities if different assumptions are used in estimating these liabilities.

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, other than delays in completing the audit due to the significant general ledger accounting and reconciliations needed.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management:

- 1) Adjustments were made to accounts receivable and unavailable revenues at year-end.
- 2) Adjustments were made to loans receivable and allowance for uncollectible accounts.
- 3) Adjustments were made to capital asset balances.
- 4) Adjustments were made to accounts payable.

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 April 14, 2022.

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 City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these

discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Findings and Recommendations:

In addition to our audit opinion on the financial statements, we issued our “Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*” dated April 14, 2022, in which we identified material weaknesses and significant deficiencies in internal controls.

Other Matters

We applied certain limited procedures to the required supplementary information, as listed in the City’s financial statements, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information (e.g., budgetary schedules, combining statements, individual fund statements), which accompany the financial statements but are not RSI. With respect to this supplementary information, 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, 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.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City of Clearlake and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Van Lant + Fankhaed, LLP

CITY OF CLEARLAKE, CALIFORNIA

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2020

Prepared by
Administrative Services Department

City of Clearlake
Annual Financial Report
Year Ended June 30, 2020

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City of Clearlake
Annual Financial Report
Year Ended June 30, 2020

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FINANCIAL SECTION

Independent Auditor’s Report

The Honorable City Council
City of Clearlake, California
Clearlake, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Clearlake, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Clearlake’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Clearlake, California, as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The supplementary information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2022, on our consideration of the City of Clearlake’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 the 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.

Van Lant & Fankhaenel, LLP

April 14, 2022

BASIC FINANCIAL STATEMENTS

City of Clearlake
Statement of Net Position
June 30, 2020

	Governmental Activities
ASSETS	
Cash and Investments	\$ 5,148,274
Receivables:	
Accounts	1,038,225
Interest	15,700
Taxes Receivable	1,566,697
Notes Receivable	8,081,097
Land Held for Resale	113,154
Capital Assets:	
Land	7,306,000
Construction in Progress	3,012,354
Other Capital Assets, Net	14,773,250
Total Assets	<u>41,054,751</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Related Items	<u>2,394,003</u>
LIABILITIES	
Accounts Payable	440,478
Accrued Payroll Liabilities	361,948
Deposits	79,137
Unearned Revenue	113,178
Noncurrent Liabilities:	
Due Within One Year	175,639
Due in More Than One Year	8,558,671
Total Liabilities	<u>9,729,051</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Related Items	<u>406,487</u>
NET POSITION	
Net Investment in Capital Assets	24,145,964
Restricted for:	
PEG	230,057
Housing	8,866,342
Public Safety	181,432
Streets and Highways	869,907
Capital Projects	3,725,415
Unrestricted	(4,705,901)
Total Net Position	<u><u>\$ 33,313,216</u></u>

City of Clearlake
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$ 1,920,190	\$ 368,081	\$ 24,027	\$ 155,322	\$ (1,372,760)
Public Safety	6,093,660	367,406	297,849	138,666	(5,289,739)
Public Works	2,072,563	216,857	306,442	3,527,997	1,978,733
Housing	216,331	262,513	-	-	46,182
Parks and Recreation	1,674,407	140,006	-	-	(1,534,401)
Interest and Fiscal Charges	5,336	-	-	-	(5,336)
Total Governmental Activities	11,982,487	1,354,863	628,318	3,821,985	(6,177,321)
General Revenues:					
Taxes:					
Sales and Use Taxes					3,097,835
Property Taxes					2,111,873
Franchise Fees					617,649
Transient Occupance Tax					367,358
Business Licenses					54,460
Investment Income					4,685
Miscellaneous Revenues					33,449
					6,287,309
Total General Revenues and Transfers					6,287,309
Change in Net Position					109,988
Net Position - Beginning of Year					33,210,940
Restatement of Net Position					(7,712)
Net Position - End of Year					\$ 33,313,216

The accompanying notes are an integral part of this statement.

**City of Clearlake
Balance Sheet
Governmental Funds
June 30, 2020**

	Special Revenue			
	General Fund	Police Measure P	CDBG Code Enforcement	HOME RLF
ASSETS				
Cash and Investments	\$ 43,653	\$ -	\$ 384,657	\$ 86,085
Receivables:				
Accounts	299,397	-	131,494	-
Interest	15,700	-	-	-
Taxes	780,248	248,236	-	-
Notes	-	-	1,523,327	5,274,468
Due from Other Funds	167,832	-	-	-
Land Held for Resale	-	-	113,154	-
	<u>\$ 1,306,830</u>	<u>\$ 248,236</u>	<u>\$ 2,152,632</u>	<u>\$ 5,360,553</u>
LIABILITIES				
Accounts Payable	\$ 299,281	\$ -	\$ 2,924	\$ -
Accrued Payroll Liabilities	234,324	69,640	10,260	-
Deposits	72,078	-	-	-
Unearned Revenue	-	-	-	-
Due to Other Funds	-	302,385	-	-
	<u>605,683</u>	<u>372,025</u>	<u>13,184</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Interest Receivable	-	-	-	-
Unavailable Revenues - Grants Receivable	153,688	-	131,794	-
	<u>153,688</u>	<u>-</u>	<u>131,794</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	-
Restricted	-	-	2,007,654	5,360,553
Committed	-	-	-	-
Unassigned	547,459	(123,789)	-	-
	<u>547,459</u>	<u>(123,789)</u>	<u>2,007,654</u>	<u>5,360,553</u>
Total Fund Balances (Deficits)	<u>547,459</u>	<u>(123,789)</u>	<u>2,007,654</u>	<u>5,360,553</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 1,306,830</u>	<u>\$ 248,236</u>	<u>\$ 2,152,632</u>	<u>\$ 5,360,553</u>

The accompanying notes are an integral part of this statement.

Special Revenue	Capital Project			Total Nonmajor Governmental Funds	Totals
CARES Act	Series B Infrastructure Bonds	Roads Measure V	Grants		
\$ -	\$ 2,593,954	\$ 53,071	\$ 243,999	\$ 1,742,855	\$ 5,148,274
167,832	-	436,036	-	3,466	1,038,225
-	-	-	-	-	15,700
-	-	497,879	-	40,334	1,566,697
-	-	-	-	1,283,302	8,081,097
-	-	-	-	332,031	499,863
-	-	-	-	-	113,154
<u>\$ 167,832</u>	<u>\$ 2,593,954</u>	<u>\$ 986,986</u>	<u>\$ 243,999</u>	<u>\$ 3,401,988</u>	<u>\$ 16,463,010</u>
\$ -	\$ -	\$ 47,558	\$ 29,858	\$ 60,857	\$ 440,478
-	-	32,875	-	14,849	361,948
-	-	-	-	7,059	79,137
-	-	-	113,178	-	113,178
167,832	-	-	-	29,646	499,863
<u>167,832</u>	<u>-</u>	<u>80,433</u>	<u>143,036</u>	<u>112,411</u>	<u>1,494,604</u>
-	-	-	-	8,530	8,530
108,990	-	407,217	-	-	801,689
<u>108,990</u>	<u>-</u>	<u>407,217</u>	<u>-</u>	<u>8,530</u>	<u>810,219</u>
-	-	-	-	-	-
-	2,593,954	499,336	100,963	3,310,693	13,873,153
-	-	-	-	-	-
(108,990)	-	-	-	(29,646)	285,034
<u>(108,990)</u>	<u>2,593,954</u>	<u>499,336</u>	<u>100,963</u>	<u>3,281,047</u>	<u>14,158,187</u>
<u>\$ 167,832</u>	<u>\$ 2,593,954</u>	<u>\$ 986,986</u>	<u>\$ 243,999</u>	<u>\$ 3,401,988</u>	<u>\$ 16,463,010</u>

The accompanying notes are an integral part of this statement.

City of Clearlake
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2020

Fund Balances of Governmental Funds \$ 14,158,187

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Land	\$ 7,306,000	
Construction in Progress	3,012,354	
Buildings and Improvements	3,561,387	
Vehicles and Equipment	3,088,429	
Infrastructure	15,830,087	
Less: Accumulated Depreciation	<u>(7,706,653)</u>	25,091,604

In governmental funds, other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 810,219

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences		(255,348)
Net Pension Liability		(7,415,006)
Claims Payable		(118,316)
Energy Efficiency Loan Payable		(721,954)
Lease Payable		(223,686)

Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability are not reported in the funds.

Deferred Outflows Related to Pensions		2,394,003
Deferred Inflows Related to Pensions		<u>(406,487)</u>

Net Position of Governmental Activities \$ 33,313,216

The accompanying notes are an integral part of this statement.

City of Clearlake
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020

	Special Revenue			
	General Fund	Police Measure P	CDBG Code Enforcement	HOME RLF
REVENUES				
Taxes and Assessments	\$ 5,164,245	\$ 1,084,930	\$ -	\$ -
Fines and Forfeitures	108,476	-	-	-
Licenses and Permits	25,852	-	-	-
Use of Money and Property	4,986	-	4,067	1,950
Intergovernmental	224,397	-	-	-
Charges for Services	789,746	-	84,789	83,854
Other Revenues	24,439	-	-	-
	6,342,141	1,084,930	88,856	85,804
EXPENDITURES				
Current:				
General Government	1,636,581	-	-	-
Public Safety	4,067,502	1,193,320	228,294	-
Public Works and Streets	336,151	-	-	-
Housing	389,694	-	-	5,450
Parks and Recreation	203,715	-	-	-
Capital Outlay	130,681	13,783	-	-
Debt Service:				
Principal	108,300	-	-	-
Interest	5,336	-	-	-
	6,877,960	1,207,103	228,294	5,450
Excess (Deficiency) of Revenues Over Expenditures	(535,819)	(122,173)	(139,438)	80,354
OTHER FINANCING SOURCES (USES)				
Transfers In	341,831	-	-	-
Transfers Out	(1,680)	-	-	-
	340,151	-	-	-
Net Change in Fund Balances	(195,668)	(122,173)	(139,438)	80,354
Fund Balances, Beginning	883,021	(1,616)	2,147,092	5,280,199
Prior Period Adjustments	(139,894)	-	-	0
Fund Balances, Ending	\$ 547,459	\$ (123,789)	\$ 2,007,654	\$ 5,360,553

The accompanying notes are an integral part of this statement.

Special Revenue	Capital Project				
CARES Act	Series B Infrastructure Bonds	Roads Measure V	Grants	Total Nonmajor Governmental Funds	Totals
\$ -	\$ -	\$ 2,177,240	\$ -	\$ 707,120	\$ 9,133,535
-	-	-	-	-	108,476
-	-	-	-	-	25,852
-	31,104	-	31	33,907	76,045
58,842	-	-	740,609	401,782	1,425,630
-	-	-	-	70,398	1,028,787
-	-	-	-	3,955	28,394
<u>58,842</u>	<u>31,104</u>	<u>2,177,240</u>	<u>740,640</u>	<u>1,217,162</u>	<u>11,826,719</u>
-	-	-	-	41,222	1,677,803
-	-	-	-	100,221	5,589,337
-	-	713,953	-	624,303	1,674,407
-	-	-	-	94,639	489,783
-	-	-	-	12,616	216,331
-	-	122,392	4,768,630	124,985	5,160,471
-	-	-	-	-	108,300
-	-	-	-	-	5,336
<u>-</u>	<u>-</u>	<u>836,345</u>	<u>4,768,630</u>	<u>997,986</u>	<u>14,921,768</u>
<u>58,842</u>	<u>31,104</u>	<u>1,340,895</u>	<u>(4,027,990)</u>	<u>219,176</u>	<u>(717,076)</u>
-	-	-	4,508,322	1,680	4,851,833
<u>(167,832)</u>	<u>(513,634)</u>	<u>(1,283,390)</u>	<u>-</u>	<u>(2,885,297)</u>	<u>(4,851,833)</u>
<u>(167,832)</u>	<u>(513,634)</u>	<u>(1,283,390)</u>	<u>4,508,322</u>	<u>(2,883,617)</u>	<u>-</u>
(108,990)	(482,530)	57,505	480,332	(2,664,441)	(3,095,049)
-	3,076,484	441,831	(379,369)	5,945,488	17,393,130
-	-	-	-	-	(139,894)
<u>\$ (108,990)</u>	<u>\$ 2,593,954</u>	<u>\$ 499,336</u>	<u>\$ 100,963</u>	<u>\$ 3,281,047</u>	<u>\$ 14,158,187</u>

The accompanying notes are an integral part of this statement.

City of Clearlake
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (3,095,049)

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

Governmental funds report capital outlay as an expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Expenditures 4,136,706
Depreciation Expense (764,528)

Certain receivables are offset by unavailable revenue in the governmental funds because they are not available to pay for current period expenditures. This amount represents the amount by which prior year unavaible revenue exceeded current year unavailable revenue. 265,756

The amounts below included in the Statement of Activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):

Net Pension Liability (354,121)
Claims Payable (80,216)
Compensated Absences (17,193)
Energy Efficiency Loan 68,169
Capital Lease Payable 40,131

Amounts for deferred inflows and deferred outflows related to the City's net pension and total OPEB liabilites are not reported in the funds. This is the net change in deferred inflows and outflows related to the net pension and total OPEB liabilities.

Deferred Outflows Related to Pensions (86,434)
Deferred Inflows Related to Pensions (3,233)

Change in Net Position of Governmental Activities \$ 109,988

The accompanying notes are an integral part of this statement.

City of Clearlake
Statement of Fiduciary Net Position
Fiduciary Funds
 June 30, 2020

	LAFCO Agency Fund	Successor Agency Private-purpose Trust Fund
ASSETS		
Cash and Investments	\$ 190,776	\$ 473,598
Restricted Cash and Investments	-	1,012,911
Loans Receivable	-	5,746
Deposits	-	10,000
Land Held for Resale	-	2,083,877
	<u>\$ 190,776</u>	<u>3,586,132</u>
Total Assets	<u>\$ 190,776</u>	<u>3,586,132</u>
LIABILITIES		
Accounts Payable	10,785	10,000
Accrued Payroll Liabilities	-	2,332
Due to Other Agencies	179,991	-
Interest Payable	-	102,728
Long-Term Debt, Due within One Year	-	555,000
Long-Term Debt, Due in more Than One Year	-	11,224,422
	<u>\$ 190,776</u>	<u>11,894,482</u>
Total Liabilities	<u>\$ 190,776</u>	<u>11,894,482</u>
NET POSITION		
Net Position (Deficit) Held in Trust for Successor Agency		<u>\$ (8,308,350)</u>

The accompanying notes are an integral part of this statement.

City of Clearlake
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2020

Section H, Item 10.

	Successor Agency Private-purpose Trust Fund
ADDITIONS	
Investment Income	\$ 146
Taxes and Assessments	1,266,292
	1,266,438
Total Additions	1,266,438
DEDUCTIONS	
Administrative Costs	196,266
Interest Expense	432,023
	628,289
Total Deductions	628,289
Change in Net Position	638,149
Net Position - Beginning of Year	(8,946,499)
Net Position - End of Year	\$ (8,308,350)

The accompanying notes are an integral part of this statement.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2020

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A) Reporting Entity

The City of Clearlake is a municipal corporation governed by an elected five-member City Council. The accompanying financial statements present the government and its component units, entities for which the City is considered to be financially accountable.

Blended Component Units – The Clearlake Public Financing Authority is a separate legal entity created for the purpose of improving the economic conditions of the City, making public improvements and providing financing for these purposes. This entity is governed by the City Council of the City of Clearlake, and is therefore reported as if it was part of the City. The Authority is reported as part of the City's special revenue, capital projects and debt service funds. The component unit redevelopment agency was dissolved effective February 1, 2012 and all residual asset and liabilities are reported in the Successor Agency private purpose fiduciary funds.

B) Basis of Accounting and Measurement Focus

The basic financial statements of the City are composed of the following:

- o Government-wide financial statements
- o Fund financial statements
- o Notes to the financial statements

Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the economic resources measurement focus and accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services and payments made by parties outside the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2020

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expense. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expense.

Fund Financial Statements

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

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about the major funds individually and nonmajor funds in the aggregate for all funds.

Governmental Funds

In the fund financial statements, governmental funds are presented using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period.

The City uses an availability period of 60 days. Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle in lieu, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed nonexchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary nonexchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2020

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent the net current assets.

Recognition of governmental fund type revenues represented by non-current receivables are deferred until they become current receivables. Non-current portions of long-term receivables are offset by nonspendable fund balance.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

C) Fund Classifications

The City reports the following major governmental funds:

The *General Fund* is the City’s primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Police Measure P Fund* accounts for the use of a special sales tax measure approved for funding public safety activities.

The *CDBG Code Enforcement Fund* is used to support several areas of the Code Enforcement operations in areas of the City that meet CDBG program requirements.

The *HOME RLF Fund* accounts for revolving loan funds used for activities pertaining to multi-family, first-time homebuyer, rehabilitation and other affordable housing loan and grant programs.

The *CARES Act Fund* accounts for the use of CARES Act revenues.

The *Series B Infrastructure Bond Proceeds Fund* accounts for Series B proceeds used to complete various road and infrastructure projects consistent with the original bond issuance.

The *Roads Measure V Fund* accounts for and reports financial resources related to the 1% transaction and use tax for improving and maintaining roads within the City. The tax sunsets in 20 years and an Oversight Committee has been established to review prior year expenditures.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2020

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The *Grants Fund* accounts for and reports financial resources for the majority of all capital projects conducted by the City of Clearlake. The projects are funded by grant revenue deposited in Fund 240 or transfers from other funds within the City budget.

Additionally, the City reports the following fund types:

The *Private-purpose Trust Fund* accounts for the balances and transactions of the Successor Agency to the Clearlake Redevelopment Agency.

The *Agency Fund* accounts for monies held for the Lake County Local Agency Formation Commission (LAFCO).

D) Cash and Investments

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported in the accompanying financial statements at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund’s share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund’s average cash and investment balance.

E) Due from Other Governments

The amounts recorded as due from other governments, include sales taxes, property taxes, and grant revenues, collected or provided by Federal, State, County and City governments and remain unremitted to the City as of June 30, 2020.

F) Fund Balance

The City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions as of June 30, 2011. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2020

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts that may be specified by the City Council by ordinance to formally commit part of the City’s fund balances or future revenues for a specific purpose(s) or program. To change or repeal any such commitment will require an additional formal City Council action utilizing the same type of action that was originally used.

Assigned Fund Balance - Amounts that are constrained by the City Council's intent to use specified financial resources for specific purposes, but are neither restricted nor committed. The City's fund balance policy delegates the authority to assign amounts to be used for specific purposes to the City Manager, or his designee.

Unassigned Fund Balance - These are either residual positive net resources of fund balance in excess of what can properly be classified in one of the other four categories, or negative balances.

G) Fund Equity

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets describes the portion of net position which is represented by the current net book value of the City’s capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulation, laws, or other restrictions which the City cannot unilaterally alter.

Unrestricted describes the portion of net position which is not restricted to use.

H) Property Tax Calendar

Property taxes attach as an enforceable lien on property as of January 1, each year. Taxes are levied on July 1, and are payable in two installments no later than December 10, and April 10, of each year. Lake County bills and collects the property taxes and remits them to the City in installments during the year. Under the provisions of NCGA Interpretation 3, property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the fiscal year.

The County is permitted by State law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year. Property Valuations are established by the Lake County Assessor for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provision of Article XIII-A of the State Constitution (Proposition 13, adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base assessment, subsequent annual increases in valuation are limited to a maximum of two percent. However, an increase to full value is allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2020

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I) Compensated Absences

In accordance with GASB Statement No 16, a liability is recorded for unused balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Upon separation, 100% of accrued vacation leave (up to a maximum of 400 hours) and accrued comp time is paid and, depending on longevity, sick leave is paid out up to 50% of the accrued amount. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

J) Capital Assets

Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets received prior to the implementation of GASB 72 are valued at their estimated fair market value at the date of the contribution. Contributed capital assets received subsequent to the implementation of GASB 72 are recorded at acquisition value as of the date received. The City capitalizes assets with an original cost greater than \$5,000 and with a useful lifespan longer than three years.

Capital assets include public domain (infrastructure) assets consisting of certain improvements including roads, streets, sidewalks, medians and storm drains. Depreciation has been provided using the straight line method over the estimated useful life of the asset in the government-wide financial statements. No depreciation is recorded in the year of acquisition or in the year of disposition.

The following schedule summarizes capital asset useful lives:

Building and improvements	5 - 50 years
Roadway improvements	50 years
Sidewalks, curbs, and gutters	50 years
Storm drain pipes/structures	50 years
Traffic signal devices	5 - 40 years
Landscaping	30 years
Signage	25 years
Leasehold improvements	5 years
Machinery and equipment	3 - 5 years
Vehicles	3 years

K) Use of Estimates

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

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2020

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City reports deferred outflows of resources related to pension liabilities.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has certain items, which arise only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments, grant receivables, and other miscellaneous receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred inflows as a result of the City's implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which qualify for reporting in this category.

M) Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position.

N) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

The Governmental Accounting Standards Board has issued the following Statements, which may affect the City's financial reporting requirements in the future:

GASB 84 - Fiduciary Activities: This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB 87 – Leases: This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2020

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period: This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB 90 – Majority Equity Interests: The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB 91 - Conduit Debt Obligations: The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

O) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Clearlake's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2) CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 5,148,274
Statement of Fiduciary Net Position:	
Cash and Investments	664,374
Cash and Investments with Fiscal Agents	<u>1,012,911</u>
Total Cash and Investments	<u>\$ 6,825,559</u>

Cash and Investments consist of the following:

Cash on Hand	\$ 640
Deposits with Financial Institutions	1,640,311
Investments	<u>5,184,608</u>
Total Cash and Investments	<u>\$ 6,825,559</u>

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2020

2) CASH AND INVESTMENTS – Continued

Investments Authorized by the City’s Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’s investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City’s investment policy.

<u>Authorized Investment Type</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment In One Issuer*</u>
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	2 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker’s Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	15%	10%
Negotiable Certificates of Deposit	Yes	2 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium Term Notes	No	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-through Securities	No	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
Supranationals	Yes	5 years	30%	None
JPA Pools (other investment pools)	No	N/A	None	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

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

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2020

2) CASH AND INVESTMENTS – Continued

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker’s Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Medium Term Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	10%
Repurchase Agreements	270 days	30%	None
Investment Contracts	30 years	None	None
Local Agency Investment Fund (LAIF)	N/A	50 million	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rate. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City’s investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City’s investment by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			<u>Total</u>
	<u>12 Months or Less</u>	<u>1 to 2 Years</u>	<u>2 to 5 Years</u>	
Local Agency Investment Fund	\$ 4,171,697	\$ -	\$ -	\$ 4,171,697
Held by Bond Trustee:				
Money Market Mutual Funds	1,012,911	-	-	1,012,911
Total Pooled Investments	<u>\$ 5,184,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,184,608</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization.

The Local Agency Investment Fund is not required to be rated. Money Market Mutual funds held by bond trustees are rated AAA.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2020

2) CASH AND INVESTMENTS - Continued

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2020, there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

Custodial Credit Risk

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

As of June 30, 2020, no deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

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

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). As of June 30, 2020, none of the City's investments were held by the broker-dealer (counterparty) that was used by the City to purchase the securities.

For investments identified herein as held by bond trustee, the bond trustee selects the investments under terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Local Agency Investment Fund and money market mutual funds are not subject to the fair value hierarchy; therefore, the City has no investments that are subject to recurring fair value measurements.

City of Clearlake
Notes to Financial Statements
 Year Ended June 30, 2020

2) CASH AND INVESTMENTS - Continued

Investment in State Investment Pool

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

3) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at June 30, 2020 are as follows:

Due To (Receivable)	Due From (Payable)	Amount
General Fund	CARES Act Fund	\$ 167,832
Non-major Governmental Funds	Police Measure P	302,385
	Non-major Governmental Funds	29,646
Total		\$ 499,863

The \$167,832 due to the General Fund from the CARES Act Special Revenue Fund will be repaid when the grant revenues are received in the subsequent fiscal year. The \$302,385 due to the Non-major Special Revenue Funds from the Police Measure P Fund will be repaid with future Measure P revenues.

Transfers consisted of the following at June 30, 2020:

TRANSFERS OUT	TRANSFERS IN			Total
	General Fund	Grants	Non-Major Funds	
General Fund	\$ -	\$ -	\$ 1,680	\$ 1,680
CARES Act	167,832	-	-	167,832
Series B Infrastructure Bond Proceeds	-	513,634	-	513,634
Roads Measure V	-	1,283,390	-	1,283,390
Non-Major Funds	173,999	2,711,298	-	2,885,297
Total	\$ 341,831	\$ 4,508,322	\$ 1,680	\$ 4,851,833

Transfers were made from the CARES Act Fund to the General Fund of \$167,832 for coronavirus relief funding. Transfers were made from the Series B Infrastructure Bond Proceeds, Roads Measure V and Non-Major Funds totaling \$4,508,322 for project costs. In addition, the Non-Major Funds transferred \$173,999 in recycling franchise fees to the General Fund.

City of Clearlake
Notes to Financial Statements
 Year Ended June 30, 2020

4) LOANS AND NOTES RECEIVABLE

Through the City’s various housing rehabilitation funds, first-time home buyer’s funds, and business/economic development loan funds, the City has loaned funds to qualifying individuals and businesses. Interest rates vary depending on the terms of the loan. Interest is accrued on the loans that bear interest. The balance of the loans receivable includes the accrued interest earned and deferred until future periods and an allowance for doubtful accounts of \$6,595,682.

Loans and notes receivable for the year ended June 30, 2020, consisted of the following:

Fund	Beginning Balance	Additions	Deletions	Ending Balance
CDBG Code Enforcement	\$ 1,534,665	\$ 79,568	\$ 90,906	\$ 1,523,327
HOME RLF	5,129,466	149,966	4,964	5,274,468
Nonmajor Governmental Funds	1,298,287	-	14,985	1,283,302
Total	\$ 7,962,418	\$ 229,534	\$ 110,855	\$ 8,081,097

5) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 is as follows:

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Governmental Activities:					
Nondepreciable Capital Assets					
Land	\$ 7,361,000	\$ (55,000)	\$ -	\$ -	\$ 7,306,000
Construction in Progress	588,953	-	2,423,401	-	3,012,354
Total Capital Assets Not Depreciated	7,949,953	(55,000)	2,423,401	-	10,318,354
Depreciable Capital Assets					
Buildings and Improvements	3,683,536	(122,149)	-	-	3,561,387
Equipment	1,466,450	(47,454)	17,265	-	1,436,261
Vehicles	1,557,710	87,583	6,875	-	1,652,168
Infrastructure	14,140,922	-	1,689,165	-	15,830,087
Total Depreciable Capital Assets	20,848,618	(82,020)	1,713,305	-	22,479,903
Less Accumulated Depreciation:					
Buildings and Improvements	1,625,427	(76,666)	137,961	-	1,686,722
Equipment	705,123	(23,062)	83,446	-	765,507
Vehicles	1,179,440	(169,474)	98,130	-	1,108,096
Infrastructure	3,701,337	-	444,991	-	4,146,328
Total Accumulated Depreciation	7,211,327	(269,202)	764,528	-	7,706,653
Net Depreciable Capital Assets	13,637,291	187,182	948,777	-	14,773,250
Total Capital Assets, Net	\$ 21,587,244	\$ 132,182	\$ 3,372,178	\$ -	\$ 25,091,604

See Note 13 Restatement of Net Position for more information on the adjustments above.

Depreciation expense was charged in the following function of the Statement of Activities:

General Government	\$ 144,978
Public Safety	60,535
Public Works and Streets	559,015
Total Depreciation Expense	\$ 764,528

City of Clearlake
Notes to Financial Statements
 Year Ended June 30, 2020

6) LONG-TERM LIABILITIES

The following is a summary of long-term liabilities, all of which are funded by the General Fund, for the year ended June 30, 2020:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 238,155	\$ 56,385	\$ 39,192	\$ 255,348	\$ 65,000
Net Pension Liability	7,060,885	354,121	-	7,415,006	-
Claims Payable	38,100	80,216	-	118,316	-
Loans from direct borrowings:					
Energy Efficiency Loan	762,085	-	40,131	721,954	40,823
Capital Lease Payable	291,855	-	68,169	223,686	69,816
Total	\$ 8,391,080	\$ 490,722	\$ 147,492	\$ 8,734,310	\$ 175,639

Compensated absences and the net pension liability are typically liquidated by the General Fund.

Energy Efficiency Lease Agreement (direct borrowing)

In April, the City entered into a lease-purchase agreement for the acquisition and installation of certain energy conservation equipment including lighting and solar with an aggregate principal borrowing of \$808,519. The proceeds are to be used to pay for the energy efficiency and conservation improvements as specified in the agreement. The payments bear interest at 3.50% and are due and payable annually on November 15th and each year, maturing on November 15, 2032. The General Fund will generally be responsible for making the debt service payments annually.

The annual debt service requirements for the lease agreement as of June 30, 2020 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 40,823	\$ 17,098	\$ 57,921
2022	41,750	16,171	57,921
2023	42,702	15,219	57,921
2024	43,682	14,239	57,921
2025	44,691	13,230	57,921
2026-2030	239,625	49,979	289,604
2031-2035	268,681	19,996	288,677
Totals	\$ 721,954	\$ 145,932	\$ 867,886

Capital Lease Payable

The City, at various occasions, enters into lease agreements that qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The capitalized costs and accumulated depreciation on assets acquired through capital leases are \$291,855 and \$37,614. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2020

6) LONG-TERM LIABILITIES - Continued

Fiscal Year Ending June 30,	Governmental Activities
2021	\$ 82,497
2022	82,497
2023	82,497
Totals	\$ 247,491
Less: Interest	(23,805)
Present Value	\$ 223,686

Fiduciary Fund Long-term Debt

The following is a summary of the Successor Agency Private-purpose Trust Fund long-term debt:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Tax Allocation Bonds:					
Series 2017	\$ 12,625,000	\$ -	\$ 545,000	\$ 12,080,000	\$ 555,000
Bond Discount	(319,364)	-	(18,786)	(300,578)	(18,786)
Total	\$ 12,305,636	\$ -	\$ 526,214	\$ 11,779,422	\$ 536,214

In December 2017, the Clearlake Successor Agency sold \$13,275,000 in 2017 Taxable Tax Allocation Refunding Bonds to refund the previously outstanding 2006A and 2006B Series bonds, at a discount of \$338,150. Interest on the 2017 Bonds is payable on April 1 and October 1 of each year. Principal payments are made on October 1 of each year, with the final payment due on October 1, 2036. Interest rates range from 1.75% to 4%. Future debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 555,000	\$ 405,363	\$ 960,363
2022	560,000	393,163	953,163
2023	575,000	378,966	953,966
2024	600,000	363,544	963,544
2025	610,000	347,281	957,281
2026	630,000	329,444	959,444
2027	645,000	309,916	954,916
2028	665,000	289,031	954,031
2029	690,000	265,288	955,288
2030	715,000	238,944	953,944
2031	745,000	211,569	956,569
2032	770,000	183,163	953,163
2033	800,000	153,725	953,725
2034	830,000	123,163	953,163
2035	865,000	90,300	955,300
2036	895,000	55,100	950,100
2037	930,000	18,600	948,600
Totals	\$ 12,080,000	\$ 4,156,556	\$ 16,236,556

City of Clearlake
Notes to Financial Statements
 Year Ended June 30, 2020

7) PENSION PLAN

General Information about the Defined Benefit Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees’ Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City of Clearlake sponsors 2 rate plans (both are miscellaneous.) Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2018 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2018 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS’ website under Forms and Publications.

The Plan’s provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous	Miscellaneous PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2%	2%
Required employee contribution rates	7%	6.75%
Required employer contribution rates	9.680% + \$158,049	6.985% + \$2,972
	Safety Police	Safety Police PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2% to 2.7%
Required employee contribution rates	9%	12%
Required employer contribution rates	20.707% + \$553,039	13.034% + \$4,611

City of Clearlake
Notes to Financial Statements
 Year Ended June 30, 2020

7) PENSION PLAN – Continued

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

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$718,671 in fiscal year 2020. The City’s contributions to the Plan for the year ended June 30, 2020 were \$1,197,351.

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

As of June 30, 2020, the City reported a net pension liability for its proportionate shares of the net pension liability of the Plan of \$7,415,006. The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability as of June 30, 2018, and 2019 was as follows:

Proportion - June 30, 2018	0.07327%
Proportion - June 30, 2019	0.07236%
Change - Increase (Decrease)	-0.00091%

For the year ended June 30, 2020, the City recognized pension expense of \$1,641,137. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,197,351	\$ -
Differences between actual and expected experience	492,684	11,053
Changes in assumptions	317,682	77,602
Change in employer's proportion	56,332	164,423
Differences between employer's contributions and employer's proportionate share of contributions	329,954	43,749
Net differences between projected and actual earnings on plan investments	-	109,660
Total	\$ 2,394,003	\$ 406,487

City of Clearlake
Notes to Financial Statements
 Year Ended June 30, 2020

7) PENSION PLAN – Continued

\$1,197,351 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	
2020	\$ 712,772
2021	(30,857)
2022	86,646
2023	21,604
2024	-
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Projected salary increase	(1)
Investment rate of return	7.15%
Mortality	(2)

- (1) Depending on age, service and type of employment
- (2) Derived using CalPERS' Membership Data for all Funds.

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Long-term Expected Rate of Return - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows.

Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

City of Clearlake
Notes to Financial Statements
 Year Ended June 30, 2020

7) PENSION PLAN – Continued

The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	-	-0.92%

- (1) An expected inflation of 2.0% used for this period.
- (2) An expected inflation of 2.92% used for this period.

Discount Rate – The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 11,284,543
Current Discount Rate	7.15%
Net Pension Liability	\$ 7,415,006
1% Increase	8.15%
Net Pension Liability	\$ 4,235,557

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2020, the City reported no payables to the pension plan, for outstanding contributions required for the year ended June 30, 2020.

City of Clearlake
Notes to Financial Statements
 Year Ended June 30, 2020

8) SUMMARY DISCLOSURE OF SELF-INSURANCE CONTINGENCIES

The City of Clearlake (“City”) is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City obtains insurance coverage. The City maintains self-insurance programs for workers’ compensation, general and auto liability. Claims are processed by an independent third-party claims administrator.

The City is a member of the Public Agency Risk Sharing Authority of California- PARSAC (“Authority”), a joint powers authority, which provides joint protection programs for public entities covering automobile, general liability, errors and omission losses, workers’ compensation, and property claims. Under the program, the City has a \$50,000 retention limit similar to a deductible with the Authority being responsible for losses above that amount up to \$1 million. The Authority has additional coverage of \$49 million in excess of its \$1 million retention limit through affiliated risk management authorities.

Liabilities of the City are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

The Authority covers workers’ compensation claims up to its self-insurance limit of \$500,000. The Local Agency Workers Compensation Excess Pool provides excess coverage to statutory limits. The City pays an annual premium to the Authority and may share in any surplus revenues or may be required to pay additional assessments based upon the Authority’s operating results. Financial statements of the Public Agency Risk Sharing Authority of California (PARSAC) may be obtained from its administrative office located at 1525 Response Road, Suite One, Sacramento, California, 95815; www.parsac.org or by calling (916) 927-7727.

Included in the accrued claims liability is an estimated liability for claims filed, as calculated by the City’s third-party claims administrator, but not paid, in the amount of \$118,316 for workers’ compensation.

Fiscal Year	Claims Payable Beginning of Year	Additions	Deletions	Claims Payable End of Year
6/30/20	\$ 38,100	\$ 80,216	\$ -	\$ 118,316
6/30/19	63,563	-	(25,463)	38,100

During the past 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 covered from coverage in the prior year.

9) COMMITMENTS AND CONTINGENCIES

The City has received State and Federal funds that are subject to review and audit by the grantor agencies. Such audits could generate expenditure disallowances under terms of the grants; however, it is believed that any such reimbursements will not be significant.

City of Clearlake
Notes to Financial Statements
 Year Ended June 30, 2020

10) FUND BALANCE

	General Fund	Police Measure P	CDBG Code Enforcement	HOME RLF	CARES Act	Series A Infrastructure Bonds
Nonspendable:						
Notes Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:						
Capital Projects	-	-	-	-	-	2,593,954
Housing	-	-	2,007,654	5,360,553	-	-
Public Works/Street Projects	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
PEG	-	-	-	-	-	-
LAFCO	-	-	-	-	-	-
Unassigned	547,459	(123,789)	-	-	(108,990)	-
Total Fund Balances	\$ 547,459	\$ (123,789)	\$ 2,007,654	\$ 5,360,553	\$ (108,990)	\$ 2,593,954

	Roads Measure V	Grants	Non-major Governmental Funds	Total
Nonspendable:				
Notes Receivable	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Capital Projects	-	-	-	2,593,954
Housing	-	-	1,498,135	8,866,342
Public Works/Street Projects	499,336	100,963	1,401,069	2,001,368
Public Safety	-	-	181,432	181,432
PEG	-	-	230,057	230,057
Unassigned	-	-	(29,646)	285,034
Total Fund Balances	\$ 499,336	\$ 100,963	\$ 3,281,047	\$ 14,158,187

11) ACCUMULATED FUND DEFICITS

At June 30, 2020, the following funds had deficit fund balances:

Major Funds:	
Police Measure P	\$ (123,789)
CARES Act	(108,990)
Non-major Funds	
Recycle Fund	(29,646)

These deficits will be eliminated through the collection of unavailable revenues and future revenues.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2020

12) SUBSEQUENT EVENTS

In June 2019, the City, among other entities, was a party to a settlement with Pacific Gas and Electric Company (PG&E) with a total settlement of \$415 million. In July 2020, subsequent to the end of the fiscal year, the City was allocated a gross settlement amount of \$18,347,776, of which, the City received \$14,876,403. The settlement amount was based on documented costs incurred and/or impacts from fires where there wasn't another funding source. The largest of which was impacts to City roads and potential slope mitigation/watershed restoration costs. According to the settlement agreement, the use of the funds is entirely within the City's discretion.

In addition, in October 2020, subsequent to the end of the fiscal year, the City sold land for \$375,624.

13) RESTATEMENT OF NET POSITION/PRIOR PERIOD ADJUSTMENT

The restatement of net position of \$(7,712) in the Statement of Activities is the net adjustment of \$132,812 for capital asset activity related to prior years and the adjustment of \$(139,894) for expenses that should have been accrued in the prior year.

The prior period adjustment of \$(139,894) in the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund is for expenditures that should have been accrued in the prior year.

REQUIRED SUPPLEMENTARY INFORMATION

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and Assessments	\$ 5,360,682	\$ 5,360,682	\$ 5,164,245	\$ (196,437)
Fines and Forfeitures	55,000	55,000	108,476	53,476
Licenses and Permits	16,500	16,500	25,852	9,352
Use of Money and Property	2,600	2,600	4,986	2,386
Intergovernmental	200,685	200,685	224,397	23,712
Charges for Services	948,500	948,500	789,746	(158,754)
Other Revenues	10,279	10,279	24,439	14,160
	6,594,246	6,594,246	6,342,141	(252,105)
EXPENDITURES				
Current:				
General Government	1,842,874	1,842,874	1,636,581	206,293
Public Safety	4,378,212	4,244,797	4,067,502	177,295
Public Works and Streets	429,595	429,595	389,694	39,901
Housing	335,423	335,423	203,715	131,708
Parks and Recreation	175,533	175,533	336,151	(160,618)
Capital Outlay	150,000	150,000	130,681	19,319
Debt Service:				
Principal	35,000	35,000	108,300	(73,300)
Interest	38,335	38,335	5,336	32,999
	7,384,972	7,251,557	6,877,960	373,597
Excess (Deficiency) of Revenues over Expenditures	(790,726)	(657,311)	(535,819)	121,492
OTHER FINANCING SOURCES (USES)				
Transfers In	712,357	712,357	341,831	(370,526)
Transfers Out	-	-	(1,680)	(1,680)
	712,357	712,357	340,151	(372,206)
Net Change in Fund Balances	(78,369)	55,046	(195,668)	(250,714)
Fund Balance, Beginning of Year	883,021	883,021	883,021	-
Fund Balance, End of Year	\$ 804,652	\$ 938,067	\$ 547,459	\$ (390,608)

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Police Measure P Special Revenue Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and Assessments	\$ 965,290	\$ 965,290	\$ 1,084,930	\$ 119,640
Use of Money and Property	50	50	-	(50)
Total Revenues	965,340	965,340	1,084,930	119,590
EXPENDITURES				
Current:				
Public Safety	1,066,852	1,066,852	1,193,320	(126,468)
Capital Outlay	-	-	13,783	(13,783)
Total Expenditures	1,066,852	1,066,852	1,207,103	(140,251)
Excess (Deficiency) of Revenues over Expenditures	(101,512)	(101,512)	(122,173)	(20,661)
OTHER FINANCING SOURCES (USES)				
Transfers In	49,749	49,749	-	(49,749)
Transfers Out	(92,857)	(92,857)	-	92,857
Total Other Financing Sources (Uses)	(43,108)	(43,108)	-	43,108
Net Change in Fund Balances	(144,620)	(144,620)	(122,173)	22,447
Fund Balance, Beginning of Year	(1,616)	(1,616)	(1,616)	-
Fund Balance, End of Year	\$ (146,236)	\$ (146,236)	\$ (123,789)	\$ 22,447

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - CDBG Code Enforcement Special Revenue Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$ -	\$ -	\$ 4,067	\$ 4,067
Charges for Services	360,128	360,128	84,789	(275,339)
Total Revenues	360,128	360,128	88,856	(271,272)
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	198,463	198,463	228,294	(29,831)
Capital Outlay	12,000	12,000	-	12,000
Total Expenditures	210,463	210,463	228,294	(17,831)
Excess (Deficiency) of Revenues over Expenditures	149,665	149,665	(139,438)	(289,103)
OTHER FINANCING SOURCES (USES)				
Transfers In	500,000	500,000	-	(500,000)
Transfers Out	(100,000)	(100,000)	-	100,000
Total Other Financing Sources (Uses)	400,000	400,000	-	(400,000)
Net Change in Fund Balances	549,665	549,665	(139,438)	(689,103)
Fund Balance, Beginning of Year	2,147,092	2,147,092	2,147,092	-
Fund Balance, End of Year	\$ 2,696,757	\$ 2,696,757	\$ 2,007,654	\$ (689,103)

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - HOME RLF Special Revenue Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$ 2,500	\$ 2,500	\$ 1,950	\$ (550)
Charges for Services	50,000	50,000	83,854	33,854
Total Revenues	52,500	52,500	85,804	33,304
EXPENDITURES				
Current:				
General Government	-	-	-	-
Housing	225,050	225,050	5,450	219,600
Capital Outlay	-	-	-	0
Total Expenditures	225,050	225,050	5,450	219,600
Excess (Deficiency) of Revenues over Expenditures	(172,550)	(172,550)	80,354	252,904
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(5,000)	(5,000)	-	5,000
Total Other Financing Sources (Uses)	(5,000)	(5,000)	-	5,000
Net Change in Fund Balances	(177,550)	(177,550)	80,354	257,904
Fund Balance, Beginning of Year	5,280,199	5,280,199	5,280,199	-
Fund Balance, End of Year	\$ 5,102,649	\$ 5,102,649	\$ 5,360,553	\$ 257,904

**City of Clearlake
Required Supplementary Information
Year Ended June 30, 2020**

**Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 Years***

Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a % of Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
2019	0.07236%	\$ 7,415,006	\$ 3,309,939	224.02%	73.89%
2018	0.07327%	7,060,885	2,896,358	243.78%	73.66%
2017	0.07339%	7,277,873	3,013,215	241.53%	70.88%
2016	0.07556%	6,538,364	2,561,821	255.22%	70.81%
2015	0.07978%	5,476,171	2,427,382	225.60%	74.68%
2014	0.08254%	5,135,962	2,170,611	236.61%	75.69%

Notes to the Schedule of the City's Proportionate Share of the Net Pension Liability

Benefit Changes: None

Changes in Assumptions: In 2017, the accounting discount rate changed from 7.65% to 7.15%.

*Fiscal year 2015 was the first year of implementation; therefore, 10 years of information are not yet available.

**City of Clearlake
Required Supplementary Information
Year Ended June 30, 2020**

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

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 1,197,351	\$ (1,197,351)	\$ -	\$ 3,309,939	36.17%
2019	841,961	(841,961)	-	2,896,358	29.07%
2018	1,375,377	(1,375,377)	-	3,013,215	45.64%
2017	181,051	(181,051)	-	2,561,821	7.07%
2016	659,326	(659,326)	-	2,427,382	27.16%
2015	673,740	(673,740)	-	2,170,611	31.04%

Notes to the Schedule of Plan Contributions

Valuation Date: 6/30/2013, 6/30/2014, 6/30/2015, 6/30/2016, 6/30/2017, 6/30/2018

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information are available.

City of Clearlake
Notes to Required Supplementary Information
Year Ended June 30, 2020

1. Budgetary Control and Accounting

The City Council approves each year's budget submitted by the City Manager and Assistant City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. All supplemental appropriations, where required during the period, are also approved by the Council. Intradepartmental budget transfers are approved by the City Manager. In most cases, expenditures may not exceed appropriations at the departmental level within the general fund and at the fund level for other funds. At fiscal year-end, all operating budget appropriations lapse.

A budget was not adopted for the CARES Act Special Revenue Fund.

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

SUPPLEMENTARY INFORMATION

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Series B Infrastructure Bonds Capital Projects Fund
 Year Ended June 30, 2020

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ -	\$ 31,104	\$ 31,104
Total Revenues	-	31,104	31,104
EXPENDITURES			
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	31,104	31,104
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(100,000)	(513,634)	(413,634)
Total Other Financing Sources (Uses)	(100,000)	(513,634)	(413,634)
Net Change in Fund Balances	(100,000)	(482,530)	(382,530)
Fund Balance, Beginning of Year	3,076,484	3,076,484	-
Fund Balance, End of Year	\$ 2,976,484	\$ 2,593,954	\$ (382,530)

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Roads Measure V Capital Project Fund
 Year Ended June 30, 2020

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes and Assessments	\$ 1,941,189	\$ 2,177,240	\$ 236,051
Use of Money and Property	500	-	(500)
Total Revenues	1,941,689	2,177,240	235,551
EXPENDITURES			
Current:			
Public Works and Streets	1,009,253	713,953	295,300
Capital Outlay	250,000	122,392	127,608
Total Expenditures	1,259,253	836,345	422,908
Excess (Deficiency) of Revenues over Expenditures	682,436	1,340,895	658,459
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(1,575,000)	(1,283,390)	291,610
Total Other Financing Sources (Uses)	(1,575,000)	(1,283,390)	291,610
Net Change in Fund Balances	(892,564)	57,505	950,069
Fund Balance, Beginning of Year	441,831	441,831	-
Fund Balance, End of Year	\$ (450,733)	\$ 499,336	\$ 950,069

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Grants Capital Project Fund
 Year Ended June 30, 2020

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 3,164,281	\$ 740,609	\$ (2,423,672)
Use of Money and Property	40	31	(9)
Total Revenues	3,164,321	740,640	(2,423,681)
EXPENDITURES			
Current:			
General Government	-	-	-
Public Works and Streets	-	-	-
Capital Outlay	5,454,418	4,768,630	685,788
Total Expenditures	5,454,418	4,768,630	685,788
Excess (Deficiency) of Revenues over Expenditures	(2,290,097)	(4,027,990)	(1,737,893)
OTHER FINANCING SOURCES (USES)			
Transfers In	5,724,418	4,508,322	(1,216,096)
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	5,724,418	4,508,322	(1,216,096)
Net Change in Fund Balances	3,434,321	480,332	(2,953,989)
Fund Balance, Beginning of Year	(379,369)	(379,369)	-
Fund Balance, End of Year	\$ 3,054,952	\$ 100,963	\$ (2,953,989)

NON-MAJOR GOVERNMENTAL FUNDS

City of Clearlake
Combining Balance Sheet
Non-major Governmental Funds
 June 30, 2020

	Special Revenue				
	Low and Moderate Income Housing	Park Development	PEG	Police Grants	Police ABC
ASSETS					
Cash and Investments	\$ 120,606	\$ 3,955	\$ 233,641	\$ 89,599	\$ 14
Receivables:					
Accounts	3,466	-	-	-	-
Taxes	-	-	-	-	-
Notes Receivable	1,180,345	-	-	-	-
Due from Other Funds	-	-	-	-	-
Total Assets	\$ 1,304,417	\$ 3,955	\$ 233,641	\$ 89,599	\$ 14
LIABILITIES					
Accounts Payable	\$ 1,013	\$ -	\$ 3,584	\$ -	\$ -
Accrued Payroll Liabilities	2,138	-	-	-	-
Deposits	7,059	-	-	-	-
Due to Other Funds	-	-	-	-	-
Total Liabilities	10,210	-	3,584	-	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues - Receivables	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-
FUND BALANCE (DEFICITS)					
Restricted	1,294,207	3,955	230,057	89,599	14
Unassigned	-	-	-	-	-
Total Fund Balances	1,294,207	3,955	230,057	89,599	14
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 1,304,417	\$ 3,955	\$ 233,641	\$ 89,599	\$ 14

Special Revenue					Capital Projects	Total Non-major Governmental Funds
Police Asset Seizure	Gas Tax	Traffic Impact	EDBG RLF	Recycle Fund	Series A Infrastructure Bonds	
\$ 91,819	\$ 272,009	\$ 18,781	\$ 113,001	\$ -	\$ 799,430	\$ 1,742,855
-	-	-	-	-	-	3,466
-	40,334	-	-	-	-	40,334
-	-	-	102,957	-	-	1,283,302
-	-	-	-	-	332,031	332,031
<u>\$ 91,819</u>	<u>\$ 312,343</u>	<u>\$ 18,781</u>	<u>\$ 215,958</u>	<u>\$ -</u>	<u>\$ 1,131,461</u>	<u>\$ 3,401,988</u>
\$ -	\$ 52,760	\$ -	\$ 3,500	\$ -	\$ -	\$ 60,857
-	12,711	-	-	-	-	14,849
-	-	-	-	-	-	7,059
-	-	-	-	29,646	-	29,646
-	65,471	-	3,500	29,646	-	112,411
-	-	-	8,530	-	-	8,530
-	-	-	8,530	-	-	8,530
91,819	246,872	18,781	203,928	-	1,131,461	3,310,693
-	-	-	-	(29,646)	-	(29,646)
<u>91,819</u>	<u>246,872</u>	<u>18,781</u>	<u>203,928</u>	<u>(29,646)</u>	<u>1,131,461</u>	<u>3,281,047</u>
<u>\$ 91,819</u>	<u>\$ 312,343</u>	<u>\$ 18,781</u>	<u>\$ 215,958</u>	<u>\$ -</u>	<u>\$ 1,131,461</u>	<u>\$ 3,401,988</u>

City of Clearlake
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
 Year Ended June 30, 2020

	Special Revenue				
	Low and Moderate Income Housing	Park Development	PEG	Police Grants	Police ABC
REVENUES					
Taxes and Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Money and Property	854	-	4,117	-	-
Intergovernmental Revenues	-	-	94,037	100,000	-
Charges for Services	70,398	-	-	-	-
Other Revenues	-	3,955	-	-	-
Total Revenues	71,252	3,955	98,154	100,000	-
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	100,000	-
Public Works and Streets	-	-	-	-	-
Housing	90,819	-	-	-	-
Parks and Recreation	-	-	12,616	-	-
Capital Outlay	-	-	53,910	28,743	-
Total Expenditures	90,819	-	66,526	128,743	-
Excess (Deficiency) of Revenues Over Expenditures	(19,567)	3,955	31,628	(28,743)	-
OTHER FINANCING SOURCES (USES)					
Transfers In	-	1,680	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	1,680	-	-	-
Net Change in Fund Balances	(19,567)	5,635	31,628	(28,743)	-
Fund Balances, Beginning of Year	1,313,774	(1,680)	198,429	118,342	14
Prior Period Adjustment	-	-	-	-	-
Fund Balances, End of Year	\$ 1,294,207	\$ 3,955	\$ 230,057	\$ 89,599	\$ 14

Special Revenue					Capital Projects	Total Non-major Governmental Funds
Police Asset Seizure	Gas Tax	Traffic Impact	EDBG RLF	Recycle Fund	Series A Infrastructure Bonds	
\$ -	\$ 598,305	\$ -	\$ -	\$ 108,815	\$ -	\$ 707,120
1,469	4,631	-	1,583	-	21,253	33,907
10,117	-	-	-	197,628	-	401,782
-	-	-	-	-	-	70,398
-	-	-	-	-	-	3,955
<u>11,586</u>	<u>602,936</u>	<u>-</u>	<u>1,583</u>	<u>306,443</u>	<u>21,253</u>	<u>1,217,162</u>
-	-	-	-	41,222	-	41,222
221	-	-	-	-	-	100,221
-	624,303	-	-	-	-	624,303
-	-	-	3,820	-	-	94,639
-	-	-	-	-	-	12,616
-	39,332	-	-	-	3,000	124,985
<u>221</u>	<u>663,635</u>	<u>-</u>	<u>3,820</u>	<u>41,222</u>	<u>3,000</u>	<u>997,986</u>
<u>11,365</u>	<u>(60,699)</u>	<u>-</u>	<u>(2,237)</u>	<u>265,221</u>	<u>18,253</u>	<u>219,176</u>
-	-	-	-	-	-	1,680
-	-	-	-	(173,998)	(2,711,299)	(2,885,297)
-	-	-	-	(173,998)	(2,711,299)	(2,883,617)
11,365	(60,699)	-	(2,237)	91,223	(2,693,046)	(2,664,441)
80,454	307,571	18,781	206,165	(120,869)	3,824,507	5,945,488
-	-	-	-	-	-	-
<u>\$ 91,819</u>	<u>\$ 246,872</u>	<u>\$ 18,781</u>	<u>\$ 203,928</u>	<u>\$ (29,646)</u>	<u>\$ 1,131,461</u>	<u>\$ 3,281,047</u>

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Low and Moderate Income Housing Special Revenue Fund
 Year Ended June 30, 2020

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ 434	\$ 854	\$ 420
Charges for Services	96,474	70,398	(26,076)
Total Revenues	96,908	71,252	(25,656)
EXPENDITURES			
Current:			
General Government	-	-	-
Public Works and Streets	-	-	-
Housing	114,152	90,819	23,333
Capital Outlay	38,200	-	38,200
Total Expenditures	152,352	90,819	61,533
Excess (Deficiency) of Revenues over Expenditures	(55,444)	(19,567)	35,877
OTHER FINANCING SOURCES (USES)			
Transfers In	20,000	-	(20,000)
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	20,000	-	(20,000)
Net Change in Fund Balances	(35,444)	(19,567)	15,877
Fund Balance, Beginning of Year	1,313,774	1,313,774	-
Fund Balance, End of Year	\$ 1,278,330	\$ 1,294,207	\$ 15,877

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Park Development Special Revenue Fund
 Year Ended June 30, 2020

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Other Revenues	\$ -	\$ 3,955	\$ 3,955
Total Revenues	-	3,955	3,955
EXPENDITURES			
Current:			
Public Safety	-	-	-
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	3,955	3,955
OTHER FINANCING SOURCES (USES)			
Transfers In	-	1,680	1,680
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	1,680	1,680
Net Change in Fund Balances	-	5,635	5,635
Fund Balances, Beginning of Year	(1,680)	(1,680)	-
Fund Balance, End of Year	\$ (1,680)	\$ 3,955	\$ 5,635

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - PEG Special Revenue Fund
 Year Ended June 30, 2020

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ -	\$ 4,117	\$ 4,117
Intergovernmental Revenues	153,250	94,037	(59,213)
Charges for Services	-	-	-
Other Revenues	7,250	-	(7,250)
Total Revenues	153,250	98,154	(55,096)
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	-	-
Parks and Recreation	45,000	12,616	32,384
Capital Outlay	76,500	53,910	22,590
Total Expenditures	121,500	66,526	54,974
Excess (Deficiency) of Revenues Over Expenditures	31,750	31,628	(122)
OTHER FINANCING SOURCES (USES)			
Transfers Out	(8,000)	-	8,000
Total Other Financing Sources (Uses)	(8,000)	-	8,000
Net Change in Fund Balances	23,750	31,628	7,878
Fund Balance, Beginning of Year	198,429	198,429	-
Fund Balance, End of Year	\$ 222,179	\$ 230,057	\$ 7,878

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Police Grants Special Revenue Fund
 Year Ended June 30, 2020

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ 1,500	\$ -	\$ (1,500)
Intergovernmental Revenues	100,000	100,000	-
Total Revenues	101,500	100,000	(1,500)
EXPENDITURES			
Current:			
Public Safety	-	100,000	(100,000)
Capital Outlay	35,000	28,743	6,257
Total Expenditures	35,000	128,743	(93,743)
Excess (Deficiency) of Revenues Over Expenditures	66,500	(28,743)	(95,243)
OTHER FINANCING SOURCES (USES)			
Transfers Out	(200,000)	-	200,000
Total Other Financing Sources (Uses)	(200,000)	-	200,000
Net Change in Fund Balances	(133,500)	(28,743)	104,757
Fund Balance, Beginning of Year	118,342	118,342	-
Fund Balance, End of Year	\$ (15,158)	\$ 89,599	\$ 104,757

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Police ABC Special Revenue Fund
 Year Ended June 30, 2020

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	-	-
Total Revenues	-	-	-
EXPENDITURES			
Current:			
Public Safety	-	-	-
Capital Outlay	9,000	-	9,000
Total Expenditures	9,000	-	9,000
Excess (Deficiency) of Revenues over Expenditures	(9,000)	-	9,000
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(9,000)	-	9,000
Fund Balance, Beginning of Year	14	14	-
Fund Balance, End of Year	\$ (8,986)	\$ 14	\$ 9,000

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Police Asset Seizure Special Revenue Fund
 Year Ended June 30, 2020

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ -	\$ 1,469	\$ 1,469
Intergovernmental Revenue	-	10,117	10,117
	-	11,586	11,586
Total Revenues	-	11,586	11,586
EXPENDITURES			
Current:			
Public Safety	10,000	221	9,779
Capital Outlay	25,000	-	(25,000)
	35,000	221	34,779
Total Expenditures	35,000	221	34,779
Excess (Deficiency) of Revenues over Expenditures	(35,000)	11,365	46,365
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(35,000)	11,365	46,365
Fund Balance, Beginning of Year	80,454	80,454	-
Fund Balance, End of Year	\$ 45,454	\$ 91,819	\$ 46,365

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gas Tax Special Revenue Fund
 Year Ended June 30, 2020

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes and Assessments	\$ 660,811	\$ 598,305	\$ (62,506)
Use of Money and Property	1,500	4,631	3,131
Intergovernmental	197,950	-	(197,950)
Total Revenues	860,261	602,936	(257,325)
EXPENDITURES			
Current:			
Public Works and Streets	540,964	624,303	(83,339)
Capital Outlay	200,000	39,332	(160,668)
Total Expenditures	740,964	663,635	77,329
Excess (Deficiency) of Revenues over Expenditures	119,297	(60,699)	(179,996)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(260,802)	-	260,802
Total Other Financing Sources (Uses)	(260,802)	-	260,802
Net Change in Fund Balances	(141,505)	(60,699)	80,806
Fund Balance, Beginning of Year	307,571	307,571	-
Fund Balance, End of Year	\$ 166,066	\$ 246,872	\$ 80,806

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Traffic Impact Special Revenue Fund
 Year Ended June 30, 2020

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ -	\$ -	\$ -
Total Revenues	-	-	-
EXPENDITURES			
Current:			
Public Works and Streets	-	-	-
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	18,781	18,781	-
Fund Balance, End of Year	\$ 18,781	\$ 18,781	\$ -

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - EDBG RLF Special Revenue Fund
 Year Ended June 30, 2020

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ 12,800	\$ 1,583	\$ (11,217)
Charges for Services	10,000	-	(10,000)
Total Revenues	22,800	1,583	(21,217)
EXPENDITURES			
Current:			
General Government	19,000	-	19,000
Housing	8,750	3,820	(4,930)
Total Expenditures	27,750	3,820	23,930
Excess (Deficiency) of Revenues over Expenditures	(4,950)	(2,237)	2,713
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(50,282)	-	50,282
Total Other Financing Sources (Uses)	(50,282)	-	50,282
Net Change in Fund Balances	(55,232)	(2,237)	52,995
Fund Balance, Beginning of Year	206,165	206,165	-
Fund Balance, End of Year	\$ 150,933	\$ 203,928	\$ 52,995

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Recycle Special Revenue Fund
 Year Ended June 30, 2020

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes and Assessments	\$ 123,720	\$ 108,815	\$ (14,905)
Use of Money and Property	-	-	-
Intergovernmental Revenues	-	197,628	197,628
Total Revenues	123,720	306,443	182,723
EXPENDITURES			
Current:			
General Government	7,635	41,222	(33,587)
Capital Outlay	-	-	-
Total Expenditures	7,635	41,222	(33,587)
Excess (Deficiency) of Revenues over Expenditures	116,085	265,221	149,136
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(200,000)	(173,998)	26,002
Total Other Financing Sources (Uses)	(200,000)	(173,998)	26,002
Net Change in Fund Balances	(83,915)	91,223	175,138
Fund Balance, Beginning of Year	(120,869)	(120,869)	-
Fund Balance, End of Year	\$ (204,784)	\$ (29,646)	\$ 175,138

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Series A Infrastructure Bonds Capital Projects Fund
 Year Ended June 30, 2020

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ -	\$ 21,253	\$ 21,253
Total Revenues	-	21,253	21,253
EXPENDITURES			
Current:			
General Government	-	3,000	(3,000)
Total Expenditures	-	3,000	(3,000)
Excess (Deficiency) of Revenues over Expenditures	-	18,253	18,253
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(3,370,616)	(2,711,299)	659,317
Total Other Financing Sources (Uses)	(3,370,616)	(2,711,299)	659,317
Net Change in Fund Balances	(3,370,616)	(2,693,046)	677,570
Fund Balance, Beginning of Year	3,824,507	3,824,507	-
Fund Balance, End of Year	\$ 453,891	\$ 1,131,461	\$ 677,570

AGENCY FUNDS

City of Clearlake
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
 Year Ended June 30, 2020

	Beginning Balance	Additions	Deletions	Ending Balance
<u>LAFCO</u>				
ASSETS				
Cash and Investments	\$ 155,541	\$ 190,776	\$ 155,541	\$ 190,776
Total Assets	\$ 155,541	\$ 190,776	\$ 155,541	\$ 190,776
LIABILITIES				
Accounts Payable	\$ 525	\$ 10,785	\$ 525	\$ 10,785
Due to Other Agencies	155,016	179,991	155,016	179,991
Total Liabilities	\$ 155,541	\$ 190,776	\$ 155,541	\$ 190,776

**Independent Auditor’s Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

City Council
City of Clearlake
Clearlake, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Clearlake (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated April 14, 2022.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-003, 2020-004, and 2020-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Clearlake’s Responses to Findings

The City’s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



April 14, 2022

CITY OF CLEARLAKE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2020

2020-001 Timeliness and Accuracy of Accounting Records

Condition:

In preparation for the annual audit, the City’s Finance staff performed significant analysis and reconciliations of various accounts in the City’s general ledger. However, when we began our year-end audit fieldwork, it became apparent that certain accounts had not yet been thoroughly analyzed and reconciled to supporting records. This includes accounts payable, accounts receivable, and capital assets. In addition, while performing audit procedures, we identified and proposed many material adjusting entries to the City’s accounting records. Furthermore, *Statements on Auditing Standards No. 115, “Communicating Internal Control Related Matters Identified in an Audit”* states that “indicators of material weaknesses in internal control include: identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate the misstatement would not have been detected by the entity’s internal control.”

Reconciliation and review of all balance sheet accounts and various revenue and expenditure accounts on a recurring basis, and especially at year-end, is a vital part of maintaining the integrity of the accounting and financial reporting system. Periodic reconciliations of balance sheet and other selected accounts provide accurate data from which to base decisions, prevent costly errors and provide ease in identifying potential adjustments and corrections. In addition to this, the City should also conduct budget-to-actual comparisons on a regular basis. If this is not done in a timely manner throughout the fiscal year, the year-end closing process tends to be more difficult and time-consuming, and may contribute to delays in issuing year-end reports. It should be noted, adjusting journal entries were being made to the City’s accounting records as late as May 2021, approximately 2 years after the end of the fiscal year.

Criteria:

The City’s management is responsible for establishing and maintaining effective internal controls over financial reporting to help ensure that appropriate goals and objectives are met. This responsibility includes the selection and application of accounting principles, ensuring that financial information is reliable and properly recorded, and evaluating and monitoring ongoing activities.

Cause of Condition:

Turnover in the Finance Department and delays in completing the year-end financial close process due to COVID-19.

CITY OF CLEARLAKE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2020

2020-001 Timeliness and Accuracy of Accounting Records - Continued

Recommendation:

Therefore, in order to maintain the integrity of the accounting and financial reporting system, and to ensure timely reporting, we recommend that all balance sheet accounts and other selected accounts be analyzed on a monthly, quarterly or other periodic basis as appropriate. We suggest a schedule of accounting functions to be performed monthly, quarterly, etc., be prepared with the provision for signing off by date and initials when the procedure is complete. We understand significant turnover in the finance department along with the onset of the COVID-19 pandemic were contributing factors to the finding described above.

Views of Responsible Officials:

Management concurs with Auditor's Recommendations. Significant process has been made during the 2020 and 2021 fiscal years. During the period of this audit, the City revised and greatly improved its Chart of Accounts. While this delayed the recording process at the time, it improved the overall accounting system significantly.

Procedures for monthly processes have started, and all recommendations have been implemented as of December 31, 2021. Furthermore, the Finance Department is now fully staffed thereby mitigating most of the staffing concerns.

CITY OF CLEARLAKE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2020

2020-002 Controls Over the City’s Disbursements and Procurement Process

Condition:

As part of our audit we reviewed and evaluated the controls over the City’s purchasing and check disbursement process in order to gain an understanding and perform our required risk assessment process. While performing these procedures, we noted the following conditions:

- a) After reviewing a selection of disbursements and supporting documentation, we found that many invoices did not include an approval or authorization from the department or department head that initiated and made the purchase. It should be noted however, that the invoices did include approval from the Finance Department.
- b) When evaluating the controls over creating vendors, approving invoices, and signing checks, we noted that the Finance Director position during the 2020 fiscal year had the authority to do all of these tasks, creating a conflict in controls over segregation of duties.
- c) In some cases, we found through inquiry and review of various procedures, checks, once printed and signed, were being hand delivered by City staff to the vendor.

Criteria:

In a strong internal control environment, procedures and controls should be established in the above listed areas to ensure proper authorization and approval of invoices, segregation of duties, compliance with the City’s purchasing and procurement policies, and controls over issued checks. Controls in these areas are vital to prevent misappropriation of City funds through the purchasing and disbursement process.

Cause of Condition:

Turnover in the Finance Department and lack of detailed guidance to City staff.

Potential Effect of Condition:

With a lack of controls over the disbursement process, the possibility of misappropriation of funds is increased.

Recommendation:

We recommend the City implement various controls over the purchasing and disbursement process based on the conditions identified above. Our recommendations are the following:

CITY OF CLEARLAKE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2020

2020-002 Controls Over the City's Disbursements and Procurement Process - Continued

- a) All invoices should be signed and approved by the individual that initially authorized the purchase and received the goods/services. This will ensure that the City is paying for goods/services that were received and were satisfactory.

- b) Incompatible duties should be segregated so that the same individual does not have the ability or authority to setup a vendor in the finance system, authorize and approve payments, and sign checks.

- c) The City should establish controls to ensure the purchasing and procurement policies are followed, including detailed guidance to City staff for purchases that require competitive bids from vendors. The detailed guidance should include the various purchasing thresholds (when required), services, supplies, equipment, and projects that require bids, and whether the process is a formal or informal bid process.

- d) Policies should be established to require that all checks be mailed to the vendor address on file and signed checks should never be returned to the employee authorizing and approving the payment.

We understand the City has taken actions to correct some of the above mentioned findings after the fiscal year 2020 period under audit and we recommend the City continue to evaluate the procurement policy to ensure controls are properly implemented and operating effectively.

View of Responsible Officials:

Management substantially concurs with Auditor's Recommendations. The City took steps to improve segregation of duties in the 2020-21 fiscal year, and finalized processes in the 2021-2022 fiscal year. Staffing limitations are a constraint in this area; however, the City will continue to identify ways to balance this with additional monitoring. The City recently completed an update to the Procurement Ordinance, Procurement Procedures and Policy Manual, and conducted training in September and November of 2021. The invoice process has been updated to require approval by the requesting department.

CITY OF CLEARLAKE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2020

2020-003 Credit Card Use Policy

Condition:

While conducting audit procedures relating to disbursements/expenditures, we did not identify a detailed credit card use policy. The City has reimbursement policies for meals and travel expenses; however, there is no detailed policy for credit card use when traveling or for the purchase of meals. In addition, through reviewing credit card purchase activity, it appears that the City could benefit from a credit card use cover sheet for each cardholder to be submitted along with the receipts each month.

Criteria:

Credit card usage should be well documented and subject to established City policies. Use of City credit cards by City staff should have sufficient supporting documentation to detail the specific reasons for using the credit cards, including when used for meals and travel. In addition, the specific reasons for the travel costs incurred should provide enough information to be able to verify the amounts charged for meals and travel are in accordance with set standard amounts, such as those established by the General Services Administration (GSA).

Cause of Condition:

The City's credit card policies do not appear to provide sufficient detailed guidance on allowable use. In addition, there is no cover sheet required to be submitted indicating the purpose for purchases made on the City's credit card.

Potential Effect of Condition:

The potential for unauthorized purchases or excessive costs incurred is increased.

Recommendation:

We recommend the City establish detailed policies on the appropriate use of City credit cards and implement procedures to ensure that the review and purpose of purchases made with City credit cards is thoroughly documented. Credit card policies should be established to ensure conservative, efficient use of City funds. In addition, policies for allowable use of City credit cards while traveling should also be clearly defined. The supporting documentation should include the purpose for travel and a reconciliation of the travel costs with a set standard of limits for meals and lodging.

**CITY OF CLEARLAKE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2020**

2020-003 Credit Card Use Policy - Continued

View of Responsible Officials:

Management concurs with Auditor's recommendations. The Procurement Card Policy and Procedure's manual and training were completed in November 2021.

CITY OF CLEARLAKE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2020

2020-004 Internal Controls Over Payroll Processing

Condition:

While obtaining an understanding of the payroll process we noted that the City's Payroll Account Clerk (PAC) is responsible for maintaining the employee master file, adding new employees, removing employees, and inputting all payroll changes for wages, withholdings etc. The PAC also uploads information to the bank to process payroll and posts the journal distribution to the general ledger.

Criteria:

In a strong internal control environment, the same individual should not have the ability to add new employees and process payroll without significant oversight and detailed review performed by someone independent of the individual processing payroll.

Cause of Condition:

Lack of segregation of incompatible duties by the Payroll Account Clerk.

Potential Effect of Condition:

Without proper oversight and controls over the payroll process, the likelihood for errors and misappropriation of assets is increased.

Recommendation:

We recommend the City segregate the incompatible duties of the PAC, including removing the PAC's ability to establish new employees, change pay rates without additional review and oversight.

Views of Responsible Officials:

Management concurs with Auditor's recommendations. The incompatible duties have been substantially transferred to the Administrative Services Department, which handles the Human Resources function, as of May 2021. Changes entered require a second-party check to ensure accuracy.

**CITY OF CLEARLAKE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2020**

2020-005 Internal Controls Over Cash Receipts

Condition:

During our review of the City's receipting process, we found that the City utilizes a manual receipt system for payments made at the front desk at City Hall and through the mail. In addition, the Accounts Payable Account Clerk (APAC) receives the cash and check payments, reconciles the numerical receipt listing, maintains the manual receipt book, prepares the monthly journal entry to record the revenues, posts the revenues to the general ledger, brings deposits to the bank, and prepares the bank reconciliation.

Criteria:

In a strong internal control environment, the cash receipting function should have a point of sale system that creates a record of the transaction that can't be manipulated. This is typically found in an electronic cashiering program. Also, the duties of the APAC represent incompatible duties for strong internal controls. The same individual should not have access to cash/checks, receipt number listing (custody), maintain the general ledger and record journal entries (recording) and perform the bank reconciliations.

Cause of Condition:

The City has not established a point of sale cash receipting system and incompatible duties have not been properly segregated by the City's policies and procedures.

Potential Effect of Condition:

The potential for cash receipts and transactions to be misappropriated without detection is increased with a manual receipt system. In addition, the potential for the APAC to misappropriate cash/check payments and cover it up is increased due to the duties that this position also performs.

Recommendation:

It should be noted, during the 2020 fiscal year, a cash receipting program was implemented as part of the City's new general ledger accounting system, which corrected the concerns regarding this finding, although our comment is applicable for the operating activity during approximately 75% of fiscal year 2020, and, therefore, we recommend the City continue to evaluate the cash receipting process to ensure controls are established and operating efficiently. In addition, the duties of the APAC need to be appropriately separated. The APAC should not have access to the cash/checks and also maintain control over the receipt book and recording function.

CITY OF CLEARLAKE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2020

2020-005 Internal Controls Over Cash Receipts - Continued

Views of Responsible Officials:

Management concurs with Auditor's recommendations. The City implemented a Cashiering module as part of the new ERP system in spring of 2020. Transactions are recorded as they are processed, and an integrated credit card processing system was also included. Daily, cashiering operators close out their drawers, which includes a second party verification of receipts vs payments in hand and deposit all cash into an electronic safe. The safe is managed by the bank and emptied by a courier service. Bank reconciliations are no longer completed by the APAC or PAC.

CITY OF CLEARLAKE

City Council



STAFF REPORT	
SUBJECT: Consideration of Sale of Vacant Land Located at 4438 Fir Ave, Clearlake	MEETING DATE: May 19, 2022
SUBMITTED BY: Alan D. Flora, City Manager	
PURPOSE OF REPORT: <input type="checkbox"/> Information only <input checked="" type="checkbox"/> Discussion <input checked="" type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL:

The City Council is being asked to authorize the sale of vacant land located at 4438 Fir Avenue, Clearlake.

BACKGROUND/ DISCUSSION:

The City has increased efforts to dispose of surplus property, particularly that which is suitable for development of housing. The City has listed its vacant lots for sale. This property on Fir has received an offer. The Planning Commission has determined the sale for residential use is consistent with the general plan.

OPTIONS:

1. Authorize the City Manager to Execute a Sale Agreement for Vacant Land Located at 4438 Fir Avenue.
2. Provide Direction to Staff.

FISCAL IMPACT:

None Approx. \$20,000 Budgeted Item? Yes No
 Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$
 Affected fund(s): General Fund Measure P Fund Measure V Fund Other: Capital Projects - 240
 Comments: Sale proceeds would be deposited into the Capital Projects fund.

STRATEGIC PLAN IMPACT

- Goal #1: Make Clearlake a Visibly Cleaner City
- Goal #2: Make Clearlake a Statistically Safer City
- Goal #3: Improve the Quality of Life in Clearlake with Improved Public Facilities
- Goal #4: Improve the Image of Clearlake
- Goal #5: Ensure Fiscal Sustainability of City
- Goal #6: Update Policies and Procedures to Current Government Standards
- Goal #7: Support Economic Development

SUGGESTED MOTIONS:

Attachments:

1. **Location Map**



Legend
[White box with black border] 4438 Fir





STAFF REPORT	
SUBJECT: Purchase of Axon Fleet 3 for the Police Department	MEETING DATE: May 19, 2022
SUBMITTED BY: Lieutenant Tim Hobbs	
PURPOSE OF REPORT: <input type="checkbox"/> Information only <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to authorize the police department to purchase mobile audio and video systems for police vehicles and to waive the competitive formal bidding process.

BACKGROUND/DISCUSSION:

The Police Department currently uses video and audio technology to maintain its commitment to transparency and accountability. One of the tools currently deployed is body-worn cameras (BWC). BWC’s are issued to all sworn personnel. The Police Department previously had Mobile Audio and Video (MAV) systems in marked police vehicles however, that was over ten years ago.

MAV systems in addition to BWC’s videos, offer an unbiased view of the interaction between sworn Department members and the community. Utilizing the MAV in conjunction with the BWC’s is an important redundancy in order to present the most complete accounting of an incident. MAV’s are especially important since the BWC’s often have an obstructed view or are dislodged in a physical altercation.

The Police Department has identified Axon as the preferred vendor for the MAV system. Axon’s Fleet 3 captures a forward-facing view of the marked police vehicle and a rear-facing view of the prisoner transport compartment

Axon Fleet 3 is compatible with the Department’s current Axon BWC’s. Axon Fleet 3 turns on Axon’s MAV and BWCs simultaneously when any of the selectable activation triggers are sensed. Some of the activation triggers are the use of emergency lighting and or siren, collision detection, exceeding preset maximum speed, rapid acceleration, rapid deceleration, the opening of prisoner compartment doors, activation of the BWC, and manual activation. Upon activation, MAV captures thirty seconds of video prior to the activation and remains recording video and audio until manually turned off at the conclusion of the incident. Axon’s current technology also embeds ALPR in the forward-facing MAV cameras and allows all patrol vehicles to be ALPR capable. The retention of video and ALPR data is configurable to the Police Department’s specifications to adhere to local and state requirements.

Axon Fleet 3 uses Evidence.com which is the same digital evidence and storage management the Department currently used for our BWC's. Evidence from the MAV will be automatically uploaded to Evidence.com by Axon Fleet 3. One feature of Evidence.com is that it allows for playback of different camera views in a multi-cam feature that plays videos recorded by MAV's and BWC's synchronized by location and time in one screen view.

The Department obtained a quote from Axon Enterprises Inc. for a 5-year purchase agreement for Axon Fleet 3 for seventeen (17) marked police vehicles. The agreement spreads the cost of the purchase across the term and includes the devices, warranty, installation, training, and unlimited digital evidence storage.

Staff recommends the City Council waive competitive bidding and approve the Chief of Police to enter into a 5-year agreement with Axon for the purchase of the Axon Fleet system for seventeen (17) vehicles. The agreement is based on a per vehicle count, so staff recommends the City Council further authorize the Chief of Police, with the approval of the City Manager, to add additional vehicles to the agreement during the term of the agreement.

OPTIONS:

- 1. Authorize the Chief of Police to enter into a 5-year contract with Axon Enterprises Inc. for the purchase of Axon Fleet 3 and adopt Resolution No. 2022-27 waiving the competitive formal bidding process.
- 2. Provide direction to staff.

FISCAL IMPACT:

None \$208,637.60 Budgeted Item? Yes No
 Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$
 Affected fund(s): General Fund Measure P Fund Measure V Fund Other:

Comments: The total cost of the 5-year agreement is \$208,637.60, with a per-year cost of \$41,727.44 per year.

STRATEGIC PLAN IMPACT:

- Goal #1: Make Clearlake a Visibly Cleaner City
- Goal #2: Make Clearlake a Statistically Safer City
- Goal #3: Improve the Quality of Life in Clearlake with Improved Public Facilities
- Goal #4: Improve the Image of Clearlake
- Goal #5: Ensure Fiscal Sustainability of City
- Goal #6: Update Policies and Procedures to Current Government Standards
- Goal #7: Support Economic Development

SUGGESTED MOTIONS:

- 1. Authorize the Chief of Police to enter into a 5-year contract with Axon Enterprises Inc. for the purchase of Axon Fleet 3 and adopt Resolution No. 2022-27 waiving the competitive formal bidding process.

Attachments:

- 1) Axon Fleet Quote
- 2) Resolution NO. 2022-27



Axon Enterprise, Inc.
 17800 N 85th St.
 Scottsdale, Arizona 85255
 United States
 VAT: 86-0741227
 Domestic: (800) 978-2737
 International: +1.800.978.2737

Q-39

Issued: 05/12/2022

Quote Expiration: 06/30/2022

Estimated Contract Start Date: 05/01/2023

Account Number: 109396

Payment Terms: N30

Delivery Method: Fedex - Ground

SHIP TO	BILL TO
Business;Delivery;Invoice-14050 Olympic Dr 14050 Olympic Dr Clearlake, CA 95422-8801 USA	Clearlake Police Dept. - CA 14050 Olympic Dr Clearlake, CA 95422-8801 USA Email:

SALES REPRESENTATIVE	PRIMARY CONTACT
Kevin Milne Phone: Email: kmilne@axon.com Fax:	Andrew White Phone: (707) 994-8251 ext 301 Email: awhite@clearlakepd.org Fax:

Quote Summary

Program Length	60 Months
TOTAL COST	\$199,991.40
ESTIMATED TOTAL W/ TAX	\$208,637.60

Discount Summary

Average Savings Per Year	\$13,268.16
TOTAL SAVINGS	\$66,340.80

Payment Summary

Date	Subtotal	Tax	Total
Apr 2023	\$39,998.20	\$1,729.24	\$41,727.44
Apr 2024	\$39,998.30	\$1,729.24	\$41,727.54
Apr 2025	\$39,998.30	\$1,729.24	\$41,727.54
Apr 2026	\$39,998.30	\$1,729.24	\$41,727.54
Apr 2027	\$39,998.30	\$1,729.24	\$41,727.54
Total	\$199,991.40	\$8,646.20	\$208,637.60

Quote Unbundled Price:
 Quote List Price:
 Quote Subtotal:

Section H, Item 12.

\$212,792.40
 \$199,991.40

Pricing

All deliverables are detailed in Delivery Schedules section lower in proposal

Item	Description	Qty	Term	Unbundled	List Price	Net Price	Subtotal	Tax	Total
Program									
Fleet3A	Fleet 3 Advanced	17	60	\$260.49	\$208.00	\$196.07	\$199,991.40	\$8,646.20	\$208,637.60
A la Carte Hardware									
71210	FLEET DOOR TRIGGER HARDWARE, US	34			\$18.60	\$0.00	\$0.00	\$0.00	\$0.00
Total							\$199,991.40	\$8,646.20	\$208,637.60

Delivery Schedule

Hardware

Bundle	Item	Description	QTY	Estimated Delivery Date
Fleet 3 Advanced	11634	CRADLEPOINT IBR900-1200M-B-NPS+5YR NETCLOUD	17	04/01/2023
Fleet 3 Advanced	70112	AXON SIGNAL UNIT	17	04/01/2023
Fleet 3 Advanced	71200	FLEET ANT, AIRGAIN, 5-IN-1, 2LTE, 2WIFI, 1GNSS, BL	17	04/01/2023
Fleet 3 Advanced	72034	FLEET SIM INSERTION, VZW	17	04/01/2023
Fleet 3 Advanced	72036	FLEET 3 STANDARD 2 CAMERA KIT	17	04/01/2023
A la Carte	71210	FLEET DOOR TRIGGER HARDWARE, US	34	04/01/2023
Fleet 3 Advanced	72040	FLEET REFRESH, 2 CAMERA KIT	17	04/01/2028

Software

Bundle	Item	Description	QTY	Estimated Start Date	Estimated End Date
Fleet 3 Advanced	80400	FLEET, VEHICLE LICENSE	17	05/01/2023	04/30/2028
Fleet 3 Advanced	80401	FLEET 3, ALPR LICENSE, 1 CAMERA	17	05/01/2023	04/30/2028
Fleet 3 Advanced	80402	RESPOND DEVICE LICENSE - FLEET 3	17	05/01/2023	04/30/2028
Fleet 3 Advanced	80410	FLEET, UNLIMITED STORAGE, 1 CAMERA	34	05/01/2023	04/30/2028

Services

Bundle	Item	Description	QTY
Fleet 3 Advanced	73391	FLEET 3 NEW INSTALLATION (PER VEHICLE)	17

Warranties

Bundle	Item	Description	QTY	Estimated Start Date	Estimated End Date
Fleet 3 Advanced	80379	EXT WARRANTY, AXON SIGNAL UNIT	17	05/01/2023	04/30/2028
Fleet 3 Advanced	80495	EXT WARRANTY, FLEET 3, 2 CAMERA KIT	17	04/01/2024	04/30/2028

Payment Details

Section H, Item 12.

Apr 2023						
Invoice Plan	Item	Description	Qty	Subtotal	Tax	Total
Year 1	Fleet3A	Fleet 3 Advanced	17	\$39,998.20	\$1,729.24	\$41,727.44
Invoice Upon Fulfillment	71210	FLEET DOOR TRIGGER HARDWARE, US	34	\$0.00	\$0.00	\$0.00
Total				\$39,998.20	\$1,729.24	\$41,727.44

Apr 2024						
Invoice Plan	Item	Description	Qty	Subtotal	Tax	Total
Year 2	Fleet3A	Fleet 3 Advanced	17	\$39,998.30	\$1,729.24	\$41,727.54
Total				\$39,998.30	\$1,729.24	\$41,727.54

Apr 2025						
Invoice Plan	Item	Description	Qty	Subtotal	Tax	Total
Year 3	Fleet3A	Fleet 3 Advanced	17	\$39,998.30	\$1,729.24	\$41,727.54
Total				\$39,998.30	\$1,729.24	\$41,727.54

Apr 2026						
Invoice Plan	Item	Description	Qty	Subtotal	Tax	Total
Year 4	Fleet3A	Fleet 3 Advanced	17	\$39,998.30	\$1,729.24	\$41,727.54
Total				\$39,998.30	\$1,729.24	\$41,727.54

Apr 2027						
Invoice Plan	Item	Description	Qty	Subtotal	Tax	Total
Year 5	Fleet3A	Fleet 3 Advanced	17	\$39,998.30	\$1,729.24	\$41,727.54
Total				\$39,998.30	\$1,729.24	\$41,727.54

Tax is estimated based on rates applicable at date of quote and subject to change at time of invoicing. If a tax exemption certificate should be applied, prior to invoicing.

Standard Terms and Conditions

Axon Enterprise Inc. Sales Terms and Conditions

Axon Master Services and Purchasing Agreement:

This Quote is limited to and conditional upon your acceptance of the provisions set forth herein and Axon's Master Services and Purchasing Agreement (posted at www.axon.com/legal/sales-terms-and-conditions), as well as the attached Statement of Work (SOW) for Axon Fleet and/or Axon Interview Room purchase, if applicable. In the event you and Axon have entered into a prior agreement to govern all future purchases, that agreement shall govern to the extent it includes the products and services being purchased and does not conflict with the Axon Customer Experience Improvement Program Appendix as described below.

ACEIP:

The Axon Customer Experience Improvement Program Appendix, which includes the sharing of de-identified segments of Agency Content with Axon to develop new products and improve your product experience (posted at www.axon.com/legal/sales-terms-and-conditions), is incorporated herein by reference. By signing below, you agree to the terms of the Axon Customer Experience Improvement Program.

Acceptance of Terms:

Any purchase order issued in response to this Quote is subject solely to the above referenced terms and conditions. By signing below, you represent that you are lawfully able to enter into contracts. If you are signing on behalf of an entity (including but not limited to the company, municipality, or government agency for whom you work), you represent to Axon that you have legal authority to bind that entity. If you do not have this authority, please do not sign this Quote.

Signature

Date Signed

5/12/2022



**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CLEARLAKE
AUTHORIZING THE CHIEF OF POLICE TO ENTER INTO AN AGREEMENT WITH
AXON ENTERPRISES, INC. FOR THE PURCHASE OF AXON FLEET 3**

WHEREAS, the Police Department issues body-worn cameras (BWC) to all sworn personnel, and the addition of Mobile Audio and Video (MAV) systems in police vehicles will help to increase the Department's commitment to transparency and accountability by offering an unbiased view of the interaction between sworn Department members and the community, and

WHEREAS, Axon Enterprises Inc. has provided a quote for a 5-year purchase agreement, for the Axon Fleet 3 system for 17 police vehicles in the amount of \$41,727.44 per year, for a total cost of \$208,637.60, and Axon Enterprises Inc. is the sole provider of the Axon Fleet 3 and purchase plan; and

NOW, THEREFORE BE IT RESOLVED that the Chief of Police of the City of Clearlake is authorized to enter into an agreement with Axon Enterprises Inc. for the purchase of the Axon Fleet 3 for 17 police vehicles for a term of 5 years; and

BE IT FURTHER RESOLVED, the Chief of Police, with the approval of the City Manager, is authorized to add additional users to the agreement during the term of the agreement; and

BE IT FURTHER RESOLVED, the City Council of the City of Clearlake hereby waives the competitive formal bidding process pursuant to Clearlake Municipal Code Section 3-4.5.

PASSED AND ADOPTED by the City Council of the City of Clearlake, County of Lake, State of California, on this 19th day of May 2022, by the following vote:

- AYES:
- NOES:
- ABSTAIN:
- ABSENT:

ATTEST: _____
City Clerk

Mayor