

AGENDA

REGULAR MEETINGS
OF THE
SANTA FE SPRINGS
PUBLIC FINANCING AUTHORITY
WATER UTILITY AUTHORITY
HOUSING SUCCESSOR
SUCCESSOR AGENCY
AND CITY COUNCIL

January 24, 2019 6:00 P.M.

Council Chambers 11710 Telegraph Road Santa Fe Springs, CA 90670

John Mora, Councilmember Annette Rodriguez, Councilmember Joe Angel Zamora, Councilmember William K. Rounds, Mayor Pro Tem Juanita Trujillo, Mayor

<u>Public Comment:</u> The public is encouraged to address City Council on any matter listed on the agenda or on any other matter within its jurisdiction. If you wish to address the City Council, please complete the card that is provided at the rear entrance to the Council Chambers and hand the card to the City Clerk or a member of staff. City Council will hear public comment on items listed on the agenda during discussion of the matter and prior to a vote. City Council will hear public comment on matters not listed on the agenda during the Oral Communications period.

Pursuant to provisions of the Brown Act, no action may be taken on a matter unless it is listed on the agenda, or unless certain emergency or special circumstances exist. The City Council may direct staff to investigate and/or schedule certain matters for consideration at a future City Council meeting. Americans with Disabilities Act: In compliance with the ADA, if you need special assistance to participate in a City meeting or other services offered by this City, please contact the City Clerk's Office. Notification of at least 48 hours prior to the meeting or time when services are needed will assist the City staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service.

<u>Please Note:</u> Staff reports, and supplemental attachments, are available for inspection at the office of the City Clerk, City Hall, 11710 E. Telegraph Road during regular business hours 7:30 a.m. – 5:30 p.m., Monday – Thursday and every other Friday. Telephone (562) 868-0511.

City of Santa Fe Springs

Regular Meetings

January 24, 2019

1. CALL TO ORDER

2. ROLL CALL

John Mora, Councilmember Annette Rodriguez, Councilmember Joe Angel Zamora, Councilmember William K. Rounds, Mayor Pro Tem Juanita Trujillo, Mayor

PUBLIC FINANCING AUTHORITY

3. CONSENT AGENDA

Consent Agenda items are considered routine matters which may be enacted by one motion and vote. Any item may be removed from the Consent Agenda and considered separately by the Public Financing Authority.

a. Minutes of the December 13, 2018 Public Financing Authority

Recommendation: That the Public Financing Authority:

- Approve the minutes as submitted.
- b. <u>Monthly Report on the Status of Debt Instruments Issued through the City of Santa Fe Springs Public Financing Authority (PFA)</u>

Recommendation: That the Public Financing Authority:

• Receive and file the report.

WATER UTILITY AUTHORITY

4. CONSENT AGENDA

Consent Agenda items are considered routine matters which may be enacted by one motion and vote. Any item may be removed from the Consent Agenda and considered separately by the Water Utility Authority.

a. Minutes of the December 13, 2018 Water Utility Authority

Recommendation: That the Water Utility Authority:

- Approve the minutes as submitted.
- b. <u>Monthly Report on the Status of Debt Instruments Issued through the City of Santa Fe Springs Water Utility Authority (WUA)</u>

Recommendation: That the Water Utility Authority:

- Receive and file the report.
- c. Status Update of Water-Related Capital Improvement Projects

Recommendation: That the Water Utility Authority:

Receive and file the report.

PUBLIC HEARING

5.

2015 Urban Water Management Plan – Adopt Addendum No. 1

Recommendation: That the Water Utility Authority:

- Open the Public Hearing and hear from anyone wishing to speak on the matter and thereafter close the Public Hearing; and
- Approve Addendum No. 1 to the 2015 Urban Water Management Plan; and
- Authorize the Executive Director to submit Addendum No. 1 to 2015 Urban Water Management Plan to the California Department of Water Resources.

NEW BUSINESS

6. Water Rate Study – Authorization to Issue a Request for Proposals

Recommendation: That the Water Utility Authority:

- Authorize the Director of Public Works to issue a Request for Proposals (RFP) to prepare a Water Rate Study.
- 7. Water Well No. 12 Packer Testing Authorization to Advertise for Bids

Recommendation: That the Water Utility Authority:

• Authorize the Director of Public Works to Advertise a Request for Bids to Perform Packer Testing for Water Well No. 12.

HOUSING SUCCESSOR

There were no items submitted to be approved by the Housing Successor Agency

SUCCESSOR AGENCY

8. NEW BUSINESS

Second Amendment to Purchase and Sale Agreement with PPF Industrial, LLC for properties located on the southeast corner of Bloomfield and Telegraph Road and north side of Telegraph Road east of Bloomfield, and amendments to Settlement Agreement and Property Disposition Agreement between the Successor Agency, McGranahan Carlson and Company, and Breitburn Energy Company

Recommendation: That the Successor Agency:

- Adopt Resolution No. SA-2019-01
- Approve the Second Amendment to the Purchase and Sale Agreement with PPF Industrial, LLC for two (2) properties located on the southeast corner of Bloomfield and Telegraph Road and on the north side of Telegraph Road to the east of Bloomfield;
- Approve the Third Amendment to the Settlement Agreement between the McGranahan and Carlson, SFSA, Breitburn and the Successor Agency; and
- Approve the Third Amendment to the Property Disposition Agreement between the Successor Agency to the City of Santa Fe Springs Redevelopment Agency, McGranahan and Carlson, and Breitburn.

CITY COUNCIL

9. CONSENT AGENDA

Consent Agenda items are considered routine matters which may be enacted by one motion and vote. Any item may be removed from the Consent Agenda and considered separately by the City Council.

General Motion to Waive Full Reading and Approve Ordinance by Title Only Pursuant to California Government Code Section 36934

Recommendation: That the City Council approve a general motion to waive full reading and approve Ordinances by title only pursuant to California Government Code Section 36934.

ORDINANCE OF ADOPTION

10. Ordinance No. 1097 – Adoption of Negative Declaration

An Ordinance of the City of Santa FE Springs adopting a Development Agreement (Development Agreement No. 01-2018) by and between the City of Santa Fe Springs and Outdoor Associates, LLC.

Recommendation: That the City Council:

- Adopt the proposed Negative Declaration which, based on the findings of the Initial Study, indicates that there is no substantial evidence that the proposed project will have a significant adverse effect on the environment; and
- Adopt Ordinance No. 1097, an ordinance of the City of Santa Fe Springs adopting a Development Agreement (Development Agreement No. 01-2018) by and between the City of Santa Fe Springs and Outdoor Associates, LLC.
- 11. Bus Stop Request Authorization to Allow Los Angeles County to Operate a Shuttle and Stop at 11819 Burke Street in Santa Fe Springs

Recommendation: That the City Council:

- Formally request that the County of Los Angeles operate a shuttle service within the City of Santa Fe Springs and stop in front of 11819 Burke Street in the City of Santa Fe Springs.
- 12. Renewal of Use Agreement for Athletic Fields and Facilities with Metropolitan Little League

Recommendation: That the City Council:

- Approve the Use Agreement for Athletic Fields and Facilities with Metropolitan Little League for the 2019 season.
- Authorize the Mayor to execute and sign Use Agreement with Metropolitan Little League.
- 13. Approval of Agreement with Hinderliter, de Llamas & Associates for Sales, Use and Transactions Tax Audit and Information Services

Recommendation: That the City Council:

- Authorize the Mayor to execute an agreement with Hinderliter, de Llamas & Associates for sales, use and transactions tax audit and information services.
- Adopt Resolution No. 9620 authorizing the examination of sales, use and

transactions tax records.

14. Approval of Salary Modification for the Deputy Fire Marshal Position

Recommendation: That the City Council:

• Approve a salary modification for the Deputy Fire Marshal position.

CLOSED SESSION

15. PUBLIC EMPLOYMENT

(Pursuant to California Government Code Section 54957(b)(1))

TITLE: City Manager Evaluation

CLOSED SESSION

16. REAL PROPERTY NEGOTIATIONS

(Pursuant to California Government Code Section 54956.8)

Property: Two (2) properties located at the southwest corner of Bloomfield and Telegraph Road and north side of Telegraph Road east of Bloomfield and more particularly described by Assessor's Parcel Numbers 8011-002-901, 8011-002-902, 8011-002-903, 8011-003-955, 8011-003-956, 8011-003-957, 8011-003-958, 8011-003-959, 8011-003-960, 8011-003-961, 8011-003-962, 8011-003-963, 8011-003-964, 8011-003-965, 8011-003-966, 8011-003-967, 8011-003,968, 8011-003-969, 8011-003-970, 8011-003-971, 8011-003-972, 8011-003-973, 8011-003-974, 8011-003-975, 8011-003-976, 8011-003-977, 9011-003-978, 8011-003-979, 8011-018-900, 8011-018-901, 8011-018-902, 8011-018-903, 8011-018-904, 9011-018-905, and 8011-018-906.

Agency Negotiator: City Manager, City Attorney, Finance Director and Planning Director

Negotiation Parties: PPF Industrial, LLC

Under Negotiation: Price and Terms for the Sale of Property

Items 17 - 26 will occur in the 7:00 p.m. hour.

17. INVOCATION

18. PLEDGE OF ALLEGIANCE

19. INTRODUCTIONS

Representatives from the Chamber of Commerce

20. ANNOUNCEMENTS

21. CITY MANAGER'S AND EXECUTIVE TEAM REPORTS

22. PRESENTATIONS

- a. Proclamation declaring February 2019 as "Heart Health Month" in the City of Santa Fe Springs
- b. Proclamation declaring the Month of January 2019 as "Cervical Health Awareness Month" in the City of Santa Fe Springs

City of Santa Fe Springs

Regular Meetings

January 24, 2019

- 23. APPOINTMENTS TO BOARDS, COMMITTEES, COMMISSIONS
 - a. Advisory Committee Appointments
- 24. ORAL COMMUNICATIONS

This is the time when comments may be made by interested persons on matters not on the agenda having to do with City business.

- 25. COUNCIL COMMENTS
- 26. ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing agenda was posted at the following locations; Santa Fe Springs City Hall, 11710 Telegraph Road; Santa Fe Springs City Library, 11700 Telegraph Road; and the Town Center Plaza (Kiosk), 11740 Telegraph Road, not less than 72 hours prior to the meeting.

Janet Martinez, CMC

City Clerk

January 18, 2019

Date

FOR ITEM NO. 3A PLEASE SEE ITEM NO. 4A



January 24, 2019

CONSENT CALENDAR

Monthly Report on the Status of Debt Instruments Issued through the City of Santa Fe Springs Public Financing Authority (PFA)

RECOMMENDATION

That the Public Financing Authority receive and file the report.

BACKGROUND

The Santa Fe Springs Public Financing Authority (PFA) is a City entity that has periodically issued debt for the benefit of the Santa Fe Springs community. The following is a brief status report on the debt instruments currently outstanding that were issued through the PFA.

Consolidated Redevelopment Project 2006-A Tax Allocation Bonds Financing proceeds available for appropriation at 12/31/18 Outstanding principal at 12/31/18

None \$38,668,258

Bond Repayment

The former Community Development Commission (CDC) issued a number of tax allocation bonds before it was dissolved by State law effective February 1, 2012 which are administered by the City acting as Successor Agency under the oversight of the appointed Oversight Board. The Successor Agency no longer receives tax increment. Instead, distributions from the Redevelopment Property Tax Trust Fund (RPTTF) are received based on approved obligations. It is anticipated that sufficient allocations from the RPTTF will continue to be made to the Successor Agency to meet ongoing debt service obligations.

Unspent Bond Proceeds

Under an approved Bond Expenditure Agreement, unspent bond proceeds of the former CDC in the amount of approximately \$19 million were transferred to the City in July 2014. The funds are to be spent in accordance with the original bond documents. The unspent proceeds continue to be a source of funding within the City's capital improvement program (CIP).

2016 Bond Refunding

In July 2016 the Successor Agency issued its 2016 Tax Allocation Refunding Bonds, which paid off several bond issuances of the former CDC. The bonds were originally issued through the Public Financing Authority and included the 2001 Series A, 2002 Series A, 2003 Series A, the current interest portion of the 2006 Series A, and 2006 Series B bond issuances.

Report Submitted By: Travis Hickey Finance and Administrative Services

Date of Report: January 17, 2019

2017 Bond Refunding

In December 2017 the Successor Agency issued its 2017 Tax Allocation Refunding Bonds, which paid off the 2007 Tax Allocation Bonds of the former CDC. The 2007 Bonds were originally issued through the Public Financing Authority.

Raymond R. Cruz

City Manager/Executive Director



Water Utility Authority

January 24, 2019

APPROVAL OF MINUTES

Minutes of the December 13, 2018 Regular Water Utility Authority and Public Financing Authority Meetings

RECOMMENDATION

Staff recommends that the Water Utility Authority and Public Financing Authority:

· Approve the minutes as submitted.

BACKGROUND

Staff has prepared minutes for the following meeting:

• December 13, 2018

Staff hereby submits the minutes for Council's approval.

Raymond R. Cruz City Manager

Attachment:

Minutes for December 13, 2018



MINUTES OF THE MEETINGS OF THE CITY COUNCIL

December 13, 2018

1. CALL TO ORDER

Mayor Trujillo called the meeting to order at 6:02 p.m.

2. ROLL CALL

Members present: Councilmembers/Directors: Mora, Rodriguez, Zamora, Mayor Pro Tem/Vice Chair Rounds and Mayor Trujillo.

Members absent: None

3. Administration of Oath of Office and Presentation of Certificates of Election

City Clerk Janet Martinez administered the Oath of Office to the newly elected Councilmembers: John Mora, Annette Rodriguez and incumbent Juanita Trujillo. Also presented each with a Certificate of Election.

All newly elected Council Members spoke briefly and thanked their family and supporters for their efforts to place them in office.

4. Installation of Mayor and Mayor Pro Tem

Juanita Trujillo declared the office of the Mayor to be vacant and opened the floor for nominations. Council Member Zamora nominated Juanita Trujillo for Mayor, it was seconded by William Rounds, no other nominations were made. Nominations were closed. The City Clerk stated that Juanita Trujillo had been nominated for Mayor.

Mayor Trujillo declared the office of the Mayor Pro Tem to be vacant and opened the floor for nominations. Council Member Rodriguez nominated Joe Angel Zamora, it was seconded by Council Member Zamora. A second nomination was made by Council Member Mora whom nominated William K. Rounds, it was seconded by Mayor Trujillo. Nominations were closed. Roll call was taken, with a vote of 3-2; William K. Rounds had been nominated for Mayor Pro Tem.

PUBLIC FINANCING AUTHORITY

5. CONSENT AGENDA

Approval of Minutes

a. <u>Minutes of the November 8 and 20, 2018 Public Financing Authority Meeting</u> **Recommendation:** That the Public Financing Authority approve the minutes as submitted.

Monthly Reports

b. Monthly Report on the Status of Debt Instruments Issued through the City of Santa Fe Springs Public Financing Authority (PFA)

Recommendation: That the Public Financing Authority receive and file the report.

It was moved by Mayor Pro Tem Rounds, seconded by Council Member Mora, approving Item No. 5A, and 5B, by the following vote:

Ayes:

Mora, Rodriguez, Zamora, Rounds, Trujillo

Nayes: Absent:

None

WATER UTILITY AUTHORITY

6. CONSENT AGENDA

Approval of Minutes

a. Minutes of the November 8 and 20, 2018 Water Utility Authority Meeting

Recommendation: That the Water Utility Authority:

Approve the minutes as submitted.

Monthly Reports

b. <u>Monthly Report on the Status of Debt Instruments Issued through the City of Santa Fe Springs Water Utility Authority (WUA)</u>

Recommendation: That the Water Utility Authority:

- Receive and file the report.
- c. Status Update of Water-Related Capital Improvement Projects

Recommendation: That the Water Utility Authority:

• Receive and file the report.

It was moved by Mayor Pro Tem Rounds, seconded by Council Member Mora, approving Item No. 6A, 6B, & 6C, by the following vote:

Ayes:

Mora, Rodriguez, Zamora, Rounds, Trujillo

Nayes: Absent: None None

HOUSING SUCCESSOR

CONSENT AGENDA

7. <u>Minutes of the November 8 and 20, 2018 of the Housing Successor Agency</u> **Recommendation:** That the Housing Successor approve the minutes as submitted.

It was moved by Mayor Pro Tem Rounds, seconded by Mayor Trujillo, approving the minutes as submitted, by the following vote:

Ayes:

Mora, Rodriguez, Zamora, Rounds, Trujillo

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Nayes: Absent: None None

SUCCESSOR AGENCY

CONSENT AGENDA 8.

Consent Agenda items are considered routine matters which may be enacted by one motion and vote. Any item may be removed from the Consent Agenda and considered separately by the Successor Agency.

Approval of Minutes

Minutes of the November 8 and 20, 2018 Successor Agency Meeting

Recommendation: That the Successor Agency:

Approve the minutes as submitted.

It was moved by Mayor Pro Tem Rounds, seconded by Council Member Mora, to approve the minutes as submitted, by the following vote:

Aves:

Mora, Rodriguez, Zamora, Rounds, Trujillo

Naves:

None

Absent:

None

9. **NEW BUSINESS**

a. Resolution No. SA-2018-005 - Approving the Successor Agency's Recognized Obligation Payment Schedule (ROPS 19-20) for the Period July 1, 2019 through June 30, 2020

Recommendation: That the Successor Agency adopt Resolution No. SA-2018-005.

b. Resolution No. SA-2018-006 - Approving the Successor Agency's Administrative Budget for the Period July 1, 2019 through June 30, 2020

Recommendation: That the Successor Agency adopt Resolution No. SA-2018-006.

Finance Director, Travis Hickey provided a brief presentation.

It was moved by Mayor Pro Tem Rounds, seconded by Council Member Rodriguez, approving Item No. 9A and 9B, by the following vote:

Aves:

Mora, Rodriguez, Zamora, Rounds, Trujillo

Naves:

None None

Absent:

CITY COUNCIL

10. CONSENT AGENDA

a. Minutes of the November 8, 2018 and November 20, 2018 City Regular City Council Meeting

Recommendation: That the City Council:

- Approve the minutes as submitted.
- b. Quarterly Treasurer's Report of Investments for the Quarter Ended June 30, 2018.

Recommendation: That the City Council:

Receive and file the report.

c. Quarterly Treasurer's Report of Investments for the Quarter Ended September 30, 2018.

Recommendation: That the City Council:

- Receive and file the report.
- d. Authorize the Disposal of Surplus Equipment by Way of Public Auction

Recommendation: That the City Council:

- Receive and file the Special Tax Levy Annual Report for Community Facilities District 2004-1 for Fiscal Year 2017-18.
- e. Community Facilities District No. 2004-1 (Bloomfield-Florence) Annual Special Tax Levy Report for Fiscal Year 2017/18

Recommendation: That the City Council:

- Receive and file the Special Tax Levy Annual Report for Community Facilities District 2004-1 for Fiscal Year 2017-18.
- f. Community Facilities District No. 2002-1 (Bloomfield-Lakeland) Annual Special Tax Levy Report for Fiscal Year 2017/18

Recommendation: That the City Council:

 Receive and file the Special Tax Levy Annual Report for Community Facilities District 2002-1 for Fiscal Year 2017-18.

It was moved by Mayor Pro Tem Rounds, seconded by Council Member Rodriguez, approving Item No. 10A through 10F, by the following vote:

Aves:

Mora, Rodriguez, Zamora, Rounds, Trujillo

Nayes:

None

Absent:

None

PUBLIC HEARING

11. Alcohol Sales Conditional Use Permit Case No. 76

Request for approval of Alcohol Sales Conditional Use Permit No. 76 to allow the operation and maintenance of an alcoholic beverage use involving the warehousing and distribution of alcoholic beverages at Harbor Distribution located at 11204 Norwalk Boulevard within the Heavy Manufacturing (M-2) (Harbor Distribution, LLC)

Recommendation: That the City Council:

- Open the Public Hearing and receive any comments from the public regarding Alcohol Sales Conditional Use Permit Case No. 76, and thereafter close the Public Hearing.
- Approve Alcohol Sales Conditional Use Permit Case No. 76 subject to the conditions of approval contained as "Exhibit A" in Resolution No. 9611.
- Adopt Resolution 9611, which incorporates the Planning Commission's findings and action regarding this matter.

Public Hearing opened at 6:39 p.m.

There was not one present from the audience to speak on Item No. 11.

Public Hearing closed at 6:39 p.m.

It was moved by Mayor Pro Tem Rounds, seconded by Council Member Mora, approving Alcohol Sales Use Permit Case No. 76, and thereafter close the Public Hearing, approving Alcohol Sales Conditional Use Permit Case No. 76 subject to the conditions of approval contained as "Exhibit A" in Resolution No. 9611 and adopting Resolution No. 9611, which incorporates the Planning Commission's finding and action regarding this matter, by the following vote:

Aves:

Mora, Rodriguez, Zamora, Rounds, Trujillo

Nayes:

None

Absent:

None

INTRODUCTION OF ORDINANCE

Ordinance No. 1095 - An Ordinance of the City of Santa Fe Springs Amending Section 12. 130.04(B) (Unlawful Conduct Within a Park) of Chapter 130 (General Provisions) of Title XIII (General Offenses) of the Santa Fe Springs Municipal Code with the Revision of Subsection 18 (Gathering of 50 or more Persons) and the Additions of Subsection 23 and 24 (Canopy Use) to Regulate the Use of the Parks

Recommendation: That the City Council:

Read by title only, waive further reading and introduce Ordinance No. 1095.

It was moved by Council Member Mora, seconded by Mayor Pro Tem Rounds, to reading by title only, waiving further reading and introducing Ordinance No. 1095, by the following vote:

Ayes:

Mora, Rodriguez, Zamora, Rounds, Trujillo

Naves:

None

Absent:

None

NEW BUSINESS

Approval of Memorandums of Understanding (MOU) between with the City of Santa Fe 13. Springs and the City of Santa Fe Springs General City Employees Association (SFSCEA) and the City of Santa Fe Springs Firefighters Association (SFSFFA)

Recommendation: That the City Council:

- Approve the FY 2018-19 Memorandum of Understanding with the SFSCEA.
- Approve the FY 2018-19 Memorandum of Understanding with the SFSFFA.

It was moved by Council Member Zamora, seconded by Council Member Mora, approving the FY 2018-19 Memorandum of Understanding with the SFSCEA, and approving the FY 2018-19 Memorandum of Understanding with the SFSFFA, by the following vote:

Ayes:

Mora, Rodriguez, Zamora, Rounds, Trujillo

Naves:

None

Absent:

None

Adoption of New Salary Schedule - Hourly Employee Minimum Wage Modifications 14. **Recommendation:** That the City Council:

Adopt the new salary schedule, effective December 24, 2018, for impacted

hourly employees to comply with California minimum wage requirements.

It was moved by Council Member Zamora, seconded by Council Member Rodriguez, to adopt the new salary schedule, effective December 24, 2018 for impacted hourly employees to comply with California minimum wage requirements, by the following vote:

Aves:

Mora, Rodriguez, Zamora, Rounds, Trujillo

Naves:

None

Absent: None

Street and Parking Lot Lighting LED Retrofit Evaluation - Award of Contract **15**.

Recommendation: That the City Council:

- Accept the Proposals to provide a Street and Parking Lot Lighting LED Retrofit Evaluation:
- Award a Contract to Tanko Lighting from San Francisco, California;
- Authorize the Mayor to execute a contract with Tanko Lighting in the amount of \$20,370.90; and
- Appropriate \$21,000 from the Utility Users Tax (UUT) Capital Improvements Fund for Activity No. PW190002.

It was moved by Mayor Pro Tem Rounds, seconded by Council Member Rodriguez, to accept the proposals to provide a Street and Parking Lot Lighting LED Retrofit Evaluation; award a contract to Tanko Lighting from San Francisco, California; authorize the Mayor to execute a contract with Tanko Lighting in the amount of \$20,370.90; and appropriate \$21,000 from the Utility Users Tax (UUT) Capital Improvements Fund for Activity No. PW190002, by the following vote:

Aves:

Mora, Rodriguez, Zamora, Rounds, Trujillo

Nayes:

None

Absent: None

City Hall Public Counters and Accessibility Improvements Project - Authorization to 16. Advertise Request for Bids

Recommendation: That the City Council:

 Authorize the Director of Public Works to advertise a Request for Bids to construct the City Hall Public Counters and Accessibility Improvements Project.

It was moved by Mayor Pro Tem Rounds, seconded by Council Member Rodriguez, authorizing the Director of Public Works to advertise a Request for Bids to construct the City Hall Public Counters and Accessibility Improvements Project, by the following vote:

Ayes:

Mora, Rodriguez, Zamora, Rounds, Trujillo

Nayes:

None

Absent: None

Resolution No. 9613 - Request for Parking Restriction on Romandel Avenue West of 17. Freeman Avenue

Recommendation: That the City Council:

 Adopt Resolution No. 9613, which would prohibit parking of vehicles between 10:00 PM and 5:00 AM on both sides of Romandel Avenue from Freeman Avenue to a point 470 feet west of Freeman Avenue and on the east side of Romandel Avenue from the ninety-degree horizontal curve to a point 300 feet north of the ninety-degree horizontal curve and implement a tow-away zone within the same limits for vehicles that violate the restriction.

It was moved by Council Member Zamora, seconded by Mayor Pro Tem Rounds, adopting Resolution No. 9613, which would prohibit parking of vehicles between 10:00 PM and 5:00 AM on both sides of Romandel Avenue from Freeman Avenue to a point 470 feet west of Freeman Avenue and on the east side of Romandel Avenue from the ninety-degree horizontal curve to a point 300 feet north of the ninety-degree horizontal curve and implement a tow-away zone within the same limits for vehicles that violate the restriction, by the following vote:

Aves:

Mora, Rodriguez, Zamora, Rounds, Trujillo

Nayes:

None

Absent: None

18. Resolution No. 9614 – Request for Parking Restriction during Certain Hours on Dice Road south of Altamar Place

Recommendation: That the City Council:

 Adopt Resolution No. 9614 to implement a parking restriction between the hours of 9:00 p.m. and 6:00 a.m. on the east side of Dice Road from Altamar Place to a point 225 feet south of Altamar Place and implement a tow-away zone within the same limits for vehicles that violate the restriction.

It was moved by Council Member Zamora, seconded by Mayor Pro Tem Rounds, adopting Resolution No. 9614 to implement a parking restriction between the hours of 9:00 p.m. and 6:00 a.m. on the east side of Dice Road from Altamar Place to a point 225 feet south of Altamar Place and implement a tow-away zone within the same limits for vehicles that violate the restriction, by the following vote:

Ayes:

Mora, Rodriguez, Zamora, Rounds, Trujillo

Nayes:

None

Absent:

None

19. Resolution No. 9615 – Request for Parking Restrictions during Certain Hours along the frontage of 14422 Best Avenue

Recommendation: That the City Council:

 Adopt Resolution No. 9615 to implement a parking restriction between the hours of 9:00 p.m. and 6:00 a.m. on the east side of Best Avenue from a point 620 south of Rosecrans Avenue to a point 1,300 feet south of Rosecrans Avenue and implement a tow-away zone within the same limits for vehicles that violate the restriction.

It was moved by Council Member Zamora, seconded by Mayor Pro Tem Rounds, adopting Resolution No. 9615 to implement a parking restriction between the hours

of 9:00 p.m. and 6:00 a.m. on the east side of Best Avenue from a point 620 south of Rosecrans Avenue to a point 1,300 feet south of Rosecrans Avenue and implement a tow-away zone within the same limits for vehicles that violate the restriction, by the following vote:

Ayes:

Mora, Rodriguez, Zamora, Rounds, Trujillo

Nayes: Absent: None None

20. Resolution No. 9616 – Request for Parking Restriction along the frontage of 13208 Arctic Circle

Recommendation: That the City Council:

 Adopt Resolution No. 9616, which would prohibit parking of vehicles weighing over 6,000 pounds on the south side of Arctic Circle from a point 1400 feet east of Shoemaker Avenue to a point 1,570 feet east of Shoemaker Avenue and implement a tow-away zone within the same limits for vehicles that violate the restriction.

It was moved by Council Member Zamora, seconded by Mayor Pro Tem Rounds, adopting Resolution No. 9616, which would prohibit parking of vehicles weighing over 6,000 pounds on the south side of Arctic Circle from a point 1400 feet east of Shoemaker Avenue to a point 1,570 feet east of Shoemaker Avenue and implement a tow-away zone within the same limits for vehicles that violate the restriction, by the following vote:

Ayes:

Mora, Rodriguez, Zamora, Rounds, Trujillo

Nayes: Absent: None None

21. <u>Interstate 5 Freeway Widening/Carmenita Road Segment Amendment No. 3 with the State</u>
Department of Transportation

Recommendation: That the City Council:

- Approve Amendment No. 3 to Utility Agreement No. 7UA-11565 with the State Department of Transportation; and
- Authorize the Director of Public Works to execute Amendment No. 3.

It was moved by Mayor Pro Tem Rounds, seconded by Council Member Zamora, to approve Amendment No. 3 to Utility Agreement No. 7UA-11565 with the State Department of Transportation; and authorize the Director of Public Works to execute Amendment No. 3, by the following vote:

Ayes:

Mora, Rodriguez, Zamora, Rounds, Truiillo

Nayes.

None

Absent: None

21.5. Authorization to Perform Mechanical Repairs by Fire Apparatus Solutions, Inc.

Recommendation: That the City Council:

- Appropriate \$45,782 from General Fund Reserve to Activity 10431001; and
- Authorize the City Manager to execute a contract with Fire Apparatus Solutions to perform mechanical repair work and services on the City's fire

apparatus (Engine 84) in the amount, not to exceed \$45,781.99.

It was moved by Mayor Pro Tem Rounds, seconded by Council Member Zamora, to appropriate \$45,782 from General Fund Reserve to Activity 10431001; and authorize the City Manager to execute a contract with Fire Apparatus Solutions to perform mechanical repair work and services on the City's fire apparatus (Engine 84) in the amount, not to exceed \$45,781.99, by the following vote:

Ayes:

Mora, Rodriguez, Zamora, Rounds, Trujillo

Nayes:

None

Absent:

None

Mayor Trujillo recessed the meetings at 6:43 p.m. Mayor Trujillo convened the meeting at 7:00 p.m.

22. INVOCATION

Invocation was led by Council Member Rodriguez.

23. PLEDGE OF ALLEGIANCE

Kevin Guerrero student from Lakeland Elementary School led the Pledge of Allegiance.

24. INTRODUCTIONS

- Representatives from the Chamber of Commerce: Wendy Meader from Tangram Interiors, Susan Crowell from Health First Medical Group and Kathie Fink, Chamber CEO.
- School Board Members and Local Elected Members.

25. ANNOUNCEMENTS

The Youth Leadership Committee Members made the following announcements:

- Las Posadas, Friday, December 14, 2018 at 6:30 p.m.
- City's recognition of Milestones Celebrants
- Karaoke Event, Thursday, January 10, 2019

26. CITY MANAGER AND EXECUTIVE TEAM REPORTS

There were no reports.

27. PRESENTATIONS

There were no presentations.

28. APPOINTMENTS TO BOARDS, COMMITTEES, COMMISSIONS

a. Selection of Liaisons to Various City Committees and Representatives to

Minutes of the December 13, 2018 Public Finance Authority, Water Utility Authority, Housing Authority, Successor Agency and City Council Meetings				
Governmental Organizations b. Advisory Committee Appointments				
Items No. 28A & 28B were continued to the ne	xt Regular Council meeting.			
ORAL COMMUNICATIONS Donna Brown, Santa Fe Springs resident spoke during oral communications to express her concerns.				
Judge Elect Veronica Sauceda spoke during o the Council and Santa Fe Springs residents.	ral communications to introduce herself to			
COUNCIL COMMENTS				
All Council Members thanked their family, resid work. They wished everyone Happy Holidays.	ents and staff for all their support and hard			
ADJOURNMENT Mayor Juanita adjourned the meeting at 7:28 p.m. in memory of former St. Paul Hig School football coach Marijon Ancich.				
ATTEST:	Juanita Trujillo Mayor			
	Governmental Organizations b. Advisory Committee Appointments Items No. 28A & 28B were continued to the ne ORAL COMMUNICATIONS Donna Brown, Santa Fe Springs resident spot her concerns. Judge Elect Veronica Sauceda spoke during of the Council and Santa Fe Springs residents. COUNCIL COMMENTS All Council Members thanked their family, resid work. They wished everyone Happy Holidays. ADJOURNMENT Mayor Juanita adjourned the meeting at 7:28 School football coach Marijon Ancich.			

Janet Martinez City Clerk

Date



City of Santa Fe Springs

Water Utility Authority Meeting

January 24, 2019

CONSENT CALENDAR

Monthly Report on the Status of Debt Instruments Issued through the City of Santa Fe Springs Water Utility Authority (WUA)

RECOMMENDATION

That the Water Utility Authority receive and file the report.

BACKGROUND

The Santa Fe Springs Water Utility Authority (WUA) is a City entity that has issued debt for the benefit of the Santa Fe Springs community. The following is a brief status report on the debt instruments currently outstanding that were issued through the WUA.

Water Revenue Bonds, 2013

Financing proceeds available for appropriation at 12/31/18 Outstanding principal at 12/31/18

None \$6,890,000

Water Revenue Bonds, 2018

Financing proceeds available for appropriation at 12/31/18 Outstanding principal at 12/31/18

None \$1,800,000

Date of Report: January 17, 2019

In May 2013 the Water Utility Authority issued the 2013 Water Revenue Bonds in the amount of \$6,890,000. The bonds refunded the existing 2003 Water Revenue Bonds (issued through the Public Financing Authority) and provided additional funds for water improvement projects in the amount of \$2,134,339. The funds were restricted for use on water system improvements. In August 2013 the Water Utility Authority Board appropriated the proceeds for the Equipping Water Well No. 12 Project and all proceeds were since used on this project.

In January 2018 the Water Utility Authority issued the 2018 Water Revenue Bonds in the amount of \$1,800,000. The bonds refunded the existing 2005 Water Revenue Bonds (issued through the Public Financing Authority). No additional funds were raised through the issuance of the 2018 Water Revenue Bonds.

The City budget includes sufficient appropriations and adequate revenues are expected to be collected to meet the debt service obligations associated with the 2013 and 2018 Water Revenue Bonds.

The WUA was formed in June of 2009. Water revenue bonds issued prior to this date were issued through the City of Santa Fe Springs Public Financing Authority.

Raymond R. Cruz

City Manager/Executive Director

Water Utility Authority Meeting

January 24, 2019

CONSENT AGENDA

Status Update of Water-Related Capital Improvement Projects

RECOMMENDATION

That the Water Utility Authority receive and file the report.

BACKGROUND

This report is for informational purposes only. The following is a listing of current active water projects.

Water Well No. 12 - Packer Testing Hydrogeological Services

Staff has prepared a corresponding staff report on this agenda requesting Council authorization to advertise for installation of packer(s) at Water Well No. 12. The scope of work includes identifying the depths of the test packers to be installed, the number of tests to be performed at each depth, and a technical report that documents the well packer test process and groundwater sample results at each packer depth. The project Plans and Specifications are complete and the Public Works Department is ready to advertise for the construction bids for this project.

Water Rate Study - Request for Proposals

Staff has prepared a corresponding staff report on this agenda requesting the WUA authorize issuing a RFP to perform a Water Rate Study. The Water Rate study objectives are the following:

- Develop a water rate structure that will allow the City to meets its financial obligations, specifically ensuring long-term financial stability for the Water Fund.
- Assess the current rate structure's performance as a baseline for developing proposed revisions to the water rate structure and rates to encourage efficient use for environmental sustainability.
- Ensure the proposed rates are consistent with the requirements of Proposition 218.

FISCAL IMPACT

Staff will recommend an appropriation for Water Well No. 12 Packer Testing at the time the contract is awarded by the WUA. Staff will request an appropriation at the time the WUA considers awarding a contract to perform a Water Rate Study. The cost for a water rate study is not included in FY 2018/19 Public Works budget. Sufficient funding is available in the Water CIP Fund for both the Packer Testing and Water Rate Study.

INFRASTRUCTURE IMPACT

The production of quality water from Water Well No. 12 with a cost-effective option is imperative to meeting the City's water needs. The Water Rate Study will assess the

Report Submitted By:

Noe Negrete

Director of Public Works

Date of Report: January 16, 2019

current rate structure's performance as a baseline for developing proposed revisions to the water rate structure and rates to encourage efficient use for environmental sustainability

> Raymond R. Cruz **Executive Director**

Attachments:

None

Report Submitted By: Noe Negrete

Director of Public Works

Date of Report: January 16, 2019

Water Utility Authority Meeting

January 24, 2019

PUBLIC HEARING

2015 Urban Water Management Plan - Adopt Addendum No. 1

RECOMMENDATION

That the Water Utility Authority take the following actions:

- Open the Public Hearing and hear from anyone wishing to speak on the matter and thereafter close the Public Hearing; and
- Approve Addendum No. 1 to the 2015 Urban Water Management Plan; and
- Authorize the Executive Director to submit Addendum No. 1 to 2015 Urban Water Management Plan to the California Department of Water Resources.

BACKGROUND

Water Code Sections 10610 through 10656 of the Urban Water Management Planning Act (Act) requires every urban water supplier providing water for municipal purposes to more than 3,000 customers or supplying more than 3,000 acre-feet (AF) of water annually to prepare, adopt, and file an Urban Water Management Plan (UWMP) with the California Department of Water Resources (DWR) every five years in the years ending in zero and five. The DWR completed a review of the City's 2015 UWMP and determined the deduction of process water in the Senate Bill x7-7 calculations needed to be revised to better align with the DWR required methodologies in determining Gallons per Capita per Day. Addendum No. 1 to the 2015 UWMP reflects the DWR's approved recalculations of this deduction and subsequent Gallons per Capita per Day calculations.

Since the original Act's passage in 1983, several amendments have been added. One of the most recent changes affecting the 2015 UWMP includes Senate Bill 7 as part of the Seventh Extraordinary Session (SBx7-7) and SB 1087. SBx7-7, or the Water Conservation Act of 2009, is part of the Delta Action Plan that stemmed from the Governor's goal to achieve a 20 percent statewide reduction in urban per capita water use by 2020 (20 by 2020). SBx7-7 requires each urban retail water supplier to develop urban water use targets to achieve the 20 by 2020 goal (20% reduction) and the interim 10 percent goal by 2015.

SBx7-7 Table 8 compares the City's revised 2015 interim water use target to its actual 2015 consumption. Based on this comparison, the City is in compliance with its 2015 interim target (18% reduction achieved – 10% was the goal).

2015 Compliance City of Santa Fe Springs Water Utility Authority*				
Actual 2015 GPCD	2015 Interim Target GPCD	Did Supplier Achieve Targeted Reduction for 2015? Y/N		
230	281	Yes		
*All values are in Gallons per Capita per Day (GPCD)				

Report Submitted By:

Noe Negrete

Date of Report: January 15, 2019

Director of Public Works

SUMMARY

Addendum No. 1 to the 2015 UWMP addresses and satisfies the DWR's methodologies in determining process water calculations. Once adopted, Addendum No. 1 to the 2015 UWMP will complete the 2015 UWMP and keep the City in compliance with the UWMP Act. The UWMP will be updated again in the year 2020.

FISCAL IMPACT

None

Raymond R. Cruz Executive Director

Attachments:

- 1. Executive Summary to Addendum No. 1
- 2. Addendum No. 1

EXECUTIVE SUMMARY

CITY OF SANTA FE SPRINGS ADDENDUM NO. 1 TO THE 2015 URBAN WATER MANAGEMENT PLAN

BACKGROUND AND PURPOSE

The City of Santa Fe Springs (City) is required to prepare an Urban Water Management Plan (Plan) in accordance with the California Urban Water Management Planning Act (UWMP Act) which was established in 1983. The Act requires every "urban water supplier" to prepare and adopt a Plan, periodically review its Plan at least once every five years and make any amendments or changes which are indicated by the review. Pursuant to California Water Code Section 10617, an "Urban Water Supplier" is defined as a supplier, either publicly or privately owned, providing water for municipal purposes either directly or indirectly to more than 3,000 customers or supplying more than 3,000 acre-feet of water annually. The objectives of the Plan is to direct urban water suppliers to identify the reliability of their existing and projected water supplies from both a water quantity and water quality standpoint; identify current and projected water demands over the next 20 years; evaluate conservation efforts; and, to the extent practicable, review and implement alternative and supplemental water conservation measures. The UWMP Act is directed primarily at retail water purveyors where programs can be immediately affected upon the consumer.

Section 10621(a) of the California Water Code states, "Each water supplier shall update its plan at least once every five years on or before December 31, in years ending in five and zero."

The City submitted its 2015 Plan to the Department of Water Resources (DWR) on July 6, 2017 for review and approval. DWR reviewed the City's 2015 Plan and determined the deduction of process water in the SBX7-7 calculations were not done correctly. DWR requested the City to recalculate this deduction and subsequent Gallons per Capita per Day calculations. This Addendum No. 1 reflects the recalculation of this

deduction and subsequent Gallons per Capita per Day calculations. Changes were made to Section 5 of the City's 2015 Plan dated June 2017 and are shown in this Addendum No. 1.

UWMP AND GRANT OR LOAN ELIGIBILITY

Pursuant to DWR's Final "Guidebook for Urban Water Suppliers," "In order for an urban water supplier to be eligible for any water management grant or loan administered by DWR, the agency must have a current UWMP on file that has been determined by DWR to address the requirements of the CWC. A current UWMP must also be maintained by the water supplier throughout the term of any grant or loan administered by DWR... An UWMP may also be required in order to be eligible for other State funding, depending on the conditions that are specified in the funding guidelines." DWR indicated once Addendum No. 1 has been approved, the City will be in compliance with the UWMP Act and the City will be eligible for grants and loans administered by the State and/or DWR.

Section 5 of Addendum No. 1

Baselines and Targets

The Water Conservation Act of 2009 (or SB X7-7) required retail urban water suppliers to determine target water use for the years 2015 and 2020 in order to help the state achieve a 20 percent reduction in urban water use by the year 2020. The City utilized DWR methodologies for calculating baseline and compliance daily urban per capita water use for the consistent implementation of the Water Conservation Act of 2009.

As required by DWR, the City recalculated its Process Water deduction and subsequent Gallons per Capita per Day calculations. The City's percentage of historical industrial water use in its service area during 1998 to 2008 averaged 28 percent of the gross water use. In addition, the 2015 industrial water use was 29 percent of the gross water use. Because industrial water use is equal to or greater than 12 percent of the

gross water use, the City is eligible to deduct process water from its gross water under Criteria 1.

Determination of the 10-year baseline period included a review of historical water use on a "per capita" basis over a 15-year period, which resulted in a baseline period water use of 313 gallons per capita day (based on a continuous 10-year period between fiscal year 1998-99 through fiscal year 2007-08). The baseline period water use factor was subjected to "reduction factors" prescribed by DWR to determine the 2015 Interim Target and the 2020 Urban Water Use Target. The City's gallons per capita per day (gpcd) water use factors/targets are summarized below:

•	Baseline (1998-99 through 2007-08)	313 gpcd
•	2015 Interim Target	281 gpcd
•	2020 Urban Water Use Target	250 gpcd

The City's fiscal year 2014-15 water use was 230 gpcd, which places the City in compliance with the 2015 Interim Target. See Addendum No. 1 for more information. (Please note: the baseline and targets noted above are separate from the Governor's Executive Order B-29-15, requiring statewide mandatory water use reductions.)

PLAN COORDINATION AND SUBMITTAL

The City has complied with all required notification processes, as summarized below.

Coordination

The City encouraged the active involvement of the population within its service area by publishing a notice of public hearing in the newspaper during the weeks of January 9, 2019 and January 16, 2019, and by posting a notice of public hearing throughout the City of Santa Fe Springs and on the City's website. To ensure that the

Addendum No. 1 was available for review, the City placed a copy of Addendum No. 1 at the City Clerk's Office located at City Hall and made a copy available for review on its website.

Submitting a UWMP to DWR

Within 30 days of adoption of Addendum No. 1 by the City Council, the City will submit the adopted Addendum No. 1 to DWR. The Addendum No. 1 will be submitted through DWR's "Water Use Efficiency (WUE) Data Online Submittal Tool" website.

Public Availability

Within 30 days after submittal of the Addendum No. 1 to DWR, the City will make the Addendum No. 1 available at the City Clerk's Office located at City Hall during normal business hours and on the City's website.

Z:\Jobs\2570\2570-15-2015 (Santa Fe Springs)\Correspondence\EXECUTIVE SUMMARY_draft - Addendum No. 1.docx

City of Santa Fe Springs

2015 Urban Water Management Plan

Addendum No. 1

November 2018







861 Village Oaks Drive, Suite 100 • Covina, California 91724
Phone: (626) 967-6202 • FAX: (626) 331-7065 • www.stetsonengineers.com

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Table 5-2 2015 Compliance

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Appendix G Water Conservation Act of 2009

Appendix H SB X7-7 Verification Form

ADDENDUM NO. 1

The Department of Water Resources (DWR) received the City of Santa Fe Spring's (City's) 2015 Urban Water Management Plan (Plan) dated June 2017. DWR reviewed the City's 2015 Plan and determined the deduction of process water in the SBX7-7 calculations were not done correctly. DWR requested the City to recalculate this deduction and subsequent Gallons per Capita per Day calculations. This Addendum No. 1 reflects the recalculation of this deduction and subsequent Gallons per Capita per Day calculations. Changes were made to Chapter 5 of the City's 2015 Plan dated June 2017 and are shown in this Addendum No. 1.



CHAPTER 5 SB X7-7 BASELINE AND TARGETS

The Water Conservation Act of 2009 (or SB X7-7) required retail urban water suppliers to determine target water use for the years 2015 and 2020 in order to help the state achieve a 20 percent reduction in urban water use by the year 2020. Methodologies for calculating baseline and compliance daily urban per capita water use for the consistent implementation of the Water Conservation Act of 2009 were previously published by DWR's "Methodologies for Calculating Baseline and Compliance Urban Per Capita Water Use", dated October 1, 2010. DWR provided updated methodologies in its DWR's "Methodologies for Calculating Baseline and Compliance Urban Per Capita Water Use", dated February 2011. DWR's guidance documents were used by the City to determine the required water use parameters which are discussed below. The City developed the baselines and targets individually and not regionally. A copy of the Water Conservation Act of 2009 is provided in Appendix G.

5.1 GUIDANCE FOR WHOLESALE AGENCIES

CWC 10608.36.

Urban wholesale water suppliers shall include in the urban water management plans... an assessment of their present and proposed future measures, programs, and policies to help achieve the water use reductions required by this part.

The City is not a wholesale agency and is not required by DWR to complete Section 5.1.



5.2 UPDATING CALCULATIONS FROM 2010 UWMP

CWC 10608.20.

(g) An urban retail water supplier may update its 2020 urban water use target in its 2015 urban water management plan required pursuant to Part 2.6 (commencing with Section 10610).

Methodologies DWR 2010, Methodology 2 Service Area Population.

Page 27 - Water suppliers may revise population estimates for baseline years between 2000 and 2010 when 2010 census information becomes available. DWR will examine discrepancy between the actual population estimate and DOF's projections for 2010; if significant discrepancies are discovered, DWR may require some or all suppliers to update their baseline population estimates.

5.2.1 TARGET METHOD

The methodology selected in the City's 2010 Plan to determine the City's 2015 and 2020 urban water use targets was:

- "Method 1" and was based on eighty percent of the urban water supplier's baseline water use over a specific 10-year period.
- "Method 3" and was based on ninety-five percent of the applicable state hydrologic region target as stated in the State's April 30, 2009, draft 20x2020 Water Conservation Plan.

Because 2010 U.S. Census data was not available during the preparation of the City's 2010 Plan, the City is required to recalculate its "baseline population" (See Section 5.2.2) as well as its target water use for the 2015 Plan (See Section 5.7.1).



However, "Target Method 1" (as discussed in Section 5.7.1) is incorporated in this 2015 Plan.

5.2.2 REQUIRED USE OF 2010 U.S. CENSUS DATA

The City has incorporated 2010 U.S. Census data into baseline population calculations in this 2015 Plan (See Section 5.4). As a result, the City updated its baseline population as well as its water use targets (See Section 5.7).

5.2.3 SB X7-7 VERIFICATION FORM

The required SBX7-7 Verification Form is provided in Appendix H.

5.3 BASELINE PERIODS

CWC 10608.20.

- (e) An urban retail water supplier shall include in its urban water management plan due in 2010...the baseline daily per capita water use...along with the bases for determining those estimates, including references to supporting data.
- (g) An urban retail water supplier may update its 2020 urban water use target in its 2015 urban water management plan required pursuant to Part 2.6 (commencing with Section 10610).

The Baseline Daily Per Capita Water Use is defined as the average water use, expressed in gallons per capita per day (GPCD), for a continuous, multi-year baseline period. There were two different baseline periods (including a 10-year baseline period¹

¹ Pursuant to CWC 10608.12(b)(1), the 10-year baseline period is based on "a continuous 10-year period ending no earlier than December 31, 2004, and no later than December 31, 2010"



and a 5-year baseline period¹) for calculating Baseline Daily Per Capita Water Use in the City's 2010 Plan. The baseline periods applicable for the City's 2015 Plan have been reviewed and are presented below.

5.3.1 DETERMINATION OF THE 10-15 YEAR BASELINE PERIOD (BASELINE GPCD)

CWC 10608.12.

- (b) "Base daily per capita water use" means any of the following:
 - (1) The urban retail water supplier's estimate of its average gross water use, reported in gallons per capita per day and calculated over a continuous 10-year period ending no earlier than December 31, 2004, and no later than December 31, 2010.
 - (2) For an urban retail water supplier that meets at least 10 percent of its 2008 measured retail water demand through recycled water that is delivered within the service area of an urban retail water supplier or its urban wholesale water supplier, the urban retail water supplier may extend the calculation described in paragraph (1) up to an additional five years to a maximum of a continuous 15-year period ending no earlier than December 31, 2004, and no later than December 31, 2010.

The California Water Code allows an urban water supplier to calculate up to a 15-year baseline period if at least 10 percent of its 2008 retail water demands were met through recycled water deliveries within its service area, otherwise calculation of a 10-year baseline period is required. The City received about 186 AF of recycled water deliveries in 2008, which is more than 10 percent of its total retail water demands. Consequently, a 10- to 15-year baseline period water use can be used to determine the baseline period. A 10-year baseline period of 313 GPCD for the City was determined and incorporated into this 2015 Plan and is based on a continuous 10-year period

¹ Pursuant to CWC 10608.12(b)(3), the 5-year baseline period is based on "a continuous five-year period ending no earlier than December 31, 2007, and no later than December 31, 2010"



between 1999 and 2008 (See SB X7-7 Table 1, Appendix H). A further discussion of determining water use targets based on the 10-year baseline period water use is discussed further in Section 5.7.

5.3.2 DETERMINATION OF THE 5-YEAR BASELINE PERIOD (TARGET CONFIRMATION)

CWC 10608.12.

(b)(3) For the purposes of Section 10608.22, the urban retail water supplier's estimate of its average gross water use, reported in gallons per capita per day and calculated over a continuous five-year period ending no earlier than December 31, 2007, and no later than December 31, 2010.

CWC 10608.22.

...an urban retail water supplier's per capita daily water use reduction shall be no less than 5 percent of base daily per capita water use as defined in paragraph (3) of subdivision (b) of Section 10608.12. This section does not apply to an urban retail water supplier with a base daily per capita water use at or below 100 gallons per capita per day

According to Section 10608.22 of the California Water Code, if an urban retail water supplier's 5-year baseline period water use is greater than 100 GPCD, the calculated 2020 water use target (See Section 5.7) must be greater than or equal to 95 percent of the 5-year baseline period water use. A 5-year baseline period water use of 329 GPCD for the City was determined and incorporated into this 2015 Plan and is based on a continuous 5-year period between 2003 and 2007 SB X7-7 Table 1, Appendix H). A further discussion of the 2020 water use target confirmation based on the 5-year baseline period water use is discussed further in Section 5.7.2.



5.4 SERVICE AREA POPULTION

CWC 10608.20.

- (e) An urban retail water supplier shall include in its urban water management plan due in 2010...the baseline daily per capita water use...along with the bases for determining those estimates, including references to supporting data.
- (f) When calculating per capita values for the purposes of this chapter, an urban retail water supplier shall determine population using federal, state, and local population reports and projections.

CWC 10644.

(a)(2) The plan... shall include any standardized forms, tables, or displays specified by the department.

For the purposes of projecting water use targets (See Section 5.7), agencies must determine the population that they served for each baseline year in both of the baseline periods (identified in Section 5.3) and for the 2015 compliance year. The City has incorporated U.S. Census data through 2010 into baseline population calculations in this 2015 Plan (See Section 5.4.1). According to DWR, the full 2010 U.S. Census data was not available until 2012. As a result, the City updated its baseline population as well as its water use targets (See Section 5.7), previously calculated in its 2010 Plan.

5.4.1 POPULATION METHODOLOGY

The annual populations within the City's service area for each year during the baseline periods (identified in Section 5.3) and for the 2015 compliance year were estimated by DWR's online Population Tool (See SB X7-7 Table 2, Appendix H). As discussed in Section 3.2.1, the City's service area boundary was submitted to the Population Tool in a "KML" file format (i.e. Google Earth format). The submitted KML file represents the City's service area boundary from 1990 to present (2015). The



Population Tool utilized U.S. Census data from 1990, 2000, and 2010, along with the City's service area boundary, to estimate the population served by the City in 1990, 2000, and 2010. The annual amounts of residential service connections within the City's service area for each year from 1990 through 2015 were also entered into the Population Tool. Based on the actual population data (1990, 2000, and 2010) as well as the annual residential service connections (from 1990 through 2015), DWR's Population Tool estimated the annual population within the City's service area for each year from 1990 to 2015. The City's estimated populations during the baseline periods are provided in SB X7-7 Table 3, Appendix H.

GROSS WATER USE

CWC 10608.12.

- (g) "Gross water use" means the total volume of water, whether treated or untreated, entering the distribution system of an urban retail water supplier, excluding all of the following:
 - (1) Recycled water that is delivered within the service area of an urban retail water supplier or its urban wholesale water supplier.
 - (2) The net volume of water that the urban retail water supplier places into long-term storage.
 - (3) The volume of water the urban retail water supplier conveys for use by another urban water supplier.
 - (4) The volume of water delivered for agricultural use, except as otherwise provided in subdivision (f) of Section 10608.24.

California Code of Regulations Title 23 Division 2 Chapter 5.1 Article 1, Section 596.

(a) An urban retail water supplier that has a substantial percentage of industrial water use in its service area is eligible to exclude the process water use of existing industrial water customers from the calculation of its gross water use to avoid a disproportionate burden on another customer sector.

¹ The annual number of residential service connections was estimated based on information provided by the City. The number of residential service connections is a total of single family and multi-family connections.



Annual gross water use amounts within the City for each year of the 10-year baseline year (1999 to 2008) identified in Section 5.3.1, and for each of the 5-year baseline year (2003 to 2007) identified in Section 5.3.2, and for 2015, are provided in SB X7-7 Table 4 (Appendix H) and are based on the total amount of water entering the City's distribution system from its water supply sources (groundwater production wells and imported water connections).

5.5.1 GROSS WATER TABLES

Annual gross water use amounts within the City for each year of the 10-year baseline year (1999 to 2008), identified in Section 5.3, and for 2015, are provided in SB X7-7 Table 4 (Appendix H).

The City currently does not use indirect recycled water within its service area. The City is not required by DWR to complete SB X7-7 Table 4-B.

The City's percentage of historical industrial water use in its service area during 1998 to 2008 averaged 28 percent of the gross water use. In addition, the 2015 industrial water use was 29 percent of the gross water use. Because industrial water use is equal to or greater than 12 percent of the gross water use, the City is eligible to deduct process water from its gross water. The City is required by DWR to complete SB X7-7 Tables 4-C and 4-C.1, which are provided in Appendix H. The summary of Process Water deduction is shown in SB X7-7 Table 4-D (Appendix H).

5.6 BASELINE DAILY PER CAPITAL WATER USE

The "daily per capita water use" is based on the water used per person per day (GPCD) within the City. The daily per capita water use is estimated by dividing gross water use (See Section 5.5 and Appendix H, SBX7-7 Table 4) by the service area



population (See Section 5.4 and Appendix H, SBX7-7 Table 3). The City's baseline daily per capita water uses were determined for each baseline year (1999 to 2008) for the year 2015 and are provided in SBX7-7 Table 5 (Appendix H).

5.7 2015 AND 2020 TARGETS

CWC 10608.20.

- (e) An urban retail water supplier shall include in its urban water management plan due in 2010... urban water use target, interim urban water use target,... along with the bases for determining those estimates, including references to supporting data.
- (g) An urban retail water supplier may update its 2020 urban water use target in its 2015 urban water management plan....

As discussed in Section 5.2.1, "Target Method 1" has been incorporated in the City's 2015 Plan to determine the City's 2015 and 2020 urban water use targets. A further discussion regarding the selected target method is provided below.

5.7.1 SELECT AND APPLY A TARGET METHOD

Calculation of the 2020 Urban Water Use Target includes adoption of one of four available methods (pursuant to California Water Code Section 10608.20(b). The City reviewed the following available methods.

<u>Target Method 1:</u> Eighty percent of the urban retail water supplier's Baseline Per Capita Daily Water Use.



Using this target method, the Urban Water Use Target for the City was calculated as **250 GPCD**, based on 80 percent of the City's Baseline Per Capita Daily Water Use of 313 GPCD (See SB X7-7 Table 7-A, Appendix H).

<u>Target Method 2:</u> Estimate using the sum of the specified three performance standards specified in California Water Code Section 10608.20(b)(2).

Due to insufficient data, this target method was not considered.

<u>Target Method 3:</u> Ninety-five percent of the applicable state hydrologic region target, as set forth in the state's 20x2020 Water Conservation Plan.¹

The City's service area lies entirely within the "South Coast" Hydrologic Region. According to SB X7-7 Table 7-E (Appendix H), the 2020 regional water use target for the South Coast Hydrologic Region is 149 GPCD. The Target Method 3 regional use target for the South Coast Hydrologic Region (or 95 percent of the 2020 regional water use target) is 142 GPCD.

Target Method 4: Water Savings (DWR Provisional Method 4)

Due to insufficient data, this target method was not considered.

Page 5-10

¹ California Department of Water Resources, State Water Resources Control Board, California Bay-Delta Authority, California Energy Commission, California Department of Public Health, California Public Utilities Commission, and California Air Resources Board. *20x2020 Water Conservation Plan*. February 2010.



The City's Urban Water Use Target was initially determined to be **250 GPCD** for 2020 and is based on Target Method 1 above, as indicated in SBX7-7 Table 7 (Appendix H).

5.7.2 5-YEAR BASELINE - 2020 TARGET CONFIRMATION

CWC 10608.22.

Notwithstanding the method adopted by an urban retail water supplier pursuant to Section 10608.20, an urban retail water supplier's per capita daily water use reduction shall be no less than 5 percent of base daily per capita water use as defined in paragraph (3) of subdivision (b) of Section 10608.12. This section does not apply to an urban retail water supplier with a base daily per capita water use at or below 100 gallons per capita per day.

As discussed in Section 5.3.2, if an urban retail water supplier's 5-year baseline period water use is greater than 100 GPCD, the calculated 2020 Urban Water Use Target (See Section 5.7.1) must be reduced to 95 percent of the 5-year baseline period water use (unless it is already below 95 percent of the 5-year baseline period). The City's calculated 5-year baseline period water use was 329 GPCD (see Section 5.3.2). The value calculated for 95 percent of the 5-year baseline period water use is **313 GPCD**. The City's 2020 Urban Water Use Target was initially determined using Target Method 1 above to be 250 GPCD, which is less than the value calculated in this step (313 GPCD). Therefore, no adjustment is needed to the City's 2020 Urban Water Use Target of **250 GPCD**, which is reflective of SB X7-7 Table 7-F, Appendix H.



5.7.3 CALCULATE THE 2015 INTERIM URBAN WATER USE TARGET

The City's 2015 Interim Target is based on the value mid-point between the 10-year baseline period water (313 GPCD, See Section 5.3.1 and SBX7-7 Table 5, Appendix H) and the confirmed 2020 Urban Water Use Target (250 GPCD, See Section 5.7.2 and SBX7-7 Table 7, Appendix H). The City's 2015 Interim Target is **281 GPCD** as indicated in SBX7-7 Table 8 (Appendix H).

5.7.4 BASELINE AND TARGETS SUMMARY

A summary of the City's baseline water use and targets is provided in Table 5-1.

5.8 2015 COMPLIANCE DAILY PER CAPITA WATER USE (GPCD)

CWC 10608.12.

(e) "Compliance daily per capita water use" means the gross water use during the final year of the reporting period...

CWC 10608.24.

(a) Each urban retail water supplier shall meet its interim urban water use target by December 31, 2015.

CWC 10608.20.

(e) An urban retail water supplier shall include in its urban water management plan due in 2010 ... compliance daily per capita water use, along with the bases for determining those estimates, including references to supporting data.



5.8.1 MEETING THE 2015 TARGET

As discussed in Section 5.7.3, the City's 2015 Interim Target is **281 GPCD**. The City's actual water use during fiscal year 2014-15 was **230 GPCD**. The City is currently in compliance with the 2015 Interim Target, as show in SB X7-7 Table 9 (Appendix H).

5.8.2 2015 ADJUSTMENTS TO 2015 GROSS WATER USE

CWC 10608.24(d).

- (1) When determining compliance daily per capita water use, an urban retail water supplier may consider the following factors:
 - (A) Differences in evapotranspiration and rainfall in the baseline period compared to the compliance reporting period.
 - (B) Substantial changes to commercial or industrial water use resulting from increased business output and economic development that have occurred during the reporting period.
 - (C) Substantial changes to institutional water use resulting from fire suppression services or other extraordinary events, or from new or expanded operations, that have occurred during the reporting period.
- (2) If the urban retail water supplier elects to adjust its estimate of compliance daily per capita water use due to one or more of the factors described in paragraph (1), it shall provide the basis for, and data supporting, the adjustment in the report required by Section 10608.40.

Methodology Document, Methodology 4.

This section discusses adjustments to compliance-year GPCD because of changes in distribution area caused by mergers, annexation, and other scenarios that occur between the baseline and compliance years.

As discussed in Section 5.8.1, the City is currently in compliance with its 2015 Interim Target. As a result, adjustments to the City's 2015 gross water use were not incorporated into the City's 2015 Plan (See Table 5-2).



5.9 REGIONAL ALLIANCE

As discussed in Section 2.3.2, the City's 2015 Plan was not developed as part of a Regional Alliance. Information from the City's 2015 Plan is not required to be reported in a Regional Alliance report.

TABLES

Table 5-1 Baselines and Targets Summary								
Retail Age	ency or Regiona	al Alliance On	ly					
Baseline Period	Start Year	End Year	Average Baseline GPCD*	2015 Interim Target *	Confirmed 2020 Target*			
10-15 year	1999	2008	313	281	250			
5 Year	2003	2007	329					
*All values	are in Gallons p	oer Capita per I	Day (GPCD)					

NOTES:

Actual 2015 GPCD*	2015 Interim Target GPCD*	Optional Adjustments to 2015 GPCD Enter "0" if no adjustment is made From Methodology 8					2015 GPCD*	Did Supplier Achieve
		Extraordinary Events*	Economic Adjustment*	Weather Normalization*	TOTAL Adjustments*	Adjusted 2015 GPCD*	(Adjusted if applicable)	Targeted Reduction for 2015? Y/N
230	281	0	0	0	0	230	230	Yes
All values are	in Gallons	per Capita per Da	y (GPCD)					

APPENDIX G

Water Conservation Act of 2009

California Water Code Division 6, Part 2.55.

Chapter 1. General Declarations and Policy §10608-10608.8

Chapter 2. Definitions §10608.12

Chapter 3. Urban Retail Water Suppliers §10608.16-10608.44

Chapter 4. Agricultural Water Suppliers §10608.48

Chapter 5. Sustainable Water Management §10608.50

Chapter 6 Standardized Data Collection §10608.52

Chapter 7 Funding Provisions §10608.56-10608.60

Chapter 8 Quantifying Agricultural Water Use Efficiency §10608.64

Chapter 1. General Declarations and Policy

SECTION 10608-10608.8

10608. The Legislature finds and declares all of the following:

- (a) Water is a public resource that the California Constitution protects against waste and unreasonable use.
- (b) Growing population, climate change, and the need to protect and grow California's economy while protecting and restoring our fish and wildlife habitats make it essential that the state manage its water resources as efficiently as possible.
- (c) Diverse regional water supply portfolios will increase water supply reliability and reduce dependence on the Delta.
- (d) Reduced water use through conservation provides significant energy and environmental benefits, and can help protect water quality, improve streamflows, and reduce greenhouse gas emissions.
- (e) The success of state and local water conservation programs to increase efficiency of water use is best determined on the basis of measurable outcomes related to water use or efficiency.
- (f) Improvements in technology and management practices offer the potential for increasing water efficiency in California over time, providing an essential water management tool to meet the need for water for urban, agricultural, and environmental uses.
- (g) The Governor has called for a 20 percent per capita reduction in urban water use statewide by 2020.
- (h) The factors used to formulate water use efficiency targets can vary significantly from location to location based on factors including weather, patterns of urban and suburban development, and past efforts to enhance water use efficiency.

- (i) Per capita water use is a valid measure of a water provider's efforts to reduce urban water use within its service area. However, per capita water use is less useful for measuring relative water use efficiency between different water providers. Differences in weather, historical patterns of urban and suburban development, and density of housing in a particular location need to be considered when assessing per capita water use as a measure of efficiency.
- 10608.4. It is the intent of the Legislature, by the enactment of this part, to do all of the following:
 - (a) Require all water suppliers to increase the efficiency of use of this essential resource.
 - (b) Establish a framework to meet the state targets for urban water conservation identified in this part and called for by the Governor.
 - (c) Measure increased efficiency of urban water use on a per capita basis.
 - (d) Establish a method or methods for urban retail water suppliers to determine targets for achieving increased water use efficiency by the year 2020, in accordance with the Governor's goal of a 20-percent reduction.
 - (e) Establish consistent water use efficiency planning and implementation standards for urban water suppliers and agricultural water suppliers.
 - (f) Promote urban water conservation standards that are consistent with the California Urban Water Conservation Council's adopted best management practices and the requirements for demand management in Section 10631.
 - (g) Establish standards that recognize and provide credit to water suppliers that made substantial capital investments in urban water conservation since the drought of the early 1990s.
 - (h) Recognize and account for the investment of urban retail water suppliers in providing recycled water for beneficial uses.
 - (i) Require implementation of specified efficient water management practices for agricultural water suppliers.
 - (j) Support the economic productivity of California's agricultural, commercial, and industrial sectors.
 - (k) Advance regional water resources management.
- 10608.8. (a) (1) Water use efficiency measures adopted and implemented pursuant to this part or Part 2.8 (commencing with Section 10800) are water conservation measures subject to the protections provided under Section 1011.
 - (2) Because an urban agency is not required to meet its urban water use target until 2020 pursuant to subdivision (b) of Section 10608.24, an urban retail water supplier's failure to meet those targets shall not establish a violation of law for purposes of any state administrative or judicial proceeding prior to

- January 1, 2021. Nothing in this paragraph limits the use of data reported to the department or the board in litigation or an administrative proceeding. This paragraph shall become inoperative on January 1, 2021.
- (3) To the extent feasible, the department and the board shall provide for the use of water conservation reports required under this part to meet the requirements of Section 1011 for water conservation reporting.
- (b) This part does not limit or otherwise affect the application of Chapter 3.5 (commencing with Section 11340), Chapter 4 (commencing with Section 11370), Chapter 4.5 (commencing with Section 11400), and Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.
- (c) This part does not require a reduction in the total water used in the agricultural or urban sectors, because other factors, including, but not limited to, changes in agricultural economics or population growth may have greater effects on water use. This part does not limit the economic productivity of California's agricultural, commercial, or industrial sectors.
- (d) The requirements of this part do not apply to an agricultural water supplier that is a party to the Quantification Settlement Agreement, as defined in subdivision (a) of Section 1 of Chapter 617 of the Statutes of 2002, during the period within which the Quantification Settlement Agreement remains in effect. After the expiration of the Quantification Settlement Agreement, to the extent conservation water projects implemented as part of the Quantification Settlement Agreement remain in effect, the conserved water created as part of those projects shall be credited against the obligations of the agricultural water supplier pursuant to this part.

Chapter 2 Definitions

SECTION 10608.12

- 10608.12. Unless the context otherwise requires, the following definitions govern the construction of this part:
 - (a) "Agricultural water supplier" means a water supplier, either publicly or privately owned, providing water to 10,000 or more irrigated acres, excluding recycled water. "Agricultural water supplier" includes a supplier or contractor for water, regardless of the basis of right, that distributes or sells water for ultimate resale to customers. "Agricultural water supplier" does not include the department.
 - (b) "Base daily per capita water use" means any of the following:
 - (1) The urban retail water supplier's estimate of its average gross water use, reported in gallons per capita per day and calculated over a continuous 10year period ending no earlier than December 31, 2004, and no later than December 31, 2010.

- (2) For an urban retail water supplier that meets at least 10 percent of its 2008 measured retail water demand through recycled water that is delivered within the service area of an urban retail water supplier or its urban wholesale water supplier, the urban retail water supplier may extend the calculation described in paragraph (1) up to an additional five years to a maximum of a continuous 15-year period ending no earlier than December 31, 2004, and no later than December 31, 2010.
- (3) For the purposes of Section 10608.22, the urban retail water supplier's estimate of its average gross water use, reported in gallons per capita per day and calculated over a continuous five-year period ending no earlier than December 31, 2007, and no later than December 31, 2010.
- (c) "Baseline commercial, industrial, and institutional water use" means an urban retail water supplier's base daily per capita water use for commercial, industrial, and institutional users.
- (d) "Commercial water user" means a water user that provides or distributes a product or service.
- (e) "Compliance daily per capita water use" means the gross water use during the final year of the reporting period, reported in gallons per capita per day.
- (f) "Disadvantaged community" means a community with an annual median household income that is less than 80 percent of the statewide annual median household income.
- (g) "Gross water use" means the total volume of water, whether treated or untreated, entering the distribution system of an urban retail water supplier, excluding all of the following:
 - (1) Recycled water that is delivered within the service area of an urban retail water supplier or its urban wholesale water supplier.
 - (2) The net volume of water that the urban retail water supplier places into longterm storage.
 - (3) The volume of water the urban retail water supplier conveys for use by another urban water supplier.
 - (4) The volume of water delivered for agricultural use, except as otherwise provided in subdivision (f) of Section 10608.24.
- (h) "Industrial water user" means a water user that is primarily a manufacturer or processor of materials as defined by the North American Industry Classification System code sectors 31 to 33, inclusive, or an entity that is a water user primarily engaged in research and development.
- (i) "Institutional water user" means a water user dedicated to public service. This type of user includes, among other users, higher education institutions, schools, courts, churches, hospitals, government facilities, and nonprofit research institutions.

- (j) "Interim urban water use target" means the midpoint between the urban retail water supplier's base daily per capita water use and the urban retail water supplier's urban water use target for 2020.
- (k) "Locally cost effective" means that the present value of the local benefits of implementing an agricultural efficiency water management practice is greater than or equal to the present value of the local cost of implementing that measure.
- (I) "Process water" means water used for producing a product or product content or water used for research and development, including, but not limited to, continuous manufacturing processes, water used for testing and maintaining equipment used in producing a product or product content, and water used in combined heat and power facilities used in producing a product or product content. Process water does not mean incidental water uses not related to the production of a product or product content, including, but not limited to, water used for restrooms, landscaping, air conditioning, heating, kitchens, and laundry.
- (m) "Recycled water" means recycled water, as defined in subdivision (n) of Section 13050, that is used to offset potable demand, including recycled water supplied for direct use and indirect potable reuse, that meets the following requirements, where applicable:
 - (1) For groundwater recharge, including recharge through spreading basins, water supplies that are all of the following:
 - (A) Metered.
 - (B) Developed through planned investment by the urban water supplier or a wastewater treatment agency.
 - (C) Treated to a minimum tertiary level.
 - (D) Delivered within the service area of an urban retail water supplier or its urban wholesale water supplier that helps an urban retail water supplier meet its urban water use target.
 - (2) For reservoir augmentation, water supplies that meet the criteria of paragraph (1) and are conveyed through a distribution system constructed specifically for recycled water.
- (n) "Regional water resources management" means sources of supply resulting from watershed-based planning for sustainable local water reliability or any of the following alternative sources of water:
 - (1) The capture and reuse of stormwater or rainwater.
 - (2) The use of recycled water.
 - (3) The desalination of brackish groundwater.

- (4) The conjunctive use of surface water and groundwater in a manner that is consistent with the safe yield of the groundwater basin.
- (o) "Reporting period" means the years for which an urban retail water supplier reports compliance with the urban water use targets.
- (p) "Urban retail water supplier" means a water supplier, either publicly or privately owned, that directly provides potable municipal water to more than 3,000 end users or that supplies more than 3,000 acre-feet of potable water annually at retail for municipal purposes.
- (q) "Urban water use target" means the urban retail water supplier's targeted future daily per capita water use.
- (r) "Urban wholesale water supplier," means a water supplier, either publicly or privately owned, that provides more than 3,000 acre-feet of water annually at wholesale for potable municipal purposes.

Chapter 3 Urban Retail Water Suppliers

SECTION 10608.16-10608.44

- 10608.16.(a) The state shall achieve a 20-percent reduction in urban per capita water use in California on or before December 31, 2020.
 - (b) The state shall make incremental progress towards the state target specified in subdivision (a) by reducing urban per capita water use by at least 10 percent on or before December 31, 2015.
- 10608.20.(a) (1) Each urban retail water supplier shall develop urban water use targets and an interim urban water use target by July 1, 2011. Urban retail water suppliers may elect to determine and report progress toward achieving these targets on an individual or regional basis, as provided in subdivision (a) of Section 10608.28, and may determine the targets on a fiscal year or calendar year basis.
 - (2) It is the intent of the Legislature that the urban water use targets described in paragraph (1) cumulatively result in a 20-percent reduction from the baseline daily per capita water use by December 31, 2020.
 - (b) An urban retail water supplier shall adopt one of the following methods for determining its urban water use target pursuant to subdivision (a):
 - (1) Eighty percent of the urban retail water supplier's baseline per capita daily water use.
 - (2) The per capita daily water use that is estimated using the sum of the following performance standards:

- (A) For indoor residential water use, 55 gallons per capita daily water use as a provisional standard. Upon completion of the department's 2016 report to the Legislature pursuant to Section 10608.42, this standard may be adjusted by the Legislature by statute.
- (B) For landscape irrigated through dedicated or residential meters or connections, water efficiency equivalent to the standards of the Model Water Efficient Landscape Ordinance set forth in Chapter 2.7 (commencing with Section 490) of Division 2 of Title 23 of the California Code of Regulations, as in effect the later of the year of the landscape's installation or 1992. An urban retail water supplier using the approach specified in this subparagraph shall use satellite imagery, site visits, or other best available technology to develop an accurate estimate of landscaped areas.
- (C) For commercial, industrial, and institutional uses, a 10-percent reduction in water use from the baseline commercial, industrial, and institutional water use by 2020.
- (3) Ninety-five percent of the applicable state hydrologic region target, as set forth in the state's draft 20x2020 Water Conservation Plan (dated April 30, 2009). If the service area of an urban water supplier includes more than one hydrologic region, the supplier shall apportion its service area to each region based on population or area.
- (4) A method that shall be identified and developed by the department, through a public process, and reported to the Legislature no later than December 31, 2010. The method developed by the department shall identify per capita targets that cumulatively result in a statewide 20-percent reduction in urban daily per capita water use by December 31, 2020. In developing urban daily per capita water use targets, the department shall do all of the following:
 - (A) Consider climatic differences within the state.
 - (B) Consider population density differences within the state.
 - (C) Provide flexibility to communities and regions in meeting the targets.
 - (D) Consider different levels of per capita water use according to plant water needs in different regions.
 - (E) Consider different levels of commercial, industrial, and institutional water use in different regions of the state.
 - (F) Avoid placing an undue hardship on communities that have implemented conservation measures or taken actions to keep per capita water use low.
- (c) If the department adopts a regulation pursuant to paragraph (4) of subdivision (b) that results in a requirement that an urban retail water supplier achieve a reduction in daily per capita water use that is greater than 20 percent by December 31, 2020, an urban retail water supplier that adopted the method

- described in paragraph (4) of subdivision (b) may limit its urban water use target to a reduction of not more than 20 percent by December 31, 2020, by adopting the method described in paragraph (1) of subdivision (b).
- (d) The department shall update the method described in paragraph (4) of subdivision (b) and report to the Legislature by December 31, 2014. An urban retail water supplier that adopted the method described in paragraph (4) of subdivision (b) may adopt a new urban daily per capita water use target pursuant to this updated method.
- (e) An urban retail water supplier shall include in its urban water management plan due in 2010 pursuant to Part 2.6 (commencing with Section 10610) the baseline daily per capita water use, urban water use target, interim urban water use target, and compliance daily per capita water use, along with the bases for determining those estimates, including references to supporting data.
- (f) When calculating per capita values for the purposes of this chapter, an urban retail water supplier shall determine population using federal, state, and local population reports and projections.
- (g) An urban retail water supplier may update its 2020 urban water use target in its 2015 urban water management plan required pursuant to Part 2.6 (commencing with Section 10610).
- (h) (1) The department, through a public process and in consultation with the California Urban Water Conservation Council, shall develop technical methodologies and criteria for the consistent implementation of this part, including, but not limited to, both of the following:
 - (A) Methodologies for calculating base daily per capita water use, baseline commercial, industrial, and institutional water use, compliance daily per capita water use, gross water use, service area population, indoor residential water use, and landscaped area water use.
 - (B) Criteria for adjustments pursuant to subdivisions (d) and (e) of Section 10608.24.
 - (2) The department shall post the methodologies and criteria developed pursuant to this subdivision on its Internet Web site, and make written copies available, by October 1, 2010. An urban retail water supplier shall use the methods developed by the department in compliance with this part.
- (i) (1) The department shall adopt regulations for implementation of the provisions relating to process water in accordance with subdivision (I) of Section 10608.12, subdivision (e) of Section 10608.24, and subdivision (d) of Section 10608.26.
 - (2) The initial adoption of a regulation authorized by this subdivision is deemed to address an emergency, for purposes of Sections 11346.1 and 11349.6 of the Government Code, and the department is hereby exempted for that purpose from the requirements of subdivision (b) of Section 11346.1 of the

- Government Code. After the initial adoption of an emergency regulation pursuant to this subdivision, the department shall not request approval from the Office of Administrative Law to readopt the regulation as an emergency regulation pursuant to Section 11346.1 of the Government Code.
- (j) (1) An urban retail water supplier is granted an extension to July 1, 2011, for adoption of an urban water management plan pursuant to Part 2.6 (commencing with Section 10610) due in 2010 to allow the use of technical methodologies developed by the department pursuant to paragraph (4) of subdivision (b) and subdivision (h). An urban retail water supplier that adopts an urban water management plan due in 2010 that does not use the methodologies developed by the department pursuant to subdivision (h) shall amend the plan by July 1, 2011, to comply with this part.
 - (2) An urban wholesale water supplier whose urban water management plan prepared pursuant to Part 2.6 (commencing with Section 10610) was due and not submitted in 2010 is granted an extension to July 1, 2011, to permit coordination between an urban wholesale water supplier and urban retail water suppliers.
- 10608.22. Notwithstanding the method adopted by an urban retail water supplier pursuant to Section 10608.20, an urban retail water supplier's per capita daily water use reduction shall be no less than 5 percent of base daily per capita water use as defined in paragraph(3) of subdivision (b) of Section 10608.12. This section does not apply to an urban retail water supplier with a base daily per capita water use at or below 100 gallons per capita per day.
- 10608.24.(a) Each urban retail water supplier shall meet its interim urban water use target by December 31, 2015.
 - (b) Each urban retail water supplier shall meet its urban water use target by December 31, 2020.
 - (c) An urban retail water supplier's compliance daily per capita water use shall be the measure of progress toward achievement of its urban water use target.
 - (d) (1) When determining compliance daily per capita water use, an urban retail water supplier may consider the following factors:
 - (A) Differences in evapotranspiration and rainfall in the baseline period compared to the compliance reporting period.
 - (B) Substantial changes to commercial or industrial water use resulting from increased business output and economic development that have occurred during the reporting period.
 - (C) Substantial changes to institutional water use resulting from fire suppression services or other extraordinary events, or from new or expanded operations, that have occurred during the reporting period.
 - (2) If the urban retail water supplier elects to adjust its estimate of compliance daily per capita water use due to one or more of the factors described in

- paragraph (1), it shall provide the basis for, and data supporting, the adjustment in the report required by Section 10608.40.
- (e) When developing the urban water use target pursuant to Section 10608.20, an urban retail water supplier that has a substantial percentage of industrial water use in its service area may exclude process water from the calculation of gross water use to avoid a disproportionate burden on another customer sector.
- (f) (1) An urban retail water supplier that includes agricultural water use in an urban water management plan pursuant to Part 2.6 (commencing with Section 10610) may include the agricultural water use in determining gross water use. An urban retail water supplier that includes agricultural water use in determining gross water use and develops its urban water use target pursuant to paragraph (2) of subdivision (b) of Section 10608.20 shall use a water efficient standard for agricultural irrigation of 100 percent of reference evapotranspiration multiplied by the crop coefficient for irrigated acres.
 - (2) An urban retail water supplier, that is also an agricultural water supplier, is not subject to the requirements of Chapter 4 (commencing with Section 10608.48), if the agricultural water use is incorporated into its urban water use target pursuant to paragraph (1).
- 10608.26.(a) In complying with this part, an urban retail water supplier shall conduct at least one public hearing to accomplish all of the following:
 - (1) Allow community input regarding the urban retail water supplier's implementation plan for complying with this part.
 - (2) Consider the economic impacts of the urban retail water supplier's implementation plan for complying with this part.
 - (3) Adopt a method, pursuant to subdivision (b) of Section 10608.20, for determining its urban water use target.
 - (b) In complying with this part, an urban retail water supplier may meet its urban water use target through efficiency improvements in any combination among its customer sectors. An urban retail water supplier shall avoid placing a disproportionate burden on any customer sector.
 - (c) For an urban retail water supplier that supplies water to a United States Department of Defense military installation, the urban retail water supplier's implementation plan for complying with this part shall consider the conservation of that military installation under federal Executive Order 13514.
 - (d) (1) Any ordinance or resolution adopted by an urban retail water supplier after the effective date of this section shall not require existing customers as of the effective date of this section, to undertake changes in product formulation, operations, or equipment that would reduce process water use, but may provide technical assistance and financial incentives to those customers to implement efficiency measures for process water. This section shall not limit

- an ordinance or resolution adopted pursuant to a declaration of drought emergency by an urban retail water supplier.
- (2) This part shall not be construed or enforced so as to interfere with the requirements of Chapter 4 (commencing with Section 113980) to Chapter 13 (commencing with Section 114380), inclusive, of Part 7 of Division 104 of the Health and Safety Code, or any requirement or standard for the protection of public health, public safety, or worker safety established by federal, state, or local government or recommended by recognized standard setting organizations or trade associations.
- 10608.28.(a) An urban retail water supplier may meet its urban water use target within its retail service area, or through mutual agreement, by any of the following:
 - (1) Through an urban wholesale water supplier.
 - (2) Through a regional agency authorized to plan and implement water conservation, including, but not limited to, an agency established under the Bay Area Water Supply and Conservation Agency Act (Division 31 (commencing with Section 81300)).
 - (3) Through a regional water management group as defined in Section 10537.
 - (4) By an integrated regional water management funding area.
 - (5) By hydrologic region.
 - (6) Through other appropriate geographic scales for which computation methods have been developed by the department.
 - (b) A regional water management group, with the written consent of its member agencies, may undertake any or all planning, reporting, and implementation functions under this chapter for the member agencies that consent to those activities. Any data or reports shall provide information both for the regional water management group and separately for each consenting urban retail water supplier and urban wholesale water supplier.
- 10608.32. All costs incurred pursuant to this part by a water utility regulated by the Public Utilities Commission may be recoverable in rates subject to review and approval by the Public Utilities Commission, and may be recorded in a memorandum account and reviewed for reasonableness by the Public Utilities Commission.
- 10608.36. Urban wholesale water suppliers shall include in the urban water management plans required pursuant to Part 2.6 (commencing with Section 10610) an assessment of their present and proposed future measures, programs, and policies to help achieve the water use reductions required by this part.
- 10608.40. Urban water retail suppliers shall report to the department on their progress in meeting their urban water use targets as part of their urban water management plans

- submitted pursuant to Section 10631. The data shall be reported using a standardized form developed pursuant to Section 10608.52.
- 10608.42.(a) The department shall review the 2015 urban water management plans and report to the Legislature by July 1, 2017, on progress towards achieving a 20-percent reduction in urban water use by December 31, 2020. The report shall include recommendations on changes to water efficiency standards or urban water use targets to achieve the 20-percent reduction and to reflect updated efficiency information and technology changes.
 - (b) A report to be submitted pursuant to subdivision (a) shall be submitted in compliance with Section 9795 of the Government Code.
- 10608.43. The department, in conjunction with the California Urban Water Conservation Council, by April 1, 2010, shall convene a representative task force consisting of academic experts, urban retail water suppliers, environmental organizations, commercial water users, industrial water users, and institutional water users to develop alternative best management practices for commercial, industrial, and institutional users and an assessment of the potential statewide water use efficiency improvement in the commercial, industrial, and institutional sectors that would result from implementation of these best management practices. The taskforce, in conjunction with the department, shall submit a report to the Legislature by April 1, 2012, that shall include a review of multiple sectors within commercial, industrial, and institutional users and that shall recommend water use efficiency standards for commercial, industrial, and institutional users among various sectors of water use. The report shall include, but not be limited to, the following:
 - (a) Appropriate metrics for evaluating commercial, industrial, and institutional water use.
 - (b) Evaluation of water demands for manufacturing processes, goods, and cooling.
 - (c) Evaluation of public infrastructure necessary for delivery of recycled water to the commercial, industrial, and institutional sectors.
 - (d) Evaluation of institutional and economic barriers to increased recycled water use within the commercial, industrial, and institutional sectors.
 - (e) Identification of technical feasibility and cost of the best management practices to achieve more efficient water use statewide in the commercial, industrial, and institutional sectors that is consistent with the public interest and reflects past investments in water use efficiency.
- 10608.44. Each state agency shall reduce water use at facilities it operates to support urban retail water suppliers in meeting the target identified in Section 10608.16.

Chapter 4 Agricultural Water Suppliers

SECTION 10608.48

- 10608.48.(a) On or before July 31, 2012, an agricultural water supplier shall implement efficient water management practices pursuant to subdivisions (b) and (c).
 - (b) Agricultural water suppliers shall implement all of the following critical efficient management practices:
 - (1) Measure the volume of water delivered to customers with sufficient accuracy to comply with subdivision (a) of Section 531.10 and to implement paragraph (2).
 - (2) Adopt a pricing structure for water customers based at least in part on quantity delivered.
 - (c) Agricultural water suppliers shall implement additional efficient management practices, including, but not limited to, practices to accomplish all of the following, if the measures are locally cost effective and technically feasible:
 - (1) Facilitate alternative land use for lands with exceptionally high water duties or whose irrigation contributes to significant problems, including drainage.
 - (2) Facilitate use of available recycled water that otherwise would not be used beneficially, meets all health and safety criteria, and does not harm crops or soils.
 - (3) Facilitate the financing of capital improvements for on-farm irrigation systems.
 - (4) Implement an incentive pricing structure that promotes one or more of the following goals:
 - (A) More efficient water use at the farm level.
 - (B) Conjunctive use of groundwater.
 - (C) Appropriate increase of groundwater recharge.
 - (D) Reduction in problem drainage.
 - (E) Improved management of environmental resources.
 - (F) Effective management of all water sources throughout the year by adjusting seasonal pricing structures based on current conditions.
 - (5) Expand line or pipe distribution systems, and construct regulatory reservoirs to increase distribution system flexibility and capacity, decrease maintenance, and reduce seepage.

- (6) Increase flexibility in water ordering by, and delivery to, water customers within operational limits.
- (7) Construct and operate supplier spill and tailwater recovery systems.
- (8) Increase planned conjunctive use of surface water and groundwater within the supplier service area.
- (9) Automate canal control structures.
- (10) Facilitate or promote customer pump testing and evaluation.
- (11) Designate a water conservation coordinator who will develop and implement the water management plan and prepare progress reports.
- (12) Provide for the availability of water management services to water users. These services may include, but are not limited to, all of the following:
 - (A) On-farm irrigation and drainage system evaluations.
 - (B) Normal year and real-time irrigation scheduling and crop evapotranspiration information.
 - (C) Surface water, groundwater, and drainage water quantity and quality data.
 - (D) Agricultural water management educational programs and materials for farmers, staff, and the public.
- (13) Evaluate the policies of agencies that provide the supplier with water to identify the potential for institutional changes to allow more flexible water deliveries and storage.
- (14) Evaluate and improve the efficiencies of the supplier's pumps.
- (d) Agricultural water suppliers shall include in the agricultural water management plans required pursuant to Part 2.8 (commencing with Section 10800) a report on which efficient water management practices have been implemented and are planned to be implemented, an estimate of the water use efficiency improvements that have occurred since the last report, and an estimate of the water use efficiency improvements estimated to occur five and 10 years in the future. If an agricultural water supplier determines that an efficient water management practice is not locally cost effective or technically feasible, the supplier shall submit information documenting that determination.
- (e) The data shall be reported using a standardized form developed pursuant to Section 10608.52.
- (f) An agricultural water supplier may meet the requirements of subdivisions (d) and (e) by submitting to the department a water conservation plan submitted to the United States Bureau of Reclamation that meets the requirements described in Section 10828.

- (g) On or before December 31, 2013, December 31, 2016, and December 31, 2021, the department, in consultation with the board, shall submit to the Legislature a report on the agricultural efficient water management practices that have been implemented and are planned to be implemented and an assessment of the manner in which the implementation of those efficient water management practices has affected and will affect agricultural operations, including estimated water use efficiency improvements, if any.
- (h) The department may update the efficient water management practices required pursuant to subdivision (c), in consultation with the Agricultural Water Management Council, the United States Bureau of Reclamation, and the board. All efficient water management practices for agricultural water use pursuant to this chapter shall be adopted or revised by the department only after the department conducts public hearings to allow participation of the diverse geographical areas and interests of the state.
- (i) (1) The department shall adopt regulations that provide for a range of options that agricultural water suppliers may use or implement to comply with the measurement requirement in paragraph (1) of subdivision (b).
 - (2) The initial adoption of a regulation authorized by this subdivision is deemed to address an emergency, for purposes of Sections 11346.1 and 11349.6 of the Government Code, and the department is hereby exempted for that purpose from the requirements of subdivision (b) of Section 11346.1 of the Government Code. After the initial adoption of an emergency regulation pursuant to this subdivision, the department shall not request approval from the Office of Administrative Law to readopt the regulation as an emergency regulation pursuant to Section 11346.1 of the Government Code.

Chapter 5 Sustainable Water Management

Section 10608.50

- 10608.50.(a) The department, in consultation with the board, shall promote implementation of regional water resources management practices through increased incentives and removal of barriers consistent with state and federal law. Potential changes may include, but are not limited to, all of the following:
 - (1) Revisions to the requirements for urban and agricultural water management plans.
 - (2) Revisions to the requirements for integrated regional water management plans.
 - (3) Revisions to the eligibility for state water management grants and loans.

- (4) Revisions to state or local permitting requirements that increase water supply opportunities, but do not weaken water quality protection under state and federal law.
- (5) Increased funding for research, feasibility studies, and project construction.
- (6) Expanding technical and educational support for local land use and water management agencies.
- (b) No later than January 1, 2011, and updated as part of the California Water Plan, the department, in consultation with the board, and with public input, shall propose new statewide targets, or review and update existing statewide targets, for regional water resources management practices, including, but not limited to, recycled water, brackish groundwater desalination, and infiltration and direct use of urban stormwater runoff.

Chapter 6 Standardized Data Collection

SECTION 10608.52

- 10608.52.(a) The department, in consultation with the board, the California Bay-Delta Authority or its successor agency, the State Department of Public Health, and the Public Utilities Commission, shall develop a single standardized water use reporting form to meet the water use information needs of each agency, including the needs of urban water suppliers that elect to determine and report progress toward achieving targets on a regional basis as provided in subdivision (a) of Section 10608.28.
 - (b) At a minimum, the form shall be developed to accommodate information sufficient to assess an urban water supplier's compliance with conservation targets pursuant to Section 10608.24 and an agricultural water supplier's compliance with implementation of efficient water management practices pursuant to subdivision (a) of Section 10608.48. The form shall accommodate reporting by urban water suppliers on an individual or regional basis as provided in subdivision (a) of Section 10608.28.

Chapter 7 Funding Provisions

Section 10608.56-10608.60

- 10608.56.(a) On and after July 1, 2016, an urban retail water supplier is not eligible for a water grant or loan awarded or administered by the state unless the supplier complies with this part.
 - (b) On and after July 1, 2013, an agricultural water supplier is not eligible for a water grant or loan awarded or administered by the state unless the supplier complies with this part.

- (c) Notwithstanding subdivision (a), the department shall determine that an urban retail water supplier is eligible for a water grant or loan even though the supplier has not met the per capita reductions required pursuant to Section 10608.24, if the urban retail water supplier has submitted to the department for approval a schedule, financing plan, and budget, to be included in the grant or loan agreement, for achieving the per capita reductions. The supplier may request grant or loan funds to achieve the per capita reductions to the extent the request is consistent with the eligibility requirements applicable to the water funds.
- (d) Notwithstanding subdivision (b), the department shall determine that an agricultural water supplier is eligible for a water grant or loan even though the supplier is not implementing all of the efficient water management practices described in Section 10608.48, if the agricultural water supplier has submitted to the department for approval a schedule, financing plan, and budget, to be included in the grant or loan agreement, for implementation of the efficient water management practices. The supplier may request grant or loan funds to implement the efficient water management practices to the extent the request is consistent with the eligibility requirements applicable to the water funds.
- (e) Notwithstanding subdivision (a), the department shall determine that an urban retail water supplier is eligible for a water grant or loan even though the supplier has not met the per capita reductions required pursuant to Section 10608.24, if the urban retail water supplier has submitted to the department for approval documentation demonstrating that its entire service area qualifies as a disadvantaged community.
- (f) The department shall not deny eligibility to an urban retail water supplier or agricultural water supplier in compliance with the requirements of this part and Part 2.8 (commencing with Section 10800), that is participating in a multiagency water project, or an integrated regional water management plan, developed pursuant to Section 75026 of the Public Resources Code, solely on the basis that one or more of the agencies participating in the project or plan is not implementing all of the requirements of this part or Part 2.8 (commencing with Section 10800).
- 10608.60.(a) It is the intent of the Legislature that funds made available by Section 75026 of the Public Resources Code should be expended, consistent with Division 43 (commencing with Section 75001) of the Public Resources Code and upon appropriation by the Legislature, for grants to implement this part. In the allocation of funding, it is the intent of the Legislature that the department give consideration to disadvantaged communities to assist in implementing the requirements of this part.
 - (b) It is the intent of the Legislature that funds made available by Section 75041 of the Public Resources Code, should be expended, consistent with Division 43 (commencing with Section 75001) of the Public Resources Code and upon appropriation by the Legislature, for direct expenditures to implement this part.

Chapter 8 Quantifying Agricultural Water Use Efficiency

SECTION 10608.64

10608.64. The department, in consultation with the Agricultural Water Management Council, academic experts, and other stakeholders, shall develop a methodology for quantifying the efficiency of agricultural water use. Alternatives to be assessed shall include, but not be limited to, determination of efficiency levels based on crop type or irrigation system distribution uniformity. On or before December 31, 2011, the department shall report to the Legislature on a proposed methodology and a plan for implementation. The plan shall include the estimated implementation costs and the types of data needed to support the methodology. Nothing in this section authorizes the department to implement a methodology established pursuant to this section.

APPENDIX H

SB X7-7 Verification Form

SB X7-7 Table 0: Units of Measure Used in UWMP* (select one from the drop down list)				
Acre Feet				
*The unit of measur	e must be consistent with Table 2-3			
NOTES:				

Baseline	Parameter	Value	Units
	2008 total water deliveries	1,606	Acre Feet
	2008 total volume of delivered recycled water	186	Acre Feet
10- to 15-year baseline period	2008 recycled water as a percent of total deliveries	11.58%	Percent
	Number of years in baseline period ^{1, 2}	10	Years
	Year beginning baseline period range	1999	
	Year ending baseline period range ³	2008	
	Number of years in baseline period	5	Years
5-year	Year beginning baseline period range	2003	
baseline period	Year ending baseline period range ⁴	2007	

If the 2008 recycled water percent is less than 10 percent, then the first baseline period is a continuous 10-year period. If the amount of recycled water delivered in 2008 is 10 percent or greater, the first baseline period is a continuous 10- to 15-year period.

The Water Code requires that the baseline period is between 10 and 15 years. However, DWR recognizes that some water suppliers may not have the minimum 10 years of baseline data.

NOTES:

³ The ending year must be between December 31, 2004 and December 31, 2010.

⁴ The ending year must be between December 31, 2007 and December 31, 2010.

SB X7-7	Table 2: Method for Population Estimates
	Method Used to Determine Population (may check more than one)
	1. Department of Finance (DOF) DOF Table E-8 (1990 - 2000) and (2000-2010) and DOF Table E-5 (2011 - 2015) when available
	2. Persons-per-Connection Method
V	3. DWR Population Tool
	4. Other DWR recommends pre-review
NOTES:	

SB X7-7 T	SB X7-7 Table 3: Service Area Population			
Y	'ear	Population		
10 to 15 Ye	ear Baseline Po	pulation		
Year 1	1999	16,024		
Year 2	2000	16,054		
Year 3	2001	15,669		
Year 4	2002	15,269		
Year 5	2003	14,884		
Year 6	2004	14,471		
Year 7	2005	14,071		
Year 8	2006	13,672		
Year 9	2007	13,277		
Year 10	2008	15,364		
Year 11				
Year 12				
Year 13				
Year 14				
Year 15				
5 Year Bas	eline Populatio	n		
Year 1	2003	14,884		
Year 2	2004	14,471		
Year 3	2005	14,071		
Year 4	2006	13,672		
Year 5	2007	13,277		
2015 Com	oliance Year Po	pulation		
2	015	14,644		

NOTES: The 2015 population was calculated using the persons per connection for 2010 calculated using the DWR Population Tool and then multiplying the 2010 persons per connection by the number of connections for 2015.

		W-1			Deduction	S		
	ine Year 7-7 Table 3	Volume Into Distribution System This column will remain blank until SB X7-7 Table 4-A is completed.	Exported Water	Change in Dist. System Storage (+/-)	Indirect Recycled Water This column will remain blank until SB X7-7 Table 4-B is completed.	Water Delivered for Agricultural Use	Process Water This column will remain blank until SB X7-7 Table 4-D is completed.	Annual Gross Water Use
10 to 15 Y	ear Baseline -	Gross Water U	se					
Year 1	1999	7,741	180				2,117.1	5,444
Year 2	2000	7,339	180				2,004.5	5,154
Year 3	2001	7,119	180				1,652.6	5,286
Year 4	2002	7,527	180				2,321.4	5,026
Year 5	2003	7,592	180				2,521.2	4,891
Year 6	2004	7,404	180				2,206.7	5,017
Year 7	2005	7,362	180				1,932.2	5,250
Year 8	2006	7,283	180				1,881.0	5,222
Year 9	2007	7,594	114				1,981.3	5,499
Year 10	2008	7,174	194				1,851.2	5,129
Year 11	0				-		-	-
Year 12	0	- 1						-
Year 13	0				-			A Victoria
Year 14	0	- 1						-
Year 15	0	-					-	
10 - 15 yea	r baseline av	erage gross wa	iter use				The state of the	5,192
5 Year Bas	seline - Gross	Water Use						
Year 1	2003	7,592	180				2,521.2	4,891
Year 2	2004	7,404	180				2,206.7	5,017
Year 3	2005	7,362	180				1,932.2	5,250
Year 4	2006	7,283	180		-		1,881.0	5,222
Year 5	2007	7,594	114		-		1,981.3	5,499
5 year bas	eline average	gross water us	se					5,176
2015 Com	oliance Year -	Gross Water U	se					
	2015	5,430	158				1,505.5	3,766

SB X7-7 Table 4-A: Volume Entering the Distribution System(s)

Complete one table for each source.

Name of S	ource	Groundwater V	Vells	
This water	State State of Street, Street, Street, St.			
V		er's own water		
	A purchase	ed or imported	source	
Baseline Year Fm SB X7-7 Table 3		Volume Entering Distribution System	Meter Error Adjustment* Optional (+/-) Distribution Sys	Corrected Volume Entering Distribution System
Year 1	1999	4,083	Jistribution 3y3	4,083
Year 2	2000	2,944		2,944
Year 3	2001	2,929		2,929
Year 4	2002	3,696		3,696
Year 5	2003	3,882		3,882
Year 6	2004	2,978		2,978
Year 7	2005	2,974		2,974
Year 8	2006	2,096		2,096
Year 9	2007	1,575		1,575
Year 10	2008	1,445		1,445
Year 11	0			
Year 12	0			-
Year 13	0			- 11
Year 14	0			-
Year 15	0			-
5 Year Bas	eline - Wate	er into Distribu	ition System	
Year 1	2003	3,882		3,882
Year 2	2004	2,978		2,978
Year 3	2005	2,974		2,974
Year 4	2006	2,096		2,096
Year 5	2007	1,575		1,575
		r - Water into	Distribution Sys	tem
)15	-		-
* Mete	er Error Adjust	ment - See guidar Methodologies L	nce in Methodology Document	1, Step 3 of
NOTES:				

SB X7-7 T	able 4-A: \	Volume Ente	ring the Distril	oution
Name of S	ource	MWD Imported	d Water	
This water				
	The supplie	er's own water	source	
V	A purchase	ed or imported	source	
Fm SB X7-		Volume Entering Distribution System	Meter Error Adjustment* <i>Optional</i> (+/-)	Corrected Volume Entering Distribution System
10 to 15 Ye	ear Baseline		Distribution Sys	
Year 1	1999	3658		3,658
Year 2	2000	4395		4,395
Year 3	2001	4190		4,190
Year 4	2002	3831		3,831
Year 5	2003	3710		3,710
Year 6	2004	4253		4,253
Year 7	2005	2273		2,273
Year 8	2006	3669		3,669
Year 9	2007	4492		4,492
Year 10	2008	4083		4,083
Year 11	0			0
Year 12	0			0
Year 13	0			0
Year 14	0			0
Year 15	0			0
5 Year Bas	eline - Wate	er into Distribu	ition System	
Year 1	2003	3710		3,710
Year 2	2004	4253		4,253
Year 3	2005	2273		2,273
Year 4	2006	3669		3,669
Year 5	2007	4492		4,492
2015 Com	pliance Yea	r - Water into	Distribution Sys	tem
20)15	2,714		2,714
	er Error Adjust	ment - See guidai Methodologies I	nce in Methodology Document) 1, Step 3 of
NOTES:				

Name of S	ource	CB WQPP (Trea	ted Groundwate	r)
This water	source is:			
	The supplie	er's own water	source	
V	A purchase	d or imported	source	
	n e Year -7 Table 3	Volume Entering Distribution System	Meter Error Adjustment* Optional (+/-)	Corrected Volume Entering Distribution System
10 to 15 Ye	ear Baseline	- Water into I	Distribution Sys	tem
Year 1	1999	0		0
Year 2	2000	0		0
Year 3	2001	0		0
Year 4	2002	0		0
Year 5	2003	0		0
Year 6	2004	173		173
Year 7	2005	2115		2,115
Year 8	2006	1518		1,518
Year 9	2007	1527		1,527
Year 10	2008	1646		1,646
Year 11				0
Year 12				0
Year 13				0
Year 14				0
Year 15				0
5 Year Bas	eline - Wate	er into Distribu	ition System	
Year 1	2003	0		0
Year 2	2004	173		173
Year 3	2005	2115		2,115
Year 4	2006	1518		1,518
Year 5	2007	1527		1,527
2015 Com	pliance Yea	r - Water into	Distribution Sys	tem
20	015	2,716		2,716
* Met	er Error Adjust	ment - See guida Methodologies I	nce in Methodology Document	ı 1, Step 3 of

V	Criteria 1- Industrial water use is equal to or greater than 12% of gross water use. Complete SB X7-7 Table 4-C.1
	Criteria 2 - Industrial water use is equal to or greater than 15 GPCD. Complete SB X7-7 Table 4-C.2
	Criteria 3 - Non-industrial use is equal to or less than 120 GPCD. Complete SB X7-7 Table 4-C.3
	Criteria 4 - Disadvantaged Community. Complete SB x7-7 Table 4-C.4
NOTES:	

SB X7-7 Table 4-C.1: Process Water Deduction Eligibility

Criteria 1

Industrial water use is equal to or greater than 12% of gross water use

	ine Year 7-7 Table 3	Gross Water Use Without Process Water Deduction	Industrial Water Use	Percent Industrial Water	Eligible for Exclusion Y/N
10 to 15 Y	ear Baseline -	Process Water	Deduction Eligib	oility	
Year 1	1999	7,561	2,117	28%	YES
Year 2	2000	7,159	2,005	28%	YES
Year 3	2001	6,939	1,653	24%	YES
Year 4	2002	7,347	2,321	32%	YES
Year 5	2003	7,412	2,521	34%	YES
Year 6	2004	7,224	2,207	31%	YES
Year 7	2005	7,182	1,932	27%	YES
Year 8	2006	7,103	1,881	26%	YES
Year 9	2007	7,480	1,981	26%	YES
Year 10	2008	6,980	1,851	27%	YES
Year 11	0	-			NO
Year 12	0	-			NO
Year 13	0				NO
Year 14	0	-			NO
Year 15	0	-			NO
5 Year Bas	eline - Proces	ss Water Deduc	tion Eligibility		
Year 1	2003	7,412	2,521	34%	YES
Year 2	2004	7,224	2,207	31%	YES
Year 3	2005	7,182	1,932	27%	YES
Year 4	2006	7,103	1,881	26%	YES
Year 5	2007	7,480	1,981	26%	YES
2015 Com	pliance Year -	Process Water	Deduction Eligib	olity	
2	015	5,272	1,506	29%	YES

NOTES:

separate <u>t</u> a	ble for each i	ndustrial custom	er with a proce	ss water exclusio	n	
Name of I	ndustrial Cu	ıstomer	Total Industria	l Use		
Fm SB X7	ne Yea r '-7 Table 3	Industrial Customer's Total Water Use	Total Volume Supplied by Water Agency	% of Water Supplied by Water Agency	Customer's Total Process Water Use	Volume of Process Water Eligible for Exclusion for this Customer
10 to 15 Y		- Process Wate	er Deduction			对性别的结束
Year 1	1999	2,117	2,117	100%	2,117	2,117
Year 2	2000	2,005	2,005	100%	2,005	2,005
Year 3	2001	1,653	1,653	100%	1,653	1,653
Year 4	2002	2,321	2,321	100%	2,321	2,321
Year 5	2003	2,521	2,521	100%	2,521	2,521
Year 6	2004	2,207	2,207	100%	2,207	2,207
Year 7	2005	1,932	1,932	100%	1,932	1,932
Year 8	2006	1,881	1,881	100%	1,881	1,881
Year 9	2007	1,981	1,981	100%	1,981	1,981
Year 10	2008	1,851	1,851	100%	1,851	1,851
Year 11	0					-
Year 12	0					
Year 13	0					
Year 14	0					-
Year 15	0					-
5 Year Bas	eline - Proc	ess Water Dedu	uction			
Year 1	2003	2,521	2,521	100%	2,521	2,521
Year 2	2004	2,207	2,207	100%	2,207	2,207
Year 3	2005	1,932	1,932	100%	1,932	1,932
Year 4	2006	1,881	1,881	100%	1,881	1,881
Year 5	2007	1,981	1,981	100%	1,981	1,981
2015 Com	pliance Yea	r - Process Wat	er Deduction			
20	015	1,506	1,506	100%	1,506	1,506

	line Year 7-7 Table 3	Service Area Population Fm SB X7-7 Table 3	Annual Gross Water Use Fm SB X7-7 Table 4	Daily Per Capita Water Use (GPCD)
10 to 15 Ye	ear Baseline G	PCD		
Year 1	1999	16,024	5,444	303
Year 2	2000	16,054	5,154	287
Year 3	2001	15,669	5,286	301
Year 4	2002	15,269	5,026	294
Year 5	2003	14,884	4,891	293
Year 6	2004	14,471	5,017	310
Year 7	2005	14,071	5,250	333
Year 8	2006	13,672	5,222	341
Year 9	2007	13,277	5,499	370
Year 10	2008	15,364	5,129	298
Year 11	0			
Year 12	0			
Year 13	0	-		
Year 14	0		-	
Year 15	0		- 7	
10-15 Yea	r Average Bas	eline GPCD		313
5 Year Bas	seline GPCD			
	line Year (7-7 Table 3	Service Area Population Fm SB X7-7 Table 3	Gross Water Use Fm SB X7-7 Table 4	Daily Per Capita Water Use
Year 1	2003	14,884	4,891	293
Year 2	2004	14,471	5,017	310
Year 3	2005	14,071	5,250	333
Year 4	2006	13,672	5,222	341
Year 5	2007	13,277	5,499	370
5 Year Ave	erage Baseline	GPCD		329
2015 Com	npliance Year (GPCD		
	2015	14,644	3,766	230
NOTES:				

Summary From Table SB X7-7 Ta	bie 5
10-15 Year Baseline GPCD	313
5 Year Baseline GPCD	329
2015 Compliance Year GPCD	230
NOTES:	

v	Method 1	SB X7-7 Table 7A
	Method 2	SB X7-7 Tables 7B, 7C, and 7D Contact DWR for these tables
	Method 3	SB X7-7 Table 7-E
	Method 4	Method 4 Calculator

.

SB X7-7 Table 7-A: Target Method 1 20% Reduction				
10-15 Year Baseline GPCD	2020 Target GPCD			
313	250			
NOTES:				

Agency May Select More Than One as Applicable	Percentage of Service Area in This Hydrological Region	Hydrologic Region	"2020 Plan" Regional Targets	Method 3 Regional Targets (95%)
		North Coast	137	130
		North Lahontan	173	164
		Sacramento River	176	167
		San Francisco Bay	131	124
		San Joaquin River	174	165
		Central Coast	123	117
		Tulare Lake	188	179
		South Lahontan	170	162
7	100%	South Coast	149	142
		Colorado River	211	200
Target (If more than one region is selected, this value is calculated.)				
NOTES:				

SB X7-7 Table 7-F: Confirm Minimum Reduction for 2020 Target					
5 Year Baseline GPCD From SB X7-7 Table 5	Maximum 2020 Target ¹	Calculated 2020 Target ²	Confirmed 2020 Target		
329	313	250	250		

¹ Maximum 2020 Target is 95% of the 5 Year Baseline GPCD ² 2020 Target is calculated based on the selected Target Method, see SB X7-7 Table 7 and corresponding tables for agency's calculated target.

NOTES:

Confirmed 2020 Target Fm SB X7-7 Table 7-F	10-15 year Baseline GPCD Fm SB X7-7 Table 5	2015 Interim Target GPCD
250	313	281

SB X7-7 Table 9: 2015 Compliance								
			Optional	Adjustments (in	GPCD)			
			Enter "0" if Adjustment Not Used					Did Supplier
Actual 2015 GPCD	2015 Interim Target GPCD	Extraordinary Events	Weather Normalization	Economic Adjustment	TOTAL Adjustments	Adjusted 2015 GPCD	2015 GPCD (Adjusted if applicable)	Achieve Targeted Reduction for 2015?
230	281	0	0	0		230	230	YES
NOTEC					-			•

NOTES:

Water Utility Authority Meeting

January 24, 2019

NEW BUSINESS

Water Rate Study – Authorization to Issue a Request for Proposals

RECOMMENDATION

That the Water Utility Authority (WUA) authorize the Director of Public Works to issue a Request for Proposals (RFP) to prepare a Water Rate Study.

BACKGROUND

For a number of years, Staff prepared the analysis and recommendations to the WUA regarding water rate adjustments. In November, 2013, the WUA awarded a contract to an outside consultant to prepare a water rate study to address the challenges facing the WUA, including:

- Insufficient funds for capital improvements to the water infrastructure.
- Increase in cost of water purchased from Metropolitan Water District (MWD).
- Increase in cost of the Groundwater Replenishment Assessment from the Water Replenishment District (WRD)
- Compliance with Proposition 218 (states that fees and charges shall not exceed the proportional cost of service for the parcel).

The consultant performed a comprehensive review of the WUA's financial plan and water rates. The consultant made several recommendations regarding the City's rate structure and water rates. Following compliance with the requirements of Proposition 218, the City approved a one-time 11% increase, effective FY 2016/17, to the existing water rates. No other changes were implemented.

The challenges identified above continue to impact the City. In particular, the cost of water purchased from MWD and the WRD assessment continue to increase disproportionate to the City's water rate increases. This gap is summarized for a five (5) year period below:

Fiscal Year	W	MWD % Rate Increase	WRD % Rate Increase	City % Water Rate Increase
2013-14		7.3%	9.0%	0%
2014-15		4.0%	0%	0%
2015-16		-3.5%	5.0%	0%
2016-17		4.0%	5.0%	11.0%
2017-18		5.5%	6.5%	0%
2018-19		5.0%	6.0%	0%
	Total:	22.3%	31.5%	11%

Report Submitted By:

Noe Negrete
Director of Public Works

Date of Report: January 15, 2019

Staff is recommending the WUA authorize issuing a RFP to perform a Water Rate Study with the following objectives:

- Develop a water rate structure that will allow the City to meets its financial obligations, specifically ensuring long-term (5 years) financial stability for the Water Fund.
- Assess the current rate structure's performance as a baseline for developing proposed revisions to the water rate structure and rates to encourage efficient use for environmental sustainability.
- Ensure the proposed rates are consistent with the requirements of Proposition 218.

Staff is proposing the following Water Rate Study Schedule:

DESCRIPTION	DATE/TIME
Request for Proposals Released	02/04/2019
Deadline to Submit Questions	02/19/2019 at 4:00 p.m.
Deadline to Receive Proposals	03/05/2019 at 3:00 p.m.
Contract Award	03/28/2019
Notice to Proceed	04/15/2019
Preliminary Report	05/27/2019
Final Report	08/01/2019

The final report of the Water Rate Study will be presented to the WUA in a study session.

FISCAL IMPACT

Staff will request an appropriation at the time the City Council considers awarding a contract to perform a Water Rate Study. The cost for a water rate study is not included in FY 2018/19 Public Works budget.

INFRASTRUCTURE IMPACT

The Water Rate Study will assess the current rate structure's performance as a baseline for developing proposed revisions to the water rate structure and rates to encourage efficient use for environmental sustainability

Raymond R. Cruz Executive Director

Attachment:

Request for Proposals – Water Rate Study

Report Submitted By:

Noe Negrete

Director of Public Works

Date of Report: January 15, 2019

CITY OF SANTA FE SPRINGS WATER UTILITY AUTHORITY

REQUEST FOR PROPOSALS WATER RATE STUDY



DEPARTMENT OF PUBLIC WORKS

INQUIRIES REGARDING THIS PROJECT MAY BE DIRECTED TO:

Al Fuentes, Project Manager City of Santa Fe Springs 11710 Telegraph Road Santa Fe Springs, CA 90670 Phone (562) 868-0511, Extension 7355

REQUEST FOR PROPOSALS

WATER RATE STUDY

The City of Santa Fe Springs Water Utility Authority ("AGENCY") is requesting proposals from qualified professional consultants to submit written proposals to conduct a water rate study for the AGENCY. In general, the consultant's services will include assessing the AGENCY's current water rate structure performance as a baseline for comparing recommended changes; and developing a water rate structure that will allow the AGENCY to meet its financial obligations and ensuring long term financial stability of the Water Fund.

Proposers are requested to submit their proposals and written statements of technical qualifications for completing the work in accordance with and as specified in this Request for Proposals (RFP). Failure to comply with the requirements identified in the RFP may render a proposal non-responsive. The specific services requested are described in the Scope of Services included in this RFP.

The AGENCY invites proposals for the above-stated services and will receive such proposals in the Director of Public Works Office, City of Santa Fe Springs, 11710 Telegraph Road, Santa Fe Springs, California 90670, until 3:00 p.m. on Tuesday, March 5, 2019.

Interested proposers must submit six (6) copies of their proposal labeled "Proposal for Water Rate Study" to:

Noe Negrete Director of Public Works City of Santa Fe Springs 11710 E. Telegraph Road Santa Fe Springs, CA 90670

Proposals received after the time and date specified above will not be accepted and will be returned to the proposer unopened. No pre-submittal meeting has been scheduled for this project.

The AGENCY reserves the right to reject any or all proposals, to waive any irregularity in any proposal received, and to be the sole judge of the merits of the respective proposals received and to take all proposals under advisement for a period of 45 days. The award, if made, will be made to the Consultant whose proposal best meets the technical requirements of the RFP as determined by the AGENCY. The proposal submitted by the selected Consultant shall be incorporated as part of the final contract accordingly.

All questions regarding this project must be directed to Al Fuentes, Project Manager at (562) 868-0511, ext. 7355.

INSTRUCTIONS TO PROPOSERS

WATER RATE STUDY

1. PROPOSED WATER RATE STUDY SCHEDULE

DATE/TIME
02/04/2019
02/19/2019 at 4:00 p.m.
03/05/2019 at 3:00 p.m.
03/28/2019
04/15/2019
05/27/2019
08/01/2019

The AGENCY reserves the right to modify any element of the timeline should that become necessary.

2. PRE-SUBMITTAL MEETING

No Pre-Submittal Meeting has been scheduled for this project.

3. SUBMISSION OF PROPOSALS

To be considered, the Proposals must be received by the Department of Public Works, City of Santa Fe Springs, by 3:00 p.m. on Tuesday, March 5, 2019. Consultants must submit six (6) copies of their Proposal labeled "Proposal for Water Rate Study" to:

Noe Negrete, Director of Public Works City of Santa Fe Springs 11710 Telegraph Road Santa Fe Springs, CA 90670-3658

Proposals, and amendments to proposals, received after the date and time specified above will not be accepted and will be returned to the Consultant unopened.

4. DISSEMINATION OF RFP INFORMATION

From time to time, the AGENCY may issue responses to requests for clarifications, questions, comments, and addenda to this Request for Proposals ("RFP"), or other material related to this solicitation. By submitting a proposal, Consultants are deemed to have constructive knowledge and notice of all information pertaining to this RFP.

5. ADDENDA TO THE RFP

Any change(s) to the requirements of this RFP initiated by the AGENCY will be made by written addenda to this RFP. Any written addenda issued pertaining to this RFP shall be incorporated into and made a part of the terms and conditions of any resulting agreement. The AGENCY will not be bound to any modifications to or deviations from the

requirements set forth in this RFP unless they have been documented by addenda to this RFP. Consultants will be required to document that they are aware of all addenda issued by the AGENCY in their proposal.

6. QUESTIONS AND REQUESTS FOR CLARIFICATIONS

A. Contact Person for the Project

All questions or contacts regarding this RFP must be directed to Mr. Al Fuentes who can be reached at (562) 868-0511, ext. 7355 or by email at alfuentes@santafesprings.org

B. Clarifications of the RFP

Consultants are encouraged to promptly notify Mr. Fuentes of any apparent errors or inconsistencies in the RFP, inclusive of all attachments, exhibits and appendices. Should a Consultant require clarifications to this RFP, the Consultant shall notify the AGENCY in writing in accordance with Subsection "a" above. Should it be found that the point in question is not clearly and fully set forth in the RFP, a written addendum clarifying the matter will be issued.

C. Submitting Requests

All questions must be submitted to the AGENCY by 4:00 p.m. on Tuesday, February 19, 2019. The AGENCY is not responsible for failure to respond to a request or question that has not been labeled correctly. Questions can be submitted via U.S. Mail, Personal Courier, Fax or Email as long as they are received no later than the date and time specified above. The AGENCY is not liable for any late arrivals due to courier method or electronic delivery.

Requests for clarifications, questions and comments received after 4:00 p.m. on Tuesday, February 19, 2019 will not be responded to.

C. AGENCY Responses

The AGENCY, in its sole discretion, will respond to requests for clarifications, questions and comments. Responses will be emailed to proposers on or before 5:00 p.m. on Monday, February 25, 2019.

7. COST OF PROPOSAL PREPARATION

Any party responding to this RFP shall do so at their own risk and cost. The AGENCY shall not, under any circumstances, be liable for any pre-contractual expenses incurred by any Consultant who elects to submit a proposal in response to this RFP or by any Consultant that is selected. Pre-contractual expenses are defined as expenses incurred by Consultants and the selected Consultant, if any, in:

- Preparing a Proposal and related information in response to this RFP;
- Submitting a Proposal to the AGENCY;
- Negotiations with the AGENCY on any matter related to this RFP;
- Costs associated with interviews, meetings, travel or presentations; or

 Any and all other expenses incurred by a Consultant prior to the date of award, if any, of an agreement, and formal notice to proceed.

The AGENCY will provide only the staff assistance and documentation specifically referred to herein and will not be responsible for any other cost or obligation of any kind, which may be incurred by the Consultant.

8. CONFLICT OF INTEREST

By responding to this RFP, each Consultant represents to the best of its knowledge that:

- Neither Consultant, nor any of its affiliates, proposed subconsultants, and associated staff, have communicated with any member of the AGENCY since the release of this RFP on any matter related to this RFP except to the extent specified in this RFP:
- Neither Consultant, nor any of its affiliates, proposed subconsultants and associated staff, has obtained or used any information regarding this RFP and the proposed services that has not been generally available to all Consultants, and
- No conflict of interest exists under any applicable statute or regulation or as a result of any past or current contractual relationship with the AGENCY;
- Neither Consultant, nor any of its affiliates, proposed subconsultants, or associated staff, have any financial interest in any property that will be affected by any of the referenced projects.

Neither Consultant, nor any of its affiliates, proposed subconsultants, or associated staff, have a personal relationship with any member of the governing body, officer or employee of the AGENCY who exercises any functions or responsibilities in connection with the referenced projects.

9. KEY PERSONNEL

It is imperative that key personnel proposed to provide services have the background, experience and qualifications to properly undertake all necessary services for the successful completion of the referenced projects. The Consultant must identify all proposed key personnel in its Proposal. The Team must be well qualified and have sufficient experience in the areas described in the Scope of Services.

The AGENCY reserves the right to approve all key personnel individually for any and all projects authorized by the AGENCY as a result of this solicitation. After an agreement has been executed, the selected consultant may not replace any key staff without written approval from the AGENCY. The AGENCY must approve replacement staff before a substitute person is assigned to a project. The AGENCY reserves the right to require the Consultant to replace a staff person assigned to the contract should the AGENCY consider replacement to be for the good of the project. Replacement staff will be subject to the AGENCY's approval prior to assignment by Consultant.

10. BASIS FOR AWARD OF CONTRACT

The AGENCY intends to select the Consultant on the basis of demonstrated competence and professional qualifications in accordance with applicable State and Federal regulations. To that end, the contract is to be awarded to the Consultant whose proposal best meets the technical requirements of the RFP as determined by the AGENCY. Should an award be made, the proposal submitted by Consultant shall be incorporated as part of the final contract accordingly.

11. FEE SCHEDULE

The AGENCY will compensate the Consultant for actual hours worked by assigned personnel on a monthly basis. Compensation will be based on the fee schedule in the proposal. The consultant will provide an invoice clearly documenting the services performed each day and the number of hours worked.

12. REQUIRED FORMAT FOR PROPOSALS

The AGENCY is requiring all proposals submitted in response to this RFP to follow a specific format. The Proposal, including the Appendices, shall not exceed thirty (30) pages in length, utilizing 8.5" x 11" pages with one-inch margins. As an exception, 11" x 17" pages may be used to display organizational charts. Font size shall not be smaller than 12 point for text or eight (8) point for graphics. Dividers used to separate sections will not be counted. Creative use of dividers to portray team qualifications, etc. is discouraged.

Consultants are required to prepare their written proposals in accordance with the instructions outlined below. Deviations from these instructions may be construed as non-responsive and may be cause for disqualification. Emphasis should be placed on accuracy, completeness, and clarity of content.

The written proposal should be organized as described below. Each section of the written proposal should contain the title of that section, with the response following the title. The following are the required titles with a brief statement as to that section's desired content:

A. Letter of Offer

The Letter of Offer shall be addressed to Noe Negrete, Director of Public Works, City of Santa Fe Springs, and at a minimum, must contain the following:

- Identification of Consultant, including name, address and telephone number.
- Name, title, address, and telephone number of contact person.
- A statement to the effect that the Proposal shall remain valid for a period of not less than 90 calendar days from the date of submittal.
- Identification of all proposed sub-consultants or subcontractors, including legal name of the company, address and contact person.
- Acknowledgement that Consultant is obligated by all addenda to this RFP.
- Signature of a person authorized to bind Consultant to the terms of the Proposal.
- Signed statement attesting that all information submitted with the Proposal is true and correct.

B. Qualifications of the Firm

This section of the Proposal shall explain the ability of the Consultant to satisfactorily perform the required work. More specifically, in this section, the Consultant shall:

- Provide a profile of the Consultant including the types of services offered; the year founded; form of organization (corporate, partnership, sole proprietorship); number, size and location of offices; number of employees.
- Provide a detailed description of Consultant's financial condition, including any conditions (e.g., bankruptcy, pending litigation, outstanding claims in excess of twenty-five thousand dollars (\$25,000) for or against the firm; planned office closures or mergers that may impede Consultant's ability to complete the Water Rate Study.)
- Provide a list of previous projects in which the Consultant and subconsultants have worked together. The list should clearly identify the previous projects and include a summary of the roles and responsibilities of each party.
- Provide information on the strength and stability of the Consultant; current staffing capability and availability; current work load; and proven record of meeting schedules on similar types of projects.

C. Proposed Staffing and Project Organization

The Proposal should include the following information:

- The education, experience and applicable professional credentials of project staff. Include applicable professional credentials of "key" staff.
- Brief resumes, not more than two (2) pages each, for the individuals proposed as key personnel. Key personnel must have extensive knowledge and experience with water rate studies.
- A statement that key personnel will be available to the extent proposed for the duration of the Water Rate Study and an acknowledgement that no person designated as key personnel shall be removed or replaced without the prior written concurrence of the AGENCY. Identify any constraints, conflicts or situations that would prevent the Consultant from being able to begin work on this assignment.

D. Consultants and/or Sub-consultants

The AGENCY desires to enter into a contract with one Consultant that will be responsible for all work, products, and services. There is to be no assignment of any aspect of this project without the prior written authorization of the AGENCY. If the Consultant plans on using consultants and/or subcontractors as part of its implementation plan, then company profile, name, address, and telephone for all consultants and/or subcontractors providing support during the term of this project is required. Define the responsibilities and give a description of services to be provided by consultants and/or subcontractors. Describe the Firm's business and reporting relationship with any consultants and/or subcontractors. Include

references and resumes for all third party Firms in your proposal. The AGENCY has the right to accept or reject any changes made to the proposed project team members, including the use of consultants and/or subcontractors.

E. Work Approach

This section of the Proposal shall include a narrative that addresses the Scope of Services and demonstrates that Consultant understands the scope of this project. More specifically, the Proposal should include the Consultant's general approach for completing the activities specified in the Scope of Services. The work approach shall be of sufficient detail to demonstrate Consultant's ability to accomplish the project tasks.

F. Client References

List your five (5) most recent similar clients (including name, address, contact person, and phone number). The AGENCY is most interested in government and California clients and may randomly select agencies to contact from your list as part of the evaluation process.

G. Appendices

This part shall include brief resumes of proposed staff. Consultant information and general marketing materials will not be considered in the ranking of the Proposals.

H. Rights to Materials

All responses, inquiries, and correspondence relating to this RFP and all reports, charts, displays, schedules, exhibits, and other documentation produced by the Consultant that are submitted as part of the proposal and not withdrawn shall, upon receipt by AGENCY, become property of AGENCY.

I. Fee Proposal.

A Fee Proposal and Schedule of Performance shall be provided in a separately sealed envelope and shall comply with the following guidelines:

- Two copies of a Fee Proposal and Schedule of Performance shall be submitted
 in a separately sealed envelope plainly labeled "Fee Proposal" with the name of
 the Consultant and project title "Water Rate Study". This information shall be
 presented in a manner that allows the AGENCY to understand the Fee and
 Schedule for each segment.
- The Schedule of Performance shall depict individual project tasks, and basic hourly rates for specific personnel to be used on the project. Personnel hourly rates will reflect all costs for office overhead, including direct and indirect costs. The Proposal shall include a breakdown of the estimated number of hours, by personnel category, needed to complete each task. In addition, the fee shall reflect all anticipated fee increases during the Contract duration. A pre-award audit may be required to confirm and establish a final not-to-exceed fee.
- The terms and conditions for obtaining 'reimbursable costs' shall be identified in the Proposal.

13. PROPOSAL EVALUATION PROCESS AND CRITERIA

A. General

All proposals will be evaluated based on the technical information and qualifications presented in the proposal, reference checks, and other information, which may be gathered independently. Requests for clarification and/or additional information from any proposer may be requested at any point in the evaluation process. Pricing (Consultant fees) will be an important criterion; however, the AGENCY reserves the right to select a firm that presents the best qualifications, but not necessarily the lowest price.

B. Evaluation Criteria

- Completeness of proposal.
- Consultant and key project team member's experience in performing similar work.
- Consultant and key project team member's record in accomplishing work assignments for projects.
- Consultant's demonstrated understanding of the scope of work.
- Quality of work previously performed by the firm as verified by reference checks.
- Relevant project experience.
- Fee proposal.

C. Evaluation Process

After evaluating all proposals received, the AGENCY will rank the firms and the three (3) most qualified firms will be invited to an interview with the AGENCY evaluation committee, if deemed necessary by the AGENCY.

D. Interview (If Necessary)

For the interview, the Consultant should have available the project manager and key project personnel to discuss the following:

- Major elements of the proposal
- Proposed project team
- Description of related experience for key project personnel
- Proposed project schedule

E. Final Selection

The final selection will be the consultant which, as determined by the AGENCY, is the most responsive and responsible, meets the AGENCY's requirements in providing this service, and is in the AGENCY's best interest. The AGENCY maintains the sole and exclusive right to evaluate the merits of the proposals received.

14. EXCEPTIONS OR ADDITIONS

The Proposal shall include a detailed description of all of the exceptions to the provisions and conditions of this RFP upon which the Consultant's submittal is contingent and which shall take precedence over this RFP.

15. INSURANCE REQUIREMENTS

Prior to the start of contract negotiations, the highest qualified Consultant will be required to submit to the AGENCY the required insurance certificates for the Consultant and its team. Insurance certificates will also be required, in advance, for any Consultant subsequently identified for negotiations with the AGENCY.

The successful Consultant shall indemnify and hold AGENCY and its officers, agents, employees, and assigns harmless from any liability imposed for injury whether arising before or after completion of work hereunder or in any manner directly or indirectly caused, occasioned, or contributed to, or claims to be caused, occasioned, or contributed to, in whole or in part, by reason of any act or omission, including strict liability or negligence of Consultant, or of anyone acting under Consultant's direction or control or on its behalf, in connection with, or incident to, or arising out of the performance of this contract.

The Consultant selected will be required to maintain the following levels of insurance coverage for the duration of the services provided, as well as any sub-consultants hired by the Consultant:

- Worker's Compensation insurance with statutory limits, and employer's liability insurance with limits not less than \$1,000,000 per accident
- Commercial general liability insurance or equivalent form, with a combined single limit of not less than \$2,000,000 per occurrence
- Business automobile liability insurance, or equivalent form, with a combined single limit of not less than \$1,000,000 per occurrence. Such insurance shall include coverage for owned, hired and non-owned automobiles.
- Professional liability (errors and omissions) insurance, with a combined single limit of not less than \$1,000,000 per occurrence.

16. RIGHTS OF THE AGENCY

The AGENCY reserves the right, in its sole discretion and without prior notice, to terminate this RFP; to issue subsequent RFPs; to procure any project-related service by other means; to modify the scope of the Project; to modify the AGENCY's obligations or selection criteria; or take other actions needed to meet the AGENCY's goals. In addition, the AGENCY reserves the following rights:

- The right to accept or reject any and all proposals, or any item or part thereof, or to waive any informalities or irregularities in any proposal.
- The right to amend, withdraw or cancel this RFP at any time without prior notice.
- The right to postpone proposal openings for its own convenience.
- The right to request or obtain additional information about any and all proposals.

- The right to conduct a background check of any Consultant. This may include, but is not limited to, contacting individuals and organizations regarding capabilities and experience of the potential candidate.
- The right to waive minor discrepancies, informalities and/or irregularities in the RFP or in the requirements for submission of a Proposal.
- The right to modify the response requirements for this RFP. This may include a requirement to submit additional information; an extension of the due date for submittals; and modification of any part of this RFP, including timing of RFP decisions and the schedule for presentations.
- The right to disqualify any potential candidate on the basis of real or perceived conflict of interest that is disclosed or revealed by information available to the AGENCY.
- The right at any time, subject only to restrictions imposed by a written contractual agreement, to terminate negotiations with any potential candidate and to negotiate with other potential candidates who are deemed qualified.
- Although cost is an important factor in deciding which proposal will be selected, it is only one of the criteria used to evaluate consultants. The AGENCY reserves the absolute right, in its sole discretion, to award a contract, if any, which under all the circumstances will best serve the public interest.
- The AGENCY reserves the right to reject any or all proposals or to make no award at all, to determine whether any alternate proposals are equal to the specifications and general requirements, and to accept proposals with minor variations from the Request for Proposals and/or conditions. The AGENCY reserves the right to negotiate for a higher level, lower level or additional services.

This RFP is not a contract or commitment of any kind by the AGENCY. This RFP does not commit the AGENCY to enter into negotiations with any consultant and the AGENCY makes no representations that any contract will be awarded to any consultant that responds to this RFP. Proposals received by the AGENCY are public information and will be made available to any person upon request after the AGENCY has completed the proposal evaluation. Submitted proposals are not to be copyrighted.

Should a contract be subsequently entered into between the AGENCY and Consultant, it shall be duly noted that entering into such an agreement shall be interpreted, construed, and given effect in all respects according to the laws of the State of California. The successful Consultant shall secure a City of Santa Fe Springs business license through the City's Finance and Administrative Services Department at the time the contract is awarded.

Waiver of Proposals

Proposals may be withdrawn by submitting written notice to the AGENCY's Contact Person at any time prior to the submittal deadline. Upon submission, the Proposal and all collateral material shall become the property of the AGENCY.

17. CALIFORNIA PUBLIC RECORDS ACT DISCLOSURES

The Consultant acknowledges that all information submitted in response to this RFP is subject to public inspection under the California Public Records Act unless exempted by

law. If the Consultant believes any information submitted should be protected from such disclosure due to its confidential, proprietary nature or other reasons, it must identify such information and the basis for the belief in its disclosure. Any proposal submitted with a blanket statement or limitation that would prohibit or limit such public inspection shall be considered non-responsive and shall be rejected. Notwithstanding that disclaimer, it is the intention of the AGENCY to keep all submittals confidential until such time as negotiations are successfully concluded.

WATER RATE STUDY

SCOPE OF SERVICES

BACKGROUND

The City of Santa Fe Springs Water Utility Authority (WUA) provides water services to approximately 4,955 residential, multifamily and commercial/industrial accounts (excluding fire service accounts) as well as 626 reclaimed water accounts. The City receives water from two (2) main sources: the Central Basin's Water Quality Protection Project, and the Metropolitan Water District of Southern California. The City also has Water Well No. 12 which is undergoing well rehabilitation. A date of operation and production capacity is undetermined at this time for Water Well No. 12. The WUA is responsible for operating and maintaining water production facilities including 110 miles of distribution pipelines, 2 reservoirs, 2,000 valves and 1,150 fire hydrants.

The City's current rate structure consists of a fixed monthly service charge that varies by meter size and a five-tiered quantity rate for all customer classes except recycled customers.

1. STUDY OBJECTIVES

- A. Develop a water rate structure that will allow the AGENCY to meet its financial obligations, specifically ensuring long-term (5 years) financial stability for the Water Fund.
- B. Assess the current rate structure's performance as a baseline for developing proposed revisions to the water rate structure and rates to encourage efficient use for environmental sustainability, including but not limited to: (a) revising the single-family tier breakpoint to promote conservation and distinguish between indoor uses and outdoor uses; (b) establish a multi-family rate structure with tier breakpoints to reflect indoor uses and outdoor uses; and (c) establish a uniform rate for commercial/industrial users.
- C. Ensure that proposed rates are consistent with the requirements of Proposition 218.

2. STUDY REQUIREMENTS

- A. The recommended rate structure shall be based on cost of service and shall be sufficient to meet the short and long-term revenue requirements of the AGENCY.
- **B.** The study shall recommend rates that consider and make provision for the following factors:
 - 1. Current and future cost of providing water in accordance with established and anticipated standards and regulations.
 - 2. Current and future cost of providing water to three (3) classes of customers: (a) single family residences; (b) multi-family residences; (c) commercial customers.

- 3. Current and future costs of water purchased from outside agencies.
- 4. Projected demands, while considering goal of water conservation.
- 5. Age and condition of water system and the need to fund long-term capital improvement/replacements for supply, treatment and distribution infrastructure.
- 6. Funding requirements for all current long-term liabilities and debt obligations.
- 7. Impact of current and future environmental regulations.
- 8. Other impacts as identified.
- C. The recommended rate structures shall provide direct identification of revenues appropriated to major funded activities and infrastructure:
 - 1. Operation and Maintenance (O&M) expenses.
 - 2. Capital expenses and capital financing.
 - 3. Bond coverage requirement.
 - 4. Water purchases from outside sources.
- **D.** The benefits of any proposed modifications to the water rates shall be weighed against the financial impacts on ratepayers.
- E. The recommended rates shall result in no decrease in stability of the revenue stream to the Water Fund, as compared to the current rate structure.
- **F.** Consideration should be given to funding past and future depreciation.
- **G.** The recommended rate structure and report shall be easy for staff to administer and the customer to understand.
- **H.** The AGENCY's utility billing systems must be able to implement the proposed rate structure.
- I. Analyze the current and historical revenue and billing data to estimate relative liability of rate forecasts for the base fiscal year through five subsequent fiscal years.

J. The recommended rate structure shall comply with the provisions of Prop. 218. The study shall demonstrate that the rates do not exceed the proportionate cost of serving each class of customers. A sound rationale related to the cost of service is required.

3. STUDY ELEMENTS

- A. In making the rate structure recommendations, the Final Report shall include the following elements:
 - 1. Current Rate Structure: Assess the current rate structure's performance as a baseline for comparing recommended changes.
 - 2. Equity: Assess the equity of recommended water rates for single family residences, multi-family residences and commercial customers.
 - 3. Conservation Impacts: Assess the interaction between water conservation elements of the recommended rate structure and their impacts on the ability to fund water operations.
 - 4. Sensitivity Analysis: Assess the ability of the revenue stream generated by the recommended rate structure to continue to fully fund water system costs and other costs under the impacts of future water quality regulations and standards.
 - 5. Comprehensive Summary of Recommended Rate Structure: Assess performance of each studied rate structure against current rate structure performance as baseline and provide recommendation on preferred rate structure.
 - 6. Supporting Data: Provide data supporting conclusions and observations made for each of the areas above and site within the study.
 - 7. Provide a comparison of current water system costs (operations, capital improvements, bonded debt) against appropriate industry benchmarks.
 - 8. Provide a calculation of the bi-monthly water bill for the average residential customer and commercial customer (as determined by water consumption) for each rate structure included in the analysis.
 - 9. Provide a comparison of water rates for similar size southern California water agencies (public and private).
 - 10. It is imperative that the study methodology be fully transparent and understandable by the general public.

4. CONSULTANT SERVICES

- A. Conduct a detailed review of the existing water rates and status of the Water Fund and develop a general familiarity with the AGENCY's billing system as it relates to the Water Fund.
- **B.** Meet or confer with staff as needed; attend four to six meetings, including regular AGENCY meetings, staff meetings, study sessions, subcommittee meetings, and at least one (1) public hearing.
- **C.** Conduct analyses as required to address the scope of work.
- **D.** Preliminary Report.
 - 1. Provide a preliminary report for AGENCY review and comment, which summarizes the findings and recommendations of the study.
 - 2. Prepare and make presentations of the preliminary report to the AGENCY.
- E. Final Draft Report.
 - 1. Provide a final draft report that contains AGENCY comments and input to preliminary report.
 - 2. Prepare and make presentations of the final draft report to the AGENCY.
- F. Provide Assistance to the AGENCY during the Proposition 218 process.
- G. Provide a Final Report that summarizes the completed action of the AGENCY, providing final rates as adopted, the final rate structure, an explanation of how those rates were calculated, summary of the Proposition 218 process, and project revenue under the adopted rates and rate structure.

5. SERVICES PROVIDED BY THE AGENCY

- **A.** Furnish all reasonably available records and information, including financial reports, budgets, and water production and consumption data.
- B. Provide staff support and assistance as required and agreed to in advance of performing the study.

CITY OF SANTA FE SPRINGS PROFESSIONAL SERVICES AGREEMENT WITH

THIS PROFESSIONAL SERVICES AGREEMENT ("Agreement") is made and entered into this day of, 20 ("Effective Date"), by and between the CITY OF SANTA FE SPRINGS, a municipal corporation ("City"), and, a [state] [type of entity] ("Consultant").
WITNESSETH:
WHEREAS, City proposes to utilize the services of Consultant as an independent contractor to, as more fully described herein; and
WHEREAS, Consultant represents that it has that degree of specialized expertise contemplated within California Government Code section 37103, and holds all necessary licenses to practice and perform the services herein contemplated; and
WHEREAS, City and Consultant desire to contract for the specific services described in Exhibit "A" (the "Project") and desire to set forth their rights, duties and liabilities in connection with the services to be performed; and
WHEREAS, no official or employee of City has a financial interest, within the provisions of sections 1090-1092 of the California Government Code, in the subject matter of this Agreement.
NOW, THEREFORE, for and in consideration of the mutual covenants and conditions contained herein, the parties hereby agree as follows:
1.0. SERVICES PROVIDED BY CONSULTANT
1.1. <u>Scope of Services</u> . Consultant shall provide the professional services described in the City's Request for Proposals ("RFP"), attached hereto as Exhibit "A," and Consultant's Response to City's RFP ("Consultant's Proposal"), attached hereto as Exhibit "B," both incorporated herein by this reference.
1.2. <u>Professional Practices</u> . All professional services to be provided by Consultant pursuant to this Agreement shall be provided by personnel experienced in their respective fields and in a manner consistent with the standards of care, diligence and skill ordinarily exercised by professional consultants in similar fields and circumstances in accordance with sound professional practices. Consultant also warrants that it is familiar with all laws that may affect its performance of this Agreement and shall advise City of any changes in any laws that may affect Consultant's performance of this Agreement.
1.3. <u>Performance to Satisfaction of City</u> . Consultant agrees to perform all the work to the complete satisfaction of the City and within the hereinafter specified. Evaluations of the work will be done by the City Manager or his or her designee. If the quality of work is not satisfactory, City in its discretion has the right to:

- (a) Meet with Consultant to review the quality of the work and resolve the matters of concern;
- (b) Require Consultant to repeat the work at no additional fee until it is satisfactory; and/or
- (c) Terminate the Agreement as hereinafter set forth.
- 1.4. Warranty. Consultant warrants that it shall perform the services required by this Agreement in compliance with all applicable Federal and California employment laws, including, but not limited to, those laws related to minimum hours and wages; occupational health and safety; fair employment and employment practices; workers' compensation insurance and safety in employment; and all other Federal, State and local laws and ordinances applicable to the services required under this Agreement. Consultant shall indemnify and hold harmless City from and against all claims, demands, payments, suits, actions, proceedings, and judgments of every nature and description including attorneys' fees and costs, presented, brought, or recovered against City for, or on account of any liability under any of the above-mentioned laws, which may be incurred by reason of Consultant's performance under this Agreement.
- 1.5. <u>Non-Discrimination</u>. In performing this Agreement, Consultant shall not engage in, nor permit its agents to engage in, discrimination in employment of persons because of their race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military or veteran status, except as permitted pursuant to section 12940 of the Government Code.
- 1.6. <u>Non-Exclusive Agreement</u>. Consultant acknowledges that City may enter into agreements with other consultants for services similar to the services that are subject to this Agreement or may have its own employees perform services similar to those services contemplated by this Agreement.
- 1.7. <u>Delegation and Assignment</u>. This is a personal service contract, and the duties set forth herein shall not be delegated or assigned to any person or entity without the prior written consent of City. Consultant may engage a subcontractor(s) as permitted by law and may employ other personnel to perform services contemplated by this Agreement at Consultant's sole cost and expense.
- 1.8. <u>Confidentiality</u>. Employees of Consultant in the course of their duties may have access to financial, accounting, statistical, and personnel data of private individuals and employees of City. Consultant covenants that all data, documents, discussion, or other information developed or received by Consultant or provided for performance of this Agreement are deemed confidential and shall not be disclosed by Consultant without written authorization by City. City shall grant such authorization if disclosure is required by law. All City data shall be returned to City upon the termination of this Agreement. Consultant's covenant under this Section shall survive the termination of this Agreement.

2.0. COMPENSATION AND BILLING

2.1.	Compensation.	Consultant shall	be paid in	accordance	with the fee	schedule set
forth in Exhib	oit "C," attached he	reto and made a	part of this	Agreement b	by this refere	nce (the "Fee
Schedule").	Consultant's total	compensation sh	all not exc	eed	_ Dollars (\$ _	00).

CITY OF SANTA FE SPRINGS PROFESSIONAL SERVICES AGREEMENT WITH

THIS PROFESSIONAL SERVICES AGREEMENT ("Agreeme	ent") is ma	ade and e	ntered
into this day of, 20 ("Effective Date"), by and between	the CITY	OF SAN	TA FE
SPRINGS, a municipal corporation ("City"), and,	a [state]	[type of	entity]
("Consultant").			

WITNESSETH:

WHEREAS, City proposes to utilize the services of Consultant as an independent contractor to provide a Water Rate Study for the City, as more fully described herein; and

WHEREAS, Consultant represents that it has that degree of specialized expertise contemplated within California Government Code section 37103, and holds all necessary licenses to practice and perform the services herein contemplated; and

WHEREAS, City and Consultant desire to contract for the specific services described in Exhibit "A" (the "Project") and desire to set forth their rights, duties and liabilities in connection with the services to be performed; and

WHEREAS, no official or employee of City has a financial interest, within the provisions of sections 1090-1092 of the California Government Code, in the subject matter of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions contained herein, the parties hereby agree as follows:

1.0. SERVICES PROVIDED BY CONSULTANT

- 1.1. <u>Scope of Services</u>. Consultant shall provide the professional services described in the City's Request for Proposals ("RFP"), attached hereto as Exhibit "A," and Consultant's Response to City's RFP ("Consultant's Proposal"), attached hereto as Exhibit "B," both incorporated herein by this reference.
- 1.2. <u>Professional Practices</u>. All professional services to be provided by Consultant pursuant to this Agreement shall be provided by personnel experienced in their respective fields and in a manner consistent with the standards of care, diligence and skill ordinarily exercised by professional consultants in similar fields and circumstances in accordance with sound professional practices. Consultant also warrants that it is familiar with all laws that may affect its performance of this Agreement and shall advise City of any changes in any laws that may affect Consultant's performance of this Agreement.
- 1.3. <u>Performance to Satisfaction of City</u>. Consultant agrees to perform all the work to the complete satisfaction of the City and within the hereinafter specified. Evaluations of the work will be done by the City Manager or his or her designee. If the quality of work is not satisfactory, City in its discretion has the right to:

- (a) Meet with Consultant to review the quality of the work and resolve the matters of concern;
- (b) Require Consultant to repeat the work at no additional fee until it is satisfactory; and/or
- (c) Terminate the Agreement as hereinafter set forth.
- 1.4. Warranty. Consultant warrants that it shall perform the services required by this Agreement in compliance with all applicable Federal and California employment laws, including, but not limited to, those laws related to minimum hours and wages; occupational health and safety; fair employment and employment practices; workers' compensation insurance and safety in employment; and all other Federal, State and local laws and ordinances applicable to the services required under this Agreement. Consultant shall indemnify and hold harmless City from and against all claims, demands, payments, suits, actions, proceedings, and judgments of every nature and description including attorneys' fees and costs, presented, brought, or recovered against City for, or on account of any liability under any of the above-mentioned laws, which may be incurred by reason of Consultant's performance under this Agreement.
- 1.5. <u>Non-Discrimination</u>. In performing this Agreement, Consultant shall not engage in, nor permit its agents to engage in, discrimination in employment of persons because of their race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military or veteran status, except as permitted pursuant to section 12940 of the Government Code.
- 1.6. <u>Non-Exclusive Agreement</u>. Consultant acknowledges that City may enter into agreements with other consultants for services similar to the services that are subject to this Agreement or may have its own employees perform services similar to those services contemplated by this Agreement.
- 1.7. <u>Delegation and Assignment</u>. This is a personal service contract, and the duties set forth herein shall not be delegated or assigned to any person or entity without the prior written consent of City. Consultant may engage a subcontractor(s) as permitted by law and may employ other personnel to perform services contemplated by this Agreement at Consultant's sole cost and expense.
- 1.8. <u>Confidentiality</u>. Employees of Consultant in the course of their duties may have access to financial, accounting, statistical, and personnel data of private individuals and employees of City. Consultant covenants that all data, documents, discussion, or other information developed or received by Consultant or provided for performance of this Agreement are deemed confidential and shall not be disclosed by Consultant without written authorization by City. City shall grant such authorization if disclosure is required by law. All City data shall be returned to City upon the termination of this Agreement. Consultant's covenant under this Section shall survive the termination of this Agreement.

2.0. COMPENSATION AND BILLING

2.1	. <u>Com</u> r	<u>ensation</u> .	Consultant	shall b	e paid in	accordance	e with the	fee so	hedule	set
forth in Exh	nibit "C," a	ttached he	reto and ma	de a pa	art of this	Agreemen	t by this ref	erenc	e (the "l	Fee
Schedule")	. Consul	ant's total	compensati	on sha	II not exc	eed	Dollars	(\$	00).	

- 2.2. <u>Additional Services</u>. Consultant shall not receive compensation for any services provided outside the scope of services specified in the Consultant's Proposal unless the City or the Project Manager for this Project, prior to Consultant performing the additional services, approves such additional services in writing. It is specifically understood that oral requests and/or approvals of such additional services or additional compensation shall be barred and are unenforceable.
- 2.3. <u>Method of Billing.</u> Consultant may submit invoices to the City for approval on a progress basis, but no more often than two times a month. Said invoice shall be based on the total of all Consultant's services which have been completed to City's sole satisfaction. City shall pay Consultant's invoice within forty-five (45) days from the date City receives said invoice. Each invoice shall describe in detail, the services performed, the date of performance, and the associated time for completion. Any additional services approved and performed pursuant to this Agreement shall be designated as "Additional Services" and shall identify the number of the authorized change order, where applicable, on all invoices.
- 2.4. <u>Records and Audits</u>. Records of Consultant's services relating to this Agreement shall be maintained in accordance with generally recognized accounting principles and shall be made available to City or its Project Manager for inspection and/or audit at mutually convenient times from the Effective Date until three (3) years after termination of this Agreement.

3.0. TIME OF PERFORMANCE

- 3.1. <u>Commencement and Completion of Work</u>. The professional services to be performed pursuant to this Agreement shall commence within five (5) days from the Effective Date of this Agreement. Failure to commence work in a timely manner and/or diligently pursue work to completion may be grounds for termination of this Agreement.
- 3.2. Excusable Delays. Neither party shall be responsible for delays or lack of performance resulting from acts beyond the reasonable control of the party or parties. Such acts shall include, but not be limited to, acts of God, fire, strikes, material shortages, compliance with laws or regulations, riots, acts of war, or any other conditions beyond the reasonable control of a party.

4.0. TERM AND TERMINATION

- 4.2. <u>Notice of Termination</u>. The City reserves and has the right and privilege of canceling, suspending or abandoning the execution of all or any part of the work contemplated by this Agreement, with or without cause, at any time, by providing written notice to Consultant. The termination of this Agreement shall be deemed effective upon receipt of the notice of termination. In the event of such termination, Consultant shall immediately stop rendering services under this Agreement unless directed otherwise by the City.
- 4.3. <u>Compensation</u>. In the event of termination, City shall pay Consultant for reasonable costs incurred and professional services satisfactorily performed up to and including the date of City's written notice of termination. Compensation for work in progress shall be prorated based on the percentage of work completed as of the effective date of termination in accordance with the fees set forth herein. In ascertaining the professional services actually rendered hereunder up to the effective date of termination of this Agreement, consideration shall be given to both completed work and work in progress, to complete and incomplete drawings,

and to other documents pertaining to the services contemplated herein whether delivered to the City or in the possession of the Consultant.

4.4. <u>Documents</u>. In the event of termination of this Agreement, all documents prepared by Consultant in its performance of this Agreement including, but not limited to, finished or unfinished design, development and construction documents, data studies, drawings, maps and reports, shall be delivered to the City within ten (10) days of delivery of termination notice to Consultant, at no cost to City. Any use of uncompleted documents without specific written authorization from Consultant shall be at City's sole risk and without liability or legal expense to Consultant.

5.0. INSURANCE

- 5.1. <u>Minimum Scope and Limits of Insurance</u>. Consultant shall obtain, maintain, and keep in full force and effect during the life of this Agreement all of the following minimum scope of insurance coverages with an insurance company admitted to do business in California, rated "A," Class X, or better in the most recent Best's Key Insurance Rating Guide, and approved by City:
 - (a) Commercial general liability, including premises-operations, products/completed operations, broad form property damage, blanket contractual liability, independent contractors, personal injury or bodily injury with a policy limit of not less than One Million Dollars (\$1,000,000.00), combined single limits, per occurrence. If such insurance contains a general aggregate limit, it shall apply separately to this Agreement or shall be twice the required occurrence limit.
 - (b) Business automobile liability for owned vehicles, hired, and non-owned vehicles, with a policy limit of not less than One Million Dollars (\$1,000,000.00), combined single limits, per occurrence for bodily injury and property damage.
 - (c) Workers' compensation insurance as required by the State of California. Consultant agrees to waive, and to obtain endorsements from its workers' compensation insurer waiving subrogation rights under its workers' compensation insurance policy against the City, its officers, agents, employees, and volunteers arising from work performed by Consultant for the City and to require each of its subcontractors, if any, to do likewise under their workers' compensation insurance policies.
 - (d) Professional errors and omissions ("E&O") liability insurance with policy limits of not less than One Million Dollars (\$1,000,000.00), combined single limits, per occurrence and aggregate. Architects' and engineers' coverage shall be endorsed to include contractual liability. If the policy is written as a "claims made" policy, the retro date shall be prior to the start of the contract work. Consultant shall obtain and maintain, said E&O liability insurance during the life of this Agreement and for three years after completion of the work hereunder.
- 5.2. <u>Endorsements</u>. The commercial general liability insurance policy and business automobile liability policy shall contain or be endorsed to contain the following provisions:

- (a) Additional insureds: "The City of Santa Fe Springs and its elected and appointed boards, officers, officials, agents, employees, and volunteers are additional insureds with respect to: liability arising out of activities performed by or on behalf of the Consultant pursuant to its contract with the City; products and completed operations of the Consultant; premises owned, occupied or used by the Consultant; automobiles owned, leased, hired, or borrowed by the Consultant."
- (b) Notice: "Said policy shall not terminate, be suspended, or voided, nor shall it be cancelled, nor the coverage or limits reduced, until thirty (30) days after written notice is given to City."
- (c) Other insurance: "The Consultant's insurance coverage shall be primary insurance as respects the City of Santa Fe Springs, its officers, officials, agents, employees, and volunteers. Any other insurance maintained by the City of Santa Fe Springs shall be excess and not contributing with the insurance provided by this policy."
- (d) Any failure to comply with the reporting provisions of the policies shall not affect coverage provided to the City of Santa Fe Springs, its officers, officials, agents, employees, and volunteers.
- (e) The Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- 5.3. <u>Deductible or Self Insured Retention</u>. If any of such policies provide for a deductible or self-insured retention to provide such coverage, the amount of such deductible or self-insured retention shall be approved in advance by City. No policy of insurance issued as to which the City is an additional insured shall contain a provision which requires that no insured except the named insured can satisfy any such deductible or self-insured retention.
- 5.4. <u>Certificates of Insurance</u>. Consultant shall provide to City certificates of insurance showing the insurance coverages and required endorsements described above, in a form and content approved by City, prior to performing any services under this Agreement. The certificates of insurance shall be attached hereto as Exhibit "E" and incorporated herein by this reference.
- 5.5. <u>Non-Limiting</u>. Nothing in this Section shall be construed as limiting in any way, the indemnification provision contained in this Agreement, or the extent to which Consultant may be held responsible for payments of damages to persons or property.

6.0. GENERAL PROVISIONS

6.1. <u>Entire Agreement</u>. This Agreement constitutes the entire agreement between the parties with respect to any matter referenced herein and supersedes any and all other prior writings and oral negotiations. This Agreement may be modified only in writing, and signed by the parties in interest at the time of such modification. The terms of this Agreement shall prevail over any inconsistent provision in any other contract document appurtenant hereto, including exhibits to this Agreement.

6.2. <u>Representatives</u>. The City Manager or his or her designee shall be the representative of City for purposes of this Agreement and may issue all consents, approvals, directives and agreements on behalf of the City, called for by this Agreement, except as otherwise expressly provided in this Agreement.

Consultant shall designate a representative for purposes of this Agreement who shall be authorized to issue all consents, approvals, directives and agreements on behalf of Consultant called for by this Agreement, except as otherwise expressly provided in this Agreement.

6.3. <u>Project Managers</u>. City shall designate a Project Manager to work directly with Consultant in the performance of this Agreement.

Consultant shall designate a Project Manager who shall represent it and be its agent in all consultations with City during the term of this Agreement. Consultant or its Project Manager shall attend and assist in all coordination meetings called by City.

6.4. <u>Notices</u>. Any notices, documents, correspondence or other communications concerning this Agreement or the work hereunder may be provided by personal delivery or mail and shall be addressed as set forth below. Such communication shall be deemed served or delivered: (a) at the time of delivery if such communication is sent by personal delivery, and (b) 48 hours after deposit in the U.S. Mail as reflected by the official U.S. postmark if such communication is sent through regular United States mail.

IF TO CONSULTANT:

IF TO CITY:

City of Santa Fe Springs 11710 E. Telegraph Road Santa Fe Springs, CA 90670

Tel: (562) 868-0511 Attn: Noe Negrete

Tel: Attn:

COURTESY COPY TO:

City of Santa Fe Springs 11710 E. Telegraph Road Santa Fe Springs, CA 90670 Attn: Finance Director

- 6.5. Attorneys' Fees. In the event that litigation is brought by any party in connection with this Agreement, the prevailing party shall be entitled to recover from the opposing party all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in the exercise of any of its rights or remedies hereunder or the enforcement of any of the terms, conditions, or provisions hereof.
- 6.6. Governing Law. This Agreement shall be governed by and construed under the laws of the State of California without giving effect to that body of laws pertaining to conflict of laws. In the event of any legal action to enforce or interpret this Agreement, the parties hereto agree that the sole and exclusive venue shall be a court of competent jurisdiction located in Los Angeles, California.

- 6.7. Assignment. Consultant shall not voluntarily or by operation of law assign, transfer, sublet or encumber all or any part of Consultant's interest in this Agreement without City's prior written consent. Any attempted assignment, transfer, subletting or encumbrance shall be void and shall constitute a breach of this Agreement and cause for termination of this Agreement. Regardless of City's consent, no subletting or assignment shall release Consultant of Consultant's obligation to perform all other obligations to be performed by Consultant hereunder for the term of this Agreement.
- Indemnification and Hold Harmless. Consultant agrees to defend, indemnify, 6.8. hold free and harmless the City, its elected officials, officers, agents and employees, at Consultant's sole expense, from and against any and all claims, actions, suits or other legal proceedings brought against the City, its elected officials, officers, agents and employees arising out of the performance of the Consultant, its employees, and/or authorized subcontractors, of the work undertaken pursuant to this Agreement. The defense obligation provided for hereunder shall apply without any advance showing of negligence or wrongdoing by the Consultant, its employees, and/or authorized subcontractors, but shall be required whenever any claim, action, complaint, or suit asserts as its basis the negligence, errors, omissions or misconduct of the Consultant, its employees, and/or authorized subcontractors, and/or whenever any claim, action, complaint or suit asserts liability against the City, its elected officials, officers, agents and employees based upon the work performed by the Consultant, its employees, and/or authorized subcontractors under this Agreement, whether or not the Consultant, its employees, and/or authorized subcontractors are specifically named or otherwise asserted to be liable. Notwithstanding the foregoing, the Consultant shall not be liable for the defense or indemnification of the City for claims, actions, complaints or suits arising out of the sole active negligence or willful misconduct of the City. This provision shall supersede and replace all other indemnity provisions contained either in the City's specifications or Consultant's Proposal, which shall be of no force and effect.
- Independent Contractor. Consultant is and shall be acting at all times as an 6.9. independent contractor and not as an employee of City. Consultant shall have no power to incur any debt, obligation, or liability on behalf of City or otherwise act on behalf of City as an agent. Neither City nor any of its agents shall have control over the conduct of Consultant or any of Consultant's employees, except as set forth in this Agreement. Consultant shall not, at any time, or in any manner, represent that it or any of its agents or employees are in any manner agents or employees of City. Consultant shall secure, at its sole expense, and be responsible for any and all payment of Income Tax, Social Security, State Disability Insurance Compensation, Unemployment Compensation, and other payroll deductions for Consultant and its officers, agents, and employees, and all business licenses, if any are required, in connection with the services to be performed hereunder. Consultant shall indemnify and hold City harmless from any and all taxes, assessments, penalties, and interest asserted against City by reason of the independent contractor relationship created by this Agreement. Consultant further agrees to indemnify and hold City harmless from any failure of Consultant to comply with the applicable worker's compensation laws. City shall have the right to offset against the amount of any fees due to Consultant under this Agreement any amount due to City from Consultant as a result of Consultant's failure to promptly pay to City any reimbursement or indemnification arising under this paragraph.
- 6.10. <u>PERS Eligibility Indemnification</u>. In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement claims or is determined by a court of competent jurisdiction or the California Public Employees Retirement

System (PERS) to be eligible for enrollment in PERS as an employee of the City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

Notwithstanding any other agency, state or federal policy, rule, regulation, law or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing service under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in PERS as an employee of City and entitlement to any contribution to be paid by City for employer contribution and/or employee contributions for PERS benefits.

- 6.11. <u>Cooperation</u>. In the event any claim or action is brought against City relating to Consultant's performance or services rendered under this Agreement, Consultant shall render any reasonable assistance and cooperation which City might require.
- 6.12. Ownership of Documents. All findings, reports, documents, information and data including, but not limited to, computer tapes or discs, files and tapes furnished or prepared by Consultant or any of its subcontractors in the course of performance of this Agreement, shall be and remain the sole property of City. Consultant agrees that any such documents or information shall not be made available to any individual or organization without the prior consent of City. Any use of such documents for other projects not contemplated by this Agreement, and any use of incomplete documents, shall be at the sole risk of City and without liability or legal exposure to Consultant. City shall indemnify and hold harmless Consultant from all claims, damages, losses, and expenses, including attorneys' fees, arising out of or resulting from City's use of such documents for other projects not contemplated by this Agreement or use of incomplete documents furnished by Consultant. Consultant shall deliver to City any findings, reports, documents, information, data, in any form, including but not limited to, computer tapes, discs, files audio tapes or any other Project related items as requested by City or its authorized representative, at no additional cost to the City.
- 6.13. Public Records Act Disclosure. Consultant has been advised and is aware that this Agreement and all reports, documents, information and data, including, but not limited to, computer tapes, discs or files furnished or prepared by Consultant, or any of its subcontractors, pursuant to this Agreement and provided to City may be subject to public disclosure as required by the California Public Records Act (California Government Code section 6250 *et seq.*). Exceptions to public disclosure may be those documents or information that qualify as trade secrets, as that term is defined in the California Government Code section 6254.7, and of which Consultant informs City of such trade secret. The City will endeavor to maintain as confidential all information obtained by it that is designated as a trade secret. The City shall not, in any way, be liable or responsible for the disclosure of any trade secret including, without limitation, those records so marked if disclosure is deemed to be required by law or by order of the Court.
- 6.14. <u>Conflict of Interest</u>. Consultant and its officers, employees, associates and subconsultants, if any, will comply with all conflict of interest statutes of the State of California applicable to Consultant's services under this agreement, including, but not limited to, the Political Reform Act (Government Code sections 81000, *et seq.*) and Government Code section 1090. During the term of this Agreement, Consultant and its officers, employees, associates and subconsultants shall not, without the prior written approval of the City Representative, perform

work for another person or entity for whom Consultant is not currently performing work that would require Consultant or one of its officers, employees, associates or subconsultants to abstain from a decision under this Agreement pursuant to a conflict of interest statute.

- 6.15. Responsibility for Errors. Consultant shall be responsible for its work and results under this Agreement. Consultant, when requested, shall furnish clarification and/or explanation as may be required by the City's representative, regarding any services rendered under this Agreement at no additional cost to City. In the event that an error or omission attributable to Consultant occurs, then Consultant shall, at no cost to City, provide all necessary design drawings, estimates and other Consultant professional services necessary to rectify and correct the matter to the sole satisfaction of City and to participate in any meeting required with regard to the correction.
- 6.16. <u>Prohibited Employment</u>. Consultant will not employ any regular employee of City while this Agreement is in effect.
- 6.17. Order of Precedence. In the event of an inconsistency in this Agreement and any of the attached Exhibits, the terms set forth in this Agreement shall prevail. If, and to the extent this Agreement incorporates by reference any provision of any document, such provision shall be deemed a part of this Agreement. Nevertheless, if there is any conflict among the terms and conditions of this Agreement and those of any such provision or provisions so incorporated by reference, this Agreement shall govern over the document referenced.
- 6.18. <u>Costs</u>. Each party shall bear its own costs and fees incurred in the preparation and negotiation of this Agreement and in the performance of its obligations hereunder except as expressly provided herein.
- 6.19. No Third Party Beneficiary Rights. This Agreement is entered into for the sole benefit of City and Consultant and no other parties are intended to be direct or incidental beneficiaries of this Agreement and no third party shall have any right in, under or to this Agreement.
- 6.20. <u>Headings</u>. Paragraphs and subparagraph headings contained in this Agreement are included solely for convenience and are not intended to modify, explain or to be a full or accurate description of the content thereof and shall not in any way affect the meaning or interpretation of this Agreement.
- 6.21. <u>Construction</u>. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises with respect to this Agreement, this Agreement shall be construed as if drafted jointly by the parties and in accordance with its fair meaning. There shall be no presumption or burden of proof favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.
- 6.22. <u>Amendments</u>. Only a writing executed by the parties hereto or their respective successors and assigns may amend this Agreement.
- 6.23. <u>Waiver</u>. The delay or failure of either party at any time to require performance or compliance by the other of any of its obligations or agreements shall in no way be deemed a waiver of those rights to require such performance or compliance. No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the party against whom enforcement of a waiver is sought. The waiver of any right or remedy

in respect to any occurrence or event shall not be deemed a waiver of any right or remedy in respect to any other occurrence or event, nor shall any waiver constitute a continuing waiver.

- 6.24. <u>Severability</u>. If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable in any circumstance, such determination shall not affect the validity or enforceability of the remaining terms and provisions hereof or of the offending provision in any other circumstance. Notwithstanding the foregoing, if the value of this Agreement, based upon the substantial benefit of the bargain for any party, is materially impaired, which determination made by the presiding court or arbitrator of competent jurisdiction shall be binding, then both parties agree to substitute such provision(s) through good faith negotiations.
- 6.25. <u>Counterparts</u>. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original. All counterparts shall be construed together and shall constitute one agreement.
- 6.26. <u>Corporate Authority</u>. The persons executing this Agreement on behalf of the parties hereto warrant that they are duly authorized to execute this Agreement on behalf of said parties and that by doing so the parties hereto are formally bound to the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by and through their respective authorized officers, as of the date first above written.

CONSULTANT	
	Date:
Signature	
Consultant's Name, Title	Social Security or Taxpayer ID Number
CITY OF SANTA FE SPRINGS	
Juanita Trujillo, Mayor	Date:
ATTEST:	
Janet Martinez, City Clerk	
APPROVED AS TO FORM:	
	Date:
Yolanda M. Summerhill, City Attorney	

EXHIBIT A REQUEST FOR PROPOSALS

EXHIBIT B CONSULTANT'S PROPOSAL

EXHIBIT C FEE SCHEDULE

EXHIBIT D PROJECT SCHEDULE

EXHIBIT E CERTIFICATES OF INSURANCE



Water Utility Authority Meeting

January 24, 2019

NEW BUSINESS

Water Well No. 12 - Packer Testing - Authorization to Advertise for Bids

RECOMMENDATION

That the Water Utility Authority authorize the Director of Public Works to Advertise a Request for Bids to Perform Packer Testing for Water Well No. 12.

BACKGROUND

Following a City Council Study Session presentation on a proposed water treatment system for Water Well No. 12, the City Council directed Staff to evaluate the option of installing well packers to eliminate the potential sources of elevated concentrations of iron and hydrogen sulfide.

On September 27, 2018, City Council awarded a contract to Richard Slade and Associates to prepare technical specifications to identify the depths of the test packers to be installed, the number of tests to be performed at each depth, and a technical report that documents the well packer test process and groundwater sample results at each packer depth. The bid document also specifies the number and depth of the permanent packers to be installed based on the test results.

The project Plans and Specifications are complete and the Public Works Department is ready to advertise for the construction bids for this project, upon City Council approval. A copy of the project specifications will be on file with the City Clerk.

FISCAL IMPACT

Staff will recommend appropriation for Activity No. WT195001 when the WUA awards a contract to the well packer contractor. No funds have been budgeted for this project under the FY 2018/19 Public Works Budget or the Capital Improvement Plan.

INFRASTRUCTURE IMPACT

The production of quality water from Water Well No. 12 with a cost-effective option is imperative to meeting the City's water needs.

Raymond R. Cruz Executive Director

Smoot for

Attachment:

None

Report Submitted By:

Noe Negrete
Director of Public Works

Date of Report: January 15, 2019

City of Santa Fe Springs

Successor Agency Meeting

January 24, 2019

NEW BUSINESS

Second Amendment to Purchase and Sale Agreement with PPF Industrial, LLC for properties located on the southeast corner of Bloomfield and Telegraph Road and north side of Telegraph Road east of Bloomfield, and amendments to Settlement Agreement and Property Disposition Agreement between the Successor Agency, McGranahan Carlson and Company, and Breitburn Energy Company.

RECOMMENDATION that the Successor Agency:

- Adopt Resolution No. SA-2019-01
- Approve the Second Amendment to the Purchase and Sale Agreement with PPF Industrial, LLC for two (2) properties located on the southeast corner of Bloomfield and Telegraph Road and on the north side of Telegraph Road to the east of Bloomfield;
- Approve the Third Amendment to the Settlement Agreement between the McGranahan and Carlson, SFSA, Breitburn and the Successor Agency; and
- Approve the Third Amendment to the Property Disposition Agreement between the Successor Agency to the City of Santa Fe Springs Redevelopment Agency, McGranahan and Carlson, and Breitburn.

BACKGROUND OF PURCHASE AND SALE AGREEMENT

The proposed purchase and sale agreement ("PSA") involves two properties. The first is located on the southeast corner of Bloomfield and Telegraph Road ("Site III") and, the second, on the north side of Telegraph Road to the east of Bloomfield ("Site IV", Sites III & IV collectively referred to as "Property") that were owned by the Community Development Commission/Redevelopment Agency of the City of Santa Fe Springs ("former RDA"). With the dissolution of redevelopment agencies throughout the State of California, the City of Santa Fe Springs elected to serve as Successor Agency to the former RDA ("Successor Agency"). The Successor Agency prepared a Long Range Property Management Plan ("LRPMP") which identified a plan for the disposal of former RDA properties. With respect to Sites III and IV, the LRPMP required those properties be sold.

To that end, the Successor Agency entered into a purchase and sale agreement ("PSA") with PPF Industrial, LLC ("Buyer") for the sale and development of Sites III and IV. The PSA provides the Buyer with a due diligence period to determine the suitability to develop the site which is complicated by the fact that active oil wells will continue to operate on the property once the sites are developed.

Date of Report: January 18, 2019

During the due diligence period, the Buyer has been making significant progress on its due diligence to including conducting soils investigations and preparing of site plans that includes the location of easements, electrical lines and oil pipelines that does not interfere with Breitburn's active wells on the property.

This process has taken more time than originally anticipated. In October 2018, the Successor Agency approved a 3-month extension of the PSA and, after further discussions with the Buyer and Breitburn, they have requested an additional extension of the due diligence in order to iron out final details.

BACKGROUND OF SETTLEMENT AGREEMENT AND PROPERTY DISPOSITION AGREEMENT

In addition to extension of Purchase and Sale Agreement, staff seeks authority from the Successor Agency to extend the Settlement Agreement and Property Disposition Agreement entered into between McGranahan and Carlson ("MC&C"), Breitburn, and the Successor Agency. The history of this transaction is very complex involving an additional property and additional party. A brief background as to the settlement agreement and why staff proposes an extension of the agreement is as follows. MC&C is the current owner and Breitburn was the former tenant of the "tank farm" that adjoins Site III. MC&C and Breitburn had a legal dispute regarding which party was responsible for property taxes, among other issues, on the "tank farm." In 2008, MC&C and Breitburn agreed to put legal dispute on hold by entering into a settlement agreement (which included the former RDA.) Under the settlement agreement, the parties agreed that Breitburn would cooperate with the sale and development of Sites III and IV by a certain date and, in return for their cooperation with the sites development, it would receive the "tank farm" from MC&C.

At the same time the Settlement Agreement was entered into, the Property Disposition Agreement was also entered into which memorialized a lengthy history of property acquisition and development expenditures including a schedule for distribution of the proceeds upon sale of the two sites. These two agreements contained a deadline for the sale of the sites. That deadline has been extended multiple times, due to the complexities of selling the sites. The most recent such extension was approved by the Successor Agency in 2015 which expires in February 28, 2019. With the extension of the PSA, the Settlement Agreement and Property Dispositions Agreement should also be extended.

All parties involved have worked diligently to solve all of the sale and development complexities, and we are at the point where we are very close to the "finish line". But there remains a concern that we won't be able to complete the sale by February 28. Accordingly, staff is requesting and recommending that the Successor Agency approve the accompanying Resolution to amend all three of the Agreements discussed above to extend the deadlines.

FISCAL IMPACT

Since the property is an asset of the former redevelopment agency, the proceeds of the sale will be divided amongst the various taxing entities including the City, County of Los Angeles, school district, community colleges and various divisions of the County like flood control and other special districts. Additionally, the oil field clean up costs, which are unknown at this time, will also be deducted from the proceeds of the sale.

Yolanda M. Summerhill Successor Agency Counsel

Attachment:

- 1) Resolution SA-2019-01
 - Exhibit 1 to Resolution SA-2019-01 Second Amendment to Purchase and Sale Agreement
 - Exhibit 2 to Resolution SA-2019-01 Third Amendment to Settlement Agreement
 - Exhibit 3 to Resolution SA-2019-01 Third Amendment to Property Disposition Agreement

RESOLUTION NO. SA-2019-01

A RESOLUTION OF THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION/REDEVELOPMENT AGENCY OF THE CITY OF SANTA FE SPRINGS APPROVING THE SECOND AMENDMENT TO THE PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS FOR TWO (2) PROPERTIES LOCATED ON THE SOUTHEAST CORNER OF BLOOMFIELD AND TELEGRAPH ROAD AND ON THE NORTH SIDE OF TELEGRAPH ROAD TO THE EAST OF BLOOMFIELD AND AMENDMENTS TO SETTLEMENT AGREEMENT AND DISPOSITION AGREEMENT BETWEEN THE SUCCESSOR AGENCY, MCGRANAHAN CARLSON AND COMPANY, AND BREITBURN ENERGY COMPANY

WHEREAS, pursuant to ABx 1 26, enacted on or about June 28, 2011, and as subsequently amended by AB 1484, SB 341, and SB 107 ("Dissolution Act"), the Santa Fe Springs Community Redevelopment Commission/Redevelopment Agency ("RDA") was dissolved as of February 1, 2012, and the City of Santa Fe Springs elected to serve as Successor Agency to the RDA;

WHEREAS, the State of California Department of Finance ("DOF") has approved the Successor Agency's Long Range Property Management Plan ("LRPMP");

WHEREAS, the LRPMP listed as "for sale" the two (2) properties located on the southeast corner of Bloomfield and Telegraph Road and on the north side of Telegraph Road to the east of Bloomfield more particularly described by Assessor's Parcel Numbers 8011-002-901, 8011-002-902, 8011-002-903, 8011-003-955, 8011-003-956, 8011-003-957, 8011-003-958, 8011-003-959, 8011-003-960, 8011-003-961, 8011-003-962, 8011-003-963, 8011-003-964, 8011-003-965, 8011-003-966, 8011-003-967, 8011-003,968, 8011-003-969, 8011-003-970, 8011-003-971, 8011-003-972, 8011-003-973, 8011-003-974, 8011-003-975, 8011-003-976, 8011-003-977, 9011-003-978, 8011-003-979, 8011-018-900, 8011-018-901, 8011-018-902, 8011-018-903, 8011-018-904, 9011-018-905, and 8011-018-906 ("Property");

WHEREAS, in March 2018, the Successor Agency entered into a purchase and sale agreement with PPF Industrial, LLC for the sale of the Property ("PSA") subject to the terms and conditions set forth in the PSA;

WHEREAS, in September 2018, PPF Industrial, LLC requested and the Successor Agency approved an amendment to the PSA identified as "First Amendment to Purchase and Sale Agreement and Joint Escrow Instructions";

WHEREAS, pursuant to Health and Safety Code Section 34177(e) and (h) and other applicable provisions, the Successor Agency is obligated to expeditiously wind

down the affairs of the former RDA including the sale of real property identified in the LRPMP;

WHEREAS, the Successor Agency has previously extended the Settlement Agreement and Disposition Agreement entered into between the Successor Agency to the City of Santa Fe Springs Redevelopment Agency, McGranahan and Carlson, and Breitburn.

NOW, THEREFORE, THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION/REDEVELOPMENT AGENCY OF THE CITY OF SANTA FE SPRINGS DOES HEREBY RESOLVES AS FOLLOWS:

SECTION 1. The Successor Agency hereby approves the Second Amendment to the Purchase and Sale Agreement and Joint Escrow Instructions attached hereto as Exhibit 1.

SECTION 2. The Successor Agency hereby approves the Third Amendment to the Settlement Agreement by and between McGranahan, Carlson and Company, Breitburn Energy Company and the Successor Agency attached hereto attached hereto as Exhibit 2.

SECTION 3. The Successor Agency hereby approves the Third Amendment to the Property Disposition Agreement between McGranahan, Carlson and Company, SFSA, Breitburn Energy Company and the Successor Aency attached hereto attached hereto as Exhibit 3.

SECTION 4. If any section, subsection, subdivision, paragraph, sentence, clause or phrase in this Resolution SA-2019-01 or any part hereof, is held invalid or unconstitutional, such decision shall not affect the validity of the remaining sections or portions of this Resolution. The Successor Agency hereby declares that it would have adopted each section, subsection, subdivision, paragraph, sentence, clause or phrase in this Resolution irrespective of the fact that any one or more sections, subsections, subdivisions, paragraphs, sentences, clauses or phrases may be declared invalid or unconstitutional.

SECTION 5. The Secretary shall certify passage of this Resolution SA-2019-01.

SECTION 6. The Successor Agency officials and staff are hereby authorized and directed to transmit this Resolution and take all other necessary and appropriate actions as required by law in order to effectuate its purposes including delivery to the Los Angeles County 4th Supervisorial District Consolidated Oversight Board for approvals.

PASSED, APPROVED	AND ADOPTED by the Successor Agency	at a	duly
noticed meeting held on	, 2019, by the following vote:		

Ayes: Noes: Absent: Abstain:	
	Ву:
	Successor Agency Chair
ATTEST:	
Secretary City of Santa Fe Springs Successor Agency	

EXHIBIT 1

SECOND AMENDMENT TO PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS

THIS SECOND AMENDMENT TO PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS (this "Amendment"), dated as of January ______, 2019, is entered into by and between the SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION/REDEVELOPMENT AGENCY OF THE CITY OF SANTA FE SPRINGS ("Seller" or the "Successor Agency") and PPF INDUSTRIAL, LLC, a Delaware limited liability company ("Buyer" or "Developer"). This Amendment is entered into with reference to the following facts:

- Seller and Buyer entered into that certain Purchase and Sale Agreement and Joint Α. Escrow Instructions, effective as of March 20, 2018, as amended by that certain First Amendment to Purchase and Sale Agreement and Joint Escrow Instructions dated September 24, 2018 (collectively, the "Purchase Agreement"), pursuant to which Buyer agreed to acquire from Seller, among other items, (i) approximately 9.87 acres of land located at the southeast corner of Telegraph Road and Bloomfield Avenue; and (ii) approximately 8.49 acres of land on the north side of Telegraph Road east of Bloomfield Avenue ("Property"), as more particularly described in the Purchase Agreement. Each initially-capitalized term used but not defined herein shall have the meaning ascribed to such term in the Purchase Agreement. В. Pursuant to Section 5.1 of the Purchase Agreement, Buyer had until January 31, 2019 to undertake its Initial Due Diligence and obtain its Project Plan Approvals. The parties now desire to extend the Due Diligence Period from January 31, 2019 to ______, 2019. C. Further, the parties desire to extend the Closing Date from February 15, 2019 to , 2019. NOW, THEREFORE, in consideration of the premises and the mutual promises herein made and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer and Seller agree as follows: The Due Diligence Period is hereby amended to Due Diligence Period. terminate on ______, 2019. Closing. The last sentence of Section 4.6 of the Purchase Agreement is hereby 2. amended to provide that: "The Closing Date shall occur on or prior to ______, 2019 (the "Outside Closing Date"), which Outside Closing Date may be extended for thirty (30) days upon prior written notice from Buyer to Seller."
- 3. <u>References to the Purchase Agreement</u>. After giving effect to this Amendment, each reference in the Purchase Agreement to "this Agreement", "hereof", "hereunder" or words

of like import referring to the Purchase Agreement shall refer to the Purchase Agreement as amended by this Amendment.

- 4. <u>Miscellaneous</u>. The provisions of Article XV of the Purchase Agreement shall apply *mutatis mutandis* to this Amendment, and to the Purchase Agreement as modified by this Amendment, taken together as a single agreement, reflecting the terms therein as modified hereby.
- 5. <u>No Further Amendment</u>. Except as amended by the terms of this Amendment, the Purchase Agreement remains in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

"SELLER":

By:

SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION/REDEVELOPMENT AGENCY OF THE CITY OF SANTA FE SPRINGS

Name):			
Its:				
"BUY	ÆR"			
		TRIAL imited l		company
By: Its:			_	partnership,
	By: Its:			imited liability company,
		By: Its:	a Del	e Property Fund, LLC, aware limited liability company, Member
			By: Its:	Morgan Stanley Real Estate Advisor, Inc., a Delaware corporation, Investment Adviser
				By: Name: Title:

FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS

THIS FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS (this "Amendment"), dated as of September 24, 2018, is entered into by and between the SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION/REDEVELOPMENT AGENCY OF THE CITY OF SANTA FE SPRINGS ("Seller" or the "Successor Agency") and PPF INDUSTRIAL, LLC, a Delaware limited liability company ("Buyer" or "Developer"). This Amendment is entered into with reference to the following facts:

- A. Seller and Buyer entered into that certain Purchase and Sale Agreement and Joint Escrow Instructions, effective as of March 20, 2018 (the "Purchase Agreement") attached hereto as Exhibit 1, pursuant to which Buyer agreed to acquire from Seller, among other items, (i) approximately 9.87 acres of land located at the southeast corner of Telegraph Road and Bloomfield Avenue; and (ii) approximately 8.49 acres of land on the north side of Telegraph Road east of Bloomfield Avenue ("Property"), as more particularly described in the Purchase Agreement. Each initially-capitalized term used but not defined herein shall have the meaning ascribed to such term in the Purchase Agreement.
- B. Pursuant to Section 5.1 of the Purchase Agreement, Buyer had until June 1, 2018 to undertake its Initial Due Diligence and obtain its Project Plan Approvals, subject to Buyer's right to extend the Initial Due Diligence for up to four (4) additional thirty (30) day extensions, which were exercised by Buyer on May 25, 2018, June 28, 2018, July 27, 2018, and August 28, 2018. The parties now desire to extend the Due Diligence Period from October 1, 2018 to January 2, 2019.
- C. During the Due Diligence Period, Buyer undertook certain investigations and studies in order to understand the potential development footprint for the Property. After various discussions and meetings with BreitBurn Energy Company ("BEC"), in order to create a viable site plan for the Property, it was determined that due to BEC's infrastructure requirements, the developable square footage must be reduced from 337,545 square feet, which was based on the square footage set forth in the original bid plans, to 294,779 square feet, which results in a loss of 12.7% of the expected floor area ratio. Accordingly, Buyer and Seller desire to reduce the Purchase Price by 12.7% to adjust, on a pro-rata basis, for the reduction in developable square footage.
- D. Further, the parties desire to extend the Closing Date from December 31, 2018 to February 15, 2019.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer and Seller agree as follows:

- 1. <u>Due Diligence Period</u>. The Due Diligence Period is hereby amended to terminate on January 31, 2019.
- 2. <u>Purchase Price</u>. The second sentence of Section 3.1 of the Purchase Agreement is hereby amended to provide that:

"The Purchase Price for Buyer's acquisition of the Property shall be \$26,373,745, subject to the adjustments and reductions set forth in Section 3.2 hereinafter (the "Purchase Price")."

3. <u>Closing</u>. The last sentence of Section 4.6 of the Purchase Agreement is hereby amended to provide that:

"The Closing Date shall occur on or prior to February 15, 2019 (the "Outside Closing Date"), which Outside Closing Date may be extended for thirty (30) days upon prior written notice from Buyer to Seller."

- 4. <u>References to the Purchase Agreement</u>. After giving effect to this Amendment, each reference in the Purchase Agreement to "this Agreement", "hereof", "hereunder" or words of like import referring to the Purchase Agreement shall refer to the Purchase Agreement as amended by this Amendment.
- 5. <u>Miscellaneous</u>. The provisions of Article XV of the Purchase Agreement shall apply *mutatis mutandis* to this Amendment, and to the Purchase Agreement as modified by this Amendment, taken together as a single agreement, reflecting the terms therein as modified hereby.
- 6. **No Further Amendment**. Except as amended by the terms of this Amendment, the Purchase Agreement remains in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

"SELLER":

SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION/REDEVELOPMENT AGENCY OF THE CITY OF SANTA FE SPRINGS

Name: Jay Sarno	
Its: Chair	
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Successor Agency Chair	
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Successor Agency Clerk	
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Supposed Agency Logal Council	
Successor Agency Legal Counsel	

"BUYER"

PPF INDUSTRIAL, LLC,

a Delaware limited liability company

By: PPF OP, LP,

a Delaware limited partnership,

Its: sole Member

By: PPF OPGP, LLC,

a Delaware limited liability company,

Its: General Partner

By: Prime Property Fund, LLC,

a Delaware limited liability company,

Its: sole Member

By: Morgan Stanley Real Estate Advisor, Inc.,

a Delaware corporation,

Its: Investment Adviser

EXHIBIT 1 PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS

PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS

RECITALS

- A. The Successor Agency owns the following parcels of real property, located in the City of Santa Fe Springs, California (the "City"), which parcels were previously acquired by the Successor Agency's predecessor for redevelopment purposes (collectively, the "Property"): (i) Approximately 9.87 acres of land located at the southeast corner of Telegraph Road and Bloomfield Avenue (legally described on Exhibit A-1 and depicted on Exhibit B-1, attached hereto); and (ii) approximately 8.49 acres of land on the north side of Telegraph Road east of Bloomfield Avenue (legally described on Exhibit A-2 and depicted on Exhibit B-2, attached hereto).
- B. With the dissolution of redevelopment agencies in 2011, the Redevelopment Agency was dissolved and the Successor Agency was created in order to wind down the affairs of the former Redevelopment Agency. Pursuant to the California Health & Safety Code, the Successor Agency was required to draft a Long Range Property Management Plan (the "LRPMP") to control the disposition of its real property assets, which included the Property, and which has been approved by the Successor Agency's Oversight Board ("OB") and the State of California Department of Finance (the "DOF").
 - C. The LRPMP requires that the Successor Agency sell the Property for development.
- D. Developer desires to purchase the Property from the Successor Agency and develop it in accordance with the City's General Plan, zoning codes and other applicable laws, and consistent with the requirements of the California Environmental Quality Act, related State Guidelines and related local ordinances, and the Successor Agency desires to sell the Property to Developer for such development in accordance with the terms of this Agreement (the "Project").
- E. The conveyance of the Property pursuant to the terms and conditions of this Agreement is in the best interest of the surrounding community and the health, safety and welfare of the City's residents, and in accord with the public purposes and provisions of applicable state and local laws.

NOW, THEREFORE, the Parties agree as follows:

ARTICLE I.

AGREEMENT TO SELL AND PURCHASE

1.1 <u>Purchase and Sale.</u> Seller agrees to sell and Buyer agrees to purchase the Property as described in accordance with the terms of this Agreement.

ARTICLE II.

DESCRIPTION OF PROPERTY & PROJECT

- 2.1 <u>Project Description.</u> Buyer and Seller currently contemplate that the Project shall include the construction of one (1) building of approximately 197,990 square feet on Site III, and the construction of six (6) buildings with a total of approximately 139,555 square feet on Site IV, both as depicted on Exhibit C-1.
- 2.2 <u>Improvements and Personal Property</u>. The Property shall include Seller's rights in all improvements, structures, fixtures, permits and entitlements on the land and all personal property, if any, which it acquired at the time of Seller's purchase of the Property ("Seller's Improvements" herein), but shall exclude all improvements, structures, and fixtures and personal property owned by Seller's predecessors in interest and others under the agreements identified in Section 2.3 below.
- 2.3 Reservation. The Seller's fee title of the Property is subject to a reservation of all oil, gas, and hydrocarbon substances lying below a depth of five hundred feet (500°). Seller's fee title is also subject to certain rights to use the surface of the Property for oil and gas operations pursuant to agreements collectively referred to hereinafter as "Existing Oil and Gas Agreements", which rights going forward are to be negotiated between Buyer and BreitBurn Energy Company ("BEC"), resulting in a new "Surface Rights Agreement", under which there will be established and defined certain parameters and rights for both the orderly surface development of the Property and existing and future oil and gas operations to be conducted by BEC.
- 2.3.1 <u>Additional Exceptions</u>. Additionally, the Property shall be conveyed to Buyer subject to the following:
- 2.3.2 All the title exceptions set forth in the Preliminary Title Report referred to in Section 6.2 hereinafter.
- 2.3.3 All other valid and existing assessments, conditions, easements, reservations, restrictions, licenses, agreements, leases, and exceptions affecting the Property, recorded or otherwise disclosed to Buyer.

ARTICLE III.

PURCHASE PRICE

- 3.1 <u>Purchase Price.</u> Buyer hereby agrees to purchase from Seller, and Seller agrees to sell to Buyer all Seller's right, title and interest in and to the Property upon the terms and conditions hereinafter set forth. The Purchase Price for Buyer's acquisition of the Property shall be \$30,200,000, subject to the adjustments and reductions set forth in Section 3.2 hereinafter (the "Purchase Price").
- 3.2. Oil Field Work. The Purchase Price shall be reduced by the mutually agreed upon estimated costs incurred by Buyer for the "Oil Field Work" as defined herein: (i) required oil pipeline and electrical relocations, and (ii) oil well reabandonments ordered by governmental agencies having

jurisdiction over such reabandonments, including but not necessarily limited to the California Department of Conservation, Division of Oil, Gas & Geothermal Resources ("DOGGR"). Buyer and Seller shall work together, reasonably and in good faith, to reduce the actual costs of such Oil Field Work. The mutual agreement of Buyer and Seller on a fixed sum price for such Oil Field Work shall be a condition precedent to Buyer's and Seller's respective obligations to Close of Escrow, as is hereinafter defined in Section 4.6.

ARTICLE IV.

ESCROW AND DEPOSIT OF FUNDS

4.1 <u>Escrow and Escrow Holder</u>. This Agreement shall be consummated through an escrow ("Escrow") established with Chicago Title Company ("Escrow Holder") and whose address and escrow officer is as follows:

Chicago Title Company 725 S. Figueroa Street, Suite 200 Los Angeles, California 90017 Attn: David Balassi

- 4.2 Opening of Escrow. Within three (3) days after execution of this Agreement, the Parties shall open an Escrow with the Escrow Holder by causing an executed copy of this Agreement to be deposited with Escrow Holder (the "Opening of Escrow").
- 4.3 <u>Escrow Instructions</u>. Escrow Holder shall administer Escrow in conjunction with the escrow instructions set forth herein and is authorized to act thereunder insofar as closing this Escrow is concerned. However, Escrow Holder should only be obligated to comply with the escrow instructions or supplemental escrow instructions that will be a part of this Agreement. All other items of this Agreement are matters between the Parties. In addition, Buyer and Seller agree to execute, deliver and be bound by any reasonable or customary supplemental escrow instructions of Escrow Holder, or other instruments as may reasonably be required by Escrow Holder in order to consummate the transaction contemplated by this Agreement, and shall provide the Escrow Holder with such other information, documents, and instruments as the Escrow Holder may reasonably require to enable it to close the transactions on the Closing Date. Any such supplemental instructions shall not conflict with, amend or supersede any portions of this Agreement, and must be reasonably acceptable to Buyer and Seller. If there is any inconsistency between such supplemental instructions and this Agreement, this Agreement shall control. Within fifteen (15) days after execution of this Agreement, each party shall execute and deliver to the Escrow Holder any of its written instructions consistent with the terms of this Agreement.
 - 4.4 <u>Deposit of Funds</u>. The Final Purchase Price shall be paid as follows:
 - 4.4.1 Within three (3) business days of Opening of Escrow, Buyer shall deposit into Escrow the sum of two hundred and fifty thousand dollars (\$250,000) to be applied to the account of Buyer against the Purchase Price on the Closing Date as defined below (the "Initial Deposit"). Fifty thousand dollars (\$50,000) of the Initial Deposit shall be nonrefundable to Buyer (the "Nonrefundable Deposit"), subject to Buyer's reimbursement for certain costs as described below. In the event this Agreement is terminated by Buyer, the Nonrefundable Deposit shall be released to Seller, provided, however, the Nonrefundable Deposit shall be reduced by an amount equal to the out-of-pocket third-party costs and expenses incurred by Buyer in connection with its investigations (i.e. ALTA Surveys, Environmental Reports, etc.) (collectively, the "Third Party Due Diligence Costs"). Within three (3) days of the expiration of the "Due Diligence Period" as defined below, Buyer shall deposit into Escrow an additional five hundred thousand dollars

(\$500,000) (the "Additional Deposit"). The "Initial Deposit" and "Additional Deposit" are referred to collectively herein as the "Deposit".

- 4.4.2 Buyer shall deposit the balance of the Purchase Price, less the Deposit, in Escrow in cash or by cashier's check during business hours at least one (1) business day before the Closing Date.
- 4.5 <u>Deposit Interest</u>. Escrow Holder shall invest the Deposit in an interest-bearing account selected by Seller. Interest on the Deposit shall be for the benefit of Buyer and shall be credited towards payment of the Purchase Price or refunded and disbursed to Buyer regardless of the party that becomes entitled to the Deposit under this Agreement. Escrow Holder is hereby authorized to invest said funds with an institution of credibility with which the Escrow Holder deals with on a daily basis.
- 4.6 <u>Close of Escrow.</u> The "Close of Escrow" or "Closing Date" shall be, unless mutually agreed to by the Parties in writing, fifteen (15) days following satisfaction of the following, collectively: 1) expiration of the Due Diligence Period without Buyer having delivered a Disapproval Notice to Seller; 2) Project Plan Approvals by the City of Santa Fe Springs pursuant to the City of Santa Fe Springs Code of Ordinances and environmental review under the California Environmental Quality Act; 3) approval of a certified Remediation Action Plan from the Department of Toxic Substances Control or other state of federal agency with legal oversight authority (if required); 4) receipt of a certified Release of Groundwater Contamination from the Regional Water Quality Control Board (if required); and 5) approval by the Parties of the Oil Field Work and the agreed upon costs thereof. The Closing Date shall occur on or prior to December 31, 2018 (the "Outside Closing Date"), which Outside Closing Date may be extended for thirty (30) days upon prior written notice from Buyer to Seller.

ARTICLE V.

DUE DILIGENCE PERIOD

Due Diligence Period. Buyer shall have sixty (60) days after Seller has obtained all 5.1 necessary approvals from the DOF and OB (collectively, the "Initial Due Diligence") to (i) conduct or review surveys, investigations, studies and inspections and make or review such geologic, environmental and soils tests and other studies of the Property, (ii) review the Preliminary Title Report(s) and all documents provided by Seller, (iii) review all other applicable due diligence materials respecting the Property, (iv) obtain Project Plan Approvals from the City of Santa Fe Springs, which Approval shall include review under the California Environmental Quality Act ("CEQA"), plus all other approvals, if any, from other governmental agencies the approvals of which are required for Buyer's proposed development for the Property, excepting therefrom building permits, beyond all applicable appeal periods (the "Project Plan Approvals"), and (v) review any other aspect of the ownership, development, operation, marketing. condition, feasibility, financing, legal, title, entitlement, land use, subdivision, of or relating to the Property. Buyer may provide Seller with notice to extend the Initial Due Diligence for up to four (4) additional thirty (30) day extensions as necessary to obtain Project Plan Approvals (each, a "Due Diligence Extension"; the "Initial Due Diligence" and "Due Diligence Extension" are collectively referred to as "Due Diligence Period"). Any extension of the Due Diligence Period beyond one hundred eighty (180) days shall require mutual agreement of the Parties. If Buyer, in its sole and absolute discretion, determines that the results of any information, inspection, test, examination or any investigation provided under this Agreement or performed or obtained during the Due Diligence Period fails to meet Buyer's criteria for the purchase and operation of the Property, then Buyer shall have the option to terminate this Agreement and shall so advise Seller by written notice ("Disapproval Notice"), with a copy to Escrow Holder, given no later than 5:00 p.m. (Pacific Standard Time) on or before the last day of the Due Diligence Period. In the event Buyer provides the Disapproval Notice to Seller on or before the expiration of the Due Diligence Period, then this Agreement shall be deemed terminated, in which event: (i) Escrow Holder shall return the Deposit to Buyer, less the difference between the Nonrefundable Deposit and all Third Party Due Diligence Costs; (ii) Buyer and Seller shall each pay one-half of Escrow expenses

incurred to date of termination; and (iii) neither party shall have any right against the other arising out of such termination, except for any rights that expressly survive the termination of this Agreement. If Buyer fails to timely deliver the Disapproval Notice on or before the expiration of the Due Diligence Period, this Agreement shall remain in full force and effect, and Buyer shall have no further right to terminate the Agreement pursuant to this Section 5.1. Upon completion of the Due Diligence, Buyer shall provide to Seller all documentation and information related to the extent of Oil Field Work required on the Property and the Fixed Sum Price of completing the Oil Field Work.

- Buyer and its agents and representatives, shall have the right at reasonable times and subject to the rights of tenants, to enter upon the Property for the purpose of making inspections and tests specified in this Agreement. No invasive testing shall be conducted, however, without Seller's prior approval which shall not be unreasonably withheld. Following any such entry or work, unless otherwise directed in writing by Seller, Buyer shall return the Property to the condition it was in prior to such entry or work, including the recompaction or removal of any disrupted soil or material as Seller may reasonably direct. None of Buyer or Buyer's authorized inspectors, agents and representatives ("Buyer's Parties") shall cause any adverse impact to the Property and to the extent reasonably practicable Buyer will restore the Property in a timely manner at Buyer's sole cost to the condition that existed immediately prior to the Buyer's Parties entry thereon. Prior to making any on-site inspections, Buyer shall notify the BEC by sending an electronic mail to BEC (jwashburn@brietburn.com) detailing the date, time, person(s) and work to be performed with a copy to Steve Carlson (carlson@mcandc.com), and Rick McGeagh (rick.mcgeagh@cbre.com).
- 5.3 <u>Due Diligence Consultants</u>. The Parties acknowledge that development of the Property was previously considered by prior developers, and certain expert consultants have prepared materials, and possess institutional knowledge, with respect to the development of the Property. In order to perform its due diligence investigations as quickly as possible, Buyer shall use its best, reasonable efforts to utilize such existing materials and consultants familiar with the Property.
- 5.4 <u>Materials</u>. Within five (5) days of the date hereof, Seller shall make available for inspection by Buyer and Buyer's Parties documents, reports, surveys, environmental assessments, engineering reports, building plans and blueprints in Seller's possession or under its control or that of its agents respecting the Property, including (but not limited to): (i) any Hazardous Substance Conditions Report concerning the Property and relevant adjoining properties, (ii) any Natural Hazard Zone Disclosure Report, (iii) all lease agreements, if any, relating to any tenant or occupant then occupying the Property, and (iv) the Prior Diligence Materials (collectively "Materials"). During the Due Diligence Period, Buyer may review and evaluate the Materials to determine whether the Property is appropriate for Buyer's proposed use, in its sole discretion.

ARTICLE VI.

TITLE MATTERS AND TITLE INSURANCE

6.1 Condition of Title. It shall be a condition to the Close of Escrow that title to the Property be conveyed to Buyer by Seller by Grant Deed in form and substance reasonably acceptable to Buyer and Escrow Holder, a form of which is attached hereto as Exhibit "D" (the "Grant Deed"), duly acknowledged by Seller and subject only to (i) the conditions of title set forth in the Preliminary Title Report, referred to in Section 6.2 and which Buyer has not disapproved, (ii) those reservations and exclusions identified in Section 2.3, and (iii) other matters mutually agreed upon by the parties hereto ("Approved Condition of Title"). The final documents shall be delivered, when available, by Seller to Buyer for Buyer's approval in accordance with Article XI.

Seller covenants and agrees that during the term of this Escrow, it will not cause or permit title to the Property to differ from the conditions of title that Buyer shall have approved from time to time in accordance with this Section 6.1's Approved Condition of Title. Any liens, encumbrances, easements, conditions, covenants, restrictions, rights of way or other matters affecting the Approved Condition of Title which may appear of record or be revealed after the date of delivery of the Title Exceptions, referred to above, ("Additional Title Exceptions" herein) shall also be to Buyer's approval and must be eliminated or ameliorated to Buyer's satisfaction by Seller as a condition to the Close of Escrow.

6.2 <u>Title Insurance</u>. Seller will furnish Buyer within five (5) days of execution of this Agreement a Preliminary Title Report for its standard California Land Title Association ("CLTA") policy of title insurance (the "Preliminary Title Report") with legible copies or reasonable access to all documents relating to the items reported as exceptions in the Preliminary Title Report. Escrow Holder or other title insurance company acceptable to the Parties shall issue the Preliminary Title Report to both Buyer and Seller.

ARTICLE VII.

DISCLOSURE OF PHYSICAL CONDITIONS OF PROPERTY

- 7.1 Present Physical Condition of Property
- 7.1.1 Surface Rights: Oil Field Operations. Oil field exploration and production operations are taking place on the Property pursuant to the Existing Oil and Gas Agreements. In addition to the Existing Oil and Gas Agreements, which Buyer shall obtain from the Title Company, Seller shall make available to Buyer for inspection any pertinent documents, which are in Seller's possession, that relate to BEC's operations on the Property. Notwithstanding the foregoing, Seller has not made an independent investigation to determine the truth or accuracy of any and all documents and shall have no liability to Buyer for any inaccuracy, misrepresentation or omission of information. Seller makes no representation or warranty regarding the accuracy or completeness of any information contained in the Due Diligence Items, all such information being made available on an "AS-IS" basis.
- 7.1.2 <u>Surface Rights Agreement Pipeline Easement Adjustments.</u> The Surface Rights Agreement shall provide for facilities easements (referred to in the Surface Rights Agreement as "Facilities Easements") for power lines, communication lines, pipelines and these easements will be recorded as part of the Surface Rights Agreement. Buyer will construct said improvements as provided in the Surface Rights Agreement all as set forth in the Project Plan Approvals.

7.1.3 Oil Field Conditions.

7.1.3.1 Oil Field Infrastructure and Abandoned Wells. Development of the Property will require the relocation of oil field infrastructure, the details of which are to be negotiated between the Buyer and BEC. Also, the Property has active, idle and abandoned oil wells. Development of the Property may require the reabandonment of a number of wells pursuant to present standards, regulations and laws. In addition, BEC previously abandoned five (5) wells to facilitate development of the Project, and the Successor Agency and BEC have agreed that BEC will be reimbursed for the cost of such abandonment, out of the net proceeds of the sale of the Property at the time of Close of Escrow. Buyer shall have no responsibility for the reimbursement to BEC of the cost for the abandonment of the five (5) wells. Buyer is responsible (at Buyer's cost, subject to a credit of the Purchase Price) for relocating the oil field infrastructure pursuant to the Surface Rights Agreement in order to develop the Property.

- 7.1.3.2 <u>Abandoned Pipelines and Structures</u>. There may exist buried pipelines and other structures ("Abandoned Pipelines") on the Property. Buyer should be able to discover and remove (at Buyer's cost, subject to a credit of the Purchase Price) any Abandoned Pipelines that may affect the building of structures on the Property, but Seller makes no warranty that the Property is free and clear of all such items.
- 7.1.3.3 Environmental Remediation. Further, Buyer and Seller acknowledge that the Property may require environmental remediation including the removal of buried fuel storage tanks and other possible buried structures, as well as the removal of any soil contaminated by possible tank leaks, abandonment the Abandoned Pipelines and the abandoned wells. Buyer shall undertake such remediation, the cost of which would be deducted from the Purchase Price. Buyer shall determine the amount necessary to perform the work described in this Article VII, plus the amount for possible cost overruns and contingencies. The Parties shall negotiate in good faith to reach agreement on the amount to be offset against the Purchase Price, including the amount to be withheld for cost overruns and contingencies. Seller shall not withhold approval of such amounts unreasonably.

7.1.4 Soils.

- 7.1.4.1 Seller shall make available to Buyer any environmental reports as Seller has in its possession. Buyer will conduct an independent investigation of the soils and other environment conditions as may be required such that Buyer is satisfied with the environmental status of the Property.
- 7.1.4.2 <u>Buyer's Methane Test</u>. It is understood by the parties that the City of Santa Fe Springs requires methane tests for nearly all construction within its jurisdiction. Buyer shall have the right to conduct methane tests at its own expense on the Property and shall submit to Seller the proposed scope of work of Buyer's testing agent in order to not cause any environmental damage or interference with Seller's or BEC's operations. Seller shall have five (5) days to approve Buyer's scope of work and permit Buyer to commence with the testing. Failure of Seller to approve within such five (5) day period shall be deemed Seller's approval of Buyer's scope of work.

ARTICLE VIII.

CONDITIONS PRECEDENTS

The purchase and sale of the Property under this Agreement shall be subject to the satisfaction of the conditions precedent set forth in this Article VIII (unless waived in writing by the party or parties to whom the benefit of such condition runs) on or before the Closing Date or such earlier date as is specified in this Agreement.

8.1 Conditions to Buyer's Obligations.

- 8.1.1 <u>Title Policy</u>. The Escrow Holder shall have issued, or be irrevocably committed to issue, its standard CLTA Owner's Standard Coverage Policy of Title Insurance (the "Title Policy) insuring Buyer as the owner of the Property and in an amount equal to the Purchase Price subject only to: (i) liens for real property taxes shown as exceptions in the Title Report provided that the taxes are not delinquent; (ii) the standard exclusions to coverage under the Title Policy;; (iii) any other lien or encumbrance which is caused or approved by Buyer prior to the Close of Escrow; (iv) any title exceptions which are not objected to by Buyer prior to the expiration of the Due Diligence Period (other than matters first arising after the expiration of the Due Diligence Period); and (v) all utility easements of record which do not interfere with the present or planned use of the Property (collectively, the "Permitted Exceptions").
- 8.1.2 <u>Representations and Warranties</u>. Each of the representations and warranties by Seller contained in Section 10.1 shall be true and correct in all material respects as of the date made and continue to be true and correct in all material respects as of the Close of Escrow.
- 8.1.3 <u>Delivery of Closing Documents</u>. Execution, delivery and acknowledgement as appropriate by Seller of the closing documents set forth in Section 11.3 and other necessary closing documents as may be reasonably requested by Buyer or Escrow Holder.
- 8.1.4 <u>Seller Performance</u>. Seller shall have duly performed in all material respects each and every undertaking, covenant and agreement required to be performed by Seller under this Agreement prior to or at the Close of Escrow.
- 8.1.5 <u>Litigation</u>. At Close of Escrow, there shall be no material suits or claims that are pending against the Property or against Seller or Buyer with respect to the Property or this Agreement.
 - 8.1.6 <u>Remediation Plan.</u> Buyer shall have obtained a certified Remediation Action Plan from the Department of Toxic Substances Control or other state of federal agency with legal oversight authority (if required);
 - 8.1.7 <u>RWOCB</u>. Buyer shall have received a certified Release of Groundwater Contamination from the Regional Water Quality Control Board (if required):
 - 8.1.8 Oil Field Work. Buyer shall have obtained the approval to perform the Oil Field Work and the Parties shall have agreed on costs thereof and the mechanism for payment of such costs out of the Purchase Price.
 - 8.2 <u>Conditions to Seller's Obligations.</u>

- 8.2.1 <u>Delivery of Purchase Price</u>. The Purchase Price shall have been delivered by or on behalf of Buyer to Escrow Holder.
- 8.2.2 <u>Representations and Warranties</u>. Each of the representations and warranties by Buyer contained in Section 10.2 shall be true and correct in all material respects as of the date made and continue to be true and correct in all material respects as of the Close of Escrow.
- 8.2.3 <u>Delivery of Closing Documents</u>. Execution, delivery and acknowledgement as appropriate by Buyer of the closing documents set forth in Section 11.3_and other necessary closing documents as may be reasonably requested by Seller or Escrow Holder.
- 8.2.4 <u>Buyer Performance</u>. Buyer shall have duly performed in all material respects each and every undertaking, covenant and agreement required to be performed by Buyer under this Agreement prior to or at the Close of Escrow.
- 8.2.5 <u>Litigation</u>. At Close of Escrow, there shall be no material suits or claims that are pending against the Property or against Seller or Buyer with respect to the Property or this Agreement.
- 8.3 Good Faith Approvals and Termination. Both parties' obligations to perform acts or to approve, disapprove, or conditionally approve documents, materials or other matters called for in this entire Agreement shall be in good faith, and the parties shall use their best efforts to obtain the necessary approvals called for from third parties. A party's failure to act in good faith or to use its best efforts shall constitute a material breach.
- 8.4 <u>Election to Remove Defects</u>. Seller shall have the right to remove any defects, which are conditions to Buyer's performance under the Agreement in accordance with the following procedure:
- (a) In the event that Buyer disapproves any matter on which this Agreement is conditioned for Buyer's benefit, or if there is a breach of any covenant or warranty by Seller discovered by Buyer before Close of Escrow, Buyer shall give Seller written notice specifying the items breached or disapproved within ten (10) calendar days of discovery.
- (b) Seller may, at Seller's sole election, make an election to correct those matters, within fifteen (15) days of receipt of Buyer's written notice by giving Buyer written notice of Seller's election. (This election period may be extended a reasonable time if Seller reasonably needs further time to investigate the facts and issues raised by Buyer's written notice, but in no event shall be extended by a period of more than 15 calendar days.)
- (c) If Seller elects to correct the matter, Seller shall do so within ninety (90) days from delivery of Buyer's written notice. Seller shall for this purpose be entitled to postpone Close of Escrow for no more than ninety (90) days.
- (d) If Seller elects not to correct or fails to correct all those matters within the correction period, Buyer has the election of (1) terminating the Agreement without any liability on the part of either party except as set forth below or (2) accepting the Property with a reduction of the price in amount agreed upon by the Parties to account for the for the uncorrected matter. If Buyer terminates this Agreement under this paragraph, Buyer shall be entitled to the prompt return of the Deposit and interest thereon, less half (1/2) of the Escrow cancellation fees and costs and title company charges incurred. Seller shall pay half (1/2) of the Escrow cancellation fees and costs and title company charges incurred.

The parties agree to provide Escrow Holder with written, mutual cancellation instructions should the provisions of this paragraph become applicable.

ARTICLE IX.

RELEASES/INDEMNITY SITE CONDITION

- 9.1 Environmental Laws. For purposes of this Agreement, "Environmental Laws" shall mean all federal, state or local statutes, regulations, ordinances, codes or rules as such have been or may hereafter be enacted, adopted, amended or supplemented and all common law causes of action relating to the protection of human health or the environment, including without limitations the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (42 U.S.C. Section 9601 et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901 et seq.), the Federal Water Pollution. Control Act, as amended (33 U.S.C. Section 7401, et seq.), the Toxic Substance Control Act, as amended (15 U.S.C. 2601, et seq.), the Safe Drinking Water- Act. as amended (42 U.S.C. Section 300f, et seq.), the Federal Insecticide, Fungicide and Rodenticide Act, as amended (7 U.S.C. Section 136, et seq.) and the Clean Air Act, as amended (42 .U.S.C. 7401, et seq.), and private rights of action for nuisance, trespass, or damages to property or persons.
- 9.2 <u>Hazardous Materials</u>. For the purposes of this Agreement, Hazardous Materials shall be deemed to mean asbestos, polychlorinated biphenyls, petroleum or by-products thereof, radioactive materials, or any chemical, material or substance included in the definitions of "hazardous substances", "hazardous materials", "hazardous waste", "toxic substances" and/or words of similar import under any federal, state and local laws, ordinances, rules and regulations whether present or future, relating to and/or dealing with the protection of the environment and/or human health and safety and/or applicable to the generation, handling, manufacture, installation, treatment, storage, use, transportation, discharge, disposal, presence and/or release into the air, soil, water at, above or below ground level (whether accidental or intentional) of such substances or materials.
- As-Is Acceptance of Property. Buyer acknowledges the potential need for environmental remediation of the Property, potential existence of Hazardous Materials contamination and other development constraints, and notwithstanding any contrary provisions of this Agreement or otherwise. Buyer shall and does agree to take the Property in its current condition AS-IS, WITH ALL FAULTS, all defects and conditions whatsoever then existing on the Property, including any Hazardous Materials (as defined herein above), vaults, debris, pipelines, wells, sumps or other structures that are or may be located in, on, under, or around the Property, whether known or unknown. Buyer assumes all responsibility for any and all such defects, faults, and conditions and shall be responsible for any and all defects in the Property, whether patent or latent, including, without limitation, the physical, environmental and geotechnical condition of the Property, and the existence of any contamination, Hazardous Materials, existing within the Property. Except as otherwise set forth in this Agreement, Seller makes no representation or warranty concerning the physical, environmental, geotechnical or other condition of the Property. Buyer acknowledges that any liability of Seller for the environmental condition of the Property, including liability for any Environmental Law, shall be extinguished, except a condition resulting directly from the Seller's gross negligence, willful or intentional misconduct, and that Seller shall have no liability for further remediating any environmental condition of the Property, unless otherwise required by any Environmental Laws.
- 9.5 <u>Buyer's Release of Seller</u>. Notwithstanding any contrary provisions of this Agreement or otherwise, upon the Close of Escrow Buyer shall release Seller, its officers, directors, shareholders, affiliates, subsidiaries, heirs, and successors from any and all claims, liabilities, expenses, costs, or damages that Buyer may incur arising from the presence of any Hazardous Materials (as defined herein above) which are or may be located in, on, under, or around the Property, whether or not caused by Seller or any predecessor-in-interest of Seller. Buyer expressly preserves its rights against other parties and does not release, or waive its rights to contribution against, any other party.

9.6 Waiver of Civil Code § 1542. Buyer hereby acknowledges that it has read and is familiar with the provisions of California Civil Code § 1542 ("Section 1542"), which are set forth below:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Buyer hereby waives the provisions of Section 1542, and of any statute, principle of common law or case law which would limit the scope of the foregoing waiver and release, in connection with matters which are the subject of the foregoing waiver and release.

/ () Buyer's Initials

Natural Hazards. BUYER ACKNOWLEDGES THAT "NATURAL HAZARDS" DESCRIBED IN THE FOLLOWING CALIFORNIA CODE SECTIONS (THE "NATURAL HAZARD LAWS") MAY AFFECT THE PROPERTY: GOVERNMENT CODE SECTIONS 8589.4; 8589.3; GOVERNMENT CODE SECTIONS 51183.4, 51183.5 (FIRE HAZARD SEVERITY ZONE); PUBLIC RESOURCE CODE SECTION 2621.9 (EARTHQUAKE FAULT ZONE); PUBLIC RESOURCE CODE SECTION 2694 (SEISMIC HAZARD ZONE); AND PUBLIC RESOURCE CODE SECTION 4136 (WILDLAND AREA). BUYER ACKNOWLEDGES AND AGREES THAT BUYER HAS HAD THE OPPORTUNITY TO INDEPENDENTLY EVALUATE AND INVESTIGATE WHETHER ANY OR ALL OF SUCH NATURAL HAZARDS AFFECT THE PROPERTY AND SELLER SHALL HAVE NO LIABILITIES OR OBLIGATIONS WITH RESPECT THERETO. WITHOUT LIMITING THE FOREGOING, BUYER ACKNOWLEDGES AND AGREES THAT BUYER KNOWINGLY AND INTENTIONALLY WAIVES ANY DISCLOSURES, OBLIGATIONS OR REQUIREMENTS OF SELLER WITH RESPECT TO NATURAL HAZARDS, INCLUDING, WITHOUT LIMITATION, ANY DISCLOSURE OBLIGATIONS OR REQUIREMENTS UNDER THE AFOREMENTIONED CODE SECTIONS OR UNDER CALIFORNIA CIVIL CODE SECTION 1102(C). REPRESENTS THAT BUYER HAS EXPERIENCE ACQUIRING AND CONDUCTING DUE DILIGENCE, AND THAT THIS WAIVER HAS BEEN NEGOTIATED AND IS AN ESSENTIAL ASPECT OF THE BARGAIN BETWEEN THE PARTIES.

ARTICLE X.

REPRESENTATIONS AND WARRANTIES

- 10.1 <u>Seller's Representations and Warranties</u>. Seller hereby makes the following representations and warranties to Buyer which, to the best of Successor Agency's knowledge are true in all respects as of the date hereof and shall be true in all respects on the date of Close of Escrow and shall survive the Close of Escrow, each of which said representations is material and relied upon by Buyer (the continued truth and accuracy of which constitutes a condition precedent to Buyer's obligations hereunder). Seller represents and warrants to Buyer:
- 10.1.1 <u>Authority of Seller</u>. Seller is Successor Agency to the Community Development Commission/Redevelopment Agency of the City of Santa Fe Springs, duly organized and validly existing under the laws of the State of California.

- 10.1.2 <u>Legal Power</u>. The individuals executing this Agreement and the instruments referenced herein on behalf of Seller have the legal power, right and actual authority to bind Seller to the terms and conditions hereof.
- 10.1.3 <u>No Default</u>. To the best knowledge of Seller, there is no default of any contracts, documents, agreements, or obligations not otherwise disclosed herein.
- 10.1.4 <u>Delivery of Documents</u>. Seller has and will make available to Buyer copies of all materials in Seller's possession, as provided in Section 5.4, above.
- 10.1.5 <u>No Lawsuits Pending</u>. To the best of Seller's knowledge, there are no lawsuits against Seller or its predecessors in interest that could affect Buyer's ownership, title or development of the Property after the Close of Escrow.
- 10.1.6 <u>No Governmental Order for Further Work</u>. Seller has no actual knowledge of any order or directive of any City, county, state, or federal authority, that any work of repair, maintenance, or improvements be performed on the Property other than those disclosed by this Agreement and documents, materials and other items delivered to Buyer.
- 10.1.7 No Violation or Condemnation. Seller has no actual knowledge, other than disclosed by this Agreement, of any present violation of any law, including, any Environmental Law, ordinance, rule, or administrative or judicial order affecting the Property, nor any condemnation, zoning change, or other proceeding or action (including legislative action) pending, threatened, or contemplated by any governmental body, authority, or agency which will affect the Property as of the date of execution of this Agreement.

10.1.8 Soil Conditions: Hazardous Materials.

- 10.1.8.1 Seller has disclosed and will make available to Buyer at Seller's offices during normal business hours upon reasonable notice to Seller all information available to Seller or actually known to Seller, including but not limited to the information referred to in Section 7.1.3, including all documents and materials relating to the existence, release or emission of Hazardous Materials (including petroleum hydrocarbon/crude oil) in or on the Property (or relating to governmental actions, approvals or investigations with respect thereto).
- 10.1.8.2 To Seller's actual knowledge, Seller: (i) is unaware of any breach of any environmental laws on the Property or any part thereof; (ii) does not know whether any part of the Property has ever been used as a landfill, dump, toxic waste disposal Property or storage area; (iii) does not know whether there are any underground storage tanks at the Property, whether any such tanks were previously removed, or, with respect to removed tanks, at the time of removal, any contaminated soil was removed; and (iv) does not know whether the Property is free of any Hazardous Materials that would trigger response or remedial action under any environmental laws or any existing common law theory based on nuisance or strict liability. These representations are limited to matters of which Seller has actual knowledge, and Buyer acknowledges that Seller has not made any affirmative investigation as to environmental issues affecting the Property in connection with this Agreement.
- 10.1.9 Termination Due to Sale to Others. Seller represents and warrants to Buyer that during the term of this Agreement, Seller will not enter into an agreement to sell any or all of the Property to another Buyer, and that Seller has not previously sold, transferred or conveyed the Property, or granted to any other person or entity any right or interest in all or any part of the Property and Seller has not entered into any executory contracts for the sale of all or any part of the Property (other than this Agreement), nor do there exist any rights of first refusal or options to purchase the Property, other than this Agreement.
- 10.1.10 <u>Leases</u>. To Seller's actual knowledge, there are no leases or other agreements (whether oral or written) affecting or relating to the rights of any party with respect to the possession of

the Property or any portion thereof, as of the Effective Date or which will be in effect after the Close of Escrow, except for existing oil and gas agreements.

- 10.1.11 <u>Bond and Assessments</u>. To Seller's actual knowledge and except for matters of record as of the date hereof, there are no bonds or assessments or charges for any public improvements or utilities made against the Property which remain unpaid (or which will remain unpaid by Seller as of the Closing Date).
- 10.1.12 <u>DOF</u>, <u>OB</u>, and <u>Successor Agency</u>. Seller does not require any approvals or consents from the DOF, the OB, the Successor Agency, the City or any other party in order to sell the Property and effectuate the transactions contemplated by this Agreement, and Seller further represents and warrants that it has the power and authority to sell the Property to Buyer.

All representations and warranties contained in this Agreement shall be deemed remade as of and will survive the Closing Date, except in the event of a change in circumstances not within the control of Seller affecting any representations or warranties set forth herein, in which case Seller shall provide written notice to Buyer regarding such changed circumstances within a reasonable time following such change (not to exceed five (5) Business Days following the date the Successor Agency obtains actual knowledge of the changed circumstance), and prior to the Close of Escrow. As used herein, "actual knowledge" of Seller refers to the actual knowledge of Seller's employees and agents directly involved in the negotiation and/or drafting of this Agreement, those responsible for the acquisition or maintenance of the Property, the Successor Agency's attorney and the clerk to the Successor Agency.

- 10.2 <u>Buyer's Representations and Warranties</u>. Buyer represents and warrants to Seller that the following shall be true as of (1) the date that Buyer delivers the documents, materials or other items for Seller's written approval or disapproval, and (2) as of the Closing Date:
- 10.2.1 <u>Authority of Buyer</u>. Buyer is a the legal entity (or are the legal entities) as set forth in the first paragraph of this Agreement, and Buyer has the legal right, power and authority to enter into this Agreement and all the instruments referenced herein.
- 10.2.2 All Requisite Actions Taken. All requisite action (corporate, trust, partnership or otherwise) has been taken by Buyer in connection with entering into this Agreement and the instruments referenced herein, and the consummation of the transaction contemplated hereby. No consent of any partner, shareholder, creditor, investor, judicial or administrative body, governmental authority or other party is required.
- 10.2.3 <u>Legal Power</u>. The individuals executing this Agreement and the instruments referenced herein on behalf of Buyer have the legal power, right and actual authority to bind Buyer to the terms and conditions hereof and thereof.
- 10.2.4 <u>Buyer's Full Review</u>. Buyer has obtained and fully reviewed all documents, materials and other matters which it deems necessary or appropriate with respect to the Property and the transaction contemplated herein.
- 10.3 <u>Warranties to Survive Delivery of Deed.</u> All warranties, covenants, and other obligations contained herein shall survive delivery of the Grant Deed.

ARTICLE XI.

CLOSING OF ESCROW

- 11.1 <u>Place of Closing</u>. The place for the Closing of Escrow shall take place at the Escrow Holder's office.
- 11.2 <u>Close of Escrow</u>. This Escrow shall close as outlined in Section 4.6 of this Agreement. unless Buyer and Seller mutually agree in writing otherwise.

11.3 <u>Delivery of Documents Through Escrow.</u>

- 11.3.1 <u>Seller's Documents</u>. On the date of Close of Escrow, Seller shall deliver or cause to be delivered to Buyer through Escrow the following:
 - 11.3.1.1 The Grant Deed in the form approved by Buyer.
- 11.3.1.2 The Title Policy issued by Escrow Holder in the full amount of the purchase price, insuring title vested in Buyer, subject only to the printed provisions of the policy and the exceptions approved by Buyer under Paragraph 6.1.
- 11.3.1.3 Possession of the Property, subject to all possessory claims disclosed to and approved or waived by Buyer under this Agreement.
- 11.3.1.4 A certificate in the form attached as Exhibit "E" or any other documentation required under Section 1445 of the Internal Revenue Code to evidence that Seller is not a "foreign person or entity" within the meaning of the Foreign Investment and Real Property Tax Act of 1980.
- 11.3.1.5 <u>General Assignment and Bill of Sale</u>. Seller shall deliver to Escrow Holder an assignment and bill of sale ("General Assignment"), duly executed by Seller in the form of, and upon the terms contained in, Exhibit "F" attached hereto and incorporated herein.
- II.3.1.6. <u>Seller's Authorization</u>. Seller shall deliver to Escrow Holder all authorizations of Seller necessary to authorize Seller to execute, deliver, and perform its obligations under this Agreement, in form and substance reasonably acceptable to Buyer, executed by Seller's authorized parties.
- 11.3.2 <u>Buyer's Documents.</u> Buyer shall deliver or cause to be delivered to Seller through Escrow the following:
- 10.3.2.1 On the Closing Date, the Purchase Price, minus any applicable Deposit, as determined under Article III, in cash or in immediately available funds.

11.3.3 Prorations and Expenses.

- shall all be prorated as of the Closing Date on the basis of a thirty (30) day month. The real property taxes shall be prorated based upon the current tax rate applicable for the period being prorated. Delinquent taxes shall not be prorated, however, and Seller shall pay on or before the Closing Date all delinquent taxes and any associated interest and penalties, if any. If Seller does not pay all delinquent taxes on or before the Closing Date, said delinquent taxes shall be paid at the Close of Escrow from the funds accruing to Seller. Bonds or assessments of record shall be prorated as of the Closing Date and will be assumed by Buyer, subject to review and approval of the Buyer within ten (10) days of notice thereof.
- 11.3.3.2 Seller shall pay all costs and expenses of clearing title, preparing, executing, acknowledging, and delivering the Grant Deed, the Title Policy (as stated in Paragraph 6.2), and shall pay all transfer taxes. Seller shall pay all recording fees. Buyer shall pay all the title policy costs over and above the Title Policy, and all fees and costs resulting from any new financing. Buyer and Seller shall each pay one-half (1/2) of the Escrow fee.
- 11.3.3.3 Buyer shall deposit in Escrow before the Closing Date the amounts it owes for prorations and expenses; and Seller's share of prorations and expenses shall be deducted from sums due to Seller at Close of Escrow.

11.4 <u>Broker's Commission</u>. Seller shall pay through Escrow at the Close of Escrow and conditioned on the Close of Escrow brokerage commissions as follows, which amount may be paid through Escrow:

To Seller's Broker the sum equal to five percent (5%) of the Final Purchase Price. The commission is payable to CBRE, Inc. as Seller's representative

whose address is:

CBRE, Inc.

2221 Rosecrans Ave, Suite 100 El Segundo California 90245

United States

Attn: Rick McGeagh

Buyer and Seller hereby acknowledge that no other brokerage commission or finder's fee is payable with regard to this transaction; and the Buyer and Seller each ("Indemnitor") agree to indemnify and hold the other harmless from and against all liability, claims, demand, damages, or costs of any kind arising from or connected with any broker's or finder's fee or commission or charge claimed to be due any person arising from Indemnitor's conduct with respect to this transaction, other than the commissions and finders fees authorized in this Paragraph.

ARTICLE XII.

LIQUIDATED DAMAGES

12.1 Default and Termination.

11.1.1 <u>Default by Buyer: Deposit as Liquidated Damages</u>. IN THE EVENT THE SALE OF THE PROPERTY AS CONTEMPLATED HEREUNDER IS NOT CONSUMMATED BECAUSE OF A DEFAULT UNDER THIS AGREEMENT SOLELY ON THE PART OF BUYER, FIFTY-THOUSAND DOLLARS OF THE BUYER'S DEPOSIT SHALL BE PAID TO AND RETAINED BY SELLER AS LIQUIDATED DAMAGES. THE PARTIES ACKNOWLEDGE THAT SELLER'S ACTUAL DAMAGES IN THE EVENT OF A DEFAULT BY BUYER WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE THEREFORE, BY PLACING THEIR SIGNATURES BELOW, THE PARTIES ACKNOWLEDGE THAT THE DEPOSIT (PLUS INTEREST) HAS BEEN AGREED UPON, AFTER NEGOTIATION, AS THE PARTIES' REASONABLE ESTIMATE OF SELLER'S DAMAGES AND AS SELLER'S EXCLUSIVE REMEDY AGAINST BUYER IN THE EVENT OF A DEFAULT SOLELY ON THE PART OF BUYER.

Buyer's Initials

Seller's Initials

ARTICLE XIII

BUYER'S REMEDIES

13.1 <u>Buyer's Remedies.</u> If this transaction fails to close on account of a default by Seller under this Agreement, Purchaser shall be entitled either (a) to enforce Seller's obligations to convey the Property by delivering written notice to Seller pursuant to an action for specific performance, or (b) to terminate this Agreement by delivering notice to Seller and Escrow Holder, receive from Escrow Holder a prompt refund of the Deposit, and recover from Seller all of Purchaser's actual out-of-pocket third-party costs incurred as part of Purchaser's due diligence efforts hereunder in an amount not to exceed Seventy Five Thousand Dollars (\$75,000). Buyer understands and acknowledges that Seller's ability to make any such payment is subject to the approval of the OB and the DOF. Purchaser's remedies hereunder are in addition to the right to receive the return of the Deposit to the extent it is not applied to the Purchase Price in connection with Purchaser's action for specific performance.

ARTICLE XIV

RISK OF LOSS AND INSURANCE

- 14.1 Condemnation. If before the Closing Date any action or proceeding is commenced for the condemnation or exercise of the rights of eminent domain with respect to the Property or any portion of the Property, or if Seller is notified by the duly authorized officer of a duly empowered condemning authority of the intent to commence such action or proceeding ("Condemnation"), and if such Condemnation would: (i) materially and adversely affect the use or operation of the Property, (ii) have the effect of decreasing the square footage of the buildable area at the Property, or (iii) reduce or eliminate access to the Property, then Buyer may either (a) terminate this Agreement, or (b) proceed with the Closing without modifying the terms of this Agreement and without reducing the Purchase Price, on the condition that Seller must assign and turn over, and Buyer will be entitled to keep, all awards for the Condemnation that accrue to Seller; provided, however, if any award is rendered specifically to compensate Seller for Seller's lost goodwill, such an award shall belong to Seller. Seller may not negotiate, resist, or stipulate to any Condemnation without Buyer's written consent. Seller must notify Buyer of any notice of Condemnation of all or any portion of the Property within five (5) days after the receipt of such notice, and Buyer must exercise its option(s) as provided in this Section 14.1 within fifteen (15) days after receipt of such notice. If necessary, the Closing Date will be extended to give Buyer the full fifteen (15)-day period to make such election. Notwithstanding the foregoing, if any condemnation action is commenced prior to the Closing Date, Buyer shall have the right to terminate this Agreement and to receive the return of the Deposit, as well as a sum equal to Buyer's out-of-pocket costs incurred in connection with this transaction. Seller hereby waives any right Seller may have to condemn the Property or any portion thereof.
- 14.2 <u>Insurance</u>. Buyer shall maintain a commercial general liability insurance policy with respect to Developer's activities on or about the Property with liability limits of at least Two Million and no/100 Dollars (\$2,000,000.00) per occurrence and shall cause Seller to be named as an additional insured by way of endorsement thereto. Buyer shall also maintain Automobile Insurance with liability limits of at least One Million no/100 Dollars (\$1,000,000.00) per accident for owned, non-owned, and hired autos and Workers Compensation Insurance as required by law.
- 14.2.1 Nature of Insurance. All Liability Insurance and Automobile Liability Insurance policies required herein shall be issued by carriers that: (a) are listed in the then current "Best's Key Rating Guide—Property/Casualty—United States & Canada" publication (or its equivalent, if such publication ceases to be published) with a minimum financial strength rating of "A-" and a minimum financial size category of "VII" (exception may be made for the State Compensation Insurance Fund when not specifically rated); and (b) are authorized to do business in the State. Buyer may provide any insurance under a "blanket" or "umbrella" insurance policy, provided that: (i) such policy or a certificate of such policy shall specify the amount(s) of the total insurance allocated to the Property and the Project, which amount(s) shall equal or exceed the amount(s) required by this Agreement and shall not be reduced for claims made for other properties or projects; and (ii) such policy otherwise complies with this Agreement.
- 14.2.2 <u>Policy Requirements and Endorsements</u>. All insurance policies as required by this Agreement shall contain (by endorsement or otherwise) the following provisions:
- (a) <u>Insured.</u> Liability Insurance and Automobile Liability Insurance policies shall name the Successor Agency as "additional insured." The coverage afforded to the Successor Agency shall be at least as broad as that afforded to Buyer and may not contain any terms, conditions, exclusions, or limitations applicable to the Seller that do not apply to Buyer.

- (b) <u>Primary Coverage</u>. All policies shall be written as primary policies, respecting the Buyer. Any insurance or self-insurance maintained by the Buyer shall be excess of all insurance required under this Agreement and shall not contribute with it.
- (c) <u>Contractual Liability</u>. Liability Insurance policies shall contain contractual liability coverage, for the Seller's indemnity obligations under this Agreement.
- 14.2.3 Deliveries to the Seller. Evidence of Developer's maintenance of all insurance policies required by this Agreement shall be delivered to Seller prior to the Close of Escrow. No later than three (3) days before any insurance required by this Agreement expires, is cancelled or its liability limits are reduced or exhausted, Developer shall deliver to Seller evidence of such Party's maintenance of all insurance this Agreement requires. Each insurance policy required by this Agreement shall be endorsed to state that coverage shall not be cancelled, except after thirty (30) calendar days' advance written notice of cancellation or non-renewal has been given to Seller by certified mail, return receipt requested. Phrases such as "endeavor to" and "but failure to mail such Notice shall impose no obligation or liability of any kind upon the company" shall not be included in the cancellation wording of any certificates or policies of insurance applicable to the Parties pursuant to this Agreement.
- 14.2.4 <u>Waiver of Certain Claims</u>. Buyer shall cause each insurance carrier providing any Liability Insurance, Worker's Compensation Insurance, or Automobile Liability Insurance under this Agreement to endorse their applicable policy(ies) with a Waiver of Subrogation with respect to the Seller if not already in the policy.
- 14.2.5 <u>Deductibles and Self-Insured Retentions</u>. Any deductibles or self-insured retentions under insurance policies required by this Agreement shall be declared to and approved by Seller. The insurer under each such insurance policy shall eliminate such deductibles or self-insured retentions as respects the Seller.
- 14.2.6 <u>Insurance Independent of Indemnification</u>. The insurance requirements of this Agreement are independent of the Parties' indemnification and other obligations under this Agreement and shall not be construed or interpreted in any way to satisfy, restrict, limit, or modify the Parties' indemnification or other obligations or to limit the parties' liability under this Agreement, whether within, outside, or in excess of such coverage, and regardless of solvency or insolvency of the insurer that issues the coverage; nor shall the provision of such insurance preclude Seller from taking such other actions as are available to it under any other provision of this Agreement or otherwise at law or in equity,

ARTICLE XV.

GENERAL PROVISIONS

- 15.1 <u>Required Actions of Buyer and Seller</u>. Buyer and Seller agree to execute such instruments and documents and to diligently undertake such actions as may be required in order to consummate the purchase and sale herein contemplated and shall use their best efforts to accomplish the Close of Escrow in accordance with the provisions hereof.
- 15.2 <u>Captions</u>. Any captions to, or headings of, the paragraphs or subparagraphs of this Agreement are solely for the convenience of the parties hereto, are not a part of this Agreement, and shall not be used for the interpretation or determination of the validity of this Agreement or any provision hereof.
- 15.3 <u>No Obligations to Third Parties</u>. Except as otherwise provided herein, the execution and delivery of this Agreement shall not be deemed to confer any rights upon, nor obligate any of the parties thereto, to any person or entity other than the parties hereto.

- 15.4 <u>Exhibits and Schedules</u>. The Exhibits and Schedules, if any, attached hereto and referred to herein are hereby incorporated herein by this reference.
- 15.5 <u>Amendment to this Agreement</u>. The terms of this Agreement may not be modified or amended except by an instrument in writing executed by each of the parties hereto.
- 15.6 <u>Waiver</u>. The waiver or failure to enforce any provision of this Agreement shall not operate as a waiver of any future breach of any such provision or any other provision hereof.
- 15.7 <u>Confidentiality of Transaction</u>. All notices and publication to third parties and all other publicity concerning the transaction contemplated in this Agreement shall be jointly planned and coordinated by and between Buyer and Seller. None of the parties shall act unilaterally in this regard without the prior written approval of the others; however, this approval shall not be unreasonably withheld. All information, documents, materials, matters, negotiations, tests, reports, opinions, Purchase Price, broker's commissions and other matters shared with the other party under the terms of this Agreement shall remain confidential, except as provided by law.
- 15.8 Attorneys' Fees. In the event either Buyer or Seller brings any suit or other proceeding with respect to the matter or enforcement of this Agreement, the prevailing party (as determined by the court, agency, other authority, or reference judge before which such suit or proceeding is commenced) shall, in addition to such other relief as may be awarded, be entitled to recover attorneys' fees, expenses and costs of investigation as actually incurred (including, without limitation, attorneys' fees, expenses and costs of investigation in appellate proceedings, costs incurred in establishing the right of indemnification, or in any action or participation in, or in connection with, any case or proceeding under Chapter 7, 11 or 13 of the Bankruptcy Code of the United States of America.).
- 15.9 <u>Time of the Essence</u>. Time is of the essence of each and every term, condition, obligation and provision hereof.
- 15.10 Entire Agreement. This Agreement supersedes any prior agreements, negotiations, and communications, oral or written, and contains the entire agreement between Buyer and Seller as to the matter hereof. No subsequent agreement, representation, or promise made by either party hereto, or by or to an employee, officer, agent or representative of either party shall be of any effect unless it is in writing and executed by the party to be bound thereby.
- 15.11 Notices. All notices under this Agreement shall be effective within (i) one (1) day of personal delivery to Buyer or Seller, as the case may be, or (ii) one (1) days of telecopier or electronic mail transmission with a hard copy deposited by overnight courier or United States mail, registered or certified, or (iii) one (1) business day after deposit with an overnight courier service (e.g., Federal Express), or (iv) three (3) business days after deposit in the United States mail, registered, certified, postage fully prepaid and addressed to the respective parties as follows:

To Buyer:

Prime Property Fund, LLC 1999 Avenue of the Stars, Suite 2400 Los Angeles, California 90067 Attention: Mr. Aaron Greeno

Telephone: (310) 788-2229

Email: aaron.greeno@morganstanley.com

Prime Property Fund, LLC 555 California St. 21st Floor, San Francisco, CA 94104 Attention: Braden Wilhelm, Esq. Telephone: (415) 576-8972

Email: braden.wilhelm@morganstanley.com

Kearny Real Estate

1875 Century Park East, Ste 380

Attn: c/o Jeff Dritley Los Angeles, CA 90067 Telephone: (310) 203-1845 Email: jdritley@kearny.com

Kearny Real Estate

1875 Century Park East, Ste 380

Los Angeles, CA 90067 Attention: Hoonie Kang

Telephone No.: (310) 203-1847 Email: hkang@kearny.com

Holland & Knight LLP 400 S. Hope Street, 8th Floor Los Angeles, CA 90071 Attention: Douglas Praw Telephone: (213) 896-2588 Email: doug.praw@hklaw.com

To Seller:

Successor Agency Manager Santa Fe Springs City Hall 11710 Telegraph Rd. Santa Fe Springs, CA 90670 Telephone: 562-868-0511 Facsimile: 562-868-7112

Email:

With a copy to:

Yolanda M. Summerhill, Successor Agency Attorney

Jones & Mayer 3777 N. Harbor Blvd. Fullerton, CA 92835 Telephone: (714) 446-1400 Facsimile: (714) 446-1448 Email: yms@jones-mayer.com

Mr. Stephen Carlson

McGranahan Carlson & Company

8212 Billowvista Dr Playa del Rey, CA 90293 Email: <u>carlson@mcandc.com</u>

Rick McGeagh, Senior Vice President

CBRE Brokerage Services

19 of 24

2221 Rosecrans Avenue, Suite 100 El Segundo, CA 90245 Email: rick.mcgeagh@cbre.com

To Escrow Holder and

Chicago Title Company 725 S. Figueroa Street, Suite 200 Los Angeles, California 90017 David Balassi

- 15.12 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.
- 15.13 <u>Counterparts</u>. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.
- 15.14 <u>Assignment</u>. This Agreement shall not be assigned by any party hereto to any person or entity without the express written consent of Seller. In the event Buyer provides written consent of Assignment, this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto.
- 15.15 <u>Computation of Period</u>. All periods of time referred to in this Agreement shall include all Saturdays, Sundays, and state or national holidays, unless the period of time specifies business days, provided that if the date to perform any act or give any notice with respect to this Agreement shall fall on a Saturday, Sunday, or state or national holiday, such act or notice may be timely performed or given on the next succeeding day which is not a Saturday, Sunday, or state or national holiday.
- 15.16 <u>Interpretation</u>. Buyer and Seller hereto acknowledge and agree that each has been given the opportunity to review this Agreement with legal counsel independently, and/or has the requisite experience and sophistication to understand, interpret, and agree to the particular language of the provisions hereof. Buyer and Seller have equal bargaining power, and intend the plain meaning of the provisions herein; there are no secret or code words. In the event of an ambiguity in or dispute regarding the interpretation of same, the interpretation of this Agreement shall not be resolved by any rule of interpretation providing for interpretation against the Party who causes the uncertainty to exist or against the draftsman.
- 15.17 <u>Survivability</u>. All covenants of Buyer or Seller which are intended hereunder to be performed in whole or in part after Close of Escrow and all representations and warranties (to the extent set forth above), and indemnities by either Buyer or Seller to the other, shall survive Close of Escrow and delivery of the deed, and be binding upon and inure to the benefit of the respective Parties.
- 15.18 Third Party Reports. In the event the Close of Escrow does not occur, Buyer agrees to provide Seller with copies of any reports, maps, studies or other information (including draft reports and government data) generated or compiled with respect to the Property or the Developer's investigations. Such third party work product, if any, is delivered on an "AS-IS, WITH ALL FAULTS, ERRORS, AND OMISSIONS" basis and Buyer does not make, and hereby disclaims, any representations or warranties as to the accuracy or completeness of any such work product.
- 15.19 <u>Authority</u>. Any individual signing this Agreement on behalf of a partnership or other business entity represents that he or she is authorized by such entity and has the power to enter into this Agreement and by such person's act such partnership or other business entity is bound hereto. Any individual signing this Agreement in the capacity of a trustee or co-trustee represents that he or she is authorized under the appropriate trust documents to enter into this Agreement and by such person's act such trust is bound hereto.

15.20 Buyer covenants and agrees for itself, its successors, its assigns, Buyer, for himself and his successors and assigns, agrees that in the construction by Buyer of the Project and/or any improvements, it shall not discriminate against any employee or applicant for employment because of race, color, creed, religion, sex, marital status, ancestry or national origin.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first-above written.

"Buyer"

PPF Industrial, LLC,

a Delaware limited liability company

By: PPF OP, LP,

a Delaware limited partnership,

its Member

By: PPF OPGP, LLC,

a Delaware limited liability company,

its General Partner

By: Prime Property Fund, LLC,

a Delaware limited liability company,

Its Member

By: Morgan Stanley Real Estate Advisor, Inc.,

a Delaware corporation,

its Manager

Name:

Title

"Seller"

SUCCESSOR AGENCY TO THE COMMUNITY
DEVELOPMENT COMMISSION/REDEVELOPMENT

AGENCY OF THE CLTY OF SANTA FE SPRINGS

By:

Name:

Its:

Acceptance by Escrow Holder:

First American Title Insurance Company her executed counterpart of the foregoing Purchase and Sal there under and to be bound by and perform the terms the	e Agree	ment and agrees to act as Escrow Holder
Dated:	Ву:	
	Its:	

EXHIBIT A

MC& C Site III

LEGAL DESCRIPTION

THE LAND REPERTED TO RELEAS RELOW IS STRUCTED IN THE COUNTY OF LOS ANGELES. STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOT 1 OF THAT NO. 1777, IN THE CITY OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PERSON RECORDED IN BOOK SON, PAGES II, 21 APD 25 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THAT PORTION OF MUTLAY AVENUE VALCATED AS PARCE, AS DIS PRESS "A OF THAT CENTURE MEDICAL PROCESSION OF SAID COUNTY, LYING NERTHERLY OF THE CENTER INC. AND THE ASSOCIATION OF THE CENTER INC. AND THE ASSOCIATION OF THE CENTER INC. AND THE ASSOCIATION OF THE CENTER INC. AND THE MAP OF SAID TRACTING. 1777, EXCEPT THAT PORTION OF MUTRAY AVENUE BEING DESCRIBED AS FOLLOWS.

REGINNER AT SAID MORTHEAST COUNTA OF LOT 1; THENCE SOUTH 0'20'11" EAST 33.21 FEET ALCING SAID EASTERLY LOT LINE; THENCE SOUTH 48'31'31" EAST 60.03 FEET TO THE LASTERLY LINE OF MIRRAY AVENUE. THENCE NORTH 0'20'15' WEST 37.02 FEET TO THE EASTERLY ENGLANDATION OF HE MORTHEAST LINE OF SAID LOT 1, SAID LINE ALSO BEING THE SOUTHERLY LINE OF THE EGAPH ROAD (80.05 FEET WIND), AS SHOWN ON SAID TRACT NO 17977, THENCE SOUTH 85'47'33" WEST 89.00 FEET ALONG SAID EASTERLY PROLONGATERN TO THE MORN OF RECEIVED AND THE SOUTH OF SAID LINES OF THE MORN OF SAID THE SOUTH OF SOUTH SETS SAID FROM THE MORN OF SAID TH

ALSO EXCEPTING AND RESERVING UNTO SANTA HE ENERGY COMPANT, ITS SUCCESSORS OR ASSIGNS, ALL MENERALS WHATSOFVER PERFORMANCE, CHI, ASPIRALITAL GAS AND OR HYDROCARBON SIRBITANCES, DICLIENG BHE NOT LIMITED TO BELIEVE AND CARBON DEDUCED, WHITHOUT CREMONED PRODUCING BHE NOT LIMITED TO BELIEVE AND CARBON DEDUCED, WHITHOUT CREMONED THAT SELECT AS SET FORMS WITH THE REGIST OF PROSPECTING, DESTRUCES PROCEDED THAT EXCEPT AS SET FORMS IN THAT CERTAIN MEMBER, PROPRIED THE EXCEPT AS SET FORMS IN THAT CERTAIN MEMBER, PROPRIED THAT EXCEPT AS SET FORMS IN THAT CERTAIN MEMBER, PROPRIED THAT EXCEPT AS SET FORMS IN THAT CERTAIN MEMBER, PROPRIED THAT EXCEPT AS SET FORMS IN THAT CERTAIN MEMBER, PROPRIED THAT EXCEPT AS SET FORMS IN THAT CERTAIN MEMBER, RESERVATION AGREEMENT DATED DECEMBER 27, 1899, AND RECKES DESCRIPE 13, 1899 AS ESTRUMENT FOR THE PROPRIED THAT HE SUFFACE OF SAND REALT FORMS IN THE TOTAL PROPRIED TO SUFFACE POINT NOR OTHER REGIST OF SUFFACE POINT ANY FORMS OF SAND EARL PROPRIED TO MEMBERS TO EXCRUSE, TO EXTRACT AND OR REMOVE SAID OIL, GAS AND UR HYDROCAUBON ORANGERAL SUBSTANCES OR OTHERWISE.

LOTS 8, 9, 10 AND 11 IN SLOCK SI OF THE TOWNSHE OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 24 PAGE 37 OF MISCELLANBOOK RECORDS OF SAID COUNTY.

RESERVENG THEREFILM ALL RIGHTS TO OIL, GAS, AND HYDROCARBON SUBSTANCES AND IMPRIALS OF FURRY REND AND CHARACTER LYING BOTHE THAN FIVE HIRDRED (NO) FREE BELOW THE SUBFACE TOGETHER WITH THE RIGHT TO DRELL INTO, THEOUGH, AND TO USE THE PROPERTY FOR ANY AND ALL PROPERTY SUBSTANCES. INCOMENTAL TO THE ENGLOSION FOR AND PROPERTY FOR ANY AND ALL PROPERTY SUBSTANCES. ALTO THE ENGLISHON FOR TAXING SUBSTANCES, ALTO HER ENGLISHON FOR TAXING SUBSTANCES OF CHARACTER SUBSTANCES OF AND GAS PRODUCTION ACTIVITIES) FROM THE PROPERTY BY ACCORDANCE WHILE ENGLISH OIL AND GAS PRODUCTION ACTIVITIES ARRESSENTS, ANY PAYMENTS, RENTS, ROYALTES, OR CHEEK BOLD PROPERTY OF GRANTOR, ASTERSENTED IN DEED RECORDED SEPTEMBER, 20, 2006 AS INSTRUMENT NO. OSCIULTOS OF ORPICAL RECORDS

EXHIBIT A MC& C Site III

(Continued)

PARCEL 3:

LOTS 12 AND 13 IN BLOCK 52 OF SANTA FE SPRINGS, IN THE CITY OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 26, PAGE 37 OF MISCELLANEOUS RECORDS OF SAID COUNTY.

EXCEPT THEREFROM ANY MINERALS, OIL, GAS AND OTHER HYDROCARBON SUBSTANCES ON AND UNDER THE PROPERTY OF MORE THAN 500 FEET BELOW THE SURFACE, WITHOUT THE RIGHT OF SURFACE ENTRY, AS RESERVED IN A DEED RECORDED DECEMBER 30, 2005 AS INSTRUMENT NO. 05-3231892 OF OFFICIAL RECORDS.

PARCEL 4:

LOTS 1 THROUGH 26, INCLUSIVE, IN BLOCK 53 OF TOWNSITE OF SANTA FE SPRINGS, IN THE CITY OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA AS PER MAP RECORDED IN BOOK 26, PAGE 37 ET SEO, OF MISCELLANEOUS RECORDS OF SAID COUNTY.

APN: <u>8011-018-</u>900; <u>8011-016-</u>901; <u>8011-018-</u>902; <u>8011-018-</u>903; <u>8011-018-</u>904; <u>8011-018-</u>905; <u>8011-018-</u>906; <u>8011-019-</u>911

EXHIBIT "A"

MC& C Site IV

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS.

PARCEL 1:

LOTS 1, 2, 3, 4, 5, 6, 29 AND 30 IN BLOCK 46 OF SANTA FE SPRINGS, IN THE CITY OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 26 PAGES 37 TO 40 INCLUSIVE OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THAT PORTION OF THE EAST HALF OF VACATED ALLEY ADJOINING SAID LOTS 1, 2, 3, 4, 5 AND 6 ON THE WEST AND THAT PORTION OF THE WEST HALF OF THE VACATED ALLEY ADJOINING SAID LOTS 29 AND 30 ON THE EAST, TOGETHER WITH THAT PORTION OF THE SOUTH HALF OF FIRST STREET ADJOINING SAID LOTS 1 AND 30 ON THE NORTH

EXCEPT FROM SAID LOTS 1, 5 AND 6, ALL OIL, GAS, MINERAL AND OTHER HYDROCARBON SUBSTANCES IN, ON AND UNDER SAID LAND AS SET OUT IN THAT CERTAIN GRANT DEED, RECORDED MARCH 4, 1980 AS INSTRUMENT NO. 80-216991, OF OFFICIAL RECORDS OF LOS ANGELES COUNTY.

ALSO EXCEPT FROM SAID LOT 29, ALL CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL KINDRED SUBSTANCES AND OTHER MINERALS UNDER AND IN SAID LAND, LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE THEREOF, IN FAVOR OF LEON BEAUMON, BY DEED RECORDED FEBRUARY 9, 1981 AS INSTRUMENT NO. 81-144399, OF OFFICIAL RECORDS.

ALSO EXCEPTING AND RESERVING UNTO SANTA FE ENERGY COMPANY, ITS SUCCESSORS OR ASSIGNS, ALL MINERALS WHATSOEVER, PETROLEUM, OIL, ASPHALTUM, GAS AND/OR HYDROCARBON SUBSTANCES, INCLUDING, BUT NOT LIMITED TO, HELIUM AND CARBON DIOXIDE, WITHIN OR UNDERLYING THE HERETOFORE DESCRIBED REAL PROPERTY, AT A DEPTH OF MORE THAN 500 FEET BELOW THE SURFACE, TOGETHER WITH THE RIGHT OF PROSPECTING, ORILLING, REDRILLING, MINNING, PRODUCING AND/OR REMOVING THE SAME THEREFROM AND THEREUNDER; PROVIDED THAT EXCEPT AS SET FORTH IN THAT CERTAIN MINERAL RESERVATION AGREEMENT DATED DECEMBER 27, 1989, AND RECORDED DECEMBER 28, 1989 AS INSTRUMENT NO. 59-2057140, OFFICIAL RECORDS, IN THE LOS ANGELES COUNTY RECORDER'S OFFICE, SANTA FE ENERGY COMPANY, ITS SUCCESSORS, OR ASSIGNS, SHALL HAVE NO-RIGHT OF SURFACE ENTRY NOR RIGHT TO DISTURB THE SURFACE OF SAID REAL PROPERTY NOR OTHER RIGHT TO ENTER AT ANY POINT ON SAID REAL PROPERTY WITHIN 500 FEET BELOW THE SURFACE THEREOF FOR ANY PURPOSE, WHETHER TO EXPLORE, TO EXTRACT AND/OR. REMOVE SAID OIL, GAS AND/OR HYDROCARBON OR MINERAL SUBSTANCES OR OTHERWISE.

PARCEL 2:

LOTS 18, 19, 20, 21, 22, 23, 24 AND 25 OF TRACT NO. 17977, IN THE CITY OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 549 PAGES 21, 22 AND 23 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THE NORTH HALF OF FIRST STREET, ADJOINING SAID LOTS 22, 24 AND 25 ON THE SOUTH; TOGETHER WITH THE SOUTH HALF OF FIRST STREET, ADJOINING SAID LOT 20 ON THE NORTH; TOGETHER WITH THE 20,00 FOOT ALLEY, ADJOINING SAID LOT 22 ON THE EAST; TOGETHER WITH THE 20,00 FOOT ALLEY, ADJOINING SAID LOT 23 ON THE SOUTH; TOGETHER WITH THE 20,00 FOOT ALLEY, ADJOINING SAID LOT 23 ON THE SOUTH; TOGETHER WITH THE 20,00 FOOT ALLEY, ADJOINING SAID LOT 19 AND 20 ON THE WEST; TOGETHER WITH THE WEST HALF OF THE 20,00 FOOT ALLEY, ADJOINING SAID LOT 21 ON THE EAST; TOGETHER WITH THE WEST HALF OF THE 20,00 FOOT ALLEY, ADJOINING SAID LOT 21 ON THE EAST; TOGETHER WITH THE WEST HALF OF THE 20,00 FOOT ALLEY, ADJOINING SAID LOT 21 ON THE EAST; TOGETHER WITH THE WEST HALF OF THE 20,00 FOOT ALLEY, ADJOINING SAID LOTS 19 AND 20 ON THE EAST AND THE EAST HALF OF A 20,00 FOOT ALLEY, ADJOINING SAID LOTS 19 AND 20 ON THE EAST AND THE EAST HALF OF A 20,00 FOOT ALLEY, ADJOINING SAID LOTS 19 AND 20 ON THE EAST AND THE EAST HALF OF A 20,00 FOOT ALLEY, ADJOINING SAID LOTS 19 AND 20 ON THE EAST.

EXHIBIT A MC& C Site IV (Continued)

ALSO EXCEPTING AND RESERVING UNTO SANTA FE ENERGY COMPANY, ITS SUCCESSORS OR ASSIGNS, ALL MINERAL WHATSOEVER, PETROLEUM, OIL, ASPHALTUM, GAS AND/OR HYDROCARBON SUBSTANCES, INCLUDING, BUT NOT LIMITED TO, HELIUM AND CARBON DIOXIDE, WITHIN OR UNDERLYING THE HERETOFORE DESCRIBED REAL PROPERTY, AT A DEPTH OF MORE THAN 500 FEET BELOW THE SURFACE, TOGETHER WITH THE RIGHT OF PROSPECTING, ORILLING, REDRILLING, MINING, PRODUCING AND/OR REMOVING THE SAME THEREFROM AND THEREUNDER; PROVIDED THAT EXCEPT AS SET FORTH IN THAT CERTAIN MINERAL RESERVATION AGREEMENT DATED DECEMBER 27, 1989, AND RECORDED DECEMBER 28, 1989 AS INSTRUMENT NO. 89-2087140, OFFICIAL RECORDS, IN THE LOS ANGELES COUNTY RECORDER'S OFFICE, SANTA FE ENERGY COMPANY, ITS SUCCESSORS OR ASSIGNS, SHALL HAVE NO RIGHT OF SURFACE ENTRY NOR RIGHT TO DISTURB THE SURFACE OF SAID REAL PROPERTY NOR OTHER RIGHT TO ENTER AT ANY POINT ON SAID REAL PROPERTY WITHIN 500 FEET BELOW THE SURFACE THEREOF FOR ANY PURPOSE, WHETHER TO EXPLORE, TO EXTRACT AND/OR REMOVE SAID OIL, GAS AND/OR HYDROCARBON OR MINERAL SUBSTANCES OR OTHERWISE.

PARCEL 3:

LOTS 7, 8, 9, 10 AND 11 OF TRACT NO.5326, IN THE CITY OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 58 PAGES 56 AND 57 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

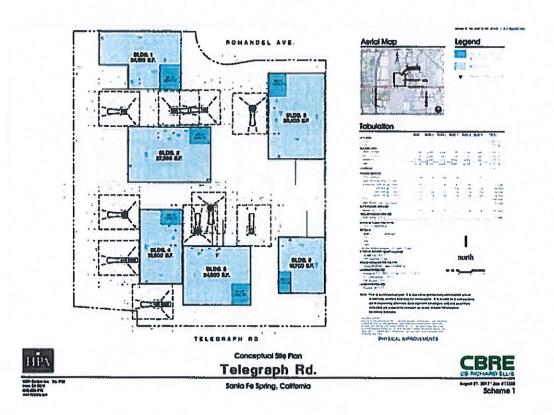
EXCEPT FROM SAID LOTS 8 AND 11, ALL OIL, GAS, MINERAL AND OTHER HYDROCARBON SUBSTANCES IN, ON AND UNDER SAID LAND, AS SET OUT IN THAT CERTAIN GRANT DEED, RECORDED MARCH 4, 1980 AS INSTRUMENT NO. 80-216991, OF OFFICIAL RECORDS.

ALSO EXCEPTING AND RESERVING UNTO SANTA FE ENERGY COMPANY, ITS SUCCESSORS OR ASSIGNS, ALL MINERALS WILATSOEVER, PETROLEUM, OIL, ASPIIALTUM, GAS AN/OR HYDROCARBON SUBSTANCES, INCLUDING, BUT NOT LIMITED TO, HELIUM AND CARBON DIOXIDE, WITHIN OR UNDERLYING THE HERETOFORE DESCRIBED REAL PROPERTY, AT A DEPTH OF MORE THAN 500 FEET BELOW THE SURFACE, TOCETHER WITH THE RIGHT OF PROSPECTING, DRILLING, REDRILLING, MINING, PRODUCING AND/OR REMOVING THE SAME THEREFROM AND THEREUNDER; PROVIDED THAT EXCEPT AS SET FORTH IN THAT CERTAIN MINERAL RESERVATION AGREEMENT DATED DECEMBER 27, 1989, AND RECORDED DECEMBER 28, 1989 AS INSTRUMENT NO. 89-2087149, OFFICIAL RECORDS, IN THE LOS ANGELES COUNTY RECORDERS OFFICE, SANTA FE ENERGY COMPANY, ITS SUCCESSORS OR ASSIGNS, SHALL HAVE NO RIGHT OF SURFACE ENTRY NOR RIGHT TO DISTURB THE SURFACE OF SAID REAL PROPERTY NOR OTHER RIGHT TO ENTER AT ANY POINT ON SAID REAL PROPERTY WITHIN 500 FEET BELOW THE SURFACE THEREOF FOR ANY PURPOSE, WHETHER TO EXPLORE, TO EXTRACT AND/OR REMOVE SAID OIL, GAS AND/OR HYDROCARBON OR MINERAL SUBSTANCES OR OTHERWISE.

PARCEL 4

THAT PORTION OF ROMANDEL AVENUE, 60 FEET WIDE, IN THE CITY OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES; STATE OF CALIFORNIA, AS SHOWN ON MAP OF TRACT NO. 17977, AS PER MAP RECORDED IN BOOK 549 PAGES 21 TO 23 INCLUSIVE OF MAPS. IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING BETWEEN THE SOUTHERLY BOUNDARY LINE. OF THE LINE. OF THE LAND DESCRIBED AS PARCEL XIII IN EXHIBIT "A" OF THAT CERTAIN RESOLUTION NO. 4243, RECORDED JULY 18, 1979 AS INSTRUMENT NO. 79-788602, OF OFFICIAL RECORDS OF SAID COUNTY, AND THE WESTERLY PROLONGATION OF A LINE PARALLEL WITH AND DISTANT NORTHERLY 30 FEET, MEASURED AT RIGHT ANGLES FROM THE NORTHERLY LINE OF LOT 22 OF SAID TRACT NO. 17977.

EXHIBIT B



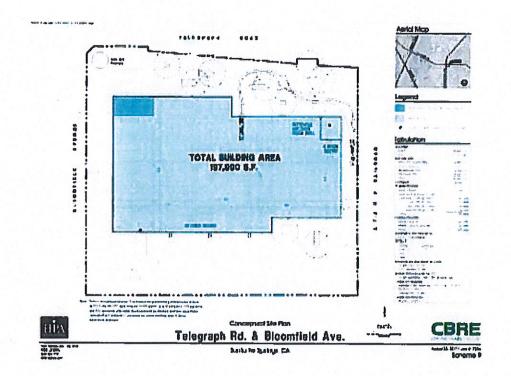


EXHIBIT C

Site III S	F.C Bloomfle	ld & Telegra	pli Road, .	Santa Fe S	prings	
Building #	Square Footage	Office SF	Ceiling Clear	Loading DH/GL	Fire Sprinkler	Fenced Yard
1.	197,990	10,000	32'	22.2	ESFR	Y

Building #	Square Footage	Office SF	Ceiling Clear	Loading DH/GL	Fire Sprinkler	Fenced Yard
1.	24,180	3,000	24'	3/1	.60/3,000	P
2.	27,355	3,000	24'	3/1	.60/3,000	N
3.	29,400	4,000	24'	4/1	.60/3,000	N
4.	18,900	2,500	24'	3/1	.60/3,000	P
5.	24,020	3,000	24'	3/1	.60/3,000	N
6.	15,700	2,500	24'	2/1	.60;3,000	N

EXHIBIT D FORM OF GRANT DEED

RECORDING REQUESTED BY: WHEN RECORDED, MAIL TO:)
Douglas A. Praw, Esq. Holland & Knight LLP 400 South Hope Street, 8th Floor Los Angeles, California 90071))))
MAIL TAX STATEMENTS TO:)))))
***************************************	<u> </u>
Assessor's Parcel #	Space Above for Recorder's Use
	The undersigned Grantor declares: Documentary Transfer Tax is: \$
	Computed on the consideration or value of property conveyed; OR Computed on the consideration or value less liens or encumbrances remaining at time of sale.
	GRANT DEED
FOR A VALUABLE CONSIDERA	FION, receipt of which is hereby acknowledged,
	a ₄₄
hereby GRANTS to:	
	a
all right, title and interest in and to th State of California, descr	at certain real property located in the City of, County of ribed more particularly in Exhibit "A" attached hereto.
SUBJECT, HOWEVER, TO:	
All easements, enc other matters of wh	umbrances, covenants, conditions, restrictions, reservations, rights-of-way and natever kind and nature shown of record; and

#55066343_v4

2.

Installments of non-delinquent general and special real property taxes and assessments.

Date:	
	A AMERICAN PRODUCTION OF THE P
	By:
	Title:
A notary public or other officer completing this certificate document to which this certificate is attached, and not the	e verifies only the identity of the individual who signed the truthfulness, accuracy, or validity of that document.
STATE OF CALIFORNIA)) ss. COUNTY OF)	
COUNTY OF)	
satisfactory evidence to be the person(s) whose na acknowledged to me that he/she/they executed the sai	, a Notary Public, , who proved to me on the basis of me(s) is/are subscribed to the within instrument and me in his/her/their authorized capacity(ies), and that by), or the entity upon behalf of which the person(s) acted,
I certify under PENALTY OF PERJURY under the laws of true and correct.	of the State of California that the foregoing paragraph is
WITNESS my hand and official scal.	
Notary Public	
Commission Expiration Date	[SEAL]

EXHIBIT A

PROPERTY DESCRIPTION

EXHIBIT E FORM OF FIRPTA AFFIDAVIT

FOREIGN INVESTMENT AND REAL PROPERTY TAX AFFIDAVIT

	-	တာ တာ တာ	KNOW AL	L PERSO	NS BY THESI	E PRESENTS:
property intere	n 1445 of the Interna st must withhold tax i of tax is not requ , the undersig	f the transfero ired upon t	r (Seller) is a he dispositi	a foreign pe ion of a	rson. To inform U.S. real pro	n the Purchaser that operty interest by
1.	foreign trust, or fore Income Tax Regular	eign estate (as tions).	, is no those terms	t a foreign are defined	corporation, f in the Internal	oreign partnership, Revenue Code and
2.	The taxpayer	identification	number	of		, îs
3.	The office address of	of			_ is:	
Transferee and Under	erstand that this cert that any false stateme penalties of perjury d belief it is a true and	ent contained but I declare that	nerein could I have exar	be punished nined this c	by fine, impris	onment, or both.
		S	ELLER:			
		Ву:		- Validation of the Control of the C	handen er engagnage en programmen en essam 9 i mari	
SUBS	CRIBED AND SWO	RN TO befor	e me this	day of	China Company Company Company	, 2018.
		Notary I My Co	Public, State	of		National

EXHIBIT F FORM OF GENERAL ASSIGNMENT AND BILL OF SALE

Form of Assignment and Assumption Agreement

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT, dated, 20, by and between (a) , a
(" <u>Assignor</u> "), and (b), a(" <u>Assignee</u> ").
WHEREAS, Assignor and Assignee entered into that certain Purchase and Sale Agreement and Escrow Instructions dated, 20, as the same may have been amended prior to the date hereto (as amended, the "Agreement"), for the sale and purchase of certain "Property", consisting of certain "Real Property" (as more particularly described in Exhibit A), "Personal Property", and "Intangible Property" (capitalized terms used herein and not otherwise defined herein have the meanings ascribed to them in the Agreement);
WHEREAS, ("Property Owner") is the owner of the Real Property, Personal Property and Intangible Property;
WHEREAS, Assignor has the power and authority to convey the Real Property, Personal Property and Intangible Property pursuant to;
WHEREAS, Assignor desires to assign unto Assignee all of Assignor's right, title and interest in and to the Intangible Property (as hereinafter defined) as hereinafter provided; and
WHEREAS, Assignee desires to acquire the Intangible Property and assume the duties and obligations first arising on or after, the date hereof, of Assignor with respect to the Intangible Property.
NOW, THEREFORE, in accordance with the Agreement and in consideration of the sum of Ten Dollars (\$10.00), the sufficiency and receipt of which are hereby acknowledged, the parties do hereby covenant and agree as follows and take the following actions:
1. Assignor does hereby assign, transfer, set over and deliver unto Assignee all of the Assignor's and Property Owner's right, title and interest in and to the following property to the extent the same is transferable by Assignor (collectively, "Intangible Property"):
(a) any and all leases, tenancies, licenses and other rights of occupancy or use of or for any portion of the Real Property or the Personal Property (including all amendments, renewals and extensions thereof), in effect as of the date of this Assignment and Assumption Agreement and more particularly described on Exhibit A attached hereto, and incorporated by this reference (collectively, "Leases");
(b) any and all contracts and agreements of any kind for the management, repair or operation of the Property (other than Leases) in effect as of the date of this Assignment and Assumption Agreement and more particularly described on Exhibit B attached hereto, and incorporated by this reference (collectively, "Contracts");
(c) any and all licenses, permits, authorizations, certificates of occupancy and other approvals that are in effect as of the date of this Assignment and Assumption Agreement and necessary

for the current use and operation of the Property and more particularly described on <u>Exhibit C</u> attached hereto, and incorporated by this reference (collectively, "<u>Permits</u>"); and

(d) any and all other intangible property, including, but not limited to, warranties, telephone exchange numbers, architectural or engineering plans and specifications, and development rights that exist as of the date of this Assignment and Assumption Agreement and relate to the Real Property or the Personal Property (collectively, "General Intangibles").

Intangible Property shall not be deemed to include any rights to use the name, website or domain name under which the Property was operated, which name is not being transferred hereby. "Intangible Property" means the Leases, Contracts, Permits and General Intangibles.

- 2. EXCEPT AS OTHERWISE SET FORTH IN THE AGREEMENT, THE INTANGIBLE PROPERTY IS BEING ASSIGNED "AS IS", "WHERE IS", AND "WITH ALL FAULTS" AS OF THE DATE OF THIS ASSIGNMENT AND ASSUMPTION AGREEMENT, WITHOUT ANY REPRESENTATION OR WARRANTY WHATSOEVER AS TO ITS CONDITION, FITNESS FOR ANY PARTICULAR PURPOSE, MERCHANTABILITY OR ANY OTHER WARRANTY, EXPRESS OR IMPLIED. EXCEPT AS OTHERWISE SET FORTH IN THE AGREEMENT, ASSIGNOR SPECIFICALLY DISCLAIMS ANY WARRANTY, GUARANTY OR REPRESENTATION, ORAL OR WRITTEN, PAST OR PRESENT, EXPRESS OR IMPLIED, CONCERNING THE INTANGIBLE PROPERTY OR ASSIGNOR'S TITLE THERETO. EXCEPT AS OTHERWISE SET FORTH IN THE AGREEMENT, ASSIGNEE IS HEREBY THUS ACQUIRING THE INTANGIBLE PROPERTY BASED SOLELY UPON ASSIGNEE'S OWN INDEPENDENT INVESTIGATIONS AND INSPECTIONS OF THAT PROPERTY AND NOT IN RELIANCE UPON ANY INFORMATION PROVIDED BY ASSIGNOR OR ASSIGNOR'S AGENTS OR CONTRACTORS,
- 3. Assignee hereby accepts the foregoing assignment of the Intangible Property and hereby assumes all duties and obligations of Assignor first arising on or after the date hereof with respect to the Leases, Contracts and Permits for the period on and after the date of this Assignment and Assumption Agreement.
- 4. This Assignment and Assumption Agreement shall be (a) binding upon, and inure to the benefit of, the parties to this Assignment and Assumption Agreement and their respective heirs, legal representatives, successors and assigns, and (b) construed in accordance with the laws of the jurisdiction in which the Real Property is located, without regard to the application of choice of law principles, except to the extent such laws are superseded by federal law.
- 5. This Agreement may be executed and delivered in any number of counterparts, each of which so executed and delivered shall be deemed to be an original and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, Agreement as of the day of	, Assignor has signed and delivered this Assignment and Assumption, 20
	ASSIGNOR:
	D
	By: Print Name:

	Tille:
IN WITNESS WHERE OF Agreement as of the day of	OF, Assignee has signed and delivered this Assignment and Assumption, 20
	ASSIGNEE:
	Ву:
	Print Name:
	Title:

Exhibit A to Assignment and Assumption Agreement

List of Leases

Exhibit B to Assignment and Assumption Agreement

List of Contracts

Exhibit C to Assignment and Assumption Agreement

List of Permits

PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS

THIS PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS ("Agreement") is made and entered into as of Morch 20, 2018, by and between the Successor Agency to the Community Development Commission/Redevelopment Agency of the City of Santa Fe Springs ("Seller" or the "Successor Agency") and PPF Industrial, LLC, a Delaware limited liability company ("Buyer" or "Developer") (Seller/Successor Agency and Buyer/Developer may be referred to hereinafter individually as a "Party" or collectively as the "Parties"), and shall be joint escrow instructions to the Escrow Holder, designated herein below.

RECITALS

- A. The Successor Agency owns the following parcels of real property, located in the City of Santa Fe Springs, California (the "City"), which parcels were previously acquired by the Successor Agency's predecessor for redevelopment purposes (collectively, the "Property"): (i) Approximately 9.87 acres of land located at the southeast corner of Telegraph Road and Bloomfield Avenue (legally described on Exhibit A-1 and depicted on Exhibit B-1, attached hereto); and (ii) approximately 8.49 acres of land on the north side of Telegraph Road east of Bloomfield Avenue (legally described on Exhibit A-2 and depicted on Exhibit B-2, attached hereto).
- B. With the dissolution of redevelopment agencies in 2011, the Redevelopment Agency was dissolved and the Successor Agency was created in order to wind down the affairs of the former Redevelopment Agency. Pursuant to the California Health & Safety Code, the Successor Agency was required to draft a Long Range Property Management Plan (the "LRPMP") to control the disposition of its real property assets, which included the Property, and which has been approved by the Successor Agency's Oversight Board ("OB") and the State of California Department of Finance (the "DOF").
 - C. The LRPMP requires that the Successor Agency sell the Property for development.
- D. Developer desires to purchase the Property from the Successor Agency and develop it in accordance with the City's General Plan, zoning codes and other applicable laws, and consistent with the requirements of the California Environmental Quality Act, related State Guidelines and related local ordinances, and the Successor Agency desires to sell the Property to Developer for such development in accordance with the terms of this Agreement (the "Project").
- E. The conveyance of the Property pursuant to the terms and conditions of this Agreement is in the best interest of the surrounding community and the health, safety and welfare of the City's residents, and in accord with the public purposes and provisions of applicable state and local laws.

NOW, THEREFORE, the Parties agree as follows:

ARTICLE I.

AGREEMENT TO SELL AND PURCHASE

1.1 <u>Purchase and Sale</u>. Seller agrees to sell and Buyer agrees to purchase the Property as described in accordance with the terms of this Agreement.

ARTICLE II.

DESCRIPTION OF PROPERTY & PROJECT

- 2.1 <u>Project Description.</u> Buyer and Seller currently contemplate that the Project shall include the construction of one (1) building of approximately 197,990 square feet on Site III, and the construction of six (6) buildings with a total of approximately 139,555 square feet on Site IV, both as depicted on Exhibit C-1.
- 2.2 <u>Improvements and Personal Property</u>. The Property shall include Seller's rights in all improvements, structures, fixtures, permits and entitlements on the land and all personal property, if any, which it acquired at the time of Seller's purchase of the Property ("Seller's Improvements" herein), but shall exclude all improvements, structures, and fixtures and personal property owned by Seller's predecessors in interest and others under the agreements identified in Section 2.3 below.
- 2.3 Reservation. The Seller's fee title of the Property is subject to a reservation of all oil, gas, and hydrocarbon substances lying below a depth of five hundred feet (500'). Seller's fee title is also subject to certain rights to use the surface of the Property for oil and gas operations pursuant to agreements collectively referred to hereinafter as "Existing Oil and Gas Agreements", which rights going forward are to be negotiated between Buyer and BreitBurn Energy Company ("BEC"), resulting in a new "Surface Rights Agreement", under which there will be established and defined certain parameters and rights for both the orderly surface development of the Property and existing and future oil and gas operations to be conducted by BEC.
- 2.3.1 <u>Additional Exceptions</u>. Additionally, the Property shall be conveyed to Buyer subject to the following:
- 2.3.2 All the title exceptions set forth in the Preliminary Title Report referred to in Section 6.2 hereinafter.
- 2.3.3 All other valid and existing assessments, conditions, easements, reservations, restrictions, licenses, agreements, leases, and exceptions affecting the Property, recorded or otherwise disclosed to Buyer.

ARTICLE III.

PURCHASE PRICE

- 3.1 <u>Purchase Price.</u> Buyer hereby agrees to purchase from Seller, and Seller agrees to sell to Buyer all Seller's right, title and interest in and to the Property upon the terms and conditions hereinafter set forth. The Purchase Price for Buyer's acquisition of the Property shall be \$30,200,000, subject to the adjustments and reductions set forth in Section 3.2 hereinafter (the "Purchase Price").
- 3.2. Oil Field Work. The Purchase Price shall be reduced by the mutually agreed upon estimated costs incurred by Buyer for the "Oil Field Work" as defined herein: (i) required oil pipeline and electrical relocations, and (ii) oil well reabandonments ordered by governmental agencies having

jurisdiction over such reabandonments, including but not necessarily limited to the California Department of Conservation, Division of Oil, Gas & Geothermal Resources ("DOGGR"). Buyer and Seller shall work together, reasonably and in good faith, to reduce the actual costs of such Oil Field Work. The mutual agreement of Buyer and Seller on a fixed sum price for such Oil Field Work shall be a condition precedent to Buyer's and Seller's respective obligations to Close of Escrow, as is hereinafter defined in Section 4.6.

ARTICLE IV.

ESCROW AND DEPOSIT OF FUNDS

4.1 <u>Escrow and Escrow Holder</u>. This Agreement shall be consummated through an escrow ("Escrow") established with Chicago Title Company ("**Escrow Holder**") and whose address and escrow officer is as follows:

Chicago Title Company 725 S. Figueroa Street, Suite 200 Los Angeles, California 90017 Attn: David Balassi

- 4.2 Opening of Escrow. Within three (3) days after execution of this Agreement, the Parties shall open an Escrow with the Escrow Holder by causing an executed copy of this Agreement to be deposited with Escrow Holder (the "Opening of Escrow").
- 4.3 <u>Escrow Instructions</u>. Escrow Holder shall administer Escrow in conjunction with the escrow instructions set forth herein and is authorized to act thereunder insofar as closing this Escrow is concerned. However, Escrow Holder should only be obligated to comply with the escrow instructions or supplemental escrow instructions that will be a part of this Agreement. All other items of this Agreement are matters between the Parties. In addition, Buyer and Seller agree to execute, deliver and be bound by any reasonable or customary supplemental escrow instructions of Escrow Holder, or other instruments as may reasonably be required by Escrow Holder in order to consummate the transaction contemplated by this Agreement, and shall provide the Escrow Holder with such other information, documents, and instruments as the Escrow Holder may reasonably require to enable it to close the transactions on the Closing Date. Any such supplemental instructions shall not conflict with, amend or supersede any portions of this Agreement, and must be reasonably acceptable to Buyer and Seller. If there is any inconsistency between such supplemental instructions and this Agreement, this Agreement shall control. Within fifteen (15) days after execution of this Agreement, each party shall execute and deliver to the Escrow Holder any of its written instructions consistent with the terms of this Agreement.
 - 4.4 Deposit of Funds. The Final Purchase Price shall be paid as follows:
 - 4.4.1 Within three (3) business days of Opening of Escrow, Buyer shall deposit into Escrow the sum of two hundred and fifty thousand dollars (\$250,000) to be applied to the account of Buyer against the Purchase Price on the Closing Date as defined below (the "Initial Deposit"). Fifty thousand dollars (\$50,000) of the Initial Deposit shall be nonrefundable to Buyer (the "Nonrefundable Deposit"), subject to Buyer's reimbursement for certain costs as described below. In the event this Agreement is terminated by Buyer, the Nonrefundable Deposit shall be released to Seller, provided, however, the Nonrefundable Deposit shall be reduced by an amount equal to the out-of-pocket third-party costs and expenses incurred by Buyer in connection with its investigations (i.e. ALTA Surveys, Environmental Reports, etc.) (collectively, the "Third Party Due Diligence Costs"). Within three (3) days of the expiration of the "Due Diligence Period" as defined below. Buyer shall deposit into Escrow an additional five hundred thousand dollars

(\$500,000) (the "Additional Deposit"). The "Initial Deposit" and "Additional Deposit" are referred to collectively herein as the "Deposit".

- 4.4.2 Buyer shall deposit the balance of the Purchase Price, less the Deposit, in Escrow in cash or by cashier's check during business hours at least one (1) business day before the Closing Date.
- 4.5 <u>Deposit Interest</u>. Escrow Holder shall invest the Deposit in an interest-bearing account selected by Seller. Interest on the Deposit shall be for the benefit of Buyer and shall be credited towards payment of the Purchase Price or refunded and disbursed to Buyer regardless of the party that becomes entitled to the Deposit under this Agreement. Escrow Holder is hereby authorized to invest said funds with an institution of credibility with which the Escrow Holder deals with on a daily basis.
- 4.6 <u>Close of Escrow</u>. The "Close of Escrow" or "Closing Date" shall be, unless mutually agreed to by the Parties in writing, fifteen (15) days following satisfaction of the following, collectively: 1) expiration of the Due Diligence Period without Buyer having delivered a Disapproval Notice to Seller; 2) Project Plan Approvals by the City of Santa Fe Springs pursuant to the City of Santa Fe Springs Code of Ordinances and environmental review under the California Environmental Quality Act; 3) approval of a certified Remediation Action Plan from the Department of Toxic Substances Control or other state of federal agency with legal oversight authority (if required); 4) receipt of a certified Release of Groundwater Contamination from the Regional Water Quality Control Board (if required); and 5) approval by the Parties of the Oil Field Work and the agreed upon costs thereof. The Closing Date shall occur on or prior to December 31, 2018 (the "Outside Closing Date"), which Outside Closing Date may be extended for thirty (30) days upon prior written notice from Buyer to Seller.

ARTICLE V.

DUE DILIGENCE PERIOD

Due Diligence Period. Buyer shall have sixty (60) days after Seller has obtained all 5.1 necessary approvals from the DOF and OB (collectively, the "Initial Due Diligence") to (i) conduct or review surveys, investigations, studies and inspections and make or review such geologic, environmental and soils tests and other studies of the Property, (ii) review the Preliminary Title Report(s) and all documents provided by Seller, (lii) review all other applicable due diligence materials respecting the Property, (iv) obtain Project Plan Approvals from the City of Santa Fe Springs, which Approval shall include review under the California Environmental Quality Act ("CEQA"), plus all other approvals, if any, from other governmental agencies the approvals of which are required for Buyer's proposed development for the Property, excepting therefrom building permits, beyond all applicable appeal periods (the "Project Plan Approvals"), and (v) review any other aspect of the ownership, development, operation, marketing, condition, feasibility, financing, legal, title, entitlement, land use, subdivision, of or relating to the Property. Buyer may provide Seller with notice to extend the Initial Due Diligence for up to four (4) additional thirty (30) day extensions as necessary to obtain Project Plan Approvals (each, a "Due Diligence Extension"; the "Initial Due Diligence" and "Due Diligence Extension" are collectively referred to as "Due Diligence Period"). Any extension of the Due Diligence Period beyond one hundred eighty (180) days shall require mutual agreement of the Parties. If Buyer, in its sole and absolute discretion, determines that the results of any information, inspection, test, examination or any investigation provided under this Agreement or performed or obtained during the Due Diligence Period fails to meet Buyer's criteria for the purchase and operation of the Property, then Buyer shall have the option to terminate this Agreement and shall so advise Seller by written notice ("Disapproval Notice"), with a copy to Escrow Holder, given no later than 5:00 p.m. (Pacific Standard Time) on or before the last day of the Due Diligence Period. In the event Buyer provides the Disapproval Notice to Seller on or before the expiration of the Due Diligence Period, then this Agreement shall be deemed terminated, in which event: (i) Escrow Holder shall return the Deposit to Buyer, less the difference between the Nonrefundable Deposit and all Third Party Due Diligence Costs; (ii) Buyer and Seller shall each pay one-half of Escrow expenses

incurred to date of termination; and (iii) neither party shall have any right against the other arising out of such termination, except for any rights that expressly survive the termination of this Agreement. If Buyer fails to timely deliver the Disapproval Notice on or before the expiration of the Due Diligence Period, this Agreement shall remain in full force and effect, and Buyer shall have no further right to terminate the Agreement pursuant to this Section 5.1. Upon completion of the Due Diligence, Buyer shall provide to Seller all documentation and information related to the extent of Oil Field Work required on the Property and the Fixed Sum Price of completing the Oil Field Work.

- Buyer and its agents and representatives, shall have the right at reasonable times and subject to the rights of tenants, to enter upon the Property for the purpose of making inspections and tests specified in this Agreement. No invasive testing shall be conducted, however, without Seller's prior approval which shall not be unreasonably withheld. Following any such entry or work, unless otherwise directed in writing by Seller, Buyer shall return the Property to the condition it was in prior to such entry or work, including the recompaction or removal of any disrupted soil or material as Seller may reasonably direct. None of Buyer or Buyer's authorized inspectors, agents and representatives ("Buyer's Parties") shall cause any adverse impact to the Property and to the extent reasonably practicable Buyer will restore the Property in a timely manner at Buyer's sole cost to the condition that existed immediately prior to the Buyer's Parties entry thereon. Prior to making any on-site inspections, Buyer shall notify the BEC by sending an electronic mail to BEC (jwashburn@brietburn.com) detailing the date, time, person(s) and work to be performed with a copy to Steve Carlson (carlson@mcandc.com), and Rick McGeagh (rick.mcgeagh@cbre.com).
- 5.3 <u>Due Diligence Consultants</u>. The Parties acknowledge that development of the Property was previously considered by prior developers, and certain expert consultants have prepared materials, and possess institutional knowledge, with respect to the development of the Property. In order to perform its due diligence investigations as quickly as possible, Buyer shall use its best, reasonable efforts to utilize such existing materials and consultants familiar with the Property.
- 5.4 <u>Materials</u>. Within five (5) days of the date hereof, Seller shall make available for inspection by Buyer and Buyer's Parties documents, reports, surveys, environmental assessments, engineering reports, building plans and blueprints in Seller's possession or under its control or that of its agents respecting the Property, including (but not limited to): (i) any Hazardous Substance Conditions Report concerning the Property and relevant adjoining properties, (ii) any Natural Hazard Zone Disclosure Report, (iii) all lease agreements, if any, relating to any tenant or occupant then occupying the Property, and (iv) the Prior Diligence Materials (collectively "Materials"). During the Due Diligence Period, Buyer may review and evaluate the Materials to determine whether the Property is appropriate for Buyer's proposed use, in its sole discretion.

ARTICLE VI.

TITLE MATTERS AND TITLE INSURANCE

6.1 Condition of Title. It shall be a condition to the Close of Escrow that title to the Property be conveyed to Buyer by Seller by Grant Deed in form and substance reasonably acceptable to Buyer and Escrow Holder, a form of which is attached hereto as Exhibit "D" (the "Grant Deed"), duly acknowledged by Seller and subject only to (i) the conditions of title set forth in the Preliminary Title Report, referred to in Section 6.2 and which Buyer has not disapproved, (ii) those reservations and exclusions identified in Section 2.3, and (iii) other matters mutually agreed upon by the parties hereto ("Approved Condition of Title"). The final documents shall be delivered, when available, by Seller to Buyer for Buyer's approval in accordance with Article XI.

Seller covenants and agrees that during the term of this Escrow, it will not cause or permit title to the Property to differ from the conditions of title that Buyer shall have approved from time to time in accordance with this Section 6.1's Approved Condition of Title. Any liens, encumbrances, easements, conditions, covenants, restrictions, rights of way or other matters affecting the Approved Condition of Title which may appear of record or be revealed after the date of delivery of the Title Exceptions, referred to above, ("Additional Title Exceptions" herein) shall also be to Buyer's approval and must be eliminated or ameliorated to Buyer's satisfaction by Seller as a condition to the Close of Escrow.

6.2 <u>Title Insurance</u>. Seller will furnish Buyer within five (5) days of execution of this Agreement a Preliminary Title Report for its standard California Land Title Association ("CLTA") policy of title insurance (the "Preliminary Title Report") with legible copies or reasonable access to all documents relating to the items reported as exceptions in the Preliminary Title Report. Escrow Holder or other title insurance company acceptable to the Parties shall issue the Preliminary Title Report to both Buyer and Seller.

ARTICLE VII.

DISCLOSURE OF PHYSICAL CONDITIONS OF PROPERTY

- 7.1 Present Physical Condition of Property
- 7.1.1 Surface Rights: Oil Field Operations. Oil field exploration and production operations are taking place on the Property pursuant to the Existing Oil and Gas Agreements. In addition to the Existing Oil and Gas Agreements, which Buyer shall obtain from the Title Company, Seller shall make available to Buyer for inspection any pertinent documents, which are in Seller's possession, that relate to BEC's operations on the Property. Notwithstanding the foregoing, Seller has not made an independent investigation to determine the truth or accuracy of any and all documents and shall have no liability to Buyer for any inaccuracy, misrepresentation or omission of information. Seller makes no representation or warranty regarding the accuracy or completeness of any information contained in the Due Diligence Items, all such information being made available on an "AS-IS" basis.
- 7.1.2 <u>Surface Rights Agreement Pipeline Easement Adjustments.</u> The Surface Rights Agreement shall provide for facilities easements (referred to in the Surface Rights Agreement as "Facilities Easements") for power lines, communication lines, pipelines and these easements will be recorded as part of the Surface Rights Agreement. Buyer will construct said improvements as provided in the Surface Rights Agreement all as set forth in the Project Plan Approvals.

7.1.3 Oil Field Conditions.

Property will require the relocation of oil field infrastructure, the details of which are to be negotiated between the Buyer and BEC. Also, the Property has active, idle and abandoned oil wells. Development of the Property may require the reabandonment of a number of wells pursuant to present standards, regulations and laws. In addition, BEC previously abandoned five (5) wells to facilitate development of the Project, and the Successor Agency and BEC have agreed that BEC will be reimbursed for the cost of such abandonment, out of the net proceeds of the sale of the Property at the time of Close of Escrow. Buyer shall have no responsibility for the reimbursement to BEC of the cost for the abandonment of the five (5) wells. Buyer is responsible (at Buyer's cost, subject to a credit of the Purchase Price) for relocating the oil field infrastructure pursuant to the Surface Rights Agreement in order to develop the Property.

- 7.1.3.2 <u>Abandoned Pipelines and Structures</u>. There may exist buried pipelines and other structures ("Abandoned Pipelines") on the Property. Buyer should be able to discover and remove (at Buyer's cost, subject to a credit of the Purchase Price) any Abandoned Pipelines that may affect the building of structures on the Property, but Seller makes no warranty that the Property is free and clear of all such items.
- 7.1.3.3 Environmental Remediation. Further, Buyer and Seller acknowledge that the Property may require environmental remediation including the removal of buried fuel storage tanks and other possible buried structures, as well as the removal of any soil contaminated by possible tank leaks, abandonment the Abandoned Pipelines and the abandoned wells. Buyer shall undertake such remediation, the cost of which would be deducted from the Purchase Price. Buyer shall determine the amount necessary to perform the work described in this Article VII, plus the amount for possible cost overruns and contingencies. The Parties shall negotiate in good faith to reach agreement on the amount to be offset against the Purchase Price, including the amount to be withheld for cost overruns and contingencies. Seller shall not withhold approval of such amounts unreasonably.

7.1.4 Soils.

- 7.1.4.1 Seller shall make available to Buyer any environmental reports as Seller has in its possession. Buyer will conduct an independent investigation of the soils and other environment conditions as may be required such that Buyer is satisfied with the environmental status of the Property.
- 7.1.4.2 <u>Buyer's Methane Test</u>. It is understood by the parties that the City of Santa Fe Springs requires methane tests for nearly all construction within its jurisdiction. Buyer shall have the right to conduct methane tests at its own expense on the Property and shall submit to Seller the proposed scope of work of Buyer's testing agent in order to not cause any environmental damage or interference with Seller's or BEC's operations. Seller shall have five (5) days to approve Buyer's scope of work and permit Buyer to commence with the testing. Failure of Seller to approve within such five (5) day period shall be deemed Seller's approval of Buyer's scope of work.

ARTICLE VIII.

CONDITIONS PRECEDENTS

The purchase and sale of the Property under this Agreement shall be subject to the satisfaction of the conditions precedent set forth in this Article VIII (unless waived in writing by the party or parties to whom the benefit of such condition runs) on or before the Closing Date or such earlier date as is specified in this Agreement.

8.1 <u>Conditions to Buyer's Obligations.</u>

- 8.1.1 <u>Title Policy</u>. The Escrow Holder shall have issued, or be irrevocably committed to issue, its standard CLTA Owner's Standard Coverage Policy of Title Insurance (the "Title Policy) insuring Buyer as the owner of the Property and in an amount equal to the Purchase Price subject only to: (i) liens for real property taxes shown as exceptions in the Title Report provided that the taxes are not delinquent; (ii) the standard exclusions to coverage under the Title Policy;; (iii) any other lien or encumbrance which is caused or approved by Buyer prior to the Close of Escrow; (iv) any title exceptions which are not objected to by Buyer prior to the expiration of the Due Diligence Period (other than matters first arising after the expiration of the Due Diligence Period); and (v) all utility easements of record which do not interfere with the present or planned use of the Property (collectively, the "Permitted Exceptions").
- 8.1.2 <u>Representations and Warranties</u>. Each of the representations and warranties by Seller contained in Section 10.1 shall be true and correct in all material respects as of the date made and continue to be true and correct in all material respects as of the Close of Escrow.
- 8.1.3 <u>Delivery of Closing Documents</u>. Execution, delivery and acknowledgement as appropriate by Seller of the closing documents set forth in Section 11.3 and other necessary closing documents as may be reasonably requested by Buyer or Escrow Holder.
- 8.1.4 <u>Seller Performance</u>. Seller shall have duly performed in all material respects each and every undertaking, covenant and agreement required to be performed by Seller under this Agreement prior to or at the Close of Escrow.
- 8.1.5 <u>Litigation</u>. At Close of Escrow, there shall be no material suits or claims that are pending against the Property or against Seller or Buyer with respect to the Property or this Agreement.
 - 8.1.6 <u>Remediation Plan</u>. Buyer shall have obtained a certified Remediation Action Plan from the Department of Toxic Substances Control or other state of federal agency with legal oversight authority (if required);
 - 8.1.7 <u>RWQCB</u>. Buyer shall have received a certified Release of Groundwater Contamination from the Regional Water Quality Control Board (if required);
 - 8.1.8 Oil Field Work. Buyer shall have obtained the approval to perform the Oil Field Work and the Parties shall have agreed on costs thereof and the mechanism for payment of such costs out of the Purchase Price.
 - 8.2 Conditions to Seller's Obligations.

- 8.2.1 <u>Delivery of Purchase Price</u>. The Purchase Price shall have been delivered by or on behalf of Buyer to Escrow Holder.
- 8.2.2 <u>Representations and Warranties</u>. Each of the representations and warranties by Buyer contained in Section 10.2 shall be true and correct in all material respects as of the date made and continue to be true and correct in all material respects as of the Close of Escrow.
- 8.2.3 <u>Delivery of Closing Documents</u>. Execution, delivery and acknowledgement as appropriate by Buyer of the closing documents set forth in Section 11.3_and other necessary closing documents as may be reasonably requested by Seller or Escrow Holder.
- 8.2.4 <u>Buyer Performance</u>. Buyer shall have duly performed in all material respects each and every undertaking, covenant and agreement required to be performed by Buyer under this Agreement prior to or at the Close of Escrow.
- 8.2.5 <u>Litigation</u>. At Close of Escrow, there shall be no material suits or claims that are pending against the Property or against Seller or Buyer with respect to the Property or this Agreement.
- 8.3 Good Faith Approvals and Termination. Both parties' obligations to perform acts or to approve, disapprove, or conditionally approve documents, materials or other matters called for in this entire Agreement shall be in good faith, and the parties shall use their best efforts to obtain the necessary approvals called for from third parties. A party's failure to act in good faith or to use its best efforts shall constitute a material breach.
- 8.4 <u>Election to Remove Defects.</u> Seller shall have the right to remove any defects, which are conditions to Buyer's performance under the Agreement in accordance with the following procedure:
- (a) In the event that Buyer disapproves any matter on which this Agreement is conditioned for Buyer's benefit, or if there is a breach of any covenant or warranty by Seller discovered by Buyer before Close of Escrow, Buyer shall give Seller written notice specifying the items breached or disapproved within ten (10) calendar days of discovery.
- (b) Seller may, at Seller's sole election, make an election to correct those matters, within fifteen (15) days of receipt of Buyer's written notice by giving Buyer written notice of Seller's election. (This election period may be extended a reasonable time if Seller reasonably needs further time to investigate the facts and issues raised by Buyer's written notice, but in no event shall be extended by a period of more than 15 calendar days.)
- (c) If Seller elects to correct the matter, Seller shall do so within ninety (90) days from delivery of Buyer's written notice. Seller shall for this purpose be entitled to postpone Close of Escrow for no more than ninety (90) days.
- (d) If Seller elects not to correct or fails to correct all those matters within the correction period, Buyer has the election of (1) terminating the Agreement without any liability on the part of either party except as set forth below or (2) accepting the Property with a reduction of the price in amount agreed upon by the Parties to account for the for the uncorrected matter. If Buyer terminates this Agreement under this paragraph, Buyer shall be entitled to the prompt return of the Deposit and interest thereon, less half (1/2) of the Escrow cancellation fees and costs and title company charges incurred. Seller shall pay half (1/2) of the Escrow cancellation fees and costs and title company charges incurred.

The parties agree to provide Escrow Holder with written, mutual cancellation instructions should the provisions of this paragraph become applicable.

ARTICLE IX.

RELEASES/INDEMNITY SITE CONDITION

- 9.1 Environmental Laws. For purposes of this Agreement, "Environmental Laws" shall mean all federal, state or local statutes, regulations, ordinances, codes or rules as such have been or may hereafter be enacted, adopted, amended or supplemented and all common law causes of action relating to the protection of human health or the environment, including without limitations the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (42 U.S.C. Section 9601 et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901 et seq.), the Federal Water Pollution. Control Act, as amended (33 U.S.C. Section 7401, et seq.), the Toxic Substance Control Act, as amended (15 U.S.C. 2601, et seq.), the Safe Drinking Water- Act. as amended (42 U.S.C. Section 300f, et seq.), the Federal Insecticide, Fungicide and Rodenticide Act, as amended (7 U.S.C. Section 136, et seq.) and the Clean Air Act, as amended (42 U.S.C. 7401, et seq.), and private rights of action for nuisance, trespass, or damages to property or persons.
- 9.2 <u>Hazardous Materials</u>. For the purposes of this Agreement, Hazardous Materials shall be deemed to mean asbestos, polychlorinated biphenyls, petroleum or by-products thereof, radioactive materials, or any chemical, material or substance included in the definitions of "hazardous substances", "hazardous materials", "hazardous waste", "toxic substances" and/or words of similar import under any federal, state and local laws, ordinances, rules and regulations whether present or future, relating to and/or dealing with the protection of the environment and/or human health and safety and/or applicable to the generation, handling, manufacture, installation, treatment, storage, use, transportation, discharge, disposal, presence and/or release into the air, soil, water at, above or below ground level (whether accidental or intentional) of such substances or materials.
- As-Is Acceptance of Property. Buyer acknowledges the potential need for environmental remediation of the Property, potential existence of Hazardous Materials contamination and other development constraints, and notwithstanding any contrary provisions of this Agreement or otherwise, Buyer shall and does agree to take the Property in its current condition AS-IS, WITH ALL FAULTS, all defects and conditions whatsoever then existing on the Property, including any Hazardous Materials (as defined herein above), vaults, debris, pipelines, wells, sumps or other structures that are or may be located in, on, under, or around the Property, whether known or unknown. Buyer assumes all responsibility for any and all such defects, faults, and conditions and shall be responsible for any and all defects in the Property, whether patent or latent, including, without limitation, the physical, environmental and geotechnical condition of the Property, and the existence of any contamination, Hazardous Materials, existing within the Property. Except as otherwise set forth in this Agreement, Seller makes no representation or warranty concerning the physical, environmental, geotechnical or other condition of the Property. Buyer acknowledges that any liability of Seller for the environmental condition of the Property, including liability for any Environmental Law, shall be extinguished, except a condition resulting directly from the Seller's gross negligence, willful or intentional misconduct, and that Seller shall have no liability for further remediating any environmental condition of the Property, unless otherwise required by any Environmental Laws.
- 9.5 <u>Buyer's Release of Seller.</u> Notwithstanding any contrary provisions of this Agreement or otherwise, upon the Close of Escrow Buyer shall release Seller, its officers, directors, shareholders, affiliates, subsidiaries, heirs, and successors from any and all claims, liabilities, expenses, costs, or damages that Buyer may incur arising from the presence of any Hazardous Materials (as defined herein above) which are or may be located in, on, under, or around the Property, whether or not caused by Seller or any predecessor-in-interest of Seller. Buyer expressly preserves its rights against other parties and does not release, or waive its rights to contribution against, any other party.

9.6 Waiver of Civil Code § 1542. Buyer hereby acknowledges that it has read and is familiar with the provisions of California Civil Code § 1542 ("Section 1542"), which are set forth below:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Buyer hereby waives the provisions of Section 1542, and of any statute, principle of common law or case law which would limit the scope of the foregoing waiver and release, in connection with matters which are the subject of the foregoing waiver and release.

(1) Buyer's Initials

Natural Hazards. BUYER ACKNOWLEDGES THAT "NATURAL HAZARDS" DESCRIBED IN THE FOLLOWING CALIFORNIA CODE SECTIONS (THE "NATURAL HAZARD LAWS") MAY AFFECT THE PROPERTY: GOVERNMENT CODE SECTIONS 8589.4; 8589.3; GOVERNMENT CODE SECTIONS 51183.4, 51183.5 (FIRE HAZARD SEVERITY ZONE); PUBLIC RESOURCE CODE SECTION 2621.9 (EARTHQUAKE FAULT ZONE); PUBLIC RESOURCE CODE SECTION 2694 (SEISMIC HAZARD ZONE); AND PUBLIC RESOURCE CODE SECTION 4136 (WILDLAND AREA). BUYER ACKNOWLEDGES AND AGREES THAT BUYER HAS HAD THE OPPORTUNITY TO INDEPENDENTLY EVALUATE AND INVESTIGATE WHETHER ANY OR ALL OF SUCH NATURAL HAZARDS AFFECT THE PROPERTY AND SELLER SHALL HAVE NO LIABILITIES OR OBLIGATIONS WITH RESPECT THERETO. WITHOUT LIMITING THE FOREGOING, BUYER ACKNOWLEDGES AND AGREES THAT BUYER KNOWINGLY AND INTENTIONALLY WAIVES ANY DISCLOSURES, OBLIGATIONS OR REQUIREMENTS OF SELLER WITH RESPECT TO NATURAL HAZARDS, INCLUDING, WITHOUT LIMITATION, ANY DISCLOSURE OBLIGATIONS OR REQUIREMENTS UNDER THE AFOREMENTIONED CODE SECTIONS OR UNDER CALIFORNIA CIVIL CODE SECTION 1102(C). REPRESENTS THAT BUYER HAS EXPERIENCE ACQUIRING AND CONDUCTING DUE DILIGENCE, AND THAT THIS WAIVER HAS BEEN NEGOTIATED AND IS AN ESSENTIAL ASPECT OF THE BARGAIN BETWEEN THE PARTIES.

ARTICLE X.

REPRESENTATIONS AND WARRANTIES

- 10.1 <u>Seller's Representations and Warranties</u>. Seller hereby makes the following representations and warranties to Buyer which, to the best of Successor Agency's knowledge are true in all respects as of the date hereof and shall be true in all respects on the date of Close of Escrow and shall survive the Close of Escrow, each of which said representations is material and relied upon by Buyer (the continued truth and accuracy of which constitutes a condition precedent to Buyer's obligations hereunder). Seller represents and warrants to Buyer:
- 10.1.1 <u>Authority of Seller</u>. Seller is Successor Agency to the Community Development Commission/Redevelopment Agency of the City of Santa Fe Springs, duly organized and validly existing under the laws of the State of California.

- 10.1.2 <u>Legal Power</u>. The individuals executing this Agreement and the instruments referenced herein on behalf of Seller have the legal power, right and actual authority to bind Seller to the terms and conditions hereof.
- 10.1.3 No Default. To the best knowledge of Seller, there is no default of any contracts, documents, agreements, or obligations not otherwise disclosed herein.
- 10.1.4 <u>Delivery of Documents</u>. Seller has and will make available to Buyer copies of all materials in Seller's possession, as provided in Section 5.4, above.
- 10.1.5 No Lawsuits Pending. To the best of Seller's knowledge, there are no lawsuits against Seller or its predecessors in interest that could affect Buyer's ownership, title or development of the Property after the Close of Escrow.
- 10.1.6 No Governmental Order for Further Work. Seller has no actual knowledge of any order or directive of any City, county, state, or federal authority, that any work of repair, maintenance, or improvements be performed on the Property other than those disclosed by this Agreement and documents, materials and other items delivered to Buyer.
- 10.1.7 No Violation or Condemnation. Seller has no actual knowledge, other than disclosed by this Agreement, of any present violation of any law, including, any Environmental Law, ordinance, rule, or administrative or judicial order affecting the Property, nor any condemnation, zoning change, or other proceeding or action (including legislative action) pending, threatened, or contemplated by any governmental body, authority, or agency which will affect the Property as of the date of execution of this Agreement.

10.1.8 Soil Conditions; Hazardous Materials.

- 10.1.8.1 Seller has disclosed and will make available to Buyer at Seller's offices during normal business hours upon reasonable notice to Seller all information available to Seller or actually known to Seller, including but not limited to the information referred to in Section 7.1.3, including all documents and materials relating to the existence, release or emission of Hazardous Materials (including petroleum hydrocarbon/crude oil) in or on the Property (or relating to governmental actions, approvals or investigations with respect thereto).
- 10.1.8.2 To Seller's actual knowledge, Seller: (i) Is unaware of any breach of any environmental laws on the Property or any part thereof; (ii) does not know whether any part of the Property has ever been used as a landfill, dump, toxic waste disposal Property or storage area; (iii) does not know whether there are any underground storage tanks at the Property, whether any such tanks were previously removed, or, with respect to removed tanks, at the time of removal, any contaminated soil was removed; and (iv) does not know whether the Property is free of any Hazardous Materials that would trigger response or remedial action under any environmental laws or any existing common law theory based on nuisance or strict liability. These representations are limited to matters of which Seller has actual knowledge, and Buyer acknowledges that Seller has not made any affirmative investigation as to environmental issues affecting the Property in connection with this Agreement.
- 10.1.9 Termination Due to Sale to Others. Seller represents and warrants to Buyer that during the term of this Agreement, Seller will not enter into an agreement to sell any or all of the Property to another Buyer, and that Seller has not previously sold, transferred or conveyed the Property, or granted to any other person or entity any right or interest in all or any part of the Property and Seller has not entered into any executory contracts for the sale of all or any part of the Property (other than this Agreement), nor do there exist any rights of first refusal or options to purchase the Property, other than this Agreement.
- 10.1.10 <u>Leases</u>. To Seller's actual knowledge, there are no leases or other agreements (whether oral or written) affecting or relating to the rights of any party with respect to the possession of

the Property or any portion thereof, as of the Effective Date or which will be in effect after the Close of Escrow, except for existing oil and gas agreements.

- 10.1.11 <u>Bond and Assessments</u>. To Seller's actual knowledge and except for matters of record as of the date hereof, there are no bonds or assessments or charges for any public improvements or utilities made against the Property which remain unpaid (or which will remain unpaid by Seller as of the Closing Date).
- 10.1.12 <u>DOF</u>, <u>OB</u>, and <u>Successor Agency</u>. Seller does not require any approvals or consents from the DOF, the OB, the Successor Agency, the City or any other party in order to sell the Property and effectuate the transactions contemplated by this Agreement, and Seller further represents and warrants that it has the power and authority to sell the Property to Buyer.

All representations and warranties contained in this Agreement shall be deemed remade as of and will survive the Closing Date, except in the event of a change in circumstances not within the control of Seller affecting any representations or warranties set forth herein, in which case Seller shall provide written notice to Buyer regarding such changed circumstances within a reasonable time following such change (not to exceed five (5) Business Days following the date the Successor Agency obtains actual knowledge of the changed circumstance), and prior to the Close of Escrow. As used herein, "actual knowledge" of Seller refers to the actual knowledge of Seller's employees and agents directly involved in the negotiation and/or drafting of this Agreement, those responsible for the acquisition or maintenance of the Property, the Successor Agency's attorney and the clerk to the Successor Agency.

- 10.2 <u>Buyer's Representations and Warranties</u>. Buyer represents and warrants to Seller that the following shall be true as of (1) the date that Buyer delivers the documents, materials or other items for Seller's written approval or disapproval, and (2) as of the Closing Date:
- 10.2.1 <u>Authority of Buyer</u>. Buyer is a the legal entity (or are the legal entities) as set forth in the first paragraph of this Agreement, and Buyer has the legal right, power and authority to enter into this Agreement and all the instruments referenced herein.
- 10.2.2 <u>All Requisite Actions Taken</u>. All requisite action (corporate, trust, partnership or otherwise) has been taken by Buyer in connection with entering into this Agreement and the instruments referenced herein, and the consummation of the transaction contemplated hereby. No consent of any partner, shareholder, creditor, investor, judicial or administrative body, governmental authority or other party is required.
- 10.2.3 <u>Legal Power</u>. The individuals executing this Agreement and the instruments referenced herein on behalf of Buyer have the legal power, right and actual authority to bind Buyer to the terms and conditions hereof and thereof.
- 10.2.4 <u>Buyer's Full Review</u>. Buyer has obtained and fully reviewed all documents, materials and other matters which it deems necessary or appropriate with respect to the Property and the transaction contemplated herein.
- 10.3 <u>Warranties to Survive Delivery of Deed.</u> All warranties, covenants, and other obligations contained herein shall survive delivery of the Grant Deed.

ARTICLE XI.

CLOSING OF ESCROW

- 11.1 <u>Place of Closing</u>. The place for the Closing of Escrow shall take place at the Escrow Holder's office.
- 11.2 <u>Close of Escrow</u>. This Escrow shall close as outlined in Section 4.6 of this Agreement. unless Buyer and Seller mutually agree in writing otherwise.

11.3 Delivery of Documents Through Escrow.

- 11.3.1 <u>Seller's Documents</u>. On the date of Close of Escrow, Seller shall deliver or cause to be delivered to Buyer through Escrow the following:
 - 11.3.1.1 The Grant Deed in the form approved by Buyer.
- 11.3.1.2 The Title Policy issued by Escrow Holder in the full amount of the purchase price, insuring title vested in Buyer, subject only to the printed provisions of the policy and the exceptions approved by Buyer under Paragraph 6.1.
- 11.3.1.3 Possession of the Property, subject to all possessory claims disclosed to and approved or waived by Buyer under this Agreement.
- 11.3.1.4 A certificate in the form attached as Exhibit "E" or any other documentation required under Section 1445 of the Internal Revenue Code to evidence that Seller is not a "foreign person or entity" within the meaning of the Foreign Investment and Real Property Tax Act of 1980.
- 11.3.1.5 <u>General Assignment and Bill of Sale</u>. Seller shall deliver to Escrow Holder an assignment and bill of sale ("General Assignment"), duly executed by Seller in the form of, and upon the terms contained in, Exhibit "F" attached hereto and incorporated herein.
- 11.3.1.6. <u>Seller's Authorization</u>. Seller shall deliver to Escrow Holder all authorizations of Seller necessary to authorize Seller to execute, deliver, and perform its obligations under this Agreement, in form and substance reasonably acceptable to Buyer, executed by Seller's authorized parties.
- 11.3.2 <u>Buyer's Documents.</u> Buyer shall deliver or cause to be delivered to Seller through Escrow the following:
- 10.3.2.1 On the Closing Date, the Purchase Price, minus any applicable Deposit, as determined under Article III, in cash or in immediately available funds.

11.3.3 Prorations and Expenses.

- shall all be prorated as of the Closing Date on the basis of a thirty (30) day month. The real property taxes shall be prorated based upon the current tax rate applicable for the period being prorated. Delinquent taxes shall not be prorated, however, and Seller shall pay on or before the Closing Date all delinquent taxes and any associated interest and penalties, if any. If Seller does not pay all delinquent taxes on or before the Closing Date, said delinquent taxes shall be paid at the Close of Escrow from the funds accruing to Seller. Bonds or assessments of record shall be prorated as of the Closing Date and will be assumed by Buyer, subject to review and approval of the Buyer within ten (10) days of notice thereof.
- 11.3.3.2 Seller shall pay all costs and expenses of clearing title, preparing, executing, acknowledging, and delivering the Grant Deed, the Title Policy (as stated in Paragraph 6.2), and shall pay all transfer taxes. Seller shall pay all recording fees. Buyer shall pay all the title policy costs over and above the Title Policy, and all fees and costs resulting from any new financing. Buyer and Seller shall each pay one-half (1/2) of the Escrow fee.
- 11.3.3.3 Buyer shall deposit in Escrow before the Closing Date the amounts it owes for prorations and expenses; and Seller's share of prorations and expenses shall be deducted from sums due to Seller at Close of Escrow.

11.4 <u>Broker's Commission</u>. Seller shall pay through Escrow at the Close of Escrow and conditioned on the Close of Escrow brokerage commissions as follows, which amount may be paid through Escrow:

To Seller's Broker the sum equal to five percent (5%) of the Final Purchase Price. The commission is payable to CBRE, Inc. as Seller's representative

whose address is:

CBRE, Inc.

2221 Rosecrans Ave, Suite 100 El Segundo California 90245

United States

Attn: Rick McGeagh

Buyer and Seller hereby acknowledge that no other brokerage commission or finder's fee is payable with regard to this transaction; and the Buyer and Seller each ("Indemnitor") agree to indemnify and hold the other harmless from and against all liability, claims, demand, damages, or costs of any kind arising from or connected with any broker's or finder's fee or commission or charge claimed to be due any person arising from Indemnitor's conduct with respect to this transaction, other than the commissions and finders fees authorized in this Paragraph.

ARTICLE XII.

LIQUIDATED DAMAGES

12.1 Default and Termination.

11.1.1 Default by Buyer: Deposit as Liquidated Damages. IN THE EVENT THE SALE OF THE PROPERTY AS CONTEMPLATED HEREUNDER IS NOT CONSUMMATED BECAUSE OF A DEFAULT UNDER THIS AGREEMENT SOLELY ON THE PART OF BUYER, FIFTY-THOUSAND DOLLARS OF THE BUYER'S DEPOSIT SHALL BE PAID TO AND RETAINED BY SELLER AS LIQUIDATED DAMAGES. THE PARTIES ACKNOWLEDGE THAT SELLER'S ACTUAL DAMAGES IN THE EVENT OF A DEFAULT BY BUYER WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE THEREFORE, BY PLACING THEIR SIGNATURES BELOW, THE PARTIES ACKNOWLEDGE THAT THE DEPOSIT (PLUS INTEREST) HAS BEEN AGREED UPON, AFTER NEGOTIATION, AS THE PARTIES' REASONABLE ESTIMATE OF SELLER'S DAMAGES AND AS SELLER'S EXCLUSIVE REMEDY AGAINST BUYER IN THE EVENT OF A DEFAULT SOLELY ON THE PART OF BUYER.

Buyer's Initials

Seller's Initials

ARTICLE XIII

BUYER'S REMEDIES

13.1 <u>Buyer's</u> Remedies. If this transaction fails to close on account of a default by Seller under this Agreement, Purchaser shall be entitled either (a) to enforce Seller's obligations to convey the Property by delivering written notice to Seller pursuant to an action for specific performance, or (b) to terminate this Agreement by delivering notice to Seller and Escrow Holder, receive from Escrow Holder a prompt refund of the Deposit, and recover from Seller all of Purchaser's actual out-of-pocket third-party costs incurred as part of Purchaser's due diligence efforts hereunder in an amount not to exceed Seventy Five Thousand Dollars (\$75,000). Buyer understands and acknowledges that Seller's ability to make any such payment is subject to the approval of the OB and the DOF. Purchaser's remedies hereunder are in addition to the right to receive the return of the Deposit to the extent it is not applied to the Purchase Price in connection with Purchaser's action for specific performance.

ARTICLE XIV

RISK OF LOSS AND INSURANCE

- Condemnation. If before the Closing Date any action or proceeding is commenced for the condemnation or exercise of the rights of eminent domain with respect to the Property or any portion of the Property, or if Seller is notified by the duly authorized officer of a duly empowered condemning authority of the intent to commence such action or proceeding ("Condemnation"), and if such Condemnation would: (i) materially and adversely affect the use or operation of the Property, (ii) have the effect of decreasing the square footage of the buildable area at the Property, or (iii) reduce or eliminate access to the Property, then Buyer may either (a) terminate this Agreement, or (b) proceed with the Closing without modifying the terms of this Agreement and without reducing the Purchase Price, on the condition that Seller must assign and turn over, and Buyer will be entitled to keep, all awards for the Condemnation that accrue to Seller; provided, however, if any award is rendered specifically to compensate Seller for Seller's lost goodwill, such an award shall belong to Seller. Seller may not negotiate, resist, or stipulate to any Condemnation without Buyer's written consent. Seller must notify Buyer of any notice of Condemnation of all or any portion of the Property within five (5) days after the receipt of such notice, and Buyer must exercise its option(s) as provided in this Section 14.1 within fifteen (15) days after receipt of such notice. If necessary, the Closing Date will be extended to give Buyer the full fifteen (15)-day period to make such election. Notwithstanding the foregoing, if any condemnation action is commenced prior to the Closing Date, Buyer shall have the right to terminate this Agreement and to receive the return of the Deposit, as well as a sum equal to Buyer's out-of-pocket costs incurred in connection with this transaction. Seller hereby waives any right Seller may have to condemn the Property or any portion thereof.
- 14.2 <u>Insurance</u>. Buyer shall maintain a commercial general liability insurance policy with respect to Developer's activities on or about the Property with liability limits of at least Two Million and no/100 Dollars (\$2,000,000.00) per occurrence and shall cause Seller to be named as an additional insured by way of endorsement thereto. Buyer shall also maintain Automobile Insurance with liability limits of at least One Million no/100 Dollars (\$1,000,000.00) per accident for owned, non-owned, and hired autos and Workers Compensation Insurance as required by law.
- 14.2.1 Nature of Insurance. All Liability Insurance and Automobile Liability Insurance policies required herein shall be issued by carriers that: (a) are listed in the then current "Best's Key Rating Guide—Property/Casualty—United States & Canada" publication (or its equivalent, if such publication ceases to be published) with a minimum financial strength rating of "A-" and a minimum financial size category of "VII" (exception may be made for the State Compensation Insurance Fund when not specifically rated); and (b) are authorized to do business in the State. Buyer may provide any insurance under a "blanket" or "umbrella" insurance policy, provided that: (i) such policy or a certificate of such policy shall specify the amount(s) of the total insurance allocated to the Property and the Project, which amount(s) shall equal or exceed the amount(s) required by this Agreement and shall not be reduced for claims made for other properties or projects; and (ii) such policy otherwise complies with this Agreement.
- 14.2.2 <u>Policy Requirements and Endorsements</u>. All insurance policies as required by this Agreement shall contain (by endorsement or otherwise) the following provisions:
- (a) <u>Insured.</u> Liability Insurance and Automobile Liability Insurance policies shall name the Successor Agency as "additional insured." The coverage afforded to the Successor Agency shall be at least as broad as that afforded to Buyer and may not contain any terms, conditions, exclusions, or limitations applicable to the Seller that do not apply to Buyer.

- (b) <u>Primary Coverage</u>. All policies shall be written as primary policies, respecting the Buyer. Any insurance or self-insurance maintained by the Buyer shall be excess of all insurance required under this Agreement and shall not contribute with it.
- (c) <u>Contractual Liability</u>. Liability Insurance policies shall contain contractual liability coverage, for the Seller's indemnity obligations under this Agreement.
- 14.2.3 Deliveries to the Seller. Evidence of Developer's maintenance of all insurance policies required by this Agreement shall be delivered to Seller prior to the Close of Escrow. No later than three (3) days before any insurance required by this Agreement expires, is cancelled or its liability limits are reduced or exhausted, Developer shall deliver to Seller evidence of such Party's maintenance of all insurance this Agreement requires. Each insurance policy required by this Agreement shall be endorsed to state that coverage shall not be cancelled, except after thirty (30) calendar days' advance written notice of cancellation or non-renewal has been given to Seller by certified mail, return receipt requested. Phrases such as "endeavor to" and "but failure to mail such Notice shall impose no obligation or liability of any kind upon the company" shall not be included in the cancellation wording of any certificates or policies of insurance applicable to the Parties pursuant to this Agreement.
- 14.2.4 <u>Waiver of Certain Claims</u>. Buyer shall cause each insurance carrier providing any Liability Insurance, Worker's Compensation Insurance, or Automobile Liability Insurance under this Agreement to endorse their applicable policy(ies) with a Waiver of Subrogation with respect to the Seller if not already in the policy.
- 14,2.5 <u>Deductibles and Self-Insured Retentions</u>. Any deductibles or self-insured retentions under insurance policies required by this Agreement shall be declared to and approved by Seller. The insurer under each such insurance policy shall eliminate such deductibles or self-insured retentions as respects the Seller.
- 14.2.6 <u>Insurance Independent of Indemnification</u>. The insurance requirements of this Agreement are independent of the Parties' indemnification and other obligations under this Agreement and shall not be construed or interpreted in any way to satisfy, restrict, limit, or modify the Parties' indemnification or other obligations or to limit the parties' liability under this Agreement, whether within, outside, or in excess of such coverage, and regardless of solvency or insolvency of the insurer that issues the coverage; nor shall the provision of such insurance preclude Seller from taking such other actions as are available to it under any other provision of this Agreement or otherwise at law or in equity.

ARTICLE XV.

GENERAL PROVISIONS

- 15.1 Required Actions of Buyer and Seller. Buyer and Seller agree to execute such instruments and documents and to diligently undertake such actions as may be required in order to consummate the purchase and sale herein contemplated and shall use their best efforts to accomplish the Close of Escrow in accordance with the provisions hereof.
 - 15.2 <u>Captions</u>. Any captions to, or headings of, the paragraphs or subparagraphs of this Agreement are solely for the convenience of the parties hereto, are not a part of this Agreement, and shall not be used for the interpretation or determination of the validity of this Agreement or any provision hereof.
 - 15.3 <u>No Obligations to Third Parties</u>. Except as otherwise provided herein, the execution and delivery of this Agreement shall not be deemed to confer any rights upon, nor obligate any of the parties thereto, to any person or entity other than the parties hereto.

- 15.4 <u>Exhibits and Schedules</u>. The Exhibits and Schedules, if any, attached hereto and referred to herein are hereby incorporated herein by this reference.
- 15.5 <u>Amendment to this Agreement</u>. The terms of this Agreement may not be modified or amended except by an instrument in writing executed by each of the parties hereto.
- 15.6 <u>Waiver</u>. The waiver or failure to enforce any provision of this Agreement shall not operate as a waiver of any future breach of any such provision or any other provision hereof.
- 15.7 <u>Confidentiality of Transaction</u>. All notices and publication to third parties and all other publicity concerning the transaction contemplated in this Agreement shall be jointly planned and coordinated by and between Buyer and Seller. None of the parties shall act unilaterally in this regard without the prior written approval of the others; however, this approval shall not be unreasonably withheld. All information, documents, materials, matters, negotiations, tests, reports, opinions, Purchase Price, broker's commissions and other matters shared with the other party under the terms of this Agreement shall remain confidential, except as provided by law.
- 15.8 Attorneys' Fees. In the event either Buyer or Seller brings any suit or other proceeding with respect to the matter or enforcement of this Agreement, the prevailing party (as determined by the court, agency, other authority, or reference judge before which such suit or proceeding is commenced) shall, in addition to such other relief as may be awarded, be entitled to recover attorneys' fees, expenses and costs of investigation as actually incurred (including, without limitation, attorneys' fees, expenses and costs of investigation in appellate proceedings, costs incurred in establishing the right of indemnification, or in any action or participation in, or in connection with, any case or proceeding under Chapter 7, 11 or 13 of the Bankruptcy Code of the United States of America.).
- 15.9 <u>Time of the Essence</u>. Time is of the essence of each and every term, condition, obligation and provision hereof.
- 15.10 Entire Agreement. This Agreement supersedes any prior agreements, negotiations, and communications, oral or written, and contains the entire agreement between Buyer and Seller as to the matter hereof. No subsequent agreement, representation, or promise made by either party hereto, or by or to an employee, officer, agent or representative of either party shall be of any effect unless it is in writing and executed by the party to be bound thereby.
- 15.11 Notices. All notices under this Agreement shall be effective within (i) one (1) day of personal delivery to Buyer or Seller, as the case may be, or (ii) one (1) days of telecopier or electronic mail transmission with a hard copy deposited by overnight courier or United States mail, registered or certified, or (iii) one (1) business day after deposit with an overnight courier service (e.g., Federal Express), or (iv) three (3) business days after deposit in the United States mail, registered, certified, postage fully prepaid and addressed to the respective parties as follows:

To Buyer:

Prime Property Fund, LLC 1999 Avenue of the Stars, Suite 2400 Los Angeles, California 90067 Attention: Mr. Aaron Greeno

Telephone: (310) 788-2229

Email: aaron.greeno@morganstanley.com

Prime Property Fund, LLC 555 California St. 21st Floor, San Francisco, CA 94104 Attention: Braden Wilhelm, Esq. Telephone: (415) 576-8972

Email: braden.wilhelm@morganstanley.com

Kearny Real Estate

1875 Century Park East, Ste 380

Attn: c/o Jeff Dritley Los Angeles, CA 90067 Telephone: (310) 203-1845 Email: jdritley@kearny.com

Kearny Real Estate

1875 Century Park East, Ste 380

Los Angeles, CA 90067 Attention: Hoonie Kang

Telephone No.: (310) 203-1847 Email: hkang@kearny.com

Holland & Knight LLP 400 S. Hope Street, 8th Floor Los Angeles, CA 90071 Attention: Douglas Praw

Telephone: (213) 896-2588 Email: doug.praw@hklaw.com

To Seller:

Successor Agency Manager Santa Fe Springs City Hall

11710 Telegraph Rd.

Santa Fe Springs, CA 90670 Telephone: 562-868-0511 Facsimile: 562-868-7112

Email:

With a copy to:

Yolanda M. Summerhill, Successor Agency Attorney

Jones & Mayer 3777 N. Harbor Blvd.

Fullerton, CA 92835

Telephone: (714) 446-1400 Facsimile: (714) 446-1448 Email: yms@jones-mayer.com

Mr. Stephen Carlson

McGranahan Carlson & Company

8212 Billowvista Dr Playa del Rey, CA 90293 Email: carlson@mcandc.com

Rick McGeagh, Senior Vice President

CBRE Brokerage Services

19 of 24

2221 Rosecrans Avenue, Suite 100 El Segundo, CA 90245 Email: rick.mcgeagh@cbre.com

To Escrow Holder and

Chicago Title Company 725 S. Figueroa Street, Suite 200 Los Angeles, California 90017 David Balassi

- 15.12 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.
- 15.13 <u>Counterparts</u>. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.
- 15.14 <u>Assignment</u>. This Agreement shall not be assigned by any party hereto to any person or entity without the express written consent of Seller. In the event Buyer provides written consent of Assignment, this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto.
- 15.15 <u>Computation of Period</u>. All periods of time referred to in this Agreement shall include all Saturdays, Sundays, and state or national holidays, unless the period of time specifies business days, provided that if the date to perform any act or give any notice with respect to this Agreement shall fall on a Saturday, Sunday, or state or national holiday, such act or notice may be timely performed or given on the next succeeding day which is not a Saturday, Sunday, or state or national holiday.
- 15.16 <u>Interpretation</u>. Buyer and Seller hereto acknowledge and agree that each has been given the opportunity to review this Agreement with legal counsel independently, and/or has the requisite experience and sophistication to understand, interpret, and agree to the particular language of the provisions hereof. Buyer and Seller have equal bargaining power, and intend the plain meaning of the provisions herein; there are no secret or code words. In the event of an ambiguity in or dispute regarding the interpretation of same, the interpretation of this Agreement shall not be resolved by any rule of interpretation providing for interpretation against the Party who causes the uncertainty to exist or against the draftsman.
- 15.17 <u>Survivability</u>. All covenants of Buyer or Seller which are intended hereunder to be performed in whole or in part after Close of Escrow and all representations and warranties (to the extent set forth above), and indemnities by either Buyer or Seller to the other, shall survive Close of Escrow and delivery of the deed, and be binding upon and inure to the benefit of the respective Parties.
- 15.18 Third Party Reports. In the event the Close of Escrow does not occur, Buyer agrees to provide Seller with copies of any reports, maps, studies or other information (including draft reports and government data) generated or compiled with respect to the Property or the Developer's investigations. Such third party work product, if any, is delivered on an "AS-IS, WITH ALL FAULTS, ERRORS, AND OMISSIONS" basis and Buyer does not make, and hereby disclaims, any representations or warranties as to the accuracy or completeness of any such work product.
- 15.19 <u>Authority</u>. Any individual signing this Agreement on behalf of a partnership or other business entity represents that he or she is authorized by such entity and has the power to enter into this Agreement and by such person's act such partnership or other business entity is bound hereto. Any individual signing this Agreement in the capacity of a trustee or co-trustee represents that he or she is authorized under the appropriate trust documents to enter into this Agreement and by such person's act such trust is bound hereto.

Buyer covenants and agrees for itself, its successors, its assigns, Buyer, for himself and his successors and assigns, agrees that in the construction by Buyer of the Project and/or any improvements, it shall not discriminate against any employee or applicant for employment because of race, color, creed, religion, sex, marital status, ancestry or national origin.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first-above written.

"Buyer"

PPF Industrial, LLC,

a Delaware limited liability company

By: PPF OP, LP, a Delaware limited partnership, its Member

By: PPF OPGP, LLC,

a Delaware limited liability company, its General Partner

By: Prime Property Fund, LLC, a Delaware limited liability company, Its Member

> By: Morgan Stanley Real Estate Advisor, Inc., a Delaware corporation, its Manager

> > Name:

TValle

"Seller"

SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION/REDEVELOPMENT AGENCY OF THE CITY OF SANTA FE SPRINGS

By: Name:

Its:

Acceptance by Escrow Holder:

First American Title Insurance Company he executed counterpart of the foregoing Purchase and Sa there under and to be bound by and perform the terms the	le Agree	ement and ag	rees to act	as Escrow Holder
Dated:	Ву:		***************************************	
	Its:			

EXHIBIT A

MC& C Site III

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL I

LOT 1 OF TRACE NO. 17977, IN THE CITY OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES, STATE COF CALIFORNIA, AS PER MAP RECORDED IN BOOK 349, PAGES 21, 22 AND 21 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THAT PORTION OF MURRAY AVENUE. VACATED AS PARCEL XIL IN EXHIBIT "A" OF THAT CERTAIN RESOLUTION NO. 444, RECORDED JULY 18, 1979 AS INSTRUMENT NO. 79-788602 OF OFFICIAL RECORDS OF SAID COUNTY, LYING NORTHERLY OF THE CENTER LINE AND ITS EASTERLY PROLONGATION OF PARK AVENUE, 60.00 FEET WIDE, AS SHOWN ON THE MAP OF SAID TRACT NO. 17977, EXCEPT THAT PORTION OF MURRAY AVENUE BEING DESCRIBED AS FOLLOWS:

BEGENNING AT SAID NORTHEAST CORNER OF LOT 1: THENCE SOUTH 0'20'15" EAST 5521 FEET ALONG SAID EASTERLY LOT LINE: THENCE SOUTH 88'31'55" EAST 60.03 FEET TO THE EASTERLY LINE OF MURRAY AVENUE. THENCE NORTH 0'20'15" WEST 57.00 FEET TO THE EASTERLY LINE OF THE MORTHERLY LINE OF SAID LOT 1, SAID LINE ALSO BEING THE SOUTHERLY LINE OF THE GRAPH ROAD (80:00 FEET WIDE), AS SHOWN ON SAID TRACT NO. 17977; THENCE SOUTH 89'45'33" WEST 60:00 FEET ALONG SAID EASTERLY PROLONGATION TO THE POINT OF BEGINNING

ALSO ENCEPTING AND RESERVING UNTO SANTA FE ENERGY COMPANY, ITS SUCCESSORS OR ASSIGNS, ALL MINERALS WHATSOEVER, PETROLEUM, CIL, ASPHALIUM, GAS AND OR HYDROCARBON SUBSTANCES, INCLUDING, BUT NOT LIBERT TO, HELIUM AND CARBON DIONDE, WITHIN OR UNDERLYING THE HERETOFCRE DESCRIBED REAL PROPERTY, AT A DEPTH OF MORE THAN 500 FEET BELOW THE SURFACE, TOGETHER WITH THE RIGHT OF PROSPECTING, DRILLING, REDRILLING, MINING, PRODUCING AND REMOVING THE SAME THEREFROM AND THEREFUNDER; PROVIDED THAT EXCEPT AS SET FORTH IN THAT CERTAIN MAREAL RESERVATION AGREEMENT DATED DECEMBER 27, 1999, AND RECORDED DECEMBER 28, 1989 AS INSTRUMENT NO. BP-2007140 OF OFFICIA RECORDS, IN THE LOS ANGELES COUNTY RECORDERS OFFICE, SANTA FE ENERGY COMPANY, ITS SUCCESSORS OR ASSIGNS, SHALL HAVE NO RIGHT OF SURFACE ENTRY NOR RIGHT TO DISTURB THE SURFACE OF SAID REAL PROPERTY WOR OTHER RIGHT TO ENTER AT ANY POINT ON SAID REAL PROPERTY WITH 500 FEET BELOW. THE SURFACE HIRRY PURPOSE, WHETHER TO EXPLORE TO EXTRACT AND OR REMOVE SAID OIL, GAS AND OR HYDROCARBON OR MINERAL SUBSTANCES OR OTHERWISE.

PARCEL 2

LOTS 8, 9, 10 AND 11 IN BLOCK 51 OF THE TOWNSHE OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 26, PAGE 37 OF MISCELLANEOUS RECORDS OF SAID COUNTY.

RESERVING THEREFROM ALL RIGHTS TO OIL, GAS, AND HYDROCARBON SUBSTANCES AND MINERALS OF EVERY KIND AND CHARACTER LYING MORE THAN FIVE HUNDRED (30) FEET BELOW THE SURFACE, TOGETHER WITH THE RIGHT TO DRILL BITO, THROUGH, AND TO USE THE PROPERTY FOR ANY AND ALL PURPOSES INCIDENTAL TO THE EXPLORATION FOR AND PRODUCTION OF OIL, GAS, HYDROCARBON SUBSTANCES, MINERALS, OR OTHER EXTRACTABLE SUBSTANCES ("OIL AND GAS PRODUCTION ACTIVITIES") FROM THE PROPERTY IN ACCORDANCE WITH ENSITING OIL AND GAS PRODUCTION ACTIVITIES AGREEMENTS. ANY PAYMENTS, RENTS, ROYALTES, OR OTHER MONIES PAID UNDER ANY EXISTING BOXAFIDE LEGAL LEASE AGREEMENTS; SHALL BE THE SOLE PROPERTY OF GRANTOR, AS RESERVED IN DEED RECORDED SEPTEMBER 20, 2006 AS INSTRUMENT NO. 06-2080172 OF OFFICIAL RECORDS.

EXHIBIT A MC& C Site III

(Continued)

PARCEL 3:

LOTS 12 AND 13 IN BLOCK 52 OF SANTA FE SPRINGS, IN THE CITY OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 26, PAGE 37 OF MISCELLANEOUS RECORDS OF SAID COUNTY.

EXCEPT THEREFROM ANY MINERALS, OIL, GAS AND OTHER HYDROCARBON SUBSTANCES ON AND UNDER THE PROPERTY OF MORE THAN 500 FEET BELOW THE SURFACE, WITHOUT THE RIGHT OF SURFACE ENTRY, AS RESERVED IN A DEED RECORDED DECEMBER 30, 2005 AS INSTRUMENT NO. 05-3231892 OF OFFICIAL RECORDS.

PARCEL 4:

LOTS 1 THROUGH 26, INCLUSIVE, IN BLOCK 53 OF TOWNSITE OF SANTA FE SPRINGS, IN THE CITY OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA AS PER MAP RECORDED IN BOOK 26, PAGE 37 ET SEO. OF MISCELLANEOUS RECORDS OF SAID COUNTY.

APN: 8011-018-900; 8011-018-901; 8011-018-902; 8011-018-903; 8011-018-904; 8011-018-905; 8011-018-906; 8011-018-908; 8011-01

EXHIBIT "A"

MC& C Site IV

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOTS 1, 2, 3, 4, 5, 6, 29 AND 30 IN BLOCK 46 OF SANTA FE SPRINGS, IN THE CITY OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 26 PAGES 37 TO 40 INCLUSIVE OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THAT PORTION OF THE EAST HALF OF VACATED ALLEY ADJOINING SAID LOTS 1, 2, 3, 4, 5 AND 6 ON THE WEST AND THAT PORTION OF THE WEST HALF OF THE VACATED ALLEY ADJOINING SAID LOTS 29 AND 30 ON THE EAST, TOGETHER WITH THAT PORTION OF THE SOUTH HALF OF FIRST STREET ADJOINING SAID LOTS 1 AND 30 ON THE NORTH.

EXCEPT FROM SAID LOTS 1, 5 AND 6, ALL OIL, GAS, MINERAL AND OTHER HYDROCARBON SUBSTANCES IN, ON AND UNDER SAID LAND AS SET OUT IN THAT CERTAIN GRANT DEED, RECORDED MARCH 4, 1980 AS INSTRUMENT NO. 80-216991, OF OFFICIAL RECORDS OF LOS ANGELES COUNTY.

ALSO EXCEPT FROM SAID LOT 29, ALL CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL KINDRED SUBSTANCES AND OTHER MINERALS UNDER AND IN SAID LAND, LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE THEREOF, IN FAVOR OF LEON BEAUMON, BY DEED RECORDED FEBRUARY 9, 1981 AS INSTRUMENT NO. 81-144399, OF OFFICIAL RECORDS.

ALSO EXCEPTING AND RESERVING UNTO SANTA FE ENERGY COMPANY, ITS SUCCESSORS OR ASSIGNS, ALL MINERALS WHATSOEVER, PETROLEUM, OIL, ASPHALTUM, GAS AND/OR HYDROCARBON SUBSTANCES, INCLUDING, BUT NOT LIMITED TO, HELIUM AND CARBON DIOXIDE, WITHIN OR UNDERLYING THE HERETOFORE DESCRIBED REAL PROPERTY, AT A DEPTH OF MORE THAN 500 FEET BELOW THE SURFACE, TOGETHER WITH THE RIGHT OF PROSPECTING, DRILLING, REDRILLING, MINING, PRODUCING AND/OR REMOVING THE SAME THEREFROM AND THEREUNDER; PROVIDED THAT EXCEPT AS SET FORTH IN THAT CERTAIN MINERAL RESERVATION AGREEMENT DATED DECEMBER 27, 1989, AND RECORDED DECEMBER 28, 1989 AS INSTRUMENT NO. 89-2087140, OFFICIAL RECORDS, IN THE LOS ANGELES COUNTY RECORDER'S OFFICE, SANTA FE ENERGY COMPANY, ITS SUCCESSORS. OR ASSIGNS, SHALL HAVE NO-RIGHT OF SURFACE ENTRY NOR RIGHT TO DISTURB THE SURFACE OF SAID REAL PROPERTY NOR OTHER RIGHT TO ENTER AT ANY POINT ON SAID REAL PROPERTY WITHIN 500 FEET BELOW THE SURFACE THEREOF FOR ANY PURPOSE, WHETHER TO EXPLORE, TO EXTRACT AND/OR. REMOVE SAID OIL, GAS AND/OR HYDROCARBON OR MINERAL SUBSTANCES OR OTHERWISE.

PARCEL 2:

LOTS 18, 19, 20, 21, 22, 23, 24 AND 25 OF TRACT NO. 17977, IN THE CITY OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 549 PAGES 21, 22 AND 23 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THE NORTH HALF OF FIRST STREET, ADJOINING SAID LOTS 22, 24 AND 25 ON THE SOUTH; TOGETHER WITH THE 20.00 FOOT ALLEY, ADJOINING SAID LOT 20 ON THE NORTH; TOGETHER WITH THE 20.00 FOOT ALLEY, ADJOINING SAID LOT 22 ON THE EAST; TOGETHER WITH THE 20.00 FOOT ALLEY, ADJOINING SAID LOT 25 ON THE WEST; TOGETHER WITH THE 20.00 FOOT ALLEY, ADJOINING SAID LOT 23 ON THE SOUTH; TOGETHER WITH THE 20.00 FOOT ALLEY, ADJOINING SAID LOT 30 ON THE SOUTH; TOGETHER WITH THE 20.00 FOOT ALLEY, ADJOINING SAID LOTS 19 AND 20 ON THE WEST; TOGETHER WITH THE WEST HALF OF THE 20.00 FOOT ALLEY, ADJOINING SAID LOTS 19 AND 20 ON THE EAST; TOGETHER WITH THE WEST HALF OF THE 20.00 FOOT ALLEY, ADJOINING SAID LOTS 10 NTHE EAST; TOGETHER WITH THE WEST HALF OF THE 20.00 FOOT ALLEY, ADJOINING SAID LOTS 10 NTHE EAST; TOGETHER WITH THE EAST HALF OF THE 20.00 FOOT ALLEY, ADJOINING SAID LOTS 10 AND 20 ON THE EAST AND THE EAST HALF OF A 20.00 FOOT ALLEY, ADJOINING SAID LOTS 19 AND 20 ON THE EAST AND THE EAST HALF OF A 20.00 FOOT ALLEY, ADJOINING SAID LOTS 19 AND 20 ON THE EAST AND THE EAST HALF OF A 20.00 FOOT ALLEY, ADJOINING SAID LOTS 19 AND 20 ON THE EAST AND THE EAST HALF OF A 20.00 FOOT ALLEY, ADJOINING SAID LOTS 18 ON THE WEST.

EXHIBIT A MC& C Site IV (Continued)

ALSO EXCEPTING AND RESERVING UNTO SANTA FE ENERGY COMPANY, ITS SUCCESSORS OR ASSIGNS, ALL MINERAL WHATSOEVER, PETROLEUM, OIL, ASPHALTUM, GAS AND/OR HYDROCARBON SUBSTANCES, INCLUDING, BUT NOT LIMITED TO, HELIUM AND CARBON DIOXIDE, WITHIN OR UNDERLYING THE HERETOFORE DESCRIBED REAL PROPERTY, AT A DEPTH OF MORE THAN 500 FEET BELOW THE SURFACE, TOGETHER WITH THE RIGHT OF PROSPECTING, DRILLING, REDRILLING, MINING, PRODUCING AND/OR REMOVING THE SAME THEREFROM AND THEREUNDER; PROVIDED THAT EXCEPT AS SET FORTH IN THAT CERTAIN MINERAL RESERVATION AGREEMENT DATED DECEMBER 27, 1989, AND RECORDED DECEMBER 28, 1989 AS INSTRUMENT NO. 89-2087140, OFFICIAL RECORDS, IN THE LOS ANGELES COUNTY RECORDER'S OFFICE, SANTA FE ENERGY COMPANY, ITS SUCCESSORS OR ASSIGNS, SHALL HAVE NO RIGHT OF SURFACE ENTRY NOR RIGHT TO DISTURB THE SURFACE OF SAID REAL PROPERTY NOR OTHER RIGHT TO ENTER AT ANY POINT ON SAID REAL PROPERTY WITHIN 500 FEET BELOW THE SURFACE THEREOF FOR ANY PURPOSE, WHETHER TO EXPLORE, TO EXTRACT AND/OR REMOVE SAID OIL, GAS AND/OR HYDROCARBON OR MINERAL SUBSTANCES OR OTHERWISE.

PARCEL 3:

LOTS 7, 8, 9, 10 AND 11 OF TRACT NO.5326, IN THE CITY OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 58 PAGES 56 AND 57 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

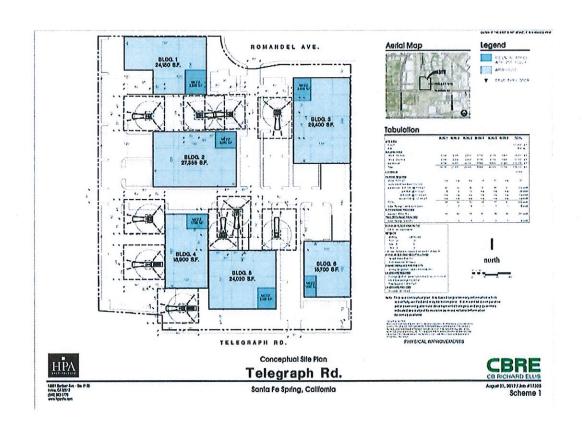
EXCEPT FROM SAID LOTS 8 AND 11, ALL OIL, GAS, MINERAL AND OTHER HYDROCARBON SUBSTANCES IN, ON AND UNDER SAID LAND, 'AS SET OUT IN THAT CERTAIN GRANT DEED, RECORDED MARCH 4, 1980 AS INSTRUMENT NO. 80-216991, OF OFFICIAL RECORDS.

ALSO EXCEPTING AND RESERVING UNTO SANTA FE ENERGY COMPANY, ITS SUCCESSORS OR ASSIGNS, ALL MINERALS WHATSOEVER, PETROLEUM, OIL, ASPHALTUM, GAS AN/OR HYDROCARBON SUBSTANCES, INCLUDING, BUT NOT LIMITED TO, HELIUM AND CARBON DIOXIDE, WITHIN OR UNDERLYING THE HERETOFORE DESCRIBED REAL PROPERTY, AT A DEPTH OF MORE THAN 500 FEET BELOW THE SURFACE, TOGETHER WITH THE RIGHT OF PROSPECTING, DRILLING, REDRILLING, MINING, PRODUCING AND/OR REMOVING THE SAME THEREFROM AND THEREUNDER; PROVIDED THAT EXCEPT AS SET FORTH IN THAT CERTAIN MINERAL RESERVATION AGREEMENT DATED DECEMBER 27, 1989, AND RECORDED DECEMBER 28, 1989 AS INSTRUMENT NO. 89-2087140, OFFICIAL RECORDS, IN THE LOS ANGELES COUNTY RECORDER'S OFFICE, SANTA FE ENERGY COMPANY, ITS SUCCESSORS OR ASSIGNS, SHALL HAVE NO RIGHT OF SURFACE ENTRY NOR RIGHT TO DISTURB THE SURFACE OF SAID REAL PROPERTY NOR OTHER RIGHT TO ENTER AT ANY POINT ON SAID REAL PROPERTY WITHIN 500 FEET BELOW THE SURFACE THEREOF FOR ANY PURPOSE, WHETHER TO EXPLORE, TO EXTRACT AND/OR REMOVE SAID OIL, GAS AND/OR HYDROCARBON OR MINERAL SURSTANCES OR OTHERWISE.

PARCEL 4:

THAT PORTION OF ROMANDEL AVENUE, 60 FEET WIDE, IN THE CITY OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES; STATE OF CALIFORNIA, AS SHOWN ON MAP OF TRACT NO. 17977, AS PER MAP RECORDED IN BOOK 549 PAGES 21 TO 23 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING BETWEEN THE SOUTHERLY BOUNDARY LINE, OF THE LINE, OF THE LAND DESCRIBED AS PARCEL XIII IN EXHIBIT "A" OF THAT CERTAIN RESOLUTION NO. 4243, RECORDED JULY 18, 1979 AS INSTRUMENT NO. 79-788602, OF OFFICIAL RECORDS OF SAID COUNTY, AND THE WESTERLY PROLONGATION OF A LINE PARALLEL WITH AND DISTANT NORTHERLY 30 FEET, MEASURED AT RIGHT ANGLES FROM THE NORTHERLY LINE OF LOT 22 OF SAID TRACT NO. 17977.

EXHIBIT B



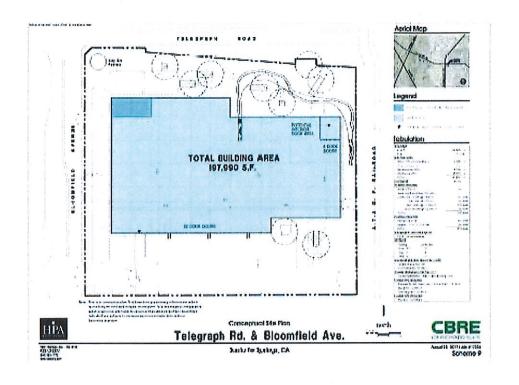


EXHIBIT C

Site III – SEC Bloomfield & Telegraph Road, Santa Fe Springs						
Building #	Square Footage	Office SF	Ceiling Clear	Loading DH/GL	Fire Sprinkler	Fenced Yard
1.	197,990	10,000	32'	22/2	ESFR	Y

Building #	Square Footage	Office SF	Ceiling Clear	Loading DH/GL	Fire Sprinkler	Fenced Yard
1.	24,180	3,000	24'	3/1	.60/3,000	P
2.	27,355	3,000	24'	3/1	.60/3,000	N
3.	29,400	4,000	24'	4/1	.60/3,000	N
4.	18,900	2,500	24'	3/1	.60/3,000	p
5.	24,020	3,000	24'	3/1	.60/3,000	N
6.	15,700	2,500	24'	2/1	.60/3,000	N

EXHIBIT D FORM OF GRANT DEED

RECORDING REQUESTED BY: WHEN RECORDED, MAIL TO:))
Douglas A. Praw, Esq. Holland & Knight LLP 400 South Hope Street, 8th Floor Los Angeles, California 90071))))
MAIL TAX STATEMENTS TO:))))))
Assessor's Parcel #	Space Above for Recorder's Use
	The undersigned Grantor declares: Documentary Transfer Tax is: \$ Computed on the consideration or value of property conveyed; OR Computed on the consideration or value less liens or encumbrances remaining at time of sale.
FOR A VALUABLE CONSIDERATI	GRANT DEED ION, receipt of which is hereby acknowledged,
hereby GRANTS to;	a
	a
all right, title and interest in and to tha, State of California, descri	t certain real property located in the City of, County of bed more particularly in Exhibit "A" attached hereto.
SUBJECT, HOWEVER, TO:	
1. All easements, encu	mbrances, covenants, conditions, restrictions, reservations, rights-of-way and atever kind and nature shown of record; and

Installments of non-delinquent general and special real property taxes and assessments.

2.

Date:	
	a
	By: Name: Title:
A notary public or other officer completing this certificate ve document to which this certificate is attached, and not the true	rifies only the identity of the individual who signed the thfulness, accuracy, or validity of that document.
STATE OF CALIFORNIA) ss. COUNTY OF)	
On, 20, before me,	in his/her/their authorized capacity(ies), and that by
I certify under PENALTY OF PERJURY under the laws of the true and correct.	he State of California that the foregoing paragraph is
WITNESS my hand and official seal.	
Notary Public	
Commission Expiration Date	[SEAL]

EXHIBIT A

PROPERTY DESCRIPTION

EXHIBIT E FORM OF FIRPTA AFFIDAVIT

FOREIGN INVESTMENT AND REAL PROPERTY TAX AFFIDAVIT

		& & &	KNOW AI	LL PERSON	NS BY THES	SE PRESENTS;
property interest withholding of	st must withhold tax	if the transfer uired upon	or (Seller) is the disposit	a foreign per ion of a	son. To infor U.S. real pr	naser) of a U.S. real rm the Purchaser that roperty interest by entity:
1.	foreign trust, or fo Income Tax Regul	reign estate (a ations).	, is no	ot a foreign s are defined	corporation, in the Interna	foreign partnership, Il Revenue Code and
2.	The taxpayer	identification	n number	of	- 12-VIII.	, is
3.	The office address	of			_, is:	
Transferee and Under	that any false staten	nent contained / I declare that	herein could at I have exa	be punished mined this c	by fine, impri	nd to the best of my
			SELLER:			
		Ву:				
SUBS	CRIBED AND SW	ORN TO befo	ore me this _	day of		, 2018.
		Notary My C	Public, State Commission e	e of		-

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EXHIBIT F FORM OF GENERAL ASSIGNMENT AND BILL OF SALE

Form of Assignment and Assumption Agreement

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT, dated, 20, by and between (a), a
("Assignor"), and (b), a, a, a, a, a
WHEREAS, Assignor and Assignee entered into that certain Purchase and Sale Agreement and Escrow Instructions dated, 20, as the same may have been amended prior to the date hereto (as amended, the "Agreement"), for the sale and purchase of certain "Property", consisting of certain "Real Property" (as more particularly described in Exhibit A), "Personal Property", and "Intangible Property" (capitalized terms used herein and not otherwise defined herein have the meanings ascribed to them in the Agreement);
WHEREAS, ("Property Owner") is the owner of the Real Property, Personal Property and Intangible Property;
WHEREAS, Assignor has the power and authority to convey the Real Property, Personal Property and Intangible Property pursuant to;
WHEREAS, Assignor desires to assign unto Assignee all of Assignor's right, title and interest in and to the Intangible Property (as hereinafter defined) as hereinafter provided; and
WHEREAS, Assignee desires to acquire the Intangible Property and assume the duties and obligations first arising on or after, the date hereof, of Assignor with respect to the Intangible Property.
NOW, THEREFORE, in accordance with the Agreement and in consideration of the sum of Ten Dollars (\$10.00), the sufficiency and receipt of which are hereby acknowledged, the parties do hereby covenant and agree as follows and take the following actions:
1. Assignor does hereby assign, transfer, set over and deliver unto Assignee all of the Assignor's and Property Owner's right, title and interest in and to the following property to the extent the same is transferable by Assignor (collectively, "Intangible Property"):
(a) any and all leases, tenancies, licenses and other rights of occupancy or use of or for any portion of the Real Property or the Personal Property (including all amendments, renewals and extensions thereof), in effect as of the date of this Assignment and Assumption Agreement and more particularly described on Exhibit A attached hereto, and incorporated by this reference (collectively, "Leases");
(b) any and all contracts and agreements of any kind for the management, repair or operation of the Property (other than Leases) in effect as of the date of this Assignment and Assumption Agreement and more particularly described on Exhibit B attached hereto, and incorporated by this reference (collectively, "Contracts");
(c) any and all licenses, permits, authorizations, certificates of occupancy and other approvals that are in effect as of the date of this Assignment and Assumption Agreement and necessary

for the current use and operation of the Property and more particularly described on **Exhibit C** attached hereto, and incorporated by this reference (collectively, "**Permits**"); and

(d) any and all other intangible property, including, but not limited to, warranties, telephone exchange numbers, architectural or engineering plans and specifications, and development rights that exist as of the date of this Assignment and Assumption Agreement and relate to the Real Property or the Personal Property (collectively, "General Intangibles").

Intangible Property shall not be deemed to include any rights to use the name, website or domain name under which the Property was operated, which name is not being transferred hereby. "Intangible Property" means the Leases, Contracts, Permits and General Intangibles.

- 2. EXCEPT AS OTHERWISE SET FORTH IN THE AGREEMENT, THE INTANGIBLE PROPERTY IS BEING ASSIGNED "AS IS", "WHERE IS", AND "WITH ALL FAULTS" AS OF THE DATE OF THIS ASSIGNMENT AND ASSUMPTION AGREEMENT, WITHOUT ANY REPRESENTATION OR WARRANTY WHATSOEVER AS TO ITS CONDITION, FITNESS FOR ANY PARTICULAR PURPOSE, MERCHANTABILITY OR ANY OTHER WARRANTY, EXPRESS OR IMPLIED. EXCEPT AS OTHERWISE SET FORTH IN THE AGREEMENT, ASSIGNOR SPECIFICALLY DISCLAIMS ANY WARRANTY, GUARANTY OR REPRESENTATION, ORAL OR WRITTEN, PAST OR PRESENT, EXPRESS OR IMPLIED, CONCERNING THE INTANGIBLE PROPERTY OR ASSIGNOR'S TITLE THERETO. EXCEPT AS OTHERWISE SET FORTH IN THE AGREEMENT, ASSIGNEE IS HEREBY THUS ACQUIRING THE INTANGIBLE PROPERTY BASED SOLELY UPON ASSIGNEE'S OWN INDEPENDENT INVESTIGATIONS AND INSPECTIONS OF THAT PROPERTY AND NOT IN RELIANCE UPON ANY INFORMATION PROVIDED BY ASSIGNOR OR ASSIGNOR'S AGENTS OR CONTRACTORS.
- 3. Assignee hereby accepts the foregoing assignment of the Intangible Property and hereby assumes all duties and obligations of Assignor first arising on or after the date hereof with respect to the Leases, Contracts and Permits for the period on and after the date of this Assignment and Assumption Agreement.
- 4. This Assignment and Assumption Agreement shall be (a) binding upon, and inure to the benefit of, the parties to this Assignment and Assumption Agreement and their respective heirs, legal representatives, successors and assigns, and (b) construed in accordance with the laws of the jurisdiction in which the Real Property is located, without regard to the application of choice of law principles, except to the extent such laws are superseded by federal law.
- 5. This Agreement may be executed and delivered in any number of counterparts, each of which so executed and delivered shall be deemed to be an original and all of which shall constitute one and the same instrument.

IN WITNESS Agreement as of the		ered this Assignment and Assumption
	ASSIGNOR:	
	By:	
	Print Name:	

	Title:	
IN WITNESS W Agreement as of the	IEREOF, Assignee has signed and delivered this Assignment and Assumpti day of, 20	on
	ASSIGNEE:	
		
	Ву:	_
	Print Name:	_
	Title	

Exhibit A to Assignment and Assumption Agreement

List of Leases

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Exhibit B to Assignment and Assumption Agreement

List of Contracts

Exhibit C to Assignment and Assumption Agreement

List of Permits

EXHIBIT 2

THIRD AMENDMENT TO SETTLEMENT AGREEMENT

This Amendment amends that certain "Settlement Agreement" entered into on February 28, 2008 (the "Settlement Agreement"), by and between the Community Development Commission of the City of Santa Fe Springs, a public entity ("CDC"), BreitBurn Operating L.P., a Delaware limited partnership ("BreitBurn"), McGranahan, Carlson & Company LLC, a limited liability company ("MC&C"), MC&C Partnership Four, a California limited partnership ("MC&C IV") and SFSA Investment Company, Inc., a California "C" corporation ("SFSA").

Subsequent to entry into the Settlement Agreement, the parties thereto entered into an Amendment to extend the term of the Settlement Agreement to February 28, 2015, and a Second Amendment to extend the term of the Settlement Agreement to February 28, 2019 which are attached hereto.

In 2011, the State of California dissolved all redevelopment agencies. Pursuant to the dissolution laws, the Successor Agency to the Community Development Commission/Redevelopment Agency of the City of Santa Fe Springs (the "Successor Agency") was created, and assumed the interests and obligations of the former CDC/Redevelopment Agency.

The Settlement Agreement constitutes an "Enforceable Obligation" of the Successor Agency, pursuant to the dissolution laws.

The Settlement Agreement requires the sale of certain properties owned by the Successor Agency. The Successor Agency is in escrow for the sale of such properties, but it now appears that the Buyer will not be able to satisfy all of the required contingencies in time to close escrow by February 28, 2019.

Accordingly, based on the facts set forth above, and intending to be legally bound, the parties hereby agree to extend the term of the Settlement Agreement to _______, 2019. In all other respects the Settlement Agreement shall remain unchanged.

The effective date of this Amendment shall be the date on which it is approved by the Successor Agency's Oversight Board.

This Amendment may be executed in counterparts.

Successor Agency to the Community Develor of the City of Santa Fe Springs	opment Commission/Redevelopment Agency
Juanita M. Trujillo, Chairperson	Date:
BrietBurn Operating L.P.	
(By)	Date:
McGranahan, Carlson & Company LLC	
Stephen M. Carlson, Member	Date:
MC&C Partnership IV	
Christopher W. McGranahan General Partner	Date:
SFSA Investment Company, Inc.	
Stephen M. Carlson, President	Date:

SECOND AMENDMENT TO SETTLEMENT AGREEMENT

This Amendment amends that certain "Settlement Agreement" entered into on February 28, 2008 (the "Settlement Agreement"), by and between the Community Development Commission of the City of Santa Fe Springs, a public entity ("CDC"), BreitBurn Operating L.P., a Delaware limited partnership ("BreitBurn"), McGranahan, Carlson & Company LLC, a limited liability company ("MC&C"), MC&C Partnership Four, a California limited partnership ("MC&C IV") and SFSA Investment Company, Inc., a California "C" corporation ("SFSA").

Subsequent to entry into the Settlement Agreement, the parties thereto entered into an Amendment to extend the term of the Settlement Agreement to February 28, 2015.

In 2011, the State of California dissolved all redevelopment agencies. Pursuant to the dissolution laws, the Successor Agency to the Community Development Commission/Redevelopment Agency of the City of Santa Fe Springs (the "Successor Agency") was created, and assumed the interests and obligations of the former CDC/Redevelopment Agency.

The Settlement Agreement constitutes an "Enforceable Obligation" of the Successor Agency, pursuant to the dissolution laws.

The dissolution of the former CDC/Redevelopment Agency, and the postdissolution process pursuant to the dissolution laws, have prevented the parties from performing their obligations pursuant to the Settlement Agreement, because the Successor Agency has not had legal authority to sell property, and the sale of property is an essential component of the Settlement Agreement.

Accordingly, based on the facts set forth above, and intending to be legally bound, the parties hereby agree to extend the term of the Settlement Agreement to the earlier of: (1) a date which is two years after the Successor Agency receives all approvals required by the dissolution laws to allow the sale of the property which is the subject of the Settlement Agreement; or (2) February 28, 2019. In all other respects the Settlement Agreement shall remain unchanged.

The effective date of this Amendment shall be the date on which it is approved by the Successor Agency's Oversight Board.

This Amendment may be executed in counterparts.

Successor Agency to the Community Develor Agency of the City of Santa Fe Springs	ppment Commission/Redevelopment
Juanita M. Trujillo, Chairperson	Date:
BreitBurn Operating L.P.	Date: 1/19/13
Gregory C. Brown Executive Vice President and General Couns	1. 7
McGranahan, Carlson & Company LLC	
Stephen M. Carlson, Member	Date:/ -23 - /s
MC&C Partnership IV	
Christopher W. McGranahan General Partner	Date: _/- 23 -/5
SFSA Investment Company, Inc.	
Stephen M. Carlson, President	Date: 1-23-/5-

AMENDMENT TO SETTLEMENT AGREEMENT

On February 28, 2008, a Settlement Agreement was entered into by and between the Community Development Commission of the City of Santa Fe Springs, a public entity ("CDC"), BreitBurn Operating L.P., a Delaware limited partnership ("BreitBurn"), McGranahan, Carlson & Company, a limited liability company ("MC&C"), MC&C Partnership Four, a California limited partnership ("MC&C IV") and SFSA Investment Company, Inc., a California "C" corporation ("SFSA").

Pursuant to Section 2 "Termination" of the Recitals, said Settlement Agreement is valid for four years from the Effective Date. Section 2 also states that, "The deadline and Closing Date set forth in this paragraph may be extended by a written amendment to this Agreement executed by all of the parties hereto."

At its meeting of January 27, 2011, the CDC approved an additional three-year extension beyond the current term, until February 28, 2015.

In accordance with the provisions of Section 2, the parties hereby agree to and accept a three-year extension to the current term of the Settlement Agreement, until February 28, 2015, and that all other conditions and provisions of the Settlement Agreement remain unchanged.

Community Development Commission of the City of San	ita Fe Springs, a public entity
By: You R. Ashworth	Date: 2-10-11
Title: <u>Executive Director</u>	
BreitBurn Operating L.P.	
Ву:	Date:
Print Name:	
Title:	
McGranahan, Carlson & Company, LLC, a California lim	• •
	Date.
By: Stephen M. Carlson	• • •

Title: Member	
MC&C Partnership IV, a California limited partnership	Date: 2.4.11
Print Name: Christopher W. McGranahan	
Title: General Partner	
SFSA Investment Company, Inc., a California corporation	
By: 56/1/ Car	Date: 2.9.11
Print Name: Stephen M. Carlson	
Title: President	

AMENDMENT TO SETTLEMENT AGREEMENT

On February 28, 2008, a Settlement Agreement was entered into by and between the Community Development Commission of the City of Santa Fe Springs, a public entity ("CDC"), BreitBurn Operating L.P., a Delaware limited partnership ("BreitBurn"), McGranahan, Carlson & Company, a limited liability company ("MC&C"), MC&C Partnership Four, a California limited partnership ("MC&C IV") and SFSA Investment Company, Inc., a California "C" corporation ("SFSA").

Pursuant to Section 2 "Termination" of the Recitals, said Settlement Agreement is valid for four years from the Effective Date. Section 2 also states that, "The deadline and Closing Date set forth in this paragraph may be extended by a written amendment to this Agreement executed by all of the parties hereto."

At its meeting of January 27, 2011, the CDC approved an additional three-year extension beyond the current term, until February 28, 2015.

In accordance with the provisions of Section 2, the parties hereby agree to and accept a three-year extension to the current term of the Settlement Agreement, until February 28, 2015, and that all other conditions and provisions of the Settlement Agreement remain unchanged.

Community Development Commission of the City of Santa Fe Springs, a public entity

Ву:	Date:		
Print Name: Paul R. Ashworth			
Title: Executive Director			
BreitBurn Operating L.P.			
Ву:	Date:	February 3, 2	2011
Print Name: Oregory C. Brown			
Print Name:			
Title: Executive Vice President and General Counsel			
McGranahan, Carlson & Company, LLC, a California lin	nited lial	oility company	
Ву:	Date:		
Print Name:			

SETTLEMENT AGREEMENT

This Settlement Agreement (this "<u>Agreement</u>") is made and entered into as of February 28, 2008 (the "<u>Effective Date</u>") by and between the Community Development Commission of the City of Santa Fe Springs, a public entity ("<u>CDC</u>"), BreitBurn Operating L.P., a Delaware limited partnership ("<u>BreitBurn</u>"), McGranahan, Carlson & Company, a limited liability company ("<u>MC&C</u>"), MC&C Partnership Four, a California limited partnership ("<u>MC&C IV</u>") and SFSA Investment Company, Inc., a California "C" corporation ("<u>SFSA</u>"). (For purposes of this Agreement, MC&C, MC&C IV and SFSA collectively, shall be the "MC&C Parties".)

Recitals

- A. CDC owns the legal parcels described on <u>Exhibit "A"</u>, attached hereto (the "<u>CDC</u> <u>Property"</u>).
- B. CDC and MC&C are parties to that certain agreement dated June 24, 1994, and subsequently amended (the "<u>RTC Agreement</u>"), which agreement sets forth the respective rights of CDC and MC&C regarding the proceeds of a sale of the CDC Property. CDC desires to sell the CDC Property for development by a purchaser.
- C. BreitBurn owns certain rights to use the surface and subsurface of the CDC Property, which rights affect the ability to develop the CDC Property. As part of its use of the CDC Property, BreitBurn operates oil wells thereon.
- D. SFSA's sole asset is that certain real property described in <u>Exhibit "B"</u>, attached hereto (the "<u>Tank Farm Property</u>").
 - E. MC&C IV owns all of the stock of SFSA.
- F. BreitBurn owns the minerals beneath the Tank Farm Property and operates a Tank Farm on the Tank Farm Property.
- G. BreitBurn and SFSA are opposing parties in litigation pending in the Los Angeles County Superior Court, Case No. BC313273, which involves the respective obligations of BreitBurn and SFSA with respect to the Tank Farm Property (the "Tank Farm Litigation").

Now therefore, based on the Recitals set forth above, and in consideration of the mutual promises set forth below, the parties agree as follows:

1. Negotiation of SRA; Sale of CDC Property.

(a) BreitBurn shall work in good faith with potential purchasers of the CDC Property identified by CDC in an attempt to reach agreement on one or more Surface Rights Agreements (each an "SRA") acceptable to both BreitBurn and such purchaser(s). The SRA(s) shall address, among other things, the issues of the design, installation and testing of replacement oil field infrastructure and the value of any wells (other than the Abandonment Wells (defined below)) which BreitBurn may agree to give up to facilitate the development of the CDC Property. The SRA(s) shall provide for the payment to BreitBurn for all lost oil and gas production during the

period of installation and testing of replacement oil field infrastructure. The SRA(s) shall also provide for the costs of the oil field work (including but not limited to the design, installation and testing of replacement oil field infrastructure, well reabandonment, well abandonment, well modification, removal of old infrastructure and environmental remediation) to be incurred by the purchaser(s) of the CDC Property and at no cost to BreitBurn. BreitBurn shall be under no obligation to agree to any particular term or provision in any such SRA(s) and agreement upon the terms of any final SRA(s) shall be at the sole discretion of BreitBurn. In connection with the foregoing, BreitBurn agrees that in order to facilitate development of the CDC Property, it will agree in the SRA(s) to give up Well Nos. 543D, 560R, 556F, 540S and 580B (the "Abandonment Wells"); provided, however, that in such case, the SRA(s) shall provide that the purchaser(s) of the CDC Property shall at its sole cost and expense, cause the Abandonment Wells to be abandoned in accordance with all applicable laws.

In the event that BreitBurn and a purchaser(s) agree upon an acceptable SRA(s) within the time frames set forth in Paragraph 2 below, BreitBurn will deliver an executed version of the SRA(s) to the Escrow Agent (defined below) with delivery conditioned upon: (i) the execution and delivery to the Escrow Agent of the SRA(s) by the purchaser(s); (ii) the execution and delivery to the Escrow Agent by SFSA of the Deed (defined below) to the Tank Farm Property; and (iii) the closing of each and every one of the transactions provided for in Paragraph 5 below. All parties shall bear their own costs of legal counsel in negotiating the SRA(s). All costs associated with the preparation of exhibits to the SRA(s), including all surveying and engineering costs, shall be paid by CDC.

- (b) CDC shall work with potential purchasers (and BreitBurn) to reach agreement regarding the sale of the CDC Property. While CDC agrees to work in good faith toward such objective, CDC is not obligated to reach such agreement.
- (c) All of the transactions described in Paragraphs 5 and 6 below are expressly contingent upon both: (i) agreement between BreitBurn and the potential purchaser(s) of the entire CDC Property concerning the SRA(s), and (ii) agreement between CDC and the potential purchaser(s) for the sale of the CDC Property to such purchaser(s).

2. Termination.

In the event that: (a) BreitBurn and a purchaser(s) are unable or unwilling to enter into an acceptable SRA(s) on or before four (4) years from the Effective Date (the "Termination Date"); or (b) BreitBurn and the purchaser(s) execute an acceptable SRA(s) and deliver it to the Escrow Agent (defined below) in conjunction with a sale of the CDC Property and such escrow does not close, and each and every one of the transactions set forth in Paragraph 5 below is not completed by the Termination Date; this Agreement shall automatically terminate without further action by any party hereto. In the event of a termination pursuant to this Paragraph, the parties shall have no obligation, rights or duties arising under the terms of this Agreement and the parties shall be placed in the same position with respect to one another that they would have been in had this Agreement never been executed, except that any time periods affecting the prosecution or defense of the Tank Farm Litigation shall be tolled during the period from the execution of this Agreement until 30 days after this Agreement is terminated. In the event of such termination and in the event that an SRA(s) and any other agreements have been executed by BreitBurn and

delivered to the Escrow Agent, such original agreements shall be returned to BreitBurn without having been recorded and shall be deemed not to have been delivered to the purchaser(s), CDC or any other party. The deadline and Closing Date set forth in this Paragraph may be extended by a written amendment to this Agreement executed by all of the parties hereto.

3. Escrow Agent.

Each of the parties to this Agreement shall agree upon a mutually acceptable escrow company ("Escrow Agent") to process the transactions contemplated by this Agreement. Each of the parties shall execute commercially reasonable escrow instructions for the Escrow Agent in conjunction with the closing of the transactions provided for in this Agreement. All costs and fees payable for the services of the Escrow Agent shall be paid as follows: 33.3% by CDC; 33.3% by MC&C/SFSA; and 33.3% by BreitBurn.

4. Simultaneous Closing.

All of the transactions set forth or referenced in Paragraph 5 below shall take place concurrently and simultaneously or not at all at "Closing", and the date on which the Closing shall occur is referred to herein as (the "Closing Date"). The Closing date shall be the earliest practicable date following the satisfaction of all of the conditions precedent to such Closing. The transactions shall be handled by the same Escrow Agent under a single escrow account or under a series of joint escrow accounts. In the event that, for any reason, the Closing does not occur by the Termination Date, the Escrow Agent shall immediately cancel the escrow and return all documents and funds to the party from whom they were received.

5. Closing Transactions.

- (a) SRA(s). The SRA(s), executed by BreitBurn and the purchaser(s) of the CDC Property shall be delivered to the Escrow Agent (to be recorded simultaneously with the recording of the deed from CDC to the purchaser(s) of the CDC Property).
- (b) CDC Property Sale. Title to the CDC Property shall be transferred subject to the SRA(s) to the purchaser(s) thereof, MC&C shall receive from CDC its share of the proceeds of the sale of the CDC Property pursuant to the provisions of the RTC Agreement, and any and all rights the MC&C Parties (defined below) have with respect to the CDC Property shall be terminated.
- (c) Tank Farm Property. Title to the Tank Farm Property shall be transferred by SFSA and/or any other MC&C Party or MC&C Parties holding title thereto to BreitBurn, or its designee, pursuant to a properly signed and acknowledged Deed in the form of Exhibit "C" attached hereto (such that from and after the date on which the Deed is recorded, no MC&C Party(ies) shall have any right, title or interest in, to or with respect to the Tank Farm Property). All recording fees and documentary transfer taxes associated with the transfer of the Tank Farm Property to BreitBurn shall be paid by CDC or SFSA through the Escrow Agent.
- (d) Mutual Releases by the MC&C Parties and BreitBurn. The MC&C Parties and BreitBurn shall execute and deliver to the Escrow Agent a Mutual Release in the form of Exhibit "D" attached hereto. The effective date of the Mutual Release shall be the date of the

Closing. In the event that the Closing does not occur and that this Agreement is terminated, the Mutual Release shall be deemed null and void.

- (e) Payment to MC&C. In addition to the sum provided for in Paragraph 5(b) above, upon Closing, the CDC shall pay to MC&C or its designee \$500,000.00 (which may come from the proceeds of the sale of the CDC Property), as consideration for the MC&C Parties' conveyance of the Tank Farm Property to BreitBurn.
- Tank Farm Property Landscaping. At least 90 days prior to advertising for bids, the 6. CDC and/or the City of Santa Fe Springs shall provide to BreitBurn plans for landscaping to be installed (and maintained at its own cost) by the CDC and/or the City of Santa Fe Springs along the side of the Tank Farm Property which fronts on Telegraph Road. Such plans shall provide for landscaping equivalent to that currently existing along the south side of Telegraph Road along the north side of the development known as the Villages at Santa Fe Springs and shall provide that the access that presently exists within the frontage of the Tank Farm on Telegraph Road shall remain in place. The CDC and/or City of Santa Fe Springs shall not advertise the project without approval of the landscaping plans by BreitBurn, but such approval shall not be unreasonably withheld. Upon awarding a contract therefore, the CDC or the City of Santa Fe Springs shall proceed with the installation of the landscaping pursuant to the approved plans. Upon written notice from the CDC and/or the City of Santa Fe Springs that they are prepared to advertise for bids to install the landscaping on the Tank Farm Property, BreitBurn shall grant the City of Santa Fe Springs a landscaping easement substantially similar to the landscaping easement in place along the south side of Telegraph Road adjacent to the development known as the Villages at Santa Fe Springs. To the extent that such landscaping and related work extends beyond City-owned rights of way and extends onto the Tank Farm Property, such work shall be done by the CDC and/or the City of Santa Fe Springs on behalf of BreitBurn and, except to the extent set forth in the landscaping easement, such work and improvements will not give any rights, including rights of possession, use or ownership, of or to all or any portion of the Tank Farm Property to the CDC, the City of Santa Fe Springs or any other governmental entity. Within 30 days of receipt of notice from the CDC and/or the City of Santa Fe Springs that a contract for the landscaping work has been awarded, BreitBurn shall deposit with the CDC and/or the City of Santa Fe Springs the amount of \$250,000.00 to cover BreitBurn's share of the cost for the landscaping work to be completed within the frontage of the Tank Farm Property. BreitBurn hereby grants to the CDC and/or the City of Santa Fe Springs a temporary construction license to carry out the landscaping work referred to in this Paragraph. The obligations of the parties under this Paragraph shall survive the Closing.
- 7. Tolling Agreement re Claims in the Tank Farm Litigation. Upon the signing of this Agreement, SFSA and BreitBurn shall execute a request for dismissal of the Tank Farm Litigation, without prejudice and with each party to bear its own fees and costs, and promptly file it with the court presiding over the Tank Farm Litigation. The MC&C Parties and BreitBurn agree that, in consideration of BreitBurn's and SFSA's dismissal of the Tank Farm Litigation without prejudice, commencing on the Effective Date and extending until 30 calendar days after the Termination Date, all statutes of limitations governing the causes of action against SFSA in the Tank Farm Litigation shall be, and hereby are, tolled during the operative period of this Agreement ("Tolling Provision"). It is the intention of the MC&C Parties and BreitBurn that until 30 days after the Termination Date, the parties' respective positions with regards to statutes

of limitations shall be as they were upon the Effective Date of this Agreement, and shall not in any way be altered or prejudiced by the passage of time during the operative period hereof. This Tolling Provision shall not be deemed to be a waiver of any claims by the MC&C Parties or BreitBurn. This Tolling Provision shall be governed by, and construed in accordance with, the laws of California, including, specifically, California Code of Civil Procedure Section 360.5. In the event that the Closing does not occur and that this Agreement is terminated, the provisions of Paragraph 7 of this Agreement shall survive such termination.

- 8. **Cooperation.** The parties shall cooperate regarding the actions to be taken subsequently (e.g., escrow documents) in order to effectuate the purposes of and to consummate the transactions contemplated under this Agreement.
- 9. **Settlement.** This Agreement is entered into as part of the settlement of the Tank Farm Litigation and is protected by California Evidence Code Section 1152.

10. Additional Provisions With Respect to Transfer of Tank Farm Property.

- (a) It is the express intent of the parties that all of the right, title, and interest of each of the MC&C Parties and their affiliates in the Tank Farm Property be transferred to BreitBurn hereunder. Accordingly, it is agreed that the MC&C Parties shall grant, sell, assign, transfer and convey to BreitBurn, or its designee, all of their right, title and interest in and to the following:
- (i) The fee simple real property, water rights, mineral fee estates, oil and gas leases, surface leases and royalties, oil, gas and other minerals, and all other interests under or in oil, gas or mineral leases, and interests in rights to explore for and produce oil, gas or other minerals in and to the Tank Farm Property;
- (ii) All franchises, licenses, permits, approvals, consents, certificates and other authorizations and other rights granted by governmental authorities that relate to the Tank Farm Property;
- (iii) All equipment, machinery, tanks, fixtures, flow lines, roads, pipelines, pole lines, appurtenances, materials, improvements and other real, personal and mixed property (including inventory) located on the Tank Farm Property as of the Closing Date;
- (iv) All contracts, permits, road use agreements, rights-of-way, easements, licenses, servitudes, orders and decisions of regulatory authorities related to the Tank Farm Property;
- (v) All originals in the possession of the MC&C Parties or their affiliates of all of the files, records, information and materials relating to the Tank Farm Property; and
- (vi) All other rights and interests in, to, or under or derived from the Tank Farm Property.

(b) Title Review.

- (i) Within 21 days from the date of the execution of this Agreement, the MC&C Parties, at their own expense, shall obtain and deliver to BreitBurn a copy of a preliminary title report for the Tank Farm Property ("PTR") issued by Chicago Title Insurance Company or First American Title Company of Los Angeles or another qualified title insurance company agreed to in writing by the MC&C Parties and BreitBurn (the "Title Company"). Within thirty (30) days after its receipt of the PTR, BreitBurn shall notify the MC&C Parties of any title defects that are disclosed by the PTR and are of concern to BreitBurn.
- (ii) The MC&C Parties will also make available at their offices or such other places as agreed upon by the MC&C parties and BreitBurn, during normal business hours until the Closing Date, for BreitBurn's review and copying, all documents relating to the title of the Tank Farm Property and all title information and abstracts in their possession and control to the best of their knowledge. NO WARRANTY OF ANY KIND IS MADE BY THE MC&C PARTIES AS TO THE COMPLETENESS OR ACCURACY OF INFORMATION SO SUPPLIED, and BreitBurn agrees that any conclusions drawn there from shall be the result of its own independent review and judgment.
- (iii) BreitBurn shall have until shortly before the Closing to fully investigate any and all matters relating to the title and the state of all documents evidencing the title to the Tank Farm Property. In the event that BreitBurn identifies any title defects that are of concern to BreitBurn, it shall promptly notify the MC&C Parties, and the parties will work together in good faith to resolve such issues. If the parties are unable to resolve any such title issues to BreitBurn's satisfaction, BreitBurn shall not be obligated to proceed with the acquisition of the Tank Farm Property and this Agreement shall terminate pursuant to the provisions of Paragraph 2 above.
- (c) Limited Warranty of Title. The title to the Tank Farm Property shall be subject to all matters appearing of record or that can be ascertained by an inspection thereof and shall be conveyed to BreitBurn without any warranty of title, express or implied, except that the MC&C Parties shall warrant at Closing to BreitBurn that the Tank Farm Property is free of any prior conveyance, encumbrance or lien made or suffered by the MC&C Parties or by any person claiming by, under or through the MC&C Parties, but not otherwise. The MC&C Parties shall also represent and warrant at Closing to BreitBurn that, to their actual knowledge (i.e., to the then actual knowledge of Chris McGranahan and Steve Carlson, without inquiry or investigation), except as set forth in the PTR (and any updates thereto), the Tank Farm Property is not subject to any third-party consents to assignment or preferential rights to purchase and that there are no existing agreements, options, or commitments with, of, or to any person to acquire the Tank Farm Property. The MC&C Parties agree not to enter into any such agreements, options, or commitments or to take any action that will encumber the title to the Tank Farm Property prior to the Closing.
- (d) **Title Insurance.** The cost of title insurance for the Tank Farm Property, if requested by BreitBurn, shall be borne by BreitBurn.

- (e) Records Review. Upon 30 days written notice from BreitBurn, the MC&C parties will make available at their offices or such other places as agreed upon by the MC&C parties and BreitBurn, during normal business hours until the Closing, all of their files, records, and other written materials that relate to the Tank Farm Property. BreitBurn shall have the right to review and copy such records at its sole expense. NO WARRANTY OF ANY KIND IS MADE BY THE MC&C PARTIES AS TO THE ACCURACY OF INFORMATION SO SUPPLIED, and BreitBurn agrees that any conclusions drawn there from shall be the result of its own independent review and judgment.
- (f) Bunker Removal. Before the Closing, the MC&C Parties shall remove the bunker historically maintained by one or more of them on the Tank Farm Property and, if necessary, shall remediate any environmental conditions (if any) caused by the existence or use of such bunker. The MC&C Parties obligations under this Paragraph 10(f) shall be deemed satisfied upon the MC&C Parties' completion of removal and closure of the above described bunker in accordance with the requirements of the City of Santa Fe Springs Fire Department.
- (g) As-Is. Except as otherwise provided by this Paragraph 10 of this Agreement, BreitBurn shall acquire title to the Tank Farm Property in its then existing "As-Is" condition. Upon acquisition of the Tank Farm Property, BreitBurn shall assume the MC&C Parties' responsibility for the environmental condition thereof.
- (h) **Property Taxes.** After the Effective Date, the MC&C Parties shall cooperate in good faith with BreitBurn in an attempt to reduce the current property tax assessment for the Tank Farm Property.
- 11. **Notices.** All notices and consents to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, faxed with receipt acknowledged, or delivered by a recognized overnight commercial courier to the party at the address set forth below or such other address as any party shall have designated for itself by 5 days' prior written notice to the other parties.

MC&C, MC&C IV and SFSA

McGranahan Carlson and Co. 2271 West Malvern Avenue, #521 Fullerton, California 92833 Facsimile No.:

CDC

11710 E. Telegraph Road Santa Fe Springs, CA 90670-3679 (562) 868-0511 - City Hall (562) 868-7112 - Fax Number

BREITBURN

BreitBurn Operating L.P 515 South Flower Street Suite 4800 Los Angeles, California 90071 Attn. Land Department Facsimile No.: (213) 225-5916

- 12. Construction of Ambiguity. All parties to this Agreement are sophisticated parties, each having fully participated in the drafting of the Agreement. In the event of any ambiguity in any of the terms or conditions of this Agreement including any exhibits whether or not placed of record, such ambiguity shall not be construed for or against any party hereto.
- 13. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, superseding all prior statements, representations, discussions, agreements and understandings relating to such subject matter, except as may be expressly provided for herein. No amendment shall be binding unless in writing and signed by representatives of each party bound by such amendment. Headings used in this Agreement are only for convenience of reference and shall not be used to define the meaning of any provision. This Agreement is for the benefit of the parties only and not for the benefit of third parties.
- 14. **Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA WITHOUT REGARD TO RULES CONCERNING CONFLICTS OF LAW.
- 15. Successors and Assigns. This Agreement and the provisions herein which shall survive Closing shall bind and inure to the benefit and burden of the heirs, successors and assigns of the parties hereto. Intending to be legally bound, the parties have executed this Agreement, below, as of the date first set forth above.
- 16. Authority. Each of the parties hereto hereby represents and warrants to the others that is has the sole and full right, authority and power to enter into and perform this Agreement, that no consent or approval is required from any other party for it to validly execute and consummate this Agreement, and that the person signing this Agreement and any other document or instrument contemplated herein on behalf of it is duly authorized to do so.
- 17. Counterparts, Facsimile Signatures, Copies. This Agreement may be executed in counterparts, each of which shall constitute an original, and all of which together shall constitute one and the same agreement. Signatures may be delivered by facsimile transmission. Facsimile copies or photocopies of an executed version of this Agreement shall have the same force and effect as the original version.

Community Development Commission of the City of Santa Fee Springs, a public entity

_ (|)

Print Name: Paul R. Ashworth

Title: Director of Planning & Development

BreitBurn Operating L.P.,
a Delaware limited parthership
By: 2. 12
Print Name: Gregory C. Brown
Title: Executive Vice President and General Counsel
M.C. 1 C.1 & Community
McGranahan, Carlson & Company, LLC, a California limited liability company
By:
Print Name:
Title:
MC&C Partnership IV,
a California limited partnership
By:
Print Name:
Title:
SFSA Investment Company, Inc., a California corporation
Ву:
Print Name:
TVIA

BreitBurn Operating L.P., a Delaware limited partnership
Ву:
Print Name:
Title:
McGranahan, Carlson & Company, LLC, a California limited liability company
Print Name: CHIKISTOPHER W. MCGRANAHAN
Title: Member
MC&C Partnership IV, a California limited partnership
Behlm
Print Name: CHRISTOPHISTZ W. McCattaniana
Title: PATETHETZ
SFSA Investment Company, Inc., a California corporation By:
Print Name: SRETHEN M. CARLSON

Title: Presnew

EXHIBIT "A"

LEGAL DESCRIPTION OF THE

CDC PROPERTY

Parcel 1:

Lots 1, 2, 3, 4, 5, 6, 29 and 30 in Block 46 of Santa Fe Springs, in the City of Santa Fe Springs, County of Los Angeles, State of California, as per Map recorded in Book 26, Pages 37 to 40, inclusive, of Miscellaneous Records, in the Office of the County Recorder of said County, together with that portion of the East Half of vacated alley adjoining said Lots 1, 2, 3, 4, 5 and 6 on the West and that portion of the West Half of the vacated alley adjoining said Lots 29 and 30 on the East, together with that portion of the South Half of first street adjoining said Lots 1 and 30 on the North.

EXCEPT from said Lots 1, 5 and 6, all oil, gas, mineral and other hydrocarbon substances in, on and under said land as set out in that certain Grant Deed, recorded March 4, 1980 as Instrument No. 80-216991 of Los Angeles County.

ALSO EXCEPT from said Lot 29, all crude oil, petroleum, gas, brea, asphaltum and all kindred substances and other minerals under and in said land, lying below a depth of 500 feet from the surface thereof, in favor of Leon Beaumon, by Deed recorded February 9, 1981 as Instrument No. 81-144399.

ALSO EXCEPTING AND RESERVING unto Santa Fe Energy Company, its successors or assigns, all minerals whatsoever, petroleum, oil, asphaltum, gas and/or hydrocarbon substances, including, but not limited to, helium and carbon dioxide, within or underlying the heretofore described real property, at a depth of more than 500 feet below the surface, together with the right of prospecting, drilling, redrilling, mining, producing and/or removing the same therefrom and thereunder; provided that except as set forth in that certain Mineral Reservation Agreement dated December 27, 1989, and recorded December 28, 1989 as Instrument No. 89-2087140, Official Records, in the Los Angeles County Recorder's Office, Santa Fe Energy Company, its successors or assigns, shall have no right of surface entry nor right to disturb the surface of said real property nor other right to enter at any point on said real property within 500 feet below the surface thereof for any purpose, whether to explore, to extract and/or remove said oil, gas and/or hydrocarbon or mineral substances or otherwise.

Parcel 2:

Lots 18, 19, 20, 21, 22, 23, 24 and 25 of Tract No. 17977, in the City of Santa Fe Springs, County of Los Angeles, State of California, as per Map recorded in Book 549, Pages 21, 22 and 23 of Maps, in the Office of the County Recorder of said County, together with the North Half of the first street, adjoining said Lots 22, 24 and 25 on the South; together with the South Half of first street, adjoining said Lot 20 on the North; together with the 20.00 foot alley, adjoining said Lot 22 on the East; together with the 20.00 foot alley,

adjoining said Lot 25 on the West; together with the 20.00 foot alley, adjoining said Lot 23 on the South; together with the 20.00 foot alley, adjoining said Lot 19 on the North; together with the East Half of the 20.00 foot alley, adjoining said Lots 19 and 20 on the West; together with the West Half of the 20.00 foot alley, adjoining said Lot 21 on the East; together with the West Half of the 20.00 foot alley, adjoining said Lots 19 and 20 on the East and the East Half of a 20.00 foot alley, adjoining said Lot 18 on the West.

ALSO EXCEPTING AND RESERVING unto Santa Fe Energy Company, its successors or assigns, all minerals whatsoever, petroleum, oil, asphaltum, gas and/or hydrocarbon substances, including, but not limited to, helium and carbon dioxide, within or underlying the heretofore described real property, at a depth of more than 500 feet below the surface, together with the right of prospecting, drilling, redrilling, mining, producing and/or removing the same therefrom and thereunder; provided that except as set forth in that certain Mineral Reservation Agreement dated December 27, 1989, and recorded December 28, 1989 as Instrument No. 89-2087140, Official Records, in the Los Angeles County Recorder's Office, Santa Fe Energy Company, its successors or assigns, shall have no right of surface entry nor right to disturb the surface of said real property nor other right to enter at any point on said real property within 500 feet below the surface thereof for any purpose, whether to explore, to extract and/or remove said oil, gas and/or hydrocarbon or mineral substances or otherwise.

Parcel 3:

Lots 7, 8, 9, 10 and 11 of Tract No. 5326, in the City of Santa Fe Springs, County of Los Angeles, State of California, as per Map recorded in Book 58, Pages 56 and 57 of Maps, in the Office of the County Recorder of said County.

EXCEPT from said Lots 9 and 11, all oil, gas, mineral and other hydrocarbon substances in, on and under said land, as set out in that certain Grant Deed, recorded March 4, 1980 as Instrument No. 80-216991.

ALSO EXCEPTING AND RESERVING unto Santa Fe Energy Company, its successors or assigns, all minerals whatsoever, petroleum, oil, asphaltum, gas and/or hydrocarbon substances, including, but not limited to, helium and carbon dioxide, within or underlying the heretofore described real property, at a depth of more than 500 feet below the surface, together with the right of prospecting, drilling, redrilling, mining, producing and/or removing the same therefrom and thereunder; provided that except as set forth in that certain Mineral Reservation Agreement dated December 27, 1989, and recorded December 28, 1989 as Instrument No. 89-2087140, Official Records, in the Los Angeles County Recorder's Office, Santa Fe Energy Company, its successors or assigns, shall have no right of surface entry nor right to disturb the surface of said real property nor other right to enter at any point on said real property within 500 feet below the surface thereof for any purpose, whether to explore, to extract and/or remove said oil, gas and/or hydrocarbon or mineral substances or otherwise.

Parcel 4:

That portion of Romandel Avenue, 60 feet wide, in the City of Santa Fe Springs, County of Los Angeles, State of California, as shown on Map of Tract No. 17977, as per Map recorded in Book 549, Pages 21 to 23 inclusive of Maps, in the Office of the County Recorder of said County, lying between the Southerly boundary line of the line of the land described as Parcel XIII in Exhibit "A" of that certain Resolution No. 4243, recorded July 18, 1979 as Instrument No. 79-788602 of said County, and then Westerly prolongation of a line parallel with and distant Northerly 30 feet, measured at right angles from the Northerly line of Lot 22 of said Tract No. 17977.

EXCEPT from a portion of said land, all crude oil, petroleum, gas, brea, asphaltum and all kindred substances and other minerals under and in said land, lying below a depth of 500 feet from the surface thereof, in favor of Leon Beaumon, by Deed recorded March 17, 1980 as Instrument No. 80-265102.

ALSO EXCEPTING AND RESERVING unto Santa Fe Energy Company, its successors or assigns, all minerals whatsoever, petroleum, oil, asphaltum, gas and/or hydrocarbon substances, including, but not limited to, helium and carbon dioxide, within or underlying the heretofore described real property, at a depth of more than 500 feet below the surface, together with the right of prospecting, drilling, redrilling, mining, producing and/or removing the same therefrom and thereunder; provided that except as set forth in that certain Mineral Reservation Agreement dated December 27, 1989, and recorded December 28, 1989 as Instrument No. 89-2087140, Official Records, in the Los Angeles County Recorder's Office, Santa Fe Energy Company, its successors or assigns, shall have no right of surface entry nor right to disturb the surface of said real property nor other right to enter at any point on said real property within 500 feet below the surface thereof for any purpose, whether to explore, to extract and/or remove said oil, gas and/or hydrocarbon or mineral substances or otherwise.

Parcel 5:

Lot 1 of Tract No. 17977, in the City of Santa Fe Springs, County of Los Angeles, State of California, as per Map recorded in Book 549, Pages 21, 22 and 23 of Maps, in the Office of the County Recorder of said County, together with that portion of Murray Avenue, vacated as Parcel XII in Exhibit "A" of that certain Resolution No. 4243, recorded July 18, 1979 as Instrument No. 79-788602, Official Records of said County, lying Northerly of the center line and its Easterly prolongation of Park Avenue, 60.00 feet wide, as shown on the Map of said Tract No. 17977, except that portion of Murray Avenue being described as follows:

Beginning at said Northeast corner of Lot 1; thence South 0 degrees 20 minutes 15 seconds East 55.21 feet along said Easterly lot line; thence South 88 degrees 31 minutes 55 seconds East 60.03 feet to the Easterly line of Murray Avenue; thence North 0 degrees 20 minutes 15 seconds West 57.00 feet to the Easterly prolongation of the Northerly line of said Lot 1, said line also being the Southerly line of Telegraph Road (80.00 feet wide),

as shown on said Tract No. 17977; thence South 89 degrees 45 minutes 35 seconds West 60.00 feet along said Easterly prolongation to the point of beginning.

ALSO EXCEPTING AND RESERVING unto Santa Fe Energy Company, its successors or assigns, all minerals whatsoever, petroleum, oil, asphaltum, gas and/or hydrocarbon substances, including, but not limited to, helium and carbon dioxide, within or underlying the heretofore described real property, at a depth of more than 500 feet below the surface, together with the right of prospecting, drilling, redrilling, mining, producing and/or removing the same therefrom and thereunder; provided that except as set forth in that certain Mineral Reservation Agreement dated December 27, 1989, and recorded December 28, 1989 as Instrument No. 89-2087140, Official Records, in the Los Angeles County Recorder's Office, Santa Fe Energy Company, its successors or assigns, shall have no right of surface entry nor right to disturb the surface of said real property nor other right to enter at any point on said real property within 500 feet below the surface thereof for any purpose, whether to explore, to extract and/or remove said oil, gas and/or hydrocarbon or mineral substances or otherwise.

Parcel 6:

Lots 8, 9, 10 and 11 in Block 52 of the Townsite of Santa Fe Springs, County of Los Angeles, State of California, as per Map recorded in Book 26, Page 37 of Miscellaneous Records of said County.

EXCEPT all rights to oil, gas and hydrocarbon substances and minerals of every kind and character lying more than five hundred (500) feet below the surface, together with the right to drill into, through and to use the property for any and all purposes incidental to the exploration for and production of oil, gas, hydrocarbon substances, minerals or other extractable substances ("oil and gas production activities") from the property in accordance with existing oil and gas production activities agreements.

Parcel 7:

Lot 1 to 26, inclusive, in Block 53 of Townsite of Santa Fe Springs, in the City of Santa Fe Springs, County of Los Angeles, State of California, as per Map recorded in Book 26, Page 37, et seq., Miscellaneous Records of said County.

EXCEPT all interests in all oil, gas, minerals and other hydrocarbon substances in, under and which may be produced from said land, without, however, the right to enter on the surface thereof or within five hundred (500) feet beneath the surface thereof.

EXHIBIT "B" LEGAL DESCRIPTION OF THE TANK FARM PROPERTY

Parcels A, B, C and D, in the City of Santa Fe Springs, County of Los Angeles, State of California, as shown on Parcel Map No. 20215, filed in Book 225, Pages 57 to 59, inclusive, of Parcel Maps, in the Office of the County Recorder of said County.

EXCEPTING AND RESERVING unto Santa Fe Energy Company, its successors or assigns, all minerals whatsoever, petroleum, oil, asphaltum, gas and/or hydrocarbon substances, including, but not limited to, helium and carbon dioxide, within or underlying the heretofore described real property, at a depth of more than 500 feet below the surface, together with the right of prospecting, drilling, redrilling, mining, producing and/or removing the same therefrom and thereunder; provided that except as set forth in that certain Mineral Reservation Agreement dated December 27, 1989, and recorded December 28, 1989 as Instrument No. 89-2087140, Official Records, in the Los Angeles County Recorder's Office, Santa Fe Energy Company, its successors or assigns, shall have no right of surface entry nor right to disturb the surface of said real property nor other right to enter at any point on said real property within 500 feet below the surface thereof for any purpose, whether to explore, to extract and/or remove said oil, gas and/or hydrocarbon or mineral substances or otherwise.

EXHIBIT "C"

DEED FOR TANK FARM PROPERTY STATEMENT OF DOCUMENT TRANSFER TAX DUE

Recording requested by and When recorded mail to:

BreitBurn Operating L.P. 515 South Flower Street Suite 4800 Los Angeles, California 90071

Attn: Land Department

Please send tax statements and related materials to:

The Same

Space above for Recorder's use only, please.

Special Indexing Request: Recorder,
Please separately each of several "Grantors"

GRANT DEED

Affects Assessor's Parcel(s) No.: [See Exhibit "A"]

This conveyance is made and entered into by and between SFSA INVESTMENT COMPANY, a California "C" corporation [, McGRANAHAN, CARLSON & COMPANY, a [California] limited liability company, and MC&C PARTNERSHIP FOUR, a California limited partnership (hereinafter "Grantor[s]"), on one hand, and BREITBURN OPERATING L.P., a Delaware limited partnership (hereinafter "Grantee"), on the other, effective as of December ___ 2007 (the "Effective Date").

FOR AND IN CONSIDERATION of the payment of Ten Dollars (\$10.00), and other consideration, the receipt and sufficiency of which are hereby mutually acknowledged, Grantor[s] hereby grant[s], convey[s], transfer[s], assign[s], bargain[s], sell[s] and deliver[s] to Grantee, its successors and assigns that certain real property in the incorporated area of the City of Santa Fe Springs, County of Los Angeles, State of California, more fully described in the attached Exhibit "A" (the "*Property*"), and all incidents and appurtenances thereto, including, but not limited to, all the following ((i) through (vi), inclusive):

- (i) The fee simple interest, water rights, mineral fee interest in oil, gas and other hydrocarbon or other mineral substances, oil, gas and mineral lease interests (i.e., lessor, lessee or other right, title or interest under any oil, gas and mineral lease), royalties, rentals or other revenue rights thereunder, and any and all other interests under or in oil, gas or mineral leases, and all interests in rights to explore for and produce oil, gas or other minerals, or to use and improve the surface and subsurface of the Property in connection with the exercise of such rights, as well as any and all right, title and interest in and to non-mineral leases (commercial, residential, etc.), affecting all or any part of the Property;
- (ii) All franchises, licenses, permits, approvals, consents, certificates and other authorizations and other rights granted by governmental authorities that relate to the Property;

- (iii) All equipment, machinery, tanks, fixtures, flow lines, roads, pipelines, pole lines, appurtenances, materials, improvements and other real, personal and mixed property (including inventory) located on the Property as of the delivery and acceptance of this conveyance;
- (iv) All contracts, permits, road use agreements, rights-of-way, easements, licenses, servitudes, orders and decisions of regulatory authorities pertaining to the Property;
- (v) All originals in the possession of the Grantor[s] or [its/their] affiliates of all of the files, records, information and materials relating to the Property; and
- (vi) All other right, title and interest in, to or under, or derived from, the Property.

Grantor[s] [and each of them, for itself alone] warrants to Grantee Grantor[s'] right, title and interest in and to the Property hereby conveyed to Grantee is free from any prior conveyance, lien or encumbrance made or suffered by [such] Grantor or by any person claiming by, through or under [such] Grantor, except only matters appearing of record or that can be ascertained by an inspection of the Property. Provided, however, that Grantor[s] [and each of them, for itself alone] also represent and warrant to Grantee that, such Grantor has no actual knowledge of the existence of any required third-party consent to assignment, or preferential rights to purchase, all or any part of the right, title and interest of Grantors, or any of them, in and to the Property, and that there are no existing agreements, options, or commitments with, of, or to any person to acquire the Property from Grantors or any of them. This conveyance is otherwise made without warranty or representation concerning title or any other subject, express or implied, and Grantee otherwise accepts the Property on an "As-Is" basis, and assumes all of the Grantor[s'] responsibility for its environmental condition.

This conveyance is made and delivered pursuant to that certain Settlement Agreement, dated as of the Effective Date, among the parties hereto [and others] (the "Agreement"), all of the terms and provisions of which are incorporated fully herein, and reference is made to a fully executed copy of that Agreement in the hands of each of the Parties for further particulars. As between the parties to this conveyance, the terms and provisions of the Agreement survive the delivery and acceptance of this conveyance. However, the Agreement does not create or provide for any rights or obligations that may be enforced by or against any third party including any successor or assign of any of the parties hereto which is not also a party to the Agreement.

IN WITNESS OF WHICH, the Parties have caused this instrument to be executed and delivered on the date set forth in the respective acknowledgment form concerning execution of this conveyance on their behalf, but as of the Effective Date.

GRANTOR[s]: SFSA INVESTMENT COMPANY, a California "C" corporation		GRANTEE: BREITBURN OPERATING L.P., a Delaware limited partnership		
Ву:		Ву:		
	Its:	Its:		
Ву:		Ву:		
	Its:	its:		

Exhibit "A" to Grant Deed [Property Description]

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California]		
County of] ss.]		
•	_		
On before me,	Name and Title of Officer	(e.g., "Jane Doe, Notary F	Public")
personally appeared			
Nai	me(s) of Signor(s)		
	personally kno	wn to me	
	proved to me o	on the basis of satisfactory e	vidence
to be the person(s) whose name(s) is/are subscriphe/she/they executed the same in his/her/their audinstrument, as of instrument.	ithorized capacity(ies), a	nd that by his/her/their sign	ature(s) on the
•	WITNESS my ha	and and official seal.	
		Signature of Notary Public	
	OPTIONAL		
Though the information below is not requi document and could prevent fraudulent re	ired by law, it may prove val	uable to persons relying on the	
Description of Attached Document			
Title or Type of Document: Grant Dee	d		
Document Date:		Number of Pages:	
Signer(s) Other Than Named Above:	W		
Capacity(ies) Claimed by Signor			
Signer's Name:	· ·		RIGHT THUMBPRINT
☐ Individual ☐ Corporate Officer – Title(s): ☐ Partner – ☐ Limited ☐ General ☐ Attorney-in-Fact ☐ Trustee ☐ Guardian or Conservator ☐ Other:	· -		OF SIGNOR Top of thumb here
Signor is Representing:			

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT State of California County of ____ before me, ____ Name and Title of Officer (e.g., "Jane Doe, Notary Public") Date personally appeared _____ Name(s) of Signor(s) personally known to me proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument, as instrument. WITNESS my hand and official seal. Signature of Notary Public OPTIONAL Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document Description of Attached Document Title or Type of Document: **Grant Deed** Document Date: Number of Pages: Signer(s) Other Than Named Above: Capacity(ies) Claimed by Signor Signer's Name: Top of thumb here ☐ Individual ☐ Corporate Officer – Title(s): ___ ☐ Partner – ☐ Limited ☐ General

Attorney-in-Fact

Guardian or Conservator

Other: _____

Signor is Representing:

Trustee

STATEMENT OF DOCUMENTARY TRANSFER TAX DUE AND REQUEST THAT DOCUMENTARY TRANSFER TAX DECLARATION NOT BE MADE A PART OF THE PERMANENT RECORD IN THE OFFICE OF THE COUNTY RECORDER

[Rev & Tax Code § 11932]

RECO	RDED DATE:	1	NSTRUMENT. N	O.	
TO:	COUNTY RE	- CORDER, LOS AN	NGELES COUNT	Y, CALIFORNIA	
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				·	
	•		[signature]		
			[printed na	-	·
			BreitBurn [represent	Operating L.P. ing]	

EXHIBIT "D"

MUTUAL RELEASE

This Mutual Release is made and entered into by and between BreitBurn Operating L.P., a Delaware limited partnership ("BreitBurn"), McGranahan, Carlson & Company, a limited liability company ("MC&C"), MC&C Partnership Four, a California limited partnership ("MC&C IV") and SFSA Investment Company, Inc., a California "C" corporation ("SFSA"). MC&C, MC&C IV and SFSA shall collectively be known as the "MC&C Parties".

The MC&C Parties and BreitBurn, for themselves and for their parents, subsidiaries, predecessors, successors, affiliates, general partners, limited partners, heirs, devisees, assigns, agents, and principals, do hereby fully release and forever discharge each other, as well as each others' parents, subsidiaries, predecessors, successors, affiliates, general partners, limited partners, heirs, devisees, attorneys, assigns, insurers, partners, directors, officers, employers, employees, principals, and agents, of and/or from any and all rights and duties, including all claims, demands, damages, debts, liabilities, accounts, accountings, reckonings, obligations, guarantees, costs, expenses, liens, actions, suits, proceedings, controversies, contracts and causes of action of every kind and nature whatsoever relating to the CDC Property, the Tank Farm Property or any other property located in the City of Santa Fe Springs in which the MC&C Parties and/or their affiliates and BreitBurn and /or its affiliates have any interest, at any time whatsoever up to and including the Closing Date, whether now known or unknown, suspected or unsuspected, which the MC&C Parties and BreitBurn and their parents, subsidiaries, predecessors, successors, affiliates, general partners, limited partners, heirs, devisees, assigns, agents, and principals may now have, own or hold, or which at any time heretofore may have ever had, owned or held, or could, shall or may hereafter have, own or hold through the Closing Date, except that such release shall not apply to any claims arising from claims made by or injuries allegedly suffered by third-parties relating to the property mentioned in this Paragraph that are first asserted after the Closing Date ("Excluded Claims"). The MC&C Parties and BreitBurn each represent and warrant that they have no actual present knowledge of any pending or threatened Excluded Claims.

Except with respect to the Excluded Claims, neither the MC&C Parties or BreitBurn or their parents, subsidiaries, predecessors, successors, affiliates, general partners, limited partners, heirs, devisees, assigns, agents, and principals, shall have any claims of any kind or nature against each other, or each other party's parents, subsidiaries, predecessors, successors, affiliates, general partners, limited partners, heirs, devisees, attorneys, assigns, insurers, partners, directors, officers, employers, employees, principals, and agents, directly or indirectly, with respect to any such matter, cause, fact, thing, act or omission existing, done, or omitted to be done relative to the CDC Property, the Tank Farm Property and any matters relating to any property located in the City of Santa Fe Springs in which the MC&C Parties and/or their affiliates and BreitBurn and /or its affiliates have any interest, at any time whatsoever up to and including the Closing Date.

The MC&C Parties and BreitBurn understand, warrant and represent that this release shall be effective as a full and final accord and satisfaction, and settlement of and a bar to each and every claim for relief and cause of action that they now have, own, hold, or possess in connection with the CDC Property, the Tank Farm Property and any matters relating to any other property located in the City of Santa Fe Springs in which the MC&C Parties and/or their affiliates and BreitBurn and/or its affiliates have any interest. In connection with such waiver, the MC&C Parties and BreitBurn understand, warrant and represent that they are aware that they or their attorneys may hereafter discover facts different from or in addition to the facts, which they now know or believe to be true and further, that they are familiar with California Civil Code section 1542, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

The MC&C Parties and BreitBurn hereby expressly waive and relinquish any and all rights, remedies, and/or benefits they may now have, own, hold, or possesses under California Civil Code section 1542.

THE PARTIES WARRANT AND REPRESENT THAT THEY HAVE CAREFULLY READ THIS MUTUAL RELEASE, AND THAT THEIR ATTORNEYS HAVE FULLY EXPLAINED ITS CONTENTS TO THEM. THE PARTIES WARRANT AND REPRESENT THAT THEY FULLY UNDERSTAND THE FINAL AND BINDING EFFECT OF THIS MUTUAL RELEASE. THE ONLY PROMISES OR REPRESENTATIONS MADE TO THE PARTIES ABOUT THIS MUTUAL RELEASE ARE CONTAINED HEREIN. THE PARTIES HEREBY ACKNOWLEDGE THAT THEY EXECUTE THIS MUTUAL RELEASE VOLUNTARILY AND FREELY, WITH THE INTENTION TO BE FULLY BOUND THEREBY, WITHOUT PRESSURE OR UNDUE INFLUENCE FROM PARTY OR ATTORNEY.

APPROVED AND AGREED:

a Delaware limited partnership

By:_____

Print Name:_____

Title:_____

Dated:

BreitBurn Operating L.P.,

a California limited liability company By:_____ Print Name: Title:____ Dated: MC&C Partnership IV, a California limited partnership By:_____ Print Name: Title:____ Dated:_____ SFSA Investment Company, Inc., a California corporation By:_____ Print Name: Title: Dated:

McGranahan, Carlson & Company, LLC,

EXHIBIT 3

THIRD AMENDMENT TO PROPERTY DISPOSITION AGREEMENT

This Amendment amends that certain "Property Disposition Agreement" entered into on July 8, 2008 (the "Agreement"), by and between the Community Development Commission of the City of Santa Fe Springs, a public entity ("CDC") and McGranahan, Carlson & Company LLC, a limited liability company ("MC&C").

Subsequent to entry into the Agreement, the parties entered into an Amendment to extend the term of the Agreement to February 28, 2015, and a Second Amendment to extend the term of the Agreement to February 28, 2019 which are attached hereto.

The Agreement is a companion agreement to the "Settlement Agreement" referenced therein, which runs concurrently with the Agreement.

In 2011, the State of California dissolved all redevelopment agencies. Pursuant to the dissolution laws, the Successor Agency to the Community Development Commission/Redevelopment Agency of the City of Santa Fe Springs (the "Successor Agency") was created, and assumed the interests and obligations of the former CDC/Redevelopment Agency.

The Agreement constitutes an "Enforceable Obligation" of the Successor Agency, pursuant to the dissolution laws.

The Settlement Agreement requires the sale of certain properties owned by the Successor Agency. The Successor Agency is in escrow for the sale of such properties, but it now appears that the Buyer will not be able to satisfy all of the required contingencies in time to close escrow by February 28, 2019.

Accordingly, based on the facts set forth above, and intending to be legally bound, the parties hereby agree to extend the term of the Agreement to ________, 2019. In all other respects the Agreement shall remain unchanged.

The effective date of this Amendment shall be the date on which it is approved by the Successor Agency's Oversight Board.

This Amendment may be executed in counterparts.

Successor Agency to the Community Deve of the City of Santa Fe Springs	elopment Commission/Redevelopment Agency
Juanita M. Trujillo, Chairperson	Date:
McGranahan, Carlson & Company LLC	
Stephen M. Carlson, Member	Date:

SECOND AMENDMENT TO PROPERTY DISPOSITION AGREEMENT

This Amendment amends that certain "Property Disposition Agreement" entered into on July 8, 2008 (the "Agreement"), by and between the Community Development Commission of the City of Santa Fe Springs, a public entity ("CDC") and McGranahan, Carlson & Company LLC, a limited liability company ("MC&C").

Subsequent to entry into the Agreement, the parties entered into an Amendment to extend the term of the Agreement to February 28, 2015.

The Agreement is a companion agreement to the "Settlement Agreement" referenced therein, which runs concurrently with the Agreement.

In 2011, the State of California dissolved all redevelopment agencies. Pursuant to the dissolution laws, the Successor Agency to the Community Development Commission/Redevelopment Agency of the City of Santa Fe Springs (the "Successor Agency") was created, and assumed the interests and obligations of the former CDC/Redevelopment Agency.

The Agreement constitutes an "Enforceable Obligation" of the Successor Agency, pursuant to the dissolution laws.

The dissolution of the former CDC/Redevelopment Agency, and the postdissolution process pursuant to the dissolution laws, have prevented the parties from performing their obligations pursuant to the Settlement Agreement, because the Successor Agency has not had legal authority to sell property, and the sale of property is an essential component of the Settlement Agreement.

Accordingly, based on the facts set forth above, and intending to be legally bound, the parties hereby agree to extend the term of the Agreement to the earlier of: (1) a date which is two years after the Successor Agency has received all approvals required by the dissolution laws to allow the sale of the property which is the subject of the Settlement Agreement; or (2) February 28, 2019. In all other respects the Agreement shall remain unchanged.

The effective date of this Amendment shall be the date on which it is approved by the Successor Agency's Oversight Board.

This Amendment may be executed in counterparts.

Successor Agency to the Community Development of the City of Santa Fe Springs Juanita M. Trujillo, Chairperson	·	commission/Redevelopment <u> </u>
McGranahan, Carlson & Company LLC		
Stephen M. Carlson, Member	Date: _	9-8-14

AMENDMENT TO PROPERTY DISPOSITION AGREEMENT

On July 8, 2008, a Property Disposition Agreement was entered into by and between the Community Development Commission of the City of Santa Fe Springs, a public entity ("CDC") and McGranahan, Carlson & Company, a limited liability company ("MC&C").

Pursuant to Section V, the term of the Property Disposition Agreement shall run concurrent with the term of the companion Settlement Agreement. At its meeting of January 27, 2011, the CDC approved an additional three-year extension to the Settlement Agreement, until February 28, 2015 that, as provided in Section V, automatically extends the term of the companion Property Disposition Agreement.

In accordance with the provisions of Section V, the parties hereby agree to and accept a three-year extension to the current term of the Property Disposition Agreement, until February 28, 2015, and that all other conditions and provisions of the Property Disposition Agreement remain unchanged.

Community Development Commission of the City	y of Santa Fe Springs, a public entity
By: Jan R. Ashworth Title: Executive Director	Date: 2~10~11
McGranahan, Carlson & Company, LLC, a Califo	ornia limited liability company
By: Carlos	Date: 2.9.11
Print Name: Christopher W. McGranahan	
Title: Member	

PROPERTY DISPOSITION AGREEMENT

This Agreement is made and entered into as of July 8, 2008, by and between the Community Development Commission of the City of Santa Fe Springs, a public entity (the "CDC"), and McGranahan Carlson & Company, a limited liability company ("MC&C").

Recitals

- A. This Agreement is intended to provide for the distribution of proceeds upon the sale of all, or any portions of, the property depicted on the map attached hereto as Exhibit "A" (the "Property"), which exhibit is incorporated by reference as though fully set forth herein.
 - B, The CDC owns the Property.
- C. The parties, along with other entities, entered into a "Settlement Agreement" with an effective date of February 2, 2008 (the "Settlement Agreement"), in order to facilitate the sale of the Property.
- D. The parties initially entered into an agreement regarding the subject matter hereof on or about June 24, 1994, which initial agreement has been extended and amended on several occasions, and which agreement, as amended and extended, has expired.

Based on the Recitals set forth above, and in consideration of the mutual promises set forth below, the parties agree as follows:

- I. This Agreement constitutes the entire agreement between the parties regarding the subject matter hereof, superseding all prior agreements whether written or oral, except for the Settlement Agreement, which remains in full force and effect.
- II. The parties shall cooperate fully in attempting to sell the Property at fair market value, and in complying with the provisions of the Settlement Agreement.
- III. Upon the sale of all or any portion of the Property, the proceeds of such sale(s) shall be distributed in the following order of priority (number 1,2 7, and 8 are estimates), to reimburse the parties for expenses previously incurred in connection with the Property:
 - 1. Sales commission (if any) and closing costs
 - 2. Reimbursement of CDC land acquisition costs (\$1,942,818) (Johnson, Adden and Walker properties)
 - 3. CDC Acquisition Loan (793,056)
 - 4. CDC Prepayment Penalty (198,140)

5. CDC Down Payment	(284,568)
6. CDC OFRP Reimbursement	(90,000)
7. MC&C Project Expenses	(256,030)
8. CDC Project Expenses	(20,000)

IV. The sale proceeds remaining after reimbursement of all of the expenses listed above shall be distributed 60% to the CDC, and 40% to MC&C.

V. The term of this Agreement shall run concurrently with the term of the Settlement Agreement. Upon the expiration of the four-year deadline contained in the Settlement Agreement, this Agreement shall also expire. At that time, as to any portion of the Property which has not been sold, the CDC will retain its ownership interest, and MC&C will have no further rights.

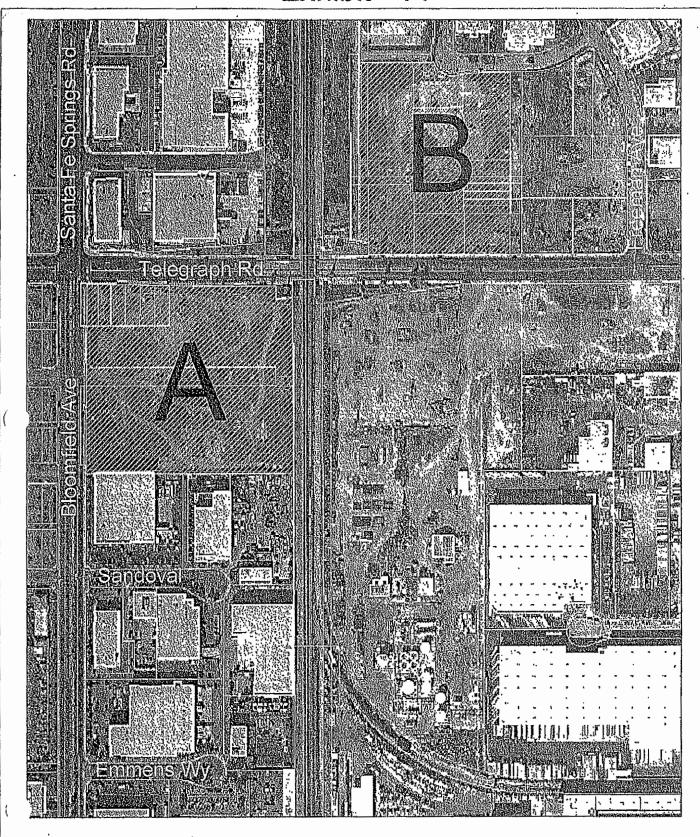
Intending to be legally bound, the parties have executed this Agreement, below, as of the date first set forth above.

Community Development Commission of the City of Santa Fe Springs

McGranahan Carlson & Company, LLC

2

Exhibit - A









City Council Meeting

January 24, 2019

CONSENT AGENDA

General Motion to Waive Full Reading and Approve Ordinance by Title Only Pursuant to California Government Code Section 36934

RECOMMENDATION

That the City Council:

 Approve a general motion to waive full reading an approve Ordinance by title only pursuant to California Government Code Section 36934.

BACKGROUND

In order to expedite the conduct of business at City Council meetings, California State Law (California Government Code Section 36934) allows Ordinances to be read by title if a majority of the legislative body supports the motion to waive the full reading.

Raymond R. Cruz City Manager

Attachments:

None

City Council Meeting

January 24, 2019

ORDINANCE FOR ADOPTION

Adoption of Negative Declaration

Ordinance No. 1097

An Ordinance of the City of Santa Fe Springs adopting a Development Agreement (Development Agreement No. 01-2018) by and between the City of Santa Fe Springs and Outdoor Associates, LLC.

RECOMMENDATION

That the City Council take the following action:

- Approve and adopt the proposed Negative Declaration which, based on the findings of the Initial Study, indicates that there is no substantial evidence that the proposed project will have a significant adverse effect on the environment; and
- Adopt Ordinance No. 1097, an ordinance of the City of Santa Fe Springs adopting a Development Agreement (Development Agreement No. 01-2018) by and between the City of Santa Fe Springs and Outdoor Associates, LLC.

LOCATION / BACKGROUND

Ordinance No. 1093 was introduced and passed its first reading at the January 10, 2019 City Council meeting. Below is the substance of the agenda report for the proposed ordinance as it appeared at that meeting:

At a duly noticed hearing, before the City Council, on November 8, 2012, Ordinance No. 1036 was introduced. The second reading of Ordinance No. 1036 occurred on November 20, 2012. It became effective thirty (30) days after its second reading.

Ordinance No. 1036 improved and updated the City's existing billboard regulations, which were severely outdated and failed to anticipate and regulate 21st-century trends, such as: electronic billboards, super graphics (building wraps), and mobile billboards. Pursuant to section 155.384(A), of Ordinance No. 1036, billboards are allowed only after a valid Conditional Use Permit has first been obtained and a Developer Agreement has been approved.

In May of 2018, Ordinance No. 1092 was introduced and adopted by the City Council to amend Sections 155.383 (Definitions), 155.384 (Billboards), and 155.398 (Required Termination of Nonconforming Structures and Uses) of the City's Zoning Regulations. Ordinance No. 1092 further improved and updated the City's existing billboard regulations by including requirements such as, but not limited to: distance from a billboard to the centerline of the freeway, prohibiting a billboard from locating in a "Landscape Freeway", maximum advertising copy area, and screening.

Report Submitted By: Vince Velasco

Planning and Development Department

It should be noted that the proposed billboard project (CUP 793, ZV 70-1 and ZV 81: Resolution No. 107-2018) was continued from the November 19, 2018 Planning Commission meeting to provide the applicant with additional time to review and comment on the Development Agreement associated with the proposed digital billboard. The proposed billboard project was presented to the Planning Commission with a recommendation for approval, on December 10, 2018. At the December 10, 2018 public hearing, the Planning Commission made a recommendation, as embodied in a resolution (Resolution 107-2018), to the City Council to adopt Ordinance No. 1097.

REQUEST

Pursuant to section 155.384(A), of Ordinance No. 1036, billboards are allowed only after a valid Conditional Use Permit has first been obtained and a Developer Agreement has been approved.

Conditional Use Permit

The applicant, Outdoor Associates, LLC, has requested approval of a Conditional Use Permit (CUP 793) from the Planning Commission to allow the construction and operation of a new 60-foot tall digital billboard with display area of 14' x 48' on the property located at 13530 Firestone Boulevard (APN: 7005-014-071). It should be noted that the applicant is concurrently requesting consideration and approval for an amendment to an existing Zone Variance (ZV 70-1) to modify the reduction of required parking stalls and a Zone Variance (ZV 81) to allow a v-shaped digital billboard to exceed the maximum height requirement from 50 feet to 60 feet. Said entitlements, as noted previously, were considered and approved by the Planning Commission at their regularly scheduled meeting on December 10, 2018. As previously mentioned, the Planning Commission made a recommendation, as embodied in a resolution (Resolution 107-2018), to the City Council to adopt Ordinance No. 1097.

Development Agreement

A City's exercise of its power to enter into a development agreement is a legislative act; therefore, development agreements must be approved by ordinance. Under California Government Code Sections 65864 et seq. ("Development Agreement Law") cities can enter into binding development agreements with persons having a legal or equitable interest in real property for the development of such property, all for the purposes of strengthening the public planning process, encouraging private participation and comprehensive planning and identifying the economic costs of such development.

The applicant has been working with staff to finalize the terms of the Development Agreement required by Ordinance No. 1036. The attached Development Agreement (DA 01-2018) by and between the City of Santa Fe Springs and

Report Submitted By: Vince Velasco

Planning and Development Department

Outdoor Associates, LLC represents the outcome of the negotiations.

Ordinance No. 1097, if approved by the City Council, would effectuate the Development Agreement. Said Development Agreement would set forth the rules and regulations under which the proposed billboard would be allowed.

The main points of the Development Agreement (see attachment) are as follows:

- The Developer pays an annual development fee to the City to mitigate potential impacts of the Development on the City and surrounding community. The potential impacts of the Development on the City and surrounding community are difficult to identify and calculate. The developer and the City agree that an annual development fee paid by the developer to the City would adequately mitigate all such potential impacts. The parties, therefore, agree that the developer shall pay an annual development fee to the City ("Development Fee"). The initial Development Fee for the Site shall be One Hundred Thousand and No/100 Dollars (\$100,000.00), and shall be increased in an amount equal to the Development Fee payable during the preceding year increased by three percent (3%) on subsequent Anniversary Dates. If during any particular year of the Term the Alternative Development Fee calculation is higher than the Development Fee calculation with the 3% increase at the time of calculating the Revenue Report, the developer shall include along with the Revenue Report a payment corresponding to the Alternative Development Fee. Notwithstanding, all fee related criteria is outlined in Development Agreement 01-2018.
- 2. The Developer is prohibited from utilizing any of the displays on the new digital billboard to advertise tobacco, marijuana, hashish, "gentlemen's clubs", adult entertainment businesses, sexually oriented materials, or use sexually oriented images or language, or as may be prohibited by any City ordinance.
- 3. The City Council has the right to review the Agreement annually, or may, in its sole and absolute discretion, order a special review for compliance with the Agreement at any time at the City's sole cost ("Special Review"). Developer shall cooperate with the City in the conduct of such any Special Review.

LEGAL NOTICE OF PUBLIC HEARING

This matter was set for Public Hearing in accordance with the requirements of Sections 65090 and 65091 of the State Planning, Zoning and Development Laws and the requirements of Sections 155.860 through 155.864 of the City's Municipal Code.

Report Submitted By: Vince Velasco
Planning and Development Department

Legal notice of the Public Hearing for the proposed project, including the subject Development Agreement, was sent by first class mail to all property owners whose names and addresses appear on the latest County Assessor's Roll within 500 feet of the exterior boundaries of the subject property on November 8, 2018. The legal notice was also posted in Santa Fe Springs City Hall, the City Library and the City's Town Center kiosk on December 26, 2018, and published in a newspaper of general circulation (Whittier Daily News) December 28, 2018, as required by the State Zoning and Development Laws and by the City's Zoning Regulations. As of the date of this report, staff has not received any comments and/or inquiries regarding the proposed project.

ENVIRONMENTAL DOCUMENTS

The environmental analysis provided in the Initial Study indicates that the proposed project will not result in any significant adverse impacts on the environment, therefore, the City caused to be prepared and proposed to adopt a Negative Declaration (ND) for the proposed project, including Conditional Use Permit (CUP) Case No. 793, Zone Variance (ZV) Case No. 70-1, and Zone Variance (ZV) Case No. 81. The ND reflects the independent judgment of the City of Santa Fe Springs, and the environmental consultant, Blodgett/Baylosis Environmental Planning. The Draft Initial Study/Negative Declaration was circulated for the required 20-day public review and comments from August 30, 2018 to September 19, 2018. The Notice of Intent to adopt the proposed Negative Declaration was posted with the Los Angeles County Clerk. A copy of the Initial Study/Negative Declaration was also mailed to responsible and trustee agencies, as well as, the surrounding cities for their review and comment. A digital copy of the Initial Study/Negative Declaration is available for viewing on the City's website.

SUMMARY

Ordinance Nos. 1036 and 1092 established standards for the installation of billboards on certain properties within the City, only after a valid Conditional Use Permit has been obtained and a development agreement approved. Since a city's exercise of its power to enter a development agreement is a legislative act, development agreements must be approved by ordinance. Ordinance No. 1097 provides the legal authority allowing the City to enter into Development Agreement No. 01-2018 with Outdoor Associates, LLC.

FISCAL IMPACT

Potential to generate revenues relating to the proposed billboard through the negotiated development agreements. Projected revenues will result in \$4.7 Million during the 30-year term.

INFRASTRUCTURE IMPACT

Report Submitted By: Vince Velasco

Planning and Development Department

There will be no impacts to infrastructure.

Raymond R. Cruz City Manager

Somether for

Attachments:

- 1. Ordinance No. 1097
- 2. Development Agreement No. 01-2018

ATTACHMENT 1

ORDINANCE NO. 1097

AN ORDINANCE OF THE CITY OF SANTA FE SPRINGS ADOPTING A DEVELOPMENT AGREEMENT BY AND BETWEEN THE CITY OF SANTA FE SPRINGS AND OUTDOOR ASSOCIATES, LLC

THE CITY COUNCIL OF THE CITY OF SANTA FE SPRINGS DOES HEREBY ORDAIN AS FOLLOWS:

<u>Section I.</u> The City Council hereby approves and adopts an Initial Study/Negative Declaration through its own independent judgment and analysis based on public testimony, the recommendation of the Planning Commission and the environmental consultant, Blodgett/Baylosis Environmental Planning.

<u>Section II</u>. The City Council hereby approves and adopts that certain Development Agreement, in substantially the form attached, by and between the City of Santa Fe Springs and Outdoor Associates, LLC, a copy of which is attached hereto as Exhibit "A", which exhibit is incorporated by reference herein, as an Ordinance of the City.

<u>Section III</u>. The City Council hereby finds and determines that the subject Development Agreement, in substantially the form attached, is consistent with the City's General Plan.

Section IV. If any section, subsection, subdivision, paragraph, sentence, clause, or phrase in this Ordinance, or any part hereof, is held invalid or unconstitutional, such decision shall not affect the validity of the remaining sections or portions of this Ordinance, or any part thereof. The City Council hereby declares that it would have adopted each section, subsection, subdivision, paragraph, sentence, clause, or phrase in this Ordinance irrespective of the fact that any one or more sections, subsections, subdivisions, paragraphs, sentences, clauses, or phrases may be declared invalid or unconstitutional.

<u>Section V</u>. The City Clerk shall certify to the adoption of this Ordinance, and shall cause the same to be posted in at least three (3) public places in the City, such posting to be completed no later than fifteen (15) days after passage hereof.

PASSED, APPROVED AND ADOPTED THI	S DAY OF JANUARY, 2019.
AYES: NOES: ABSENT:	
ATTEST:	MAYOR
CITY CLERK	

ATTACHMENT 2

[Exempt From Recording Fee Per Gov. Code §6103]

DEVELOPMENT AGREEMENT NO. 01-2018
This Development Agreement (hereinafter "Agreement") is entered into this day of, 2019 (hereinafter the "Effective Date"), by and between the City of Santa Fe Springs (hereinafter "City"), and Outdoor Associates LLC, a Delaware limited liability
company (hereinafter "Developer").
RECITALS
A. California Government Code Sections 65864 et seq. ("Development Agreement Law") authorizes cities to enter into binding development agreements with persons having a legal or equitable interest in real property for the development of such property, all for the purposes of strengthening the public planning process, encouraging private participation and comprehensive planning and identifying the economic costs of such development.
B. Developer has a leasehold or license interest in that certain portion of real property, located adjacent to and on the southerly side of the southbound lanes of the 5 Freeway, at 13530 Firestone Boulevard, in the City of Santa Fe Springs (APN: 7005-014-071), as more specifically described in <a <a="" a"="" and="" at="" c-1""="" depicted="" href="Exhibit ">Exhibit "C-1" , attached hereto and incorporated herein (the "Site"), upon which it seeks to install a new lawfully permitted 60-foot tall, V-Shaped digital billboard with a total of two (2) digital display areas (each display measuring 14' x 48' within the billboard frame) that are oriented toward the 5 Freeway, as depicted in <a c-2"="" href="Exhibit ">Exhibit "C-2" (the "New Digital Billboard").
C. Developer and City recognize that the Developer has a legal or equitable interest in the Site and thus is qualified to enter into this Agreement in accordance with Development Agreement Law.
D. In exchange for the City approvals sought by Developer for the New Digital Billboard as provided on the Site herein, Developer is agreeable to paying to the City an initial annual Development Fee of One Hundred Thousand and No/100 Dollars (\$100,000.00), on the first Anniversary Date and on subsequent Anniversary Dates the Development Fee shall be increased in an amount equal to the Development Fee payable during the preceding year increased by three percent (3%), or Alternative Development Fee, whichever is greater, as defined and provided in Sections 2.5 and 2.6 below, for the cost to the City to mitigate the impact of the installation of the New Digital Billboard.
E. The Site is located within the City's M-2-FOZ, Heavy Manufacturing-Freeway Overlay Zone, designated by the General Plan as Industrial. Developer and the City agree that a development agreement should be approved and adopted to memorialize the property expectations of the City and Developer, as more particularly described herein.
F. On, 2018, the Planning Commission of the City, at a duly noticed hearing, granted "Conditional Use Permit" for the construction and operation of a New Digital Billboard on the Site, in compliance with, and satisfying the requirements of, the California Environmental Quality Act ("CEQA"), on the basis that an Initial Study/Negative Declaration which was also approved at the, 2018 City Planning Commission meeting, concluded that although the proposed project could have an effect on the environment, the effects

are not considered to be significant. Such CEQA determination considered the impacts of the digital billboard which is the subject of this Agreement.
G. On, 2018, at a duly noticed public hearing, the Planning Commission adopted Resolution No. 107-2018, recommending approval of this Agreement (in substantially the form) to the City Council.
H. On, 2018, the City Council of the City, at a duly noticed hearing to consider the approval of this Agreement, considered the proposal, heard testimony, and introduced Ordinance No, which Ordinance approves this Agreement.
I. The City Council has found that this Agreement is in the best public interest of the City and its residents, adopting this Agreement constitutes a present exercise of the City's police power, and this Agreement is consistent with the City's General Plan. This Agreement and the proposed Development (as hereinafter defined) will achieve a number of City objectives, including utilizing the Site for a revenue-generating use. Upon any termination of the Term (as defined below) of this Agreement, Developer will remove the digital displays, and restore the Site to its pre-billboard condition, except the columns can be cut off one (1) foot below grade, if a new development agreement is not negotiated with the City.
J. On, 2018, the City Council held the second reading and adopted Ordinance No. 1097, thereby approving this Agreement.
K. The City finds and determines that all actions required of the City precedent to approval of this Agreement by Ordinance No. 1097 of the City Council have been duly and regularly taken.
L. The purpose of this Agreement is to set forth the rules and regulations applicable to the Development, which shall be accomplished in accordance with this Agreement, including the Scope of Development (Exhibit "B") which sets forth Scope of the Development and the Schedule of Performance (Exhibit "D").
COYENANTS

CUVENANTS

NOW, THEREFORE, in consideration of the above recitals and of the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **DEFINITIONS AND EXHIBITS.**

- Definitions. This Agreement uses a number of terms having specific meanings, as 1.1. defined below. These specially defined terms are distinguished by having the initial letter capitalized, when used in the Agreement. In addition to the terms defined in the Recitals above, the defined terms include the following:
- "Agreement" means this Development Agreement and all attachments and exhibits hereto.
 - 1.1.2 "Anniversary Date" is the annual reoccurrence of the Commencement Date.

- 1.1.3 "City" means the City of Santa Fe Springs, a California municipal corporation.
 - 1.1.4 "City Council" means the City Council of the City.
- 1.1.5 "Commencement Date" is the date that the building inspector releases the electric meter to Southern California Edison.
- 1.1.6 "Developer" means Outdoor Associates LLC, a Delaware limited liability company duly existing and operating, and its successors and assigns, doing business at 22431 Antonio Parkway, Suite b160-681, Rancho Santa Margarita, CA 92688.
- 1.1.7 "Development" means the installation of a New Digital Billboard on the Site and the undergrounding of all utilities from Southern California Edison's electrical source or an electrical source located elsewhere on Owner's property (e.g., from an electrical panel on a building situation on Owner's property) to the New Digital Billboard.
- 1.1.9 "Effective Date" means the date inserted into the preamble of this Agreement, which is thirty (30) days following approval of this Agreement by ordinance of the City Council, provided this Agreement is signed by Developer and the City.
- 1.1.10 "Final Permits" shall mean all necessary/required permits and inspections by all governmental and utility agencies, to construct, operate and maintain the New Digital Billboard, and are signed and dated by the Building Official, where applicable.
- 1.1.11 "Gross Revenue" is based solely on the revenue generated from the digital display (basic advertising area of the billboard), as recorded on the City of Santa Fe Springs building permits, and does not include neon channel letters. Developer shall not conceal advertising revenues derived from the digital display within the normal price range the Developer charges for any appurtenances that are installed on the Billboard. Gross Revenue specifically excludes advertising agency fees paid to the advertiser's advertising agency and or brokerage fees paid to the sales broker other than Developer.
- 1.1.12 "Land Use Regulations" means all ordinances, resolutions, codes, rules, regulations and official policies of the City, including, but not limited to, the City's General Plan, Municipal Code and Zoning Code, which govern development and use of the Site, including, without limitation, the permitted use of land, the density or intensity of use, subdivision requirements, the maximum height and size of the New Digital Billboard, and the design, improvement and construction standards and specifications applicable to the Development or the Site which are in full force and effect as of the Effective Date of this Agreement, subject to the terms of this Agreement. Land Use Regulations shall also include the federal National Pollutant Discharge Elimination System ("NPDES") regulations and approvals from the California Department of Transportation Outdoor Advertising Division, to the extent applicable.

- 1.1.13 "Lease" means the lease or license agreement, as the case may be, for the Site between Owner, as landlord or licensor, and Developer, as tenant or licensee.
- 1.1.14 "Mortgagee" means a mortgagee of a mortgage, a beneficiary under a deed of trust or any other security-device, a lender or each of their respective successors and assigns.
- 1.1.15 "Site" refers to the site described in Recital B and more specifically described on Exhibit "A" attached hereto and incorporated herein.
- 1.1.16 "Schedule of Performance" means the Schedule of Performance attached hereto as Exhibit "D" and incorporated herein.
- 1.1.17 "Scope of Development" means the Scope of Development attached hereto as Exhibit "B" and incorporated herein.
- 1.1.18 "Subsequent Land Use Regulations" means any Land Use Regulations effective after the Effective Date of this Agreement (whether adopted prior to or after the Effective Date of this Agreement) which govern development and use of the Site.
- 1.1.19 "Subsequent Development Approvals" means any Development Approvals sought by Developer in connection future changes desired to be made by Developer to the Development following its initial completion.
- 1.1.20 "Term" shall have the meaning provided in Section 2.3, unless earlier terminated as provided in this Agreement.
- 1.2 **Exhibits.** The following documents are attached to, and by this reference made a part of, this Agreement: <u>Exhibit "A"</u> (Legal Description of Site), <u>Exhibit "B"</u> (Scope of Development), <u>Exhibit "C-l"</u> (Site Plan of Site), <u>Exhibit "C-2"</u> (Billboard Elevation), and, <u>Exhibit "D"</u> (Schedule of Performance).

2. GENERAL PROVISIONS.

- 2.1. Binding Effect of Agreement. From and following the Effective Date, actions by the City and Developer with respect to the Development, including actions by the City on applications for Subsequent Development Approvals affecting the Site, shall be subject to the terms and provisions of this Agreement, provided, however, that nothing in this Agreement shall be deemed or construed: (i) to modify or amend the Lease, or any of Developer's obligations thereunder, or to bind or restrict Owner with respect to its ownership or operation of the Site except as expressly set forth herein with respect to the Development, or (ii) to impose any obligation whatsoever on Owner with respect to the Development, except as expressly set forth in this Agreement.
- 2.2. Interest in Site. The City and Developer acknowledge and agree that Developer is the tenant or licensee of the Site and thus is qualified to enter into and be a party to this Agreement under the Development Agreement Law. The City and Developer acknowledge and agree that Developer has a legal or equitable interest in the Site and thus is qualified to enter into and be a party to this Agreement under the Development Agreement Law. Additionally, prior to the execution of this Agreement, Developer has allowed the City to view a redacted copy of the Lease which demonstrates that Developer has a leasehold or license interest in the Site, which

interest shall be maintained for the entire Term of this Agreement. If Developer's leasehold or license interest is prematurely and legally terminated by Owner in conformance with the Lease, then Developer shall have no further obligations under Section 3(a) of the Scope of Development, attached as Exhibit "B" herein, relative to the maintenance of landscaping thereon that particular Site, except as provided under Section 7.1. Additionally, if Developer's leasehold or license interest is prematurely terminated by Owner, then Developer shall have no further obligations under this Agreement for that particular Site, except as provided under Section 7.1.

- 2.3. Term of Agreement. Unless earlier terminated as provided in this Agreement, the "Term" of this Agreement shall continue in full force and effect for thirty (30) years from the Commencement Date and will terminate on (i) the expiration or earlier termination of the Lease, or (ii) the permanent removal of the New Digital Billboard constructed pursuant to the terms hereof, other than its removal for repair or replacement. Developer shall completely remove the New Digital Billboard within the times and as provided under Section 7.1 herein. Within thirty (30) days after the termination of this Agreement, the parties shall execute a written cancellation of this Agreement which shall be recorded with the County Recorder pursuant to Section 10.1 below. If no extension or renewal of this Agreement is agreed to following its termination, then the digital displays shall come down and the lease area restored to its pre-billboard condition, except the columns can be cut off one (1) foot below grade.
- 2.4. Processing Fee. Thirty (30) days after the Commencement Date the Developer shall pay the City a processing fee ("Processing Fee") in the amount of One Hundred Thousand Dollars (\$100,000.00). The City shall retain and use the Processing Fee, or any part thereof, for any public purpose within the City's discretion. The Processing Fee shall be separate from all fees which are standard and uniformly applied to similar projects in the City, including, but not limited to, business license fees (due by Developer to the City annually), one-time plan check fees and building permit fees, and any other fees imposed by Los Angeles County, as may be applicable.
- 2.5. Development Fee. The potential impacts of the Development on the City and surrounding community are difficult to identify and calculate. Developer and the City agree that an annual development fee paid by Developer to the City would adequately mitigate all such potential impacts. The parties therefore agree that Developer shall pay an annual development fee to the City ("Development Fee"). The initial Development Fee for the Site shall be One Hundred Thousand and No/100 Dollars (\$100,000.00), and shall be increased in an amount equal to the Development Fee payable during the preceding year increased by three percent (3%) on subsequent Anniversary Dates. By way of example: Initial Development Fee \$100,000.00; 2nd year \$103,000.00 (Initial Development fee of \$100,000.00 plus 3% or \$3,000.00); 3rd year \$106,090.00 (Preceding year Development Fee of \$103,000.00 plus % \$3,090.00); 4th year \$109,272.70 (Preceding year Development Fee of 106,090.00 plus 3% or \$3,182.70).
- 2.6. Alternative Development Fee. For any calendar year of the Term, the "Alternative Development Fee" shall be an amount equal to nine percent (9%) of the Gross Revenue made from the digital displays on the Site during the preceding calendar year of the Term. By way of example only, should the Gross Revenue during 3rd year of the Term total \$1,200,000.00 for the New Digital Billboard, then for that year Developer shall pay to the City for the New Digital Billboard the Alternative Fee of \$108,000.00 assuming no applicable deductions from Section 1.1.11 above (i.e., 9% of \$1,200,000.00 is \$108,000.00. in lieu of the 3rd year Development Fee of \$106,090.00). The Alternative Development Fee of \$108,000.00 will then become the Development Fee for the calculation for the 4th year Development Fee.

- 2.6.1. Revenue Report & Payment of Alternative Development Fee or Development Fee: Within ninety (90) days following the Anniversary Date Developer shall furnish to the City an itemized statement in writing ("Revenue Report"), certified by Developer to be correct, showing the total Gross Revenue made from each sign face of the New Digital Billboard during the preceding calendar year of the Term attributable to each sign display of the New Digital Billboard. If during any particular year of the Term the Alternative Development Fee calculation is higher than the Development Fee calculation with the 3% increase at the time of calculating the Revenue Report, the Development Fee with the 3% increase at the time of calculation is less than the Development Fee with the 3% increase at the time of calculating the Revenue Report, the Developer shall include along with the Revenue Report a payment corresponding to the Developer shall include along with the Revenue Report a payment corresponding to the Development Fee calculation.
- 2.6.2. Additional Revenue. While Developer is not precluded from generating additional revenue from wireless deployment on the billboard, other than wireless communication devices for the use of operating a billboard, Developer shall not enter any agreement with any party for additional revenue, including revenue derived from wireless deployment on the billboard, without first reaching an agreement with City regarding the additional revenue.
- 2.6.3. Audit of Alternative Fee. With prior written notice to Developer of not less than ten (10) business days, the City has the right to audit Developer's New Digital Billboard revenue and to view those portions of any advertising space contracts or invoices that only related to this Agreement, at Developer's Corporate office, on any normal workday between 9:00 a.m. and 4:00 p.m. once a year. City also has the option of having the contracts and invoices reviewed at City Hall, 11710 Telegraph Road, Santa Fe Springs, CA 90670, for the audit. Prior to the audit, the City shall sign a confidentiality agreement regarding the advertising space contracts and invoices. If the statement of total Gross Revenue previously provided to the City shall be found to be inaccurate for prior calendar years of the Term, then and in that event, there shall be an adjustment and one party shall pay to the other on demand such sums as may be necessary to settle in full the accurate amount of the Alternative Fee, if any, that should have been paid to the City for the period or periods covered by such inaccurate statement or statements. If said audit discloses an underpayment of greater than three percent (3%) with respect to the amount of total Gross Revenue reported by Developer for the period or periods of said report, then Developer shall immediately pay to the City the cost of such audit, plus ten percent (10%) interest per annum on the amount underpaid, but the application of the said interest is limited to the previous year before the time any underpayment should have been paid to the City; if the audit does not disclose an underpayment of greater than three percent (3%) with respect to the amount of total Gross Revenue reported by Developer for the period or periods of said report, the cost of such audit shall be paid by the City.
- 3. **COMMUNITY BENEFITS.** Developer shall also provide the following Community benefits during the entire Term of this Agreement.
- 3.1. City's Use of the Billboard. Developer shall provide five (5) weeks' worth of display time per year for the Site for public service announcements by the City on either side of the Billboard, subject to availability of space. Developer shall place City-provided announcements, on a space available basis, in one of the eight (8) display images in the current rotation of display images at any time. The City shall be responsible for providing Developer with approved advertising copy and shall also be responsible for any costs associated with providing Developer

with artwork in acceptable format per Developer's specifications. City's use is subject to the following conditions and parameters: (1) all copy must be submitted to Developer at least five (5) days before the proposed display date and will be subject to Developer's standard advertising copy rejection and removal policies, which allow Developer, in its sole discretion, to approve or disapprove copy and remove copy once posted or displayed, and (2) all five (5) weeks' worth of display time for a particular year must be utilized during such year (i.e., no advertisement rights shall accumulate or carryover to the following year).

- 3.2. Discount Advertising. Developer shall offer a twenty percent (20%) discount off its applicable rates for display of advertising on the Billboard to any business that is a member of the Santa Fe Springs Chamber of Commerce, and has a headquarters and/or office in the City.
- 4. PROHIBITED USE. Developer shall not utilize any of the displays on the New Digital Billboard to advertise tobacco, marijuana, hashish, "gentlemen's clubs," adult entertainment businesses, sexually oriented materials, or use sexually oriented images or language, or as may be prohibited by any City ordinance existing as of the Effective Date of this Agreement, or as may be amended or implemented from time-to-time after the Effective Date and equally-applicable to all billboard displays by any duly and valid City ordinance.

5. DEVELOPMENT AND IMPLEMENTATION OF THE DEVELOPMENT.

- **5.1.** Rights to Develop. Subject to and during the Term of this Agreement, Developer shall have the right to develop the Site in accordance with, and to the extent of, the Development Approvals, the Land Use Regulations and this Agreement, provided that nothing in this Agreement shall be deemed to modify or amend any of the pre-existing Land Use Regulations, as more particularly set forth in Section 5.2 below.
- 5.2. Effect of Agreement on Land Use Regulations. Except as otherwise provided under the terms of this Agreement, the rules, regulations and official policies governing permitted uses of the Site, the density and intensity of use of the of the structure on the Site, the maximum height and size of proposed structures on the Site, and the design, improvement and construction standards and specifications applicable to the Site, shall be as set forth in the Land Use Regulations which are in full force and effect as of the Effective Date of this Agreement, subject to the terms of this Agreement.
- 5.3. Development Approvals. Developer shall, at its own expense and before commencement of demolition, construction or development of any structures or other work of improvement upon the Site, secure or cause to be secured the Development Approvals, a Conditional Use Permit and building permit(s) from the City, and any and all permits and approvals which may be required by any other governmental agency or utility affected by such construction, development or work to be performed by Developer pursuant to the Scope of Development; provided, however, that the City acknowledges that the City's Planning Commission and City Council have approved an Initial Study/Negative Declaration for the project, thus complying with, and satisfying the requirements of, the California Environmental Quality Act ("CEQA"). Not by way of limiting the foregoing, in developing and constructing the Development, Developer shall comply with all: (1) applicable development standards in the City's Municipal Code that were in affect at the time the Development Agreement and Conditional Use Permit were approved by the City's Commission, (2) applicable NPDES requirements pertaining to the Development, and (3)

applicable building codes that were in affect at the time the Development Agreement and Conditional Use Permit were approved by the City's Commission, except as may be permitted through approved variances and modifications. Developer shall pay all normal and customary fees and charges applicable to such permits, and any fees and charges hereafter imposed by the City in connection with the Development which are standard and uniformly-applied to similar projects in the City. Nothing contained in this Agreement shall be deemed to impose any obligation on Owner with respect to the Development Approvals or the Development.

- Timing of Development; Scope of Development. Developer shall commence the Development within the time set forth in the Schedule of Performance, attached hereto as Exhibit "D". "Commencement" of the Development is defined herein as commencement of construction or improvements under the City building permit for the construction of the New Digital Billboard on the Site, which shall occur as soon as possible following Developer's receipt of all necessary Development Approvals and Final Permits. In the event that Developer fails to meet the schedule for Commencement of the Development, then after compliance with Section 5.4, either party hereto may terminate this Agreement by delivering written notice to the other party, and, in the event of such termination, neither party shall have any further obligation hereunder. However, if circumstances within the scope of Section 10.10 delay the Commencement or completion of the Development, then such delays shall not constitute grounds for any termination rights found within this Agreement. In such case, the timeline to commence or complete the relevant task shall be extended in the manner set forth at Section 10.10. Notwithstanding the above, Developer shall, at all times, comply with all other obligations set forth in this Agreement regarding the construction or improvement of the New Digital Billboard. Developer shall also maintain the New Digital Billboard at all times during the Term in accordance with the maintenance provisions set forth in Section 3 of the Scope of Development, attached as Exhibit "B" herein.
- Changes and Amendments. Developer may determine that changes to the 5.5. Development Approvals are appropriate and desirable. In the event Developer makes such a determination, Developer may apply in writing for an amendment to the Development Approvals to effectuate such change(s), provided that the City may request written consent from Owner if the modification is deemed material. The parties acknowledge that the City shall be permitted to use its inherent land use authority in deciding whether to approve or deny any such amendment request; provided, however, that in exercising the foregoing reasonable discretion, the City shall not apply a standard different than that used in evaluating requests of other developers. Accordingly, under no circumstance shall the City be obligated in any manner to approve any amendment to the Development Approvals. The City Manager shall be authorized to approve any non-substantive amendment to the Development Approvals without processing an amendment to this Agreement. All other amendments shall require the approval of the City Council. Nothing herein shall cause Developer to be in default if it upgrades the digital displays installed pursuant to this Agreement during the Term of this Agreement to incorporate newer technology; provided Developer shall secure all applicable ministerial permits to do so and such upgrade is consistent with the dimensions and standards for the displays, as provided under this Agreement, Land Use Regulations and Subsequent Land Use Regulations.

5.6. Reservation of Authority.

- 5.6.1. *Limitations, Reservations and Exceptions*. Notwithstanding any other provision of this Agreement, the following Subsequent Land Use Regulations shall apply to the Development:
- (a) Processing fees and charges of every kind and nature imposed by the City to cover the estimated actual costs to the City of processing applications for Subsequent Development Approvals.
- (b) Procedural regulations consistent with this Agreement relating to hearing bodies, petitions, applications, notices, findings, records, hearings, reports, recommendations, appeals and any other matter of procedure. Notwithstanding the foregoing, if such change materially changes Developer's costs or otherwise materially impacts its performance hereunder, Developer may terminate this Agreement upon ninety (90) days prior written notice to the City.
- Changes adopted by the International Conference of Building Officials, or other similar body, as part of the then most current versions of the Uniform Building Code, Uniform Fire Code, Uniform Plumbing Code, Uniform Mechanical Code, or National Electrical Code, as adopted by the City as Subsequent Land Use Regulations, if adopted prior to the issuance of a building permit for development of the New Digital Billboard. Notwithstanding the foregoing, if such change materially changes Developer's costs or otherwise materially impacts its performance hereunder, Developer may terminate this Agreement upon ninety (90) days prior written notice to the City.
- (d) Regulations that are not in conflict with the Development Approvals or this Agreement.
- (e) Regulations that are in conflict with the Development Approvals or this Agreement, provided Developer has given written consent to the application of such regulations to the Development.
- (f) Applicable federal, state, county and multi-jurisdictional laws and regulations which the City is required to enforce against the Site or the Development, and that do not have an exception for existing signs or legal nonconforming uses.
- 5.6.2. *Future Discretion of the City*. This Agreement shall not prevent the City from denying or conditionally approving any application for a Subsequent Development Approval on the basis of the Land Use Regulations.
- 5.6.3. Modification or Suspension by Federal, State, County, or Multi-Jurisdictional Law. In the event that applicable federal, state, county or multi-jurisdictional laws or regulations, enacted after the Effective Date of this Agreement, prevent or preclude compliance with one or more of the provisions of this Agreement, and there is no exception for the legal nonconforming use, such provisions of this Agreement shall be modified or suspended as may be necessary to comply with such federal, state, county or multi-jurisdictional laws or regulations, and this Agreement shall remain in full force and effect to the extent it is not inconsistent with such laws or regulations and to the extent such laws or regulations do not render such remaining provision impractical to enforce. Notwithstanding the foregoing, if such change materially changes

Developer's costs or otherwise materially impacts its performance hereunder, Developer may terminate this Agreement upon ninety (90) days prior written notice to the City.

- 5.7. Regulation by Other Public Agencies. It is acknowledged by the parties that other public agencies not subject to control by the City may possess authority to regulate aspects of the Development as contemplated herein, and this Agreement does not limit the authority of such other public agencies. Developer acknowledges and represents that, in addition to the Land Use Regulations, Developer shall, at all times, comply with all applicable federal, state and local laws and regulations applicable to the Development and that do not have an exception for a legal nonconforming use. To the extent such other public agencies preclude development or maintenance of the Development and do not have an exception for a legal nonconforming use, Developer shall not be further obligated under this Agreement except as provided in Section 7.1. Notwithstanding the foregoing, if such action by another public agency materially changes Developer's costs or otherwise materially impacts its performance hereunder, Developer may terminate this Agreement upon ninety (90) days prior written notice to the City.
- 5.8. Public Improvements. Notwithstanding any provision herein to the contrary, the City shall retain the right to condition any Subsequent Development Approvals on the requirement that Developer pay subsequently required development fees, and/or construct certain subsequently required public infrastructure ("Exactions") at such time as the City shall determine, subject to the following conditions:
- 5.8.1. The payment or construction must be to alleviate an impact caused by the Development or be of benefit to the Development; and
- 5.8.2. The timing of the Exaction should be reasonably related to the development of the Development, and said public improvements shall be phased to be commensurate with the logical progression of the development of the Development, as well as the reasonable needs of the public.
- 5.8.3. It is understood, however, that if the there is a material increase in cost to Developer, or such action by the City otherwise materially impacts Developer or its performance hereunder, Developer may terminate this Agreement upon ninety (90) days prior written notice to the City.
- 5.9. Fees, Taxes and Assessments. During the Term of this Agreement, the City shall not, without the prior written consent of Developer, impose any additional fees, taxes or assessments on all or any portion of the Development, except such fees, taxes and assessments as are described in or required by this Development Agreement and/or the Development Approvals. However, this Development Agreement shall not prohibit the application of fees, taxes or assessments upon the Site only and not on the New Digital Billboard or Developer directly, except as follows:
- 5.9.1. Developer shall be obligated to pay those fees, taxes or City assessments and any increases in same which exist as the Effective Date and applicable to the Development or are included in the Development Approvals;

- 5.9.2. Developer shall be obligated to pay any fees or taxes, and increases thereof, imposed on a City-wide basis such as, but not limited to, business license fees or taxes or utility taxes applicable to the Development;
- 5.9.3. Developer shall be obligated to pay all fees applicable to any permit applications as charged by the City at the time such application(s) are filed by Developer; and
- 5.9.4. Developer shall be obligated to pay any fees imposed pursuant to any Uniform Code that existed when the permit applications are filed by Developer or that exist when Developer applies for any Subsequent Development Approvals.
- **5.10.** Changes. Notwithstanding anything to the contrary herein, if there is a change is such fees as compared to those fees in effect as of the Effective Date, or if any additional fees are charged and such additional or increased fees materially change Developer's costs or otherwise materially impacts its performance hereunder, Developer may terminate this Agreement upon ninety (90) days prior written notice to the City.

6. REVIEW FOR COMPLIANCE.

- Annual Review. The City Council shall have the right to review this 6.1. Agreement annually at the City's sole cost, on or before the Anniversary Date, to ascertain the good faith compliance by Developer with the terms of this Agreement ("Annual Review"). However, no failure on the part of the City to conduct or complete an Annual Review as provided herein shall have any impact on the validity of this Agreement. Developer shall cooperate with the City in the conduct of such any Annual Review and provide the following information and documentation to the City at least thirty (30) days before the anniversary of the commencement of the Term: (1) any updates to Developer's contact information related to complaints concerning the billboards, as required in the conditions at Exhibit "B", (2) status and amount of all payment obligations to the City required under this Agreement for the year in question and cumulatively beginning from the Commencement of the Development herein, (3) any easement or Lease changes that could in any way materially impact the City or the parties' obligations under this Agreement, but any disclosure shall be via a redacted Lease per Section 2.2, (4) any utility changes that could in any way materially impact the City or the parties' obligations under this Agreement, and (5) any maintenance issues addressed or needing to be addressed per the requirements of Exhibit "B".
- 6.2. Special Review. The City Council may, in its sole and absolute discretion, order a special review of compliance with this Agreement at any time at the City's sole cost ("Special Review"). Developer shall cooperate with the City in the conduct of such any Special Review.
- 6.3. City Rights of Access. Subject to the City's execution of a permit to enter in a form reasonably acceptable to Owner, the City and its officers, employees, agents and contractors shall have the right, at their sole risk and expense, to enter the Site without interfering with any railroad or other right-of-way, and at all reasonable times with as little interference as possible, for the purpose of conducting the review under this Article 4, inspection, construction, reconstruction, relocation, maintenance, repair or service of any public improvements or public facilities located on the Site, or to perform any rights of the City under Section 6.2 above. Any damage or injury to the Site or to the improvements constructed thereon resulting from such entry

shall be promptly repaired at the sole expense of the City. Notwithstanding the foregoing or any other provision in this Agreement (including without limitation Section 6.2 above) to the contrary, the City shall have no right whatsoever to enter the Site unless and until the City executes and delivers to Owner a permit to enter in a form reasonably acceptable to Owner (except that this provision is not intended to interfere with the City's police powers to address any nuisance, dangerous condition, or other condition pursuant to the City's ordinances). Notwithstanding anything to the contrary herein, in no event will the City's representatives ever climb up the pole of the New Digital Billboard during any inspection.

Procedure. Each party shall have a reasonable opportunity to assert matters 6.4. which it believes have not been undertaken in accordance with this Agreement, to explain the basis for such assertion, and to receive from the other party a justification of its position on such matters. If, on the basis of the parties' review of any terms of this Agreement, either party concludes that the other party has not complied in good faith with the terms of this Agreement, then such party may issue a written "Notice of Non-Compliance" specifying the grounds therefore and all facts demonstrating such non-compliance. The party receiving a Notice of Non-Compliance shall have thirty (30) days to cure or remedy the non-compliance identified in the Notice of Non-Compliance, but if such cure or remedy is not reasonably capable of being cured or remedied within such thirty (30) day period, then the party receiving a Notice of Non-Compliance shall commence to cure or remedy the non-compliance within such thirty (30) day period and thereafter diligently and in good faith prosecute such cure or remedy to completion. If the party receiving the Notice of Non-Compliance does not believe it is out of compliance and contests the Notice of Non-Compliance, it shall do so by responding in writing to said Notice of Non-Compliance within thirty (30) days after receipt of the Notice of Non-Compliance. If the response to the Notice of Non-Compliance has not been received in the office of the party alleging the non-compliance within the prescribed time period, the Notice of Non-Compliance shall be conclusively presumed to be valid. If a Notice of Non-Compliance is contested, the parties shall, for a period of not less than fifteen (15) days following receipt of the response, seek to arrive at a mutually acceptable resolution of the matter(s) occasioning the Notice of Non-Compliance. In the event that a cure or remedy is not timely completed, the party alleging the non-compliance may thereupon pursue the remedies provided in Section 7: provided, however, that if the Notice of Non-Compliance is contested and the parties are not able to arrive at a mutually acceptable resolution of the matter(s) by the end of the fifteen (15) day period, then either party shall have the right to seek a judicial determination of such contested matter. Neither party hereto shall be deemed in breach if the reason for non-compliance is due to "force majeure" as defined in, and subject to the provisions of, Section 10.10.

Review or a Special Review, Developer is found to be in compliance with this Agreement, the City shall, upon request by Developer, issue within ten (10) days of receipt of the request, a written confirmation ("Certificate") to Developer stating that, after the most recent Annual Review or Special Review, and based upon the information known or made known to the City Manager and the City Council, that (1) this Agreement remains in effect, and (2) Developer is in compliance. The Certificate, whether issued after an Annual Review or Special Review, shall be in recordable form if requested by Developer, and shall contain information necessary to communicate constructive record notice of the finding of compliance. Developer may record the Certificate with the County Recorder. Additionally, Developer may, at any time, request from the City a Certificate stating, in addition to the foregoing, which specific obligations under this Agreement have been fully satisfied with respect to the Site and City shall respond within ten (10) days of receipt of the

request. If the City fails to respond to a Developer's request pursuant to this Section 6.5, the Developer is presumed to be in compliance with this Agreement or any obligation that is the subject of the Developer's request.

7. DEFAULT AND REMEDIES.

7.1. Termination of Agreement.

- 7.1.1. Termination of Agreement for Material Default of Developer. The City, in its discretion, may terminate this Agreement for any material failure of Developer to perform any material duty or obligation of Developer hereunder or to comply in good faith with the terms of this Agreement (hereinafter referred to as "default" or "breach"); provided, however, the City may terminate this Agreement pursuant to this Section only after following the procedures set forth in Section 6.4. In the event of a termination by the City under this Section 7.1.1, Developer acknowledges and agrees that the City may retain all fees accrued up to the date of the termination, including the Processing Fee and the Development Fee or Alternative Fee, as applicable, paid up to the date of termination, and Developer shall pay the prorated amount of the Development Fee or Alternative Fee, as applicable, within sixty (60) days after the date of termination and removal of the New Digital Billboard that equates to the percentage of time elapsed in the year of the Term at the time of termination.
- 7.1.2. Termination of Agreement for Material Default of City. Developer, in its discretion, may terminate this Agreement for any material failure of the City to perform any material duty or obligation of the City hereunder or to comply in good faith with the terms of this Agreement: provided, however, Developer may terminate this Agreement pursuant to this Section only after following the procedures set forth in Section 6.4. In addition, Developer may terminate this Agreement if, despite Developer's good faith efforts, (1) it is unable to secure the necessary permits and/or compliance with requirements under laws necessary to effectuate the Development, or (2) any governmental agency has concluded a taking or regulatory taking of the Site and/or the Development or (3) the Lease is terminated, or (4) it is unable to profitably operate the Development. In the event of a termination by Developer under this Section 7.1.2, Developer acknowledges and agrees that the City may retain all fees, including the Processing Fee and the Development Fee or Alternative Fee, as applicable, paid up to the date of termination, and Developer shall pay the prorated amount of the Development Fee or Alternative Fee, as applicable, within sixty (60) days after the date of termination and removal of the New Digital Billboard that is so terminated that equates to the percentage of time elapsed in the year of the Term at the time of termination.
- 7.1.3. Rights and Duties Following Termination. Upon the termination of this Agreement, no party shall have any further right or obligation hereunder except with respect to (i) any obligations to have been performed prior to said termination of this Agreement, (ii) any default in the performance of the provisions of this Agreement which has occurred prior to said termination of this Agreement, (iii) Developer's obligation to remove the terminated New Digital Billboard pursuant to Section 2.3, or (iv) any continuing obligations to indemnify other parties.

8. INSURANCE, INDEMNIFICATION AND WAIVERS.

8.1. Insurance.

8.1.1. Types of Insurance.

- (a) Liability Insurance. Beginning on the Effective Date hereof and until completion of the Term, Developer shall, at its sole cost and expense, keep or cause to be kept in force for Developer comprehensive broad form general liability insurance against claims and liabilities covered by the indemnification provisions of Section 8.2. Developer has agreed to indemnify the City hereunder to the extent of the liability insurance coverage with respect to its use, occupancy, disuse or condition of the Site, improvements or adjoining areas or ways, affected by such use of the Site or for property damage, providing protection of at least One Million Dollars (\$1,000,000) for bodily injury or death to any one person, at least Two Million Dollars (\$2,000,000) for any one accident or occurrence, and at least One Million Dollars (\$1,000,000) for property damage. Developer shall also furnish or cause to be furnished to the City evidence that any contractors with whom Developer has contracted for the performance of any work for which Developer is responsible maintains the same coverage required of Developer.
- (b) Worker's Compensation. Developer shall also furnish or cause to be furnished to the City evidence that any contractor with whom Developer has contracted for the performance of any work for which Developer is responsible hereunder carries worker's compensation insurance as required by law.
- 8.1.2. Insurance Policy Form, Sufficiency, Content and Insurer. All insurance required by express provisions hereof shall be carried only by responsible insurance companies qualified to do business by California with an AM Best Rating of no less than "A". All such policies shall be non-assignable and shall contain language, to the extent obtainable, to the effect that (i) the insurer waives the right of subrogation against the City and against the City's agents and representatives except as provided in this Section; (ii) the policies are primary and noncontributing with any insurance that may be carried by the City, but only with respect to the liabilities assumed by Developer under this Agreement; and (iii) the policies cannot be canceled or materially changed except after written notice by the insurer to the City or the City's designated representative as expeditiously as the insurance company agrees to provide such notice. Developer shall furnish the City with certificates evidencing the insurance required to be procured by the terms of this Agreement.
- 8.1.3. Failure to Maintain Insurance and Proof of Compliance. Developer shall deliver to the City, in the manner required for notices, copies of certificates of all insurance policies required of each policy within the following time limits:
- (a) For insurance required above, within seven (7) days after the Effective Date or consistent with the requirements of Exhibit "D" (Schedule of Performance), Item No. 8.
- (b) The City can request to see updated copies of the current certificates of all insurance policies required. The City reserves the right to obtain copies of the entire insurance policy, including endorsements.
- (c) If Developer fails or refuses to procure or maintain insurance as required hereby or fails or refuses to furnish the City with required proof that the insurance has

been procured and is in force and paid for, the City, after complying with the requirements of Section 6.4, may view such failure or refusal to be a default hereunder.

8.2. Indemnification.

- 8.2.1. General. To the extent of its liability coverage required under Section 8.1.1(a) above, Developer shall indemnify the City and Owner, and their respective officers, employees, and agents against, and will hold and save them and each of them harmless from, any and all actions, suits, claims, damages to persons or property, losses, costs, penalties, obligations, errors, omissions, or liabilities (herein "claims or liabilities") that may be asserted or claimed by any person, firm, or entity arising out of or in connection with the work, operations, or activities of Developer, its agents, employees, subcontractors, or invitees, hereunder, upon the Site.
- (a) Developer will defend any action or actions filed in connection with any of said claims or liabilities covered by the indemnification provisions herein and will pay all costs and expenses, including reasonable legal costs and attorneys' fees incurred in connection therewith, which attorneys will be the attorneys hired by the insurance company where insurance coverage applies.
- (b) Developer will promptly pay any judgment rendered against the City or Owner or their respective officers, agents, or employees for any such claims or liabilities arising out of or in connection with such work, operations, or activities of Developer hereunder, and Developer agrees to save and hold the City and Owner and their respective its officers, agents, and employees harmless therefrom.
- 8.2.2. *Exceptions*. The foregoing indemnity shall not include claims or liabilities arising from the negligence or willful misconduct of the City, or its officers, agents or employees who are directly responsible to the City.
- 8.2.3. *Additional Coverage.* Without limiting the generality of the foregoing, Developer's indemnity obligation shall include any liability arising by reason of:
- (a) Any accident or other occurrence in or on the Site causing injury to any person or property whatsoever caused by Developer;
- (b) Any failure of Developer to comply with performance of all of the provisions of this Agreement;
- (c) Any harm, delays, injuries or other damages incurred by any party as a result of any subsurface conditions on the Site caused solely by Developer, including but not limited to, the presence of buried debris, hazardous materials, hydrocarbons, or any form of soil contamination.
- 8.2.4. Loss and Damage. Except as set forth below, the City shall not be liable for any damage to property of Developer, Owner or of others located on the Site, nor for the loss of or damage to any property of Developer, Owner or others by theft or otherwise. Except as set forth below, the City shall not be liable for any injury or damage to persons or property resulting from fire, explosion, steam, gas, electricity, water, rain, dampness or leaks from any part of Site or from the pipes or plumbing, or from the street, or from any environmental or soil contamination

or hazard, or from any other latent or patent defect in the soil, subsurface or physical condition of Site, or by any other cause of whatsoever nature. The foregoing two (2) sentences shall not apply (i) to the extent the City or its agents, employees, subcontractors, invitees or representatives causes such injury or damage when accessing the Site, or (ii) to the extent covered in any permits to enter executed by the City, or (iii) under the circumstances set forth in Section 8.2.2 above.

- 8.2.5. *Period of Indemnification*. The obligations for indemnity under this Section 8.2 shall begin upon the Effective Date and shall survive termination of this Agreement.
- 8.3. Waiver of Subrogation. Developer and the City mutually agree that neither shall make any claim against, nor seek to recover from the other or its agents, servants, or employees, for any loss or damage to Developer or the City or to any person or property relating to this Agreement, except as specifically provided hereunder, which include but is not limited to a claim or liability to the extent arising from the negligence or willful misconduct of the City or Developer, as the case may be, or their respective officers, agents, or employees who are directly responsible to the City and Developer, as the case may be.
- 9. MORTGAGEE PROTECTION. The parties hereto agree that this Agreement shall not prevent or limit Developer, in any manner, at Developer's sole discretion, from encumbering Site or any portion thereof or the Development or any improvement on the Site thereon by any mortgage, deed of trust or other security device securing financing with respect to the Site. The City acknowledges that the lenders providing such financing may require certain Agreement interpretations and modifications and the City agrees upon request, from time to time, to meet with Developer or Owner and representatives of such lenders to negotiate in good faith any such request for interpretation or modification. Subject to compliance with applicable laws, the City will not unreasonably withhold its consent to any such requested interpretation or modification, provided the City determines such interpretation or modification is consistent with the intent and purposes of this Agreement. Upon reasonable approval by the City Attorney, the City authorizes the City Manager to execute any Notices of Consent to Assignment on behalf of the City or similar financial documentation. Any Mortgagee of the Site shall be entitled to the following rights and privileges:
- 9.1.1. Neither entering into this Agreement nor a breach of this Agreement shall defeat, render invalid, diminish or impair the lien of any mortgage on the Development of the Site or any mortgage of the Site made in good faith and for value, unless otherwise required by law.
- 9.1.2. The Mortgagee of any mortgage or deed of trust encumbering the Development of the Site or any mortgage or deed of trust encumbering the Site, or any part thereof, which Mortgagee has submitted a request in writing to the City in the manner specified herein for giving notices, shall be entitled to receive written notification from the City of any default by Developer in the performance of Developer's obligations under this Agreement.
- 9.1.3. If the City timely receives a request from a Mortgagee requesting a copy of any Notice of Non-Compliance given to Developer under the terms of this Agreement, the City shall make a good faith effort to provide a copy of that Notice of Non-Compliance to the Mortgagee within ten (I 0) days of sending the Notice of Non-Compliance to Developer. The Mortgagee shall have the right, but not the obligation, to cure the non-compliance during the period that is the longer of (i) the remaining cure period allowed such party under this Agreement, or (ii) sixty (60) days.

9.1.4. Any Mortgagee who comes into possession of the Development or the Site, or any part thereof, pursuant to foreclosure of the mortgage or deed of trust, or deed in lieu of such foreclosure, shall take the Development or the Site, or part thereof, subject to the terms of this Agreement. Notwithstanding any other provision of this Agreement to the contrary, no Mortgagee shall have an obligation or duty under this Agreement to perform any of Developer's obligations or other affirmative covenants of Developer hereunder, or to guarantee such performance; except that (i) to the extent that any covenant to be performed by Developer is a condition precedent to the performance of a covenant by the City, the performance thereof shall continue to be a condition precedent to the City's performance hereunder, and (ii) in the event any Mortgagee seeks to develop or use any portion of the Development or the Site acquired by such Mortgagee by foreclosure, deed of trust, or deed in lieu of foreclosure, such Mortgagee shall strictly comply with all of the terms, conditions and requirements of this Agreement and the Development Approvals applicable to the Development or the Site or such part thereof so acquired by the Mortgagee.

10. MISCELLANEOUS PROVISIONS.

- 10.1. Recordation of Agreement. This Agreement shall be recorded in "short form" version with the County Recorder by the City Clerk within 10 days of execution, as required by Government Code Section 65868.5. Amendments approved by the parties, and any cancellation, shall be similarly recorded.
- 10.2. Entire Agreement. This Agreement sets forth and contains the entire understanding and agreement of the parties with respect to the subject matter set forth herein, and there are no oral or written representations, understandings or ancillary covenants, undertakings or agreements which are not contained or expressly referred to herein. No testimony or evidence of any such representations, understandings or covenants shall be admissible in any proceeding of any kind or nature to interpret or determine the terms or conditions of this Agreement.
- 10.3. Severability. If any term, provision, covenant or condition of this Agreement shall be determined invalid, void or unenforceable, then that term, provision, covenant or condition of this Agreement shall be stricken and the remaining portion of this Agreement shall remain valid and enforceable if that stricken term, provision, covenant or condition is not material to the main purpose of this Agreement, which is to allow the Development to be permitted and operated and to provide the Development Fee to the City; otherwise, this Agreement shall terminate in its entirety, unless the parties otherwise agree in writing, which agreement shall not be unreasonably withheld.
- 10.4. Interpretation and Governing Law. This Agreement and any dispute arising hereunder shall be governed and interpreted in accordance with the laws of the State of California. This Agreement shall be construed as a whole according to its fair language and common meaning, to achieve the objectives and purposes of the parties hereto. The rule of construction, to the effect that ambiguities are to be resolved against the drafting party or in favor of the non-drafting party, shall not be employed in interpreting this Agreement, all parties having been represented by counsel in the negotiation and preparation hereof.
- 10.5. Section Headings. All section headings and subheadings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

- 10.6. Singular and Plural. As used herein, the singular of any word includes the plural.
- 10.7. Time of Essence. Time is of the essence in the performance of the provisions of this Agreement as to which time is an element.
- 10.8. Waiver. Failure of a party to insist upon the strict performance of any of the provisions of this Agreement by the other party, or the failure by a party to exercise its rights upon the default of the other party, shall not constitute a waiver of such party's right to insist and demand strict compliance by the other party with the terms of this Agreement thereafter.
- 10.9. No Third Party Beneficiaries. This Agreement is made and entered into for the sole protection and benefit for the parties and Owner and their respective successors and assigns. No other person shall have any right of action based upon any provision of this Agreement.
- 10.10. Force Majeure. Notwithstanding any provision to the contrary herein, neither party shall be deemed to be in default where failure or delay in performance of any of its obligations under this Agreement is caused by earthquakes, other acts of God, fires, rains, winds, wars, terrorism, riots or similar hostilities, strikes and other labor difficulties beyond the party's control (including the party's employment force), government actions and regulations (other than those of the City), court actions (such as restraining orders or injunctions), or other causes beyond the party's reasonable control. If any such events shall occur the term of this Agreement then the time for performance shall be extended for the duration of each such event, provided that the Term of this Agreement shall not be extended under any circumstances for more than five (5) years beyond the date it would have otherwise expired, and further provided that if such delay is longer than six (6) months, Developer may terminate this Agreement upon written notice to the City and the City shall return to Developer any portion of the Development fee paid for any period after the effective date of such termination.
- 10.11. Mutual Covenants. The covenants contained herein are mutual covenants and also constitute conditions to the concurrent or subsequent performance by the party benefited thereby of the covenants to be performed hereunder by such benefited party.
- 10.12. Counterparts. This Agreement may be executed by the parties in counterparts, which counterparts shall be construed together and have the same effect as if all of the parties had executed the same instrument.
- 10.13. Litigation. Any action at law or in equity arising under this Agreement or brought by any party hereto for the purpose of enforcing, construing or determining the validity of any provision of this Agreement shall be filed and tried in the Superior Court of the County of Los Angeles, State of California, or such other appropriate court in said county. Service of process on the City shall be made in accordance with California law. Service of process on Developer shall be made in any manner permitted by California law and shall be effective whether served inside or outside California. In the event of any action between the City and Developer seeking enforcement of any of the terms and conditions to this Agreement, the prevailing party in such action shall be awarded, in addition to such relief to which such party is entitled under this Agreement, its reasonable litigation costs and expenses, including without limitation its expert witness fees and reasonable attorneys' fees.

- 10.14. Covenant Not To Sue. The parties to this Agreement, and each of them, agree that this Agreement and each term hereof are legal, valid, binding, and enforceable. The parties to this Agreement, and each of them, hereby covenant and agree that each of them will not commence, maintain, or prosecute any claim, demand, cause of action, suit, or other proceeding against any other party to this Agreement, in law or in equity, which is based on an allegation, or assert in any such action, that this Agreement or any term hereof is void, invalid, or unenforceable.
- 10.15. Development as a Private Undertaking. It is specifically understood and agreed by and between the parties hereto that the Development is a private development, that neither party is acting as the agent of the other in any respect hereunder, and that each party is an independent contracting entity with respect to the terms, covenants and conditions contained in this Agreement. No partnership, joint venture or other association of any kind is formed by this Agreement. The only relationship between the City and Developer is that of a government entity regulating the development of private property, on the one hand, and the holder of a legal or equitable interest in such private property on the other hand. The City agrees that by its approval of, and entering into, this Agreement, that it is not taking any action which would transform this private development into a "public work" development, and that nothing herein shall be interpreted to convey upon Developer any benefit which would transform Developer's private development into a public work project, it being understood that this Agreement is entered into by the City and Developer upon the exchange of consideration described in this Agreement, including the Recitals to this Agreement which are incorporated into this Agreement and made a part hereof, and that the City is receiving by and through this Agreement the full measure of benefit in exchange for the burdens placed on Developer by this Agreement.
- 10.16. Further Actions and Instruments. Each of the parties shall cooperate with and provide reasonable assistance to the other to the extent contemplated hereunder in the performance of all obligations under this Agreement and the satisfaction of the conditions of this Agreement. Upon the request of either party at any time, the other party shall promptly execute, with acknowledgment or affidavit if reasonably required, and file or record such required instruments and writings and take any actions as may be reasonably necessary under the terms of this Agreement to carry out the intent and to fulfill the provisions of this Agreement or to evidence or consummate the transactions contemplated by this Agreement.
- 10.17. Eminent Domain. No provision of this Agreement shall be construed to limit or restrict the exercise by the City of its power of eminent domain or Developer's right to seek and collect just compensation or any other remedy available to it.
- 10.18. Amendments in Writing/Cooperation. This Agreement may be amended only by written consent of both parties specifically approving the amendment (which approval shall not be unreasonably withheld, conditioned or delayed) and in accordance with the Government Code provisions for the amendment of development agreements. The parties shall cooperate in good faith with respect to any amendment proposed in order to clarify the intent and application of this Agreement, and shall treat any such proposal on its own merits, and not as a basis for the introduction of unrelated matters. Minor, non-material modifications may be approved on behalf of the City by the City Manager upon reasonable approval by the City Attorney.

- 10.19. Assignment. Developer shall have the right to transfer or assign its rights and obligations under this Agreement (collectively, an "Assignment") to any person or entity (an "Assignee") in connection with a transfer or assignment of all of Developer's interest in the Lease without the prior approval of the City; provided that, (a) Developer shall notify City in writing of such proposed Assignment at least thirty (30) days prior to the effective date of any proposed Assignment, and (b) Developer and Assignee shall enter into a written assignment and assumption agreement, executed in recordable form, pursuant to which Assignee shall agree to assume all duties and obligations of Developer under this Agreement remaining to be performed at the time of the Assignment.
- 10.20. Corporate Authority. The person(s) executing this Agreement on behalf of each of the parties hereto represent and warrant that (i) such party, if not an individual, is duly organized and existing, (ii) they are duly authorized to execute and deliver this Agreement on behalf of said party, (iii) by so executing this Agreement such party is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other agreement to which such party is bound.
- 10.21. Notices. All notices under this Agreement shall be effective when delivered by United States Postal Service mail, registered or certified, postage prepaid return receipt requested, and addressed to the respective parties as set forth below, or to such other address as either party may from time to time designate in writing by providing notice to the other party:

If to the City:

City of Santa Fe Springs

11710 E. Telegraph Road Santa Fe Springs, CA 90670

Attn: City Manager

If to Developer:

Outdoor Associates LLC

22431 Antonio Parkway, Suite b160-681 Rancho Santa Margarita, CA 92688

Attn: Glenn Emanuel

With a copy to:

Jackson Tidus

2030 Main Street, Suite 1200

Irvine, CA 92614

Attn: Michael L. Tidus, Esq.

- 10.22. Nonliability of City Officials. No officer, official, member, employee, agent, or representatives of the City shall be liable for any amounts due hereunder, and no judgment or execution thereon entered in any action hereon shall be personally enforced against any such officer, official, member, employee, agent, or representative.
- 10.23. No Brokers. The City and Developer each represent and warrant to the other that it has not employed any broker and/or finder to represent its interest in this transaction. Each party agrees to indemnify and hold the other free and harmless from and against any and all liability, loss, cost, or expense (including court costs and reasonable attorneys' fees) in any manner connected with a claim asserted by any individual or entity for any commission or finder's fee in connection with this Agreement or arising out of agreements by the indemnifying party to pay any commission or finder's fee.

10.24. No Amendment of Lease. Nothing contained in this Agreement shall be deemed to amend or modify any of the terms or provisions of the Lease. Nothing contained in this Agreement shall constitute or be deemed to constitute a limit on any of Developer's obligations under the Lease, or any of Owner's rights or remedies against Developer under the Lease.

[Signatures on the following page]

year first set forth above.

CITY:

CITY OF SANTA FE SPRINGS
a California municipal corporation

By:

Mayor

DEVELOPER:

OUTDOOR ASSOCIATES LLC
a Delaware limited liability company

By:

Glenn Emanuel, Manager

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document. STATE OF CALIFORNIA COUNTY OF _____ On ______, before me, ______(here insert name and title of the officer) personally appeared who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument. I certify under PENALTY OF PERJURY under the laws of the State of foregoing paragraph is true and correct. WITNESS my hand and official seal. (Seal) Signature A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document. STATE OF CALIFORNIA COUNTY OF _____ On _______, before me, ______(here insert name and title of the officer) personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument. I certify under PENALTY OF PERJURY under the laws of the State of ______ foregoing paragraph is true and correct. WITNESS my hand and official seal.

(Seal)

Signature

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

All that certain real property located in the City of Santa Fe Springs, County of Los Angeles, State of California more particularly described as follows:

The Southeasterly 172-23 feet, measured along the Southwesterly line of that portion of Lot "A" of Tract No. 8130, in the City of Santa Fe Springs, in the County of Los Angeles, State of California, as per map recorded in Book 160 Pages 1 and 2 of Maps, in the office of the County Recorder of said County, bounded by the following described line:

Gounty, bounded by the following described line:

Beginning at a point in the Westerly line of sold Lot "A" that is distant
South 0" 21° 52° East 249.03 feet; measured along said Westerly line and its
Northerly prolongation from the center line of Firestone Boulevard, 80 feet
wide, as described in the deed to County of Los Angelas, recorded in Brok
12556, Page 136, Official Records, in said office of the County Recorder;
thence along the Southwesterly line of the land described in the deed to the
State of California, recorded September 26, 1949 as Instrument Mo. 2745. In
Book 31108. Page 342, Official Records, the following courses: Morth 51° 35'
27° East 37.14 feet. South 72° 46' 29° East 148.50 feet to the beginning of a
tangent curve concave Southwesterly having a radius of 272 feet; Southwesterly
along said curve through a central angle of 15° 38' 24° an arc distance of
74.25 feet to a line parallel with end distant 123 feet Suthwesterly measured
at right angles from the center line of Firestone Boulevard, as described in
the deed recorded in Book 12824, Page 245, Official Records, and thence along
said parallel line. South 57° 06' 65° East 587.08 feet to the true point of
beginning: thence leaving said Southwesterly line Mesterly along a curve concave Southerly having a radius of 400 feet and tangent to said parallel line
through a central angle of 20° 35' 22° an arc distance of 143.51 feet; thence
North 77° 41' 22° West 146.76 feet; thence Worth 70° 48' 07' West 118.36 feet;
thence South 56° 00' 17° West 130.71 feet; thence Worth 98° 00' 00' West 13.63
foet to the Southwesterly line of said Lot "A"; thence along said
Southwesterly line South 57° 08' 05' East 509.44 feet to a line that bears
South 32' 51' 55' Mest from a point in said Southwesterly line of the land
described in said deed to the State of California, that is distant thereon
South 37' UB' 05' East 50.60 feet from the true point of beginning; thence
Morth 32' 51' 55' East 50.60 feet from the true point of beginning;

ALSO shown as Parcel 3 of Parcel Map No. 2171, in the City of Santa Fe Springs, in the County of Los Angeles, State of California as per map filed in Book 34, Page 82 of Parcel Maps, in the office of the County Recorder of said County.

EXCEPT therefrom all 01), gas, minorals and other hydrocarbon substances lying below a depth of 500 feet from the surface of said property, but with so right of surface entry, as provided in the deed recorded August 13, 1965 as instrument No. 1006 in Book 52006, Page 6, Official Records.

APN: 7005-014-071

EXHIBIT "B"

SCOPE OF DEVELOPMENT

Developer and the City agree that the Development shall be undertaken in accordance with the terms of the Agreement, which include the following:

- 1. The Development. Developer shall install the New Digital Billboard in accordance with the terms of this Agreement. The New Digital Billboard consists of one (1) 60 foot tall, "bulletin" size V-Shaped freeway-oriented billboard with a total of two (2) digital displays (each display measuring 14' x 48' within the billboard frame) on the 5 Freeway. Before the issuance of final inspection of the Final Permits, Developer shall underground all utilities necessary for the New Digital Billboard and the Site shall be maintained in accordance with the conditions at Paragraph 3 below.
- 2. <u>Building Fees.</u> Developer shall pay all applicable City building fees, as described at Section 2.4 of the Agreement, at the time that the building permit is issued for the installation of the New Digital Billboard.
- 3. <u>Maintenance and Access.</u> Developer, for itself and its successors and assigns, hereby covenants and agrees to be responsible for the following:
- Maintenance and repair of the New Digital Billboard (where authorized (a) pursuant to the Agreement, and including but not limited to, the displays installed thereon, and all related on-site improvements and, if applicable, easements and rights-of-way, at its sole cost and expense), including, without limitation, landscaping, poles, lighting, signs and walls (as they relate to the Development) in good repair, free of graffiti, rubbish, debris and other hazards to persons using the same, and in accordance with all applicable laws, rules, ordinances and regulations of all federal, state, and local bodies and agencies having jurisdiction over the Site, unless those federal, state, and local bodies have an exception for a legal nonconforming use. Such, maintenance and repair shall include, but not be limited to, the following: (i) sweeping and trash removal related to the Development; (ii) the care and replacement of all shrubbery, plantings, and other landscaping or the painted backing in a healthy condition if damaged by the Development; (iii) the ongoing maintenance by Developer of any access road to the New Digital Billboard if damaged by the Development and to minimize dust caused by the Development; and (iii) the repair, replacement and repainting of the New Digital Billboard's structures and displays as necessary to maintain such billboards in good condition and repair.
- (b) Maintenance of the New Digital Billboard and surrounding portion of the Site in such a manner as to avoid the reasonable determination of a duly authorized official of the City that a public nuisance has been created by the absence of adequate maintenance of the Development such as to be detrimental to the public health, safety or general welfare, or that such a condition of deterioration or disrepair causes appreciable harm or is materially detrimental to property or improvements within three hundred (300) feet of the Site.
- (c) Developer shall reasonably coordinate with any neighboring property owners who share utilities or access roads to their separate respective billboards. The City may

designate alternative access for planning purposes so long as such alternative access allows Developer to access its billboard and related utilities.

- 4. Other Rights of the City. In the event of any violation or threatened violation of any of the provisions of this Exhibit "B", then in addition to, but not in lieu of, any of the rights or remedies the City may have to enforce the provisions of the Agreement, the City shall have the right, after complying with Section 6.4 of the Agreement, (i) to enforce the provisions hereof by undertaking any maintenance or repairs required by Developer under Paragraph 3 above (subject to the execution of a permit to enter in form reasonably acceptable to Owner) and charging Developer for any actual maintenance costs incurred in performing same, and (ii) to withhold or revoke, after giving written notice of said violation, any building permits, occupancy permits, certificates of occupancy, business licenses and similar matters or approvals pertaining to the Development or any part thereof or interests therein as to the violating person or one threatening violation.
- 5. No City Liability. The granting of a right of enforcement to the City does not create a mandatory duty on the part of the City to enforce any provision of the Agreement. The failure of the City to enforce the Agreement shall not give rise to a cause of action on the part of any person. No officer or employee of the City shall be personally liable to Developer, its successors, transferees or assigns, for any default or breach by the City under the Agreement.
- 6. <u>Conditions of Approval.</u> The following additional conditions shall apply to the installation of the New Digital Billboard and, where stated, landscaping adjacent to New Digital Billboard, which billboard and landscaping or painted backing adjacent to the billboard, respectively, shall conform to all applicable provisions of the Development Approvals and the following conditions, in a manner subject to the approval of the Director of Planning or his or her designee:
- (a) A building permit will be required, and structural calculations shall be prepared by a licensed civil engineer and approved by the City Building Official.
- (b) The Billboard shall be located in the portion of the Site shown on <u>Exhibit</u> "C-1", and shall be of the dimensions described in Section 1, above.
- (c) The size of each sign display of the New Digital Billboard shall not exceed the dimensions set forth in the Ordinance, and shall not to exceed the maximum height set forth in the Ordinance, including all extensions, and shall be spaced at intervals from any other billboard on the same side of the freeway and measured parallel to the freeway as set forth in the Ordinance and depicted in the Site Plan at Exhibit "C-1" and Billboard Elevation at Exhibit "C-2" both approved by the City as part of the Development Approvals.
- (d) The New Digital Billboard pole shall have a column cover as depicted in the Billboard Elevation within Exhibit "C-2".
- (e) Plans and specifications for the proposed installation of the New Digital Billboard shall be submitted to the City Planning and Building Departments for plan check and approval prior to the issuance of building permits. Plans and specifications for the proposed

installation of the undergrounding of all utilities, shall be submitted to the City Planning and Building Departments for plan check and approval prior to the issuance of electrical permits.

- (f) Prior to the approval of the final inspection, all applicable conditions of approval and all mandatory improvements shall be completed to the reasonable satisfaction of the City.
- (g) Developer shall maintain the New Digital Billboard and use thereof in full compliance with all applicable codes, standards, policies and regulations imposed by the City, county, state or federal agencies by any duly and valid City, county or state ordinance with jurisdiction over the facilities, unless the Development is exempted as a legal nonconforming use.
- (h) Developer shall, at all time, comply with the approval for the New Digital Billboard from the California Department of Transportation Outdoor Advertising Division, and shall maintain acceptable clearance between proposed billboards and Southern California Edison distribution lines.
- (i) Developer shall pay any and all applicable fees due to any public agency prior to the final issuance of the applicable building or electrical permits.
- (j) The activities proposed in the Agreement shall be conducted completely upon the Site and shall not use or encroach on any public right-of-way.
- (k) Developer shall ensure that all access to the New Digital Billboard is kept restricted to the general public to the extent permitted under local laws and by the Development Approvals.
- (1) If any portion of the landscaping or painted backing installed adjacent to the New Digital Billboard is damaged by the Development or becomes damaged, unhealthy or otherwise in need of replacement, as determined by the City's Director of Planning or his or her designee, Developer shall ensure that the replacement is accomplished within fourteen (14) days of notification by the City, unless such time is extended by the City's Director of Planning or his or her designee if Developer shows unusual circumstances requiring more time to accomplish such replacement. Developer or Owner may trim such landscaping so as not to block the billboards or with the reasonable consent of the Director of Planning, the Developer at the Developer's own cost, can remove and relocate any landscaping.
- (m) Developer shall be required to install all utilities underground in connection with the New Digital Billboard in conformance with Ordinance 1036 and 1092. Developer shall coordinate its work with the requirements of Southern California Edison to achieve the undergrounding of all utilities.
- (n) Developer shall comply with all necessary federal National Pollutant Discharge Elimination System (NPDES) requirements pertaining to the proposed use, to the extent applicable.
- (o) All graffiti shall be adequately and completely removed or painted over within 48 hours of notice to Developer of such graffiti being affixed on the Development.

- (p) Prior to final sign off of the building permit for the New Digital Billboard, the applicable landscaping or painted backing shall be installed at the Site.
- (q) Developer shall comply with State law regarding the limitation of light or glare or such other standards as adopted by the Outdoor Advertising Association of America, Inc. (OAAA), including but not limited to, the 0.3 foot-candles limitation over ambient light levels and ensuring additional flexibility in reducing such maximum light level standard given the lighting environment, the obligation to have automatic diming capabilities, as well as providing the City's Director of Planning or his or her designee with a designated Developer employee's phone number and/or email address for emergencies or complaints that will be monitored 24 hours a day/7 days per week. Upon any reasonable complaint by the City's Planning Officer or designee, Developer shall dim the display to meet these guidelines and further perform a brightness measurement of the display using OAAA standards and provide the City with the results of same within 5 days of the City's complaint.

EXHIBIT "C-1"

SITE PLAN

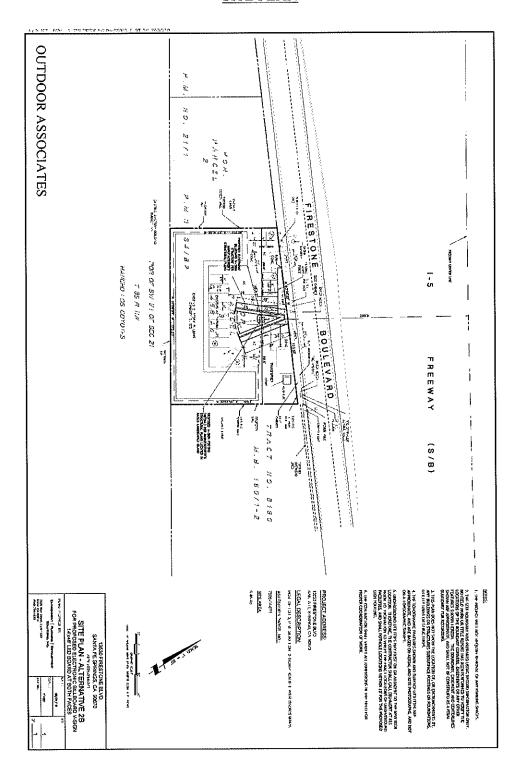


EXHIBIT "C-2"

BILLBOARD ELEVATION

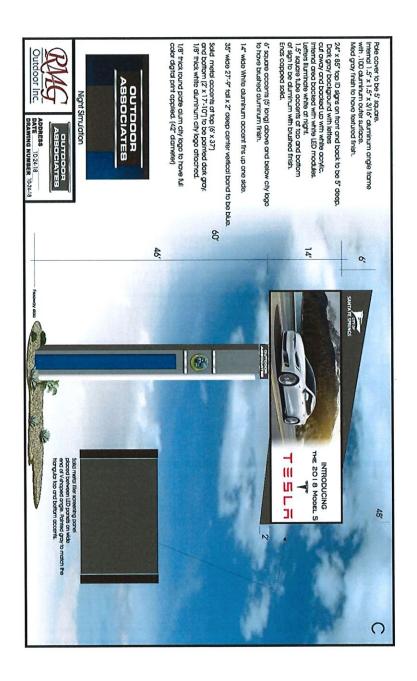


EXHIBIT "D"

SCHEDULE OF PERFORMANCE

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE	REFERENCE
1.	City's Planning Commission holds public hearing and recommends approval of Agreement and Conditions of Approval		Recitals
2.	City's City Council holds hearings to approve Agreement and first and second reading of Ordinance	, 2018 (1st Reading); , 2018 (2nd Reading), provided Developer has fully executed the Agreement	Recitals
3.	Effective Date of this Agreement.	30 days following City Council's second reading of Ordinance, or	N/A
4.	Developer prepares and submits to City working drawings specifications and engineering, the City commences approval process.	Within 120 days of the Council's second reading of the Ordinance approving this Agreement	5.4
5.	City to approve all construction and engineering drawings and specifications with a plan check approval, and issue a building permit and an electrical permit. City agrees to any necessary building or electrical permits need for Developer to acquire the Caltrans approvals. Developer agrees not to commence construction until it receives the applicable Caltrans approvals.	Within 30 days of City's receipt of Developer's construction drawings and specifications addressing all of City's comments.	

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE	REFERENCE
6.	Developer to provide copy of Caltrans approval to City	Prior to commencing any inspections and work on the Development.	5.3, 5.4
7.	Developer to submit proof of insurance to City.	Prior to commencing any inspections and work on the Development	8.1.2
8.	Developer pays Processing Fee	Thirty days from the date that the building official releases the electrical meter to Southern California Edison (Commencement Date)	2.4
9.	Developer pays City annual installments of the Development Fee or Alternate Development Fee.	Within ninety (90 days) following the Anniversary Date and after the termination of the Term.	2.5, 2.6
10.	Developer pays the Alternative Fee if in excess of the Development Fee.	Within 90 days of the end of each calendar year of the Term	2.6

It is understood that this Schedule of Performance is subject to all of the terms and conditions of the text of the Agreement. The summary of the items of performance in this Schedule of Performance is not intended to supersede or modify the more complete description in the text; in the event of any conflict or inconsistency between this Schedule of Performance and the text of the Agreement, the text shall govern.

The time periods set forth in this Schedule of Performance may be altered or amended only by written agreement signed by both Developer and the City. Notwithstanding any extension of the Term in the manner described in, and subject to the provisions of Section 5.5 of the Agreement, the City Manager shall have the authority to approve extensions of time set forth in this Schedule of Performance without action of the City Council, not to exceed a cumulative total of 180 days.

City of Santa Fe Springs

City Council Meeting

January 24, 2019

NEW BUSINESS

<u>Bus Stop Request - Authorization to Allow Los Angeles County to Operate a Shuttle and Stop at 11819 Burke Street in Santa Fe Springs</u>

RECOMMENDATION

That the City Council formally request that the County of Los Angeles operate a shuttle service within the City of Santa Fe Springs and stop in front of 11819 Burke Street in the City of Santa Fe Springs.

BACKGROUND

On August 21, 2013, the Interfaith Food Center food bank relocated from the City of Whittier to their current location at 11819 Burke Street in Santa Fe Springs. The Executive Director, Amy Catt requested that the City assist with getting a bus route to stop in front of or near the location to better serve the community.

Staff identified a County of Los Angeles route that operates near the Interfaith Food Center food bank and requested they create a stop in front of the location. After several years, the County has agreed and rerouted the shuttle to stop in front of the location at 11819 Burke Street.

Recently, the County advised the City of their intentions to restructure their Shuttle System in the area. Essentially eliminating the Los Nietos Area Shuttle and replacing it with the Sunshine Shuttle.

In order for the Sunshine Shuttle to continue stopping in the City of Santa Fe Springs, County staff has requested that the City Council formally request the stop at 11819 Burke Street and approve the operation of a County shuttle within City limits.

FISCAL IMPACT

There is minimal fiscal impact to install a bus bench and trash can at 11819 Burke Street.

INFRASTRUCTURE IMPACT

The stop will allow better access to members of the public and residents of Santa Fe Springs to the food distribution bank.

Raymond R. Cruz City Manager

Attachments:

- 1. Los Nietos Area Shuttle Service Route
- 2. Sunshine Shuttle Service Route

Report Submitted By:

Noe Negrete

Director of Public Works

Date of Report: January 7, 2019

Information for Additional Transit Providers

Metro (323) GO-METRO (323) 466-3876 www.metro.net

Montebello Transit (323) 887-4545 www.cityofmontebello.com

> Norwalk Transit www.ci.norwalk.ca.us (562) 929-5550

Sunshine Shuttle www.LAGoBus.info (626) 458-3909



The Shuttle Operates Monday through Friday El Microbús Opera de Lunes a Viernes

Service is not provided on the following holidays: No hay servicio en los siguientes días festivos:

New Year's Day
Martin Luther King Day
President's Day
Memorial Day
Independence Day
Labor Day
Columbus Day
Veteran's Day
Thanksgiving Day
Day After Thanksgiving
Christmas Day

For more information regarding the shuttle service, please call (626) 458-3909 or visit www.LAGoBus.info

Para más información sobre el servicio del microbús, favor de llamar al (626) 458-3909 o visite www.LAGoBus.info

For the hearing impaired, please call 711
Para las personas con dificultad auditiva, favor de llamar 711

Effective June 13, 2016 Efectivo el 13 de junio del 2016



The service is financed through funds provided by the County of Los Angeles.

Este servicio es financiado por el Condado de Los Angeles.

Los Nietos AREA SHUTTLE



Welcome aboard the free shuttle service.

Bienvenidos a bordo del servicio gratuito del microbús.

Los Nietos Middle School	Los Nietos Commnuity Center	Whittier Manor	Shopping Center Norwalk Blvd
2:35	2:40	2:45	2:48
3:05	3:10	3:15	3:18
3:35	3:40	3:45	3:48
4:05	4:10	4:15	4:18
4:35	4:40	4:45	4:48
5:05	5:10	5:15	5:18
5:35	5:40	5:45	5:48
6:05	6:10	6:15	6:18
			*
1:05	1:10		1:18
1:35	1:40	1:45	1:48
2:05	2:10	2:15	2:18
2:35	2:40	2:45	2:48
3:05	3:10	3:15	3:18
3:35	3:40	3:45	3:48
4:05	4:10	4:15	4:18
4:35	4:40	4:45	4:48
	Los Nietos Middle School 2:35 3:05 3:35 4:05 4:35 5:05 5:35 6:05 1:05 1:35 2:05 2:35 3:05 3:35 4:05	Los Nietos Middle School Los Nietos Commuity Center 2:35 2:40 3:05 3:10 3:35 3:40 4:05 4:10 4:35 4:40 5:05 5:10 5:35 5:40 6:05 6:10 1:05 1:10 1:35 1:40 2:05 2:10 2:35 2:40 3:05 3:10 3:35 3:40 4:05 4:10	Los Nietos Middle School Los Nietos Commuity Center Whittier Manor 2:35 2:40 2:45 3:05 3:10 3:15 3:35 3:40 3:45 4:05 4:10 4:15 4:35 4:40 4:45 5:05 5:10 5:15 5:35 5:40 5:45 6:05 6:10 6:15 1:05 1:10 1:15 1:35 1:40 1:45 2:05 2:10 2:15 2:35 2:40 2:45 3:05 3:10 3:15 3:35 3:40 3:45 4:05 4:10 4:15

	EÂE			8
	Edwards Middle School	Sorensen Park	Shopping Center	Pioneer High School
	2:50	2:52	2:57	3:00
를 SI	3:20	3:22	3:27	3:30
5	3:50	3:52	3:57	4:00
I	4:20	4:22	4:27	4:30
ar	4:50	4:52	4:57	5:00
<u> </u>	5:20	5:22	5:27	5:30
Regular Hours	5:50	5:52	5:57	6:00
æ	6:20	6:22	6:27	6:30
v	1:20	1:22	1:27	1:30
Hours	1:50	1:52	1:57	2:00
<u></u>	2:20	2:22	2:27	2:30
÷	2:50	2:52	2:57	3:00
<u> </u>	3:20	3:22	3:27	3:30
Ę	3:50	3:52	3:57	4:00
Summer	4:20	4:22	4:27	4:30
S	4:50	4:52	4:57	5:00



For more information call (626) 458-3909

Regular Hours Monday — Friday 2:35 p.m. — 6:30 p.m. Summer Hours (June 13 – August 9, 2016)

Monday – Friday

1:05 p.m. – 5:00 p.m.



Información De Transportación: (626) 246-3799

TARIFAS:

25 centavos por viaje

GRATIS:

Personas de edad avanzada (60 años o más). Personas incapacitadas Niños menores de 5 años

SE ACCEPTA:

Pases de Metro 30-Day, EZ y Go Rio

;SABIA USTED?

El SunshineShuttle acomoda a personas en silla de ruedas y tiene aire acondicionado.

El Sunshine Shuttle conecta con las siguientes líneas de autobuses:

Montebello Bus Lines

(323) 558-1625

323 GO-METRO

Metro

Norwalk Transit www.ci.norwalk.ca.us

(562) 929-5550

Para más información sobre el servicio de microbús, visite el sitio web: www.lagobus.info

AUTOBÚS OPERA DE

5:30 AM - 8 PM lunes a viernes 7:30 AM - 6 PM sabado

No hay servicio los domingos ni los siguientes días féstivos:

Dia de Año Nuevo Dia de Conmemoración Dia de la Independencia Dia del Trabajo Dia de Gracias Dia de Navidad

Para más informacion o para solicitar formatos alternativos de éste folleto lláme al: (626) 458-5960.

Para las pesonas con dificultad auditiva, favor de llamar al:

Éste servicio es financiado a través de fondos proporcionados por el Condado de Los Angeles.

SunshineShuttle





Transit Information: (626) 246-3799

FARES:

25 cents per trip

FREE:

Seniors (60 years and older) Persons with disabilities

Children under 5

WE ACCEPT: Metro 30-Day, EZ and Go Rio passes

DID YOU KNOW?

The Sunshine Shuttle is air-conditioned and wheelchair

accessible.

The Sunshine Shuttle connects with the following transit providers:

Montebello Bus Lines

(323) 558-1625

Metro

323 GO-METRO

Norwalk Transit

(562) 929-5550

For more Sunshine Shuttle information, visit our Web site:

www.lagobus.info

OPERATES

5:30 AM - 8 PM Monday to Friday 7:30 AM - 6 PM Saturday

There is no service on Sundays or the following major holidays:

New Year's Day Memorial Day Independence Day Labor Day Thanksgiving Day Christmas Day

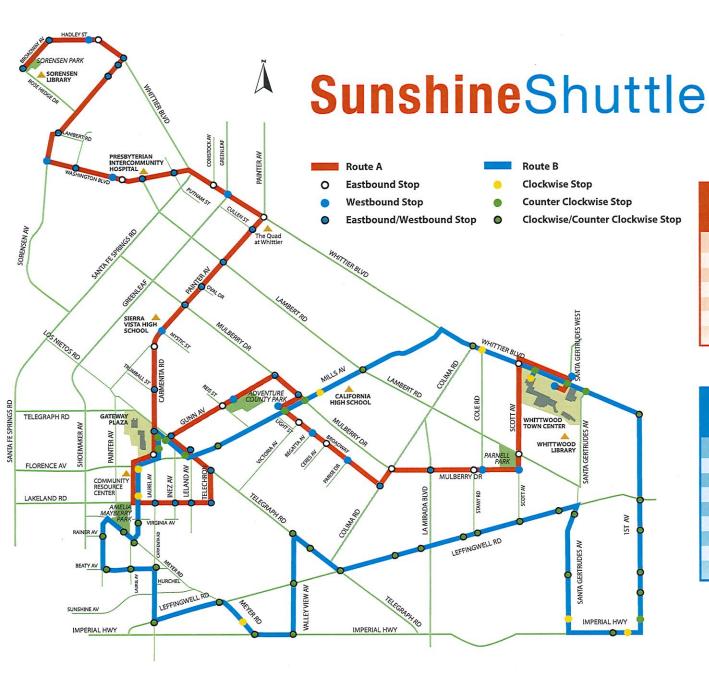
For more information or for For those with hearing alternate formats, please call: (626) 458-5960.

impairments, please call:

This service is financed through funds provided by the County of Los Angeles.









Route A (Ruta A)	departure time Eastbound (hacia el éste)	(hora de salidas) Westbound (hacia el oéste)
Sorensen Park	:00	:50
Sorensen/Whittier	:05	:45
Painter/Cullen	:15	:40
Gateway Plaza	:25	:30
Telechron/Lakeland	:30	:20
Colima/Broadway	:45	:10
Whittwood Town Cente	r :55	:00

Route B (Ruta B)		ne (hora de salidas) Counter Clockwise
Whittwood Town Center	:45	:15
1st Av/Leffingwell	:50	:10
Santa Gertrudes/Mid Bloc	k :55	:05
Imperial Hwy/Valley View	:05	:55
Beaty/Carmenita	:10	:50
Gateway Plaza	:15	:45
California High School	:20	:40
Whittier Blvd/Colima	:25	:35
Whittwood Town Center	:30	:30



City Council Meeting

January 24, 2019

NEW BUSINESS

Renewal of Use Agreement for Athletic Fields and Facilities with Metropolitan Little League

RECOMMENDATION

That the City Council take the following actions:

- 1. Approve the Use Agreement for Athletic Fields and Facilities with Metropolitan Little League for the 2019 season.
- 2. Authorize the Mayor to execute and sign Use Agreement with Metropolitan Little League.

BACKGROUND

Community sports organizations play an important role in fostering youth's interest in athletics. They provide basic understanding of certain sports through practice and games entirely conducted by volunteers. For 56 years, the City of Santa Fe Springs has established a working relationship with Metropolitan Little League (Metro) to allow community youth the opportunity to be exposed to the great game of baseball. The City has provided space at its athletic fields and facilities for Metro to condition, practice, and play. Additionally, Metro uses Lake Center Athletic Park to store equipment, conduct baseball sign-ups, and vend concessions.

At its meeting of January 30, 2018, the City Council approved and entered into a one-year Use Agreement with Metro for use of the City's athletic fields and facilities. In the agreement, provisions were made to work with Metro to reduce field maintenance costs by having the organization's volunteers drag, water, and chalk the infields, put bases out, and maintain the cleanliness of the dugouts and surrounding field area. The Use Agreement terminated on November 30, 2018.

The Use Agreement for Athletic Fields & Facilities has been developed to formalize the partnership between the City of Santa Fe Springs and Metro. The agreement specifies the locations, dates, and times of use, establishes the expectations of Metro, outlines the responsibilities of both Metro and the City, and memorializes certain practices that both parties have informally adopted and are currently utilizing.

The following outlines the facilities and periods of use for Metro:

Facilities: Lake Center Athletic Park, Betty Wilson Center (concession area and library room; main room may be requested for use and may be used, if available), and Santa Fe Springs Athletic Fields.

Periods of use: Spring use from February through June, 2019 all-star and qualifier tournaments from July through August, 2019 and fall use from September through November, 2019. The agreement will commence on February 9, 2019 and terminate on November 30, 2019.

Date of Report: January 17, 2019

Key Provisions of the Use Agreement for Athletic Fields and Facilities

- Provide a master calendar of events, in writing, to the City's Parks & Recreation Services Division for the purposes of scheduling City facilities and staff.
- Provide a copy of the Certificate of Insurance of \$2 million of liability insurance and a copy of policy endorsement that verifies the City is named as an additional insured and indemnifies the City, its employees, and its agents.
- Obtain and provide proof of required health permits to operate and handle food from the concession stand/kitchen.
- Provision of non-profit status designation and annual financial statement.
- Roster of players that also identifies their city of residence (to determine how many City youth are participating).
- The Use Agreement may be terminated at any time by either side by giving at least thirty (30) days written notice of termination.
- Metro will have one-time use of a City facility for a fundraising event at no cost.
- With the City's prior approval, Metro will be able to host fundraiser tournaments. Metro will be responsible for City staffing fees, at a rate of \$30 per hour that will be covered by the money raised.
- Metro has requested Sunday use during the term of the use agreement, which is
 outside their scope of normal use. In those instances, a request by Metro must
 be made two weeks in advance to the Parks & Recreation Services Division to
 allow for staffing, subject to facility availability. Metro is responsible for the staffing
 fees at a rate of \$30 per hour.
- The Use Agreement, upon mutual consent of both the City and Metro, may be
 extended an additional year for the 2020 season; provided that sports organization
 operates the facility in conformance with all regulations and within the terms of the
 Use Agreement. The letter of intent to extend the agreement must be received by
 the City from Metro on or before November 1, 2019.

Metro will continue to play a vital role with regards to field maintenance. Metro will provide a dedicated corps of volunteers to drag the infield, chalk the field, and maintain the cleanliness of the dugouts at both Lake Center Athletic Park and Santa Fe Springs Athletic Fields. Public Works will meet with Metro on a weekly basis to ensure the fields are being properly maintained and to address any maintenance concerns during the term of the use agreement.

FISCAL IMPACT

In accordance to the most recent use agreement, Metro contributes \$2,000 to the City for use of fields and facilities. This contribution assists with offsetting some field maintenance, utility, and staffing costs. Below is the fiscal overview for Metro that takes into account staffing and field use costs.

Metro – Fiscal Overview	
February - June Weekday Practices at LCAP	\$4,446
February – June Games at LCAP	\$2,002
February – May Weekday Practices at SFS Athletic Fields	\$910
June - July All Star Practices	\$860
September - November Weekday Practices at LCAP (Fall Ball)	\$1,940
September - November Games at LCAP (Fall Ball)	\$1,250
Fundraiser at Social Hall	\$993
Field Rehab (Reseeding and Fertilizer)	\$2,870
Total Expenses	\$15,271
Metro's Contribution	(\$2,000)
Difference	\$13,271

As the table indicates, the City's in-kind contribution to Metro for the 2019 season will be \$13,271.00.

With Metro assuming the responsibility of maintaining the fields in 2019, it will reduce the City's in-kind contribution towards field maintenance significantly saving approximately \$60,000 in Public Works labor and non-labor costs.

LEGAL REVIEW

The City Attorney has reviewed the proposed Use Agreement for Athletic Fields and Facilities with Metropolitan Little League.

The Mayor may call upon Community Services Supervisor Wayne Bergeron, to answer questions the Council may have regarding the staff report.

Raymond R. Cruz City Manager

bringing for

<u>Attachment</u>

2019 Use Agreement for Athletic Fields & Facilities – Metropolitan Little League



COMMUNITY SERVICES DEPARTMENT PARKS & RECREATION SERVICES DIVISION

USE AGREEMENT FOR ATHLETIC FIELDS & FACILITIES

THIS AGREEMENT, made and entered into this ___ day of _____, 20___, by and between the City of Santa Fe Springs, a municipal corporation duly organized and existing under the laws of the State of California (hereinafter referred to as "AGENCY") and *Metropolitan Little League*, (hereinafter referred to as "ORGANIZATION").

RECITALS:

- A. It is AGENCY's desire to serve the public interest of the community by providing a program of organized youth sports; and
- B. The goal and purpose of ORGANIZATION is to provide a baseball program to the youth of the community;
- C. In consideration of the mutual covenants and conditions contained herein, the parties do hereby agree as follows:

1. TERM OF AGREEMENT

AGENCY grants ORGANIZATION the right to use *Santa Fe Springs Athletic Fields* located at 9720 Pioneer Boulevard, in Santa Fe Springs, including the two baseball diamonds and adjoining grass area; and *Lake Center Athletic Park* and *Betty Wilson Center* located at 11641 Florence Avenue, in Santa Fe Springs, including the use of the three baseball fields, the concession area (including snack bar & kitchen), the Betty Wilson Center library/meeting room, and equipment storage room located in the Betty Wilson Center (hereinafter "Subject Facilities"). AGENCY grants ORGANIZATION the right to use the *Lake Center Athletic Park* and *Betty Wilson Center* for a period of time and, when available subject to AGENCY approval, commencing February 9, 2019 and terminating on November 30, 2019 for the following activities and periods of time:

- Spring Baseball Season Practices and Games Beginning February 9th through June 30th.
- Baseball Tournament Season (including All Stars, Sectional, and Regional Playoffs) – Beginning July 1st through August 30th.
- Fall Baseball Season Practices and Games September 1st through November 30th.

Specifically, ORGANIZATION will utilize *Lake Center Athletic Park* and *Betty Wilson Center* for the Spring Baseball Season Monday through Friday from 5:00 p.m. – 10:00 p.m. and Saturdays 9:00 a.m. – 5:00 p.m. for practices and games beginning February 9th until June 30th; *Santa Fe Springs Athletic Fields* for the Spring Baseball Season Monday through Friday from 5:00 p.m. – 9:00 p.m. for practices from and for games to be held on five Saturdays between February 9th and May 31st, times to be determined; for the Baseball Tournament Season which encompasses All Stars, Sectional, and Regional Playoffs, *Lake Center Athletic Park* would be used Monday through Friday from 5:00 p.m. – 9:30 p.m. and Saturdays from 8:00 a.m. – 3:00 p.m. for practices and games from the beginning of July and ending in August; and for the Fall Baseball Season Monday through Friday from 5:30 p.m. – 9:00 p.m. and Saturdays from 9:00 a.m. – 1:00 p.m. for practices and games from the beginning of September until the end of November.

Additionally, ORGANIZATION may upon request to AGENCY and subject to availability and AGENCY approval use the Betty Wilson Center main room for meetings, depending on availability.

The ORGANIZATION may utilize *Lake Center Athletic Park* as a host site for baseball tournaments for the purpose of fundraising. Prior to hosting any fundraising tournaments, ORGANIZATION must obtain prior approval from AGENCY. ORGANIZATION is responsible for staffing and other costs, however all proceeds raised through hosting tournaments would be retained by ORGANIZATION.

Further, AGENCY will grant to ORGANIZATION one-time use of an AGENCY facility, upon availability and at no cost, for its annual fundraising event.

ORGANIZATION may request to utilize Lake Center Athletic Park on Sundays for the purpose of practices, games, and tournaments subject to availability and prior written approval by AGENCY. ORGANIZATION is responsible for submitting their Sunday use request at least two weeks in advance of the use and is responsible for paying the cost of staffing by AGENCY at a rate of \$30 per hour.

This AGREEMENT shall remain in effect through November 30, 2019, unless terminated earlier at any time by either party giving to the other party at least thirty (30) days written notice of termination. This AGREEMENT, upon the mutual consent of the AGENCY and ORGANIZATION, may be extended an additional year through 2020; provided that ORGANIZATION utilizes the Subject Facilities in conformance to the AGREEMENT and regulations applicable thereto and a written letter of intent is provided to the AGENCY by November 1, 2019.

2. <u>USE OF FACILITIES</u>

ORGANIZATION's right to use the Subject Facilities will begin on the above stated date and upon submission of the following to AGENCY:

- A. Facility Rental Application(s)
- B. Payment in the amount of \$2,000 for per season (amount does not include field usage outside of the approved dates and times)

- C. 501(c)(3) designation from the I.R.S. or a nonprofit designation from the California Franchise Tax Board and/or the California Secretary of State.
- D. Complete list of names, addresses, and telephone numbers of the current Board of Directors or other responsible persons of ORGANIZATION.
- E. Name and contact information of ORGANIZATION's liaison or designee who will work directly with designated City staff. All correspondence will be made through liaison. Requests made by any other member of the organization will not be honored until confirmation has been received by liaison or designee.
- F. Master calendar of events to include:
 - Practice dates & times
 - Meetings dates & times
- G. One copy of the Certificate of Insurance (\$2 million liability) listing AGENCY as an additional insured and a copy of the policy endorsement including verbiage verifying AGENCY is named as an additional insured.
- H. Annual financial statement from the prior season. (AGENCY may request additional documents in support of the financial statement.)
- I. A roster identifying each player and their city of residence.

The above requested documents must be submitted at least two weeks prior to use. If the documents are not submitted, AGENCY may withhold use of the Subject Facilities.

3. RESPONSIBILITY FOR ACTIVITIES

ORGANIZATION shall provide the personnel necessary to supervise and conduct the activities as set forth in this AGREEMENT at the Subject Facilities, and shall furnish and supply any and all equipment and material, which may be necessary for such activities conducted at the Subject Facilities. Athletic Field Lining and Marking must be done with prior written approval of AGENCY. Any user failing to comply with established guidelines and notification is subject to invoicing for all damages occurring to fields and termination of this AGREEMENT.

4. ORGANIZATION'S RESPONSIBILITIES

- A. ORGANIZATION agrees to observe all rules and regulations as set forth in this AGREEMENT and any rules and regulations of the Subject Facilities.
- B. ORGANIZATION will be responsible for daily field maintenance, which includes, but is not limited to, dragging and chalking of the infield and cleaning of dugouts and all costs related to the purchase of required supplies related to field maintenance.
- C. ORGANIZATION representatives will meet with AGENCY staff on a weekly basis to conduct field inspections and to address any facility concerns.
- D. Modifications to Park Fields and Facilities: The removal, alteration, painting or addition to any facility or grounds, must be approved by AGENCY. This will include any proposed changes altering design or appearance of the

existing landscape of demised premises. No trees, shrubs, or ground covers shall be planted, trimmed or removed without written consent from AGENCY. Any requests to modify or improve park fields and facilities shall be submitted for approval to the Parks & Recreation Services Division, at least sixty (60) days prior to the date of any proposed changes.

- E. ORGANIZATION agrees to erect no fences or advertising matter of any kind on AGENCY grounds without prior approval by the Parks & Recreation Services Division. Banners/advertising may only be displayed during the season; however, banners displaying registration information, may be posted prior to the beginning of the season.
- F. Closure of Fields Fields may be scheduled for closure and rehabilitation to allow for recovery due to heavy usage. The dates and times of closure shall be determined by both the Community Services & Public Works Departments.
- G. There will be no use of AGENCY athletic fields when facilities are unplayable due to rain or other conditions. Any user failing to comply with a decision to postpone use is subject to invoicing for all damages occurring to the field and termination of this AGREEMENT and the ability to use the Subject Facilities. AGENCY (Public Works staff) will determine whether fields can be used after inclement weather.
- H. Any damages to the Subject Facilities or appurtenant AGENCY facilities caused by ORGANIZATION or its use of the Subject Facilities, will be ORGANIZATION's responsibility to replace or repair. In the event ORGANIZATION fails or refuses to replace or repair damage, AGENCY may cause such replacement and/or repair to be undertaken and ORGANIZATION agrees to reimburse AGENCY for the costs incurred to do so.
- AGENCY will not provide keys and/or alarms to ORGANIZATION.
 AGENCY will assign City staff during season hours, as set forth in Item 1 of
 this who will supervise facilities and grant facility access to
 ORGANIZATION.
- J. ORGANIZATION must obtain and provide proof of required health permits to operate and handle food from concession stand/kitchen.
- K. ORGANIZATION is responsible for controlling their players and parents while using the Subject Facilities.
- L. No power vehicles/equipment other than City operated are permitted on the fields without permission of AGENCY.

M. Any violation of this AGREEMENT by ORGANIZATION and/or any league run by ORGANIZATION using the Subject Facilities, shall lose their privilege and use of the Subject Facilities.

5. LEGAL RESPONSIBILITIES

ORGANIZATION shall keep itself informed of City, State and Federal Laws, ordinances and regulations, which in any manner affect the performance of its activities pursuant to this AGREEMENT. ORGANIZATION shall at all times observe and comply with all such laws, ordinances and regulations. Neither AGENCY, nor its officers, volunteers, attorneys, agents, or employees shall be liable at law or in equity as a result of ORGANIZATION's failure to comply with this section.

6. <u>USE OF PREMISES</u>

The Subject Facilities shall be used only for those athletic events as set forth in paragraph 2 above. ORGANIZATION shall not permit the Subject Facilities or any part thereof to be used for:

- A. The conduct of any offensive, noisy, or dangerous activity.
- B. The creation or maintenance of a public nuisance.
- C. Anything which fails to comply with public regulations or rules of any public authority at any time, applicable to the Subject Facility; or
- D. Any purpose or in any manner which will obstruct, interfere with, or infringe upon the rights of the residents of adjoining properties.

Under no circumstance may the ORGANIZATION sub-lease field usage to outside travel teams or host division games outside approved calendar of events without AGENCY approval.

7. EXCLUSIVE RIGHT

This AGREEMENT does not give the ORGANIZATION any right to the exclusive use of the Subject Facilities, restrooms, or any other public facility. ORGANIZATION agrees that the rights herein granted **shall not** be assigned to or transferable to any persons, teams or leagues.

8. MAINTENANCE

- A. ORGANIZATION shall be responsible for all damages or injury to property or equipment caused by ORGANIZATION, its agents, employees, volunteers, participants and/or any other individual at the Subject Facilities during ORGANIZATION's use of the Subject Facilities.
- B. All maintenance such as field preparation to include lining of the fields, marking of the fields and setup of temporary equipment will be performed by ORGANIZATION.

- C. ORGANIZATION is responsible for the facility being free of trash and/or debris caused by group usage upon conclusion of each day's use.
- D. ORGANIZATION is responsible for the daily maintenance of the storage area, office, and concession area (including snack bar & kitchen).
- E. ORGANIZATION is required to report any damage to persons or property or acts of vandalism to AGENCY immediately.
- F. ORGANIZATION is required to leave the concession area (including snack bar & kitchen) neat and clean upon the conclusion of the season in preparation for turnover to any other sports organization or AGENCY.

9. INSPECTION

- A. ORGANIZATION and AGENCY shall conduct a joint safety walk to inspect the Subject Facilities prior to each use by ORGANIZATION to ensure that it is free from any defects and/or hazards that may pose a danger to participants, spectators and/or any other person who is at the Subject Facilities as part of ORGANIZATION's use of the Subject Facilities. ORGANIZATION shall immediately notify AGENCY of any defect or hazard identified so that AGENCY has sufficient time to warn of the defect or hazard and/or remediate the defect or hazard prior to ORGANIZATION's use of the Subject Facilities. ORGANIZATION's agrees that should it fail to conduct any such inspection and/or fail to timely notify AGENCY of any defect or hazard identified, ORGANIZATION shall be solely responsible for any damage or injury, whether to persons or property, arising from the defect or hazard.
- B. AGENCY shall have the right to enter the Subject Facilities utilized hereunder as needed. However, AGENCY's exercise of the right to enter shall not create any duty on the party of AGENCY to inspect the Subject Facilities for defects or hazards under section A herein.

10. IMPROVEMENTS

The removal, alteration, or addition to any facility or grounds must be approved and performed by AGENCY. This shall include any proposed changes that would alter the design or appearance of the existing landscape of the Subject Facilities. No trees, shrub, or ground covers shall be planted, trimmed or removed without written consent from AGENCY.

Furthermore, all requests for removal, alternation, or addition to any facility or grounds must be submitted to AGENCY for consideration and review at least (10) days prior to the date any proposed change(s) is needed.

Assistance by ORGANIZATION, its agents, employees, or its participants with any such removal, alteration, addition, or painting shall be solely at the discretion and with prior written consent of AGENCY.

Nothing in this section shall be interpreted as prohibiting the normal maintenance of the facility by ORGANIZATION as specified in section 8.

11. <u>TITLE TO IMPROVEMENTS</u>

All alterations and additions to the Subject Facilities or surrounding grounds shall become the property of AGENCY. Nothing contained in this paragraph shall authorize ORGANIZATION to make or place any alterations, changes or improvements on the Subject Facilities without the prior written consent of AGENCY.

12. SIGNS

No signs shall be raised on the Subject Facilities described herein unless written approval is obtained from AGENCY. Such a request for approval shall be directed to the Parks & Recreation Services Division Manager. No sponsor advertising sign shall be installed on buildings or grounds without the prior written consent of AGENCY.

13. TERMINATION OF THIS AGREEMENT

Notwithstanding the TERM, ORGANIZATION or AGENCY may, at any time, terminate this AGREEMENT by serving on the other party such written termination at least thirty (30) days in advance of such termination.

14. NOTICE

All notices respecting this AGREEMENT shall be served by certified mail, postage prepaid, addressed as follows:

To AGENCY:

City of Santa Fe Springs

Community Services Department

Attention: Director of Community Services

9255 S. Pioneer Boulevard Santa Fe Springs, CA 90670

To ORGANIZATION:

Metropolitan Little League

Attention: President

P.O. Box 3241

Santa Fe Springs, CA 90670

Notice shall be deemed to have been served seventy-two (72) hours after the same has been deposited in the United States Postal Service.

15. <u>ATTORNEYS FEES</u>

Should any litigation or other legal action be commenced between the parties hereto to interpret or enforce the provisions of this AGREEMENT, in addition to any other relief to

which the party may be entitled in law or equity, the prevailing party in such litigation or legal action shall be entitled to recover costs of suit and reasonable attorney's fees.

16. GOVERNING LAW

This AGREEMENT will be governed by and constructed in accordance with the laws of the State of California.

17. ASSIGNMENT

Neither this AGREEMENT nor any duties, rights or obligations under this AGREEMENT may be assigned by ORGANIZATION, either voluntarily or by operation of law without the express written consent of AGENCY.

18. INSURANCE

ORGANIZATION shall maintain insurance in conformance with the requirements set forth below. ORGANIZATION will use existing coverage to comply with these requirements. If that existing coverage does not meet the requirements set forth herein, ORGANIZATION agrees to amend, supplement or endorse the existing coverage to do so.

ORGANIZATION acknowledges that the insurance coverage and policy limits set forth in this section constitute the minimum amount of coverage required (\$2 million). Any insurance proceeds available to ORGANIZATION in excess of the limits and coverage identified in this AGREEMENT and which is applicable to a given loss, claim or demand, will be equally available to AGENCY.

ORGANIZATION shall provide the following types and amounts of insurance:

A. <u>Commercial General Liability Insurance</u>: ORGANIZATION shall maintain commercial general liability insurance including coverage for premises, products and completed operations, independent contractors/vendors, personal injury and contractual obligations. The limits of ORGANIZATION's insurance shall apply to this Agreement as if set forth herein, but in no event shall provide combined single limits of coverage of not less than \$2,000,000 per occurrence, \$4,000,000 general aggregate. There shall be no cross liability exclusion for claims or suits by one insured against another.

ORGANIZATION and AGENCY agree to the following with respect to insurance provided by ORGANIZATION:

Insurance procured pursuant to these requirements shall be written by insurers that are admitted carriers in the state of California and with an A.M. Best's rating of A- or better and a minimum financial size VII.

 ORGANIZATION agrees to have its insurer endorse the third party general liability coverage required herein to include as additional insured AGENCY, its officials, employees and agents, using standard ISO endorsement No. CG 2010 with an edition

- prior to 1992 or similarly worded endorsement. ORGANIZATION also agrees to require all contractors, and subcontractors to do likewise.
- 2. No liability insurance coverage provided to comply with this AGREEMENT shall prohibit ORGANIZATION, or ORGANIZATION's employees, or agents, from waiving the right of subrogation prior to a loss. ORGANIZATION agrees to waive subrogation rights against AGENCY regardless of the applicability of any insurance proceeds, and to require all contractors and subcontractors to do likewise.
- 3. All insurance coverage and limits provided by Contractor and available or applicable to this AGREEMENT are intended to apply to the full extent of the policies. Nothing contained in this AGREEMENT or any other agreement relating to AGENCY or its operations limits the application of such insurance coverage.
- 4. None of the coverage required herein will be in compliance with these requirements if they include any limiting endorsement of any kind that has not been first submitted to AGENCY and approved of in writing.
- 5. No liability policy shall contain any provision or definition that would serve to eliminate so-called "third party action over" claims, including any exclusion for bodily injury to an employee of the insured or of any contractor or subcontractor.
- 6. All coverage types and limits required are subject to approval, modification and additional requirements by AGENCY, as the need arises. ORGANIZATION shall not make any reductions in scope of coverage (e.g. elimination of contractual liability or reduction of discovery period) that may affect AGENCY's protection without AGENCY's prior written consent.
- 7. Proof of compliance with these insurance requirements, consisting of certificates of insurance evidencing all of the coverage required and an additional insured endorsement to ORGANIZATION's general liability policy, shall be delivered to AGENCY at or prior to the execution of this AGREEMENT. In the event such proof of any insurance is not delivered as required, or in the event such insurance is canceled at any time and no replacement coverage is provided, AGENCY has the right, but not the duty, to obtain any insurance it deems necessary to protect its interests under this or any other agreement and to pay the premium. Any premium so paid by AGENCY shall be charged to and promptly paid by ORGANIZATION or deducted from sums due ORGANIZATION, at AGENCY option.
- 8. Certificate(s) are to reflect that the insurer will provide 30 days' notice to AGENCY of any cancellation of coverage. ORGANIZATION agrees to require its insurer to modify such certificates to delete any exculpatory wording stating that failure of the insurer to mail written notice of cancellation imposes no obligation, or that any party will "attempt" (as opposed to being required) to comply with the requirements of the certificate.
- It is acknowledged by the parties of this AGREEMENT that all insurance coverage required to be provided by ORGANIZATION or any subcontractor, is intended to apply first and on a primary, non-contributing basis in relation to any other insurance or self-

- insurance available to AGENCY. ORGANIZATION shall ensure that each policy of insurance required herein reflects this AGREEMENT and is written into each policy.
- 10. ORGANIZATION agrees to ensure that its sub consultants, subcontractors, and any other party involved with the project who is brought onto or involved in the project by ORGANIZATION, provide the same minimum insurance coverage required of ORGANIZATION. ORGANIZATION agrees to monitor and review all such coverage and assumes all responsibility for ensuring that such coverage is provided in conformity with the requirements of this section.
- 11. ORGANIZATION agrees not to self-insure or to use any self-insured retentions or deductibles on any portion of the insurance required herein. If ORGANIZATION's existing coverage includes a deductible or self-insured retention, the deductible or self-insured retention must be declared to AGENCY. At that time AGENCY shall review options with ORGANIZATION, which may include reduction or elimination of the deductible or self-insured retention, substitution of other coverage, or other solutions. To the extent AGENCY agrees to any deductible or self-insured retention under any policy required under this AGREEMENT to which AGENCY is named as an additional insured, ORGANIZATION shall be required to modify the policy to permit AGENCY to satisfy the deductible or self-insured retention in the event ORGANIZATION is unable or unwilling to do so as a means to ensure AGENCY can avail itself to the coverage provided under each policy.
- 12. AGENCY reserves the right at any time during the term of the contract to change the amounts and types of insurance required by giving ORGANIZATION ninety (90) days advance written notice of such change. If such change results in substantial additional cost to ORGANIZATION, AGENCY will negotiate additional compensation proportional to the increased benefit to AGENCY.
- 13. For purposes of applying insurance coverage only, this AGREEMENT will be deemed to have been executed immediately upon any party hereto taking any steps that can be deemed to be in furtherance of or towards performance of this AGREEMENT.
- 14. ORGANIZATION acknowledges and agrees that any actual or alleged failure on the part of AGENCY to inform ORGANIZATION of non-compliance with any insurance requirement in no way imposes any additional obligations on AGENCY nor does it waive any rights hereunder in this or any other regard.
- 15. ORGANIZATION will renew the required coverage annually as long as AGENCY, or its employees or agents face an exposure from operations of any type pursuant to this AGREEMENT. This obligation applies whether or not the AGREEMENT is canceled or terminated for any reason. Termination of this obligation is not effective until AGENCY executes a written statement to that effect.
- 16. ORGANIZATION shall provide proof that policies of insurance required herein expiring during the term of this AGREEMENT have been renewed or replaced with other policies providing at least the same coverage and upon the same terms and conditions herein. Proof that such coverage has been ordered shall be submitted prior to expiration. A coverage binder or letter from ORGANIZATION's insurance agent to this

- effect is acceptable. A certificate of insurance and/or additional insured endorsement as required in these specifications applicable to the renewing or new coverage must be provided to AGENCY within five days of the expiration of the coverage.
- 17. Requirements of specific coverage features or limits contained in this section are not intended as limitations on coverage, limits or other requirements, or as a waiver of any coverage normally provided by any given policy. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue, and is not intended by any party or insured to be limiting or all-inclusive.
- 18. These insurance requirements are intended to be separate and distinct from any other provision in this AGREEMENT and are intended by the parties here to be interpreted as such.
- 19. The requirements in this Section supersede all other sections and provisions of this AGREEMENT to the extent that any other section or provision conflicts with or impairs the provisions of this Section.
- 20. ORGANIZATION agrees to be responsible for ensuring that no contract used by any party involved in any way with the project reserves the right to charge AGENCY or ORGANIZATION for the cost of additional insurance coverage required by this AGREEMENT. Any such provisions are to be deleted with reference to AGENCY. It is not the intent of AGENCY to reimburse any third party for the cost of complying with these requirements. There shall be no recourse against AGENCY for payment of premiums or other amounts with respect thereto.

ORGANIZATION agrees to provide immediate notice to AGENCY of any claim or loss against ORGANIZATION arising out of the work performed under this AGREEMENT. AGENCY assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve AGENCY.

19. INDEMNIFICATION

ORGANIZATION shall indemnify, defend, and hold harmless AGENCY, its City Council, each member thereof, present and future, members of boards and commissions, its officers, agents, employees and volunteers from and against any and all liability, claims, allegations, expenses, including defense costs and legal fees, and claims for damages whatsoever, including, but not limited to, those arising from breach of contract, bodily injury, economic loss, death, personal injury, property damage, loss of use, or property loss however the same may be caused and regardless of the responsibility for negligence. ORGANIZATION's obligation to indemnify, defend and hold harmless includes, but is not limited to, any liability or expense, including defense costs and legal fees, arising from the negligent acts or omissions, or willful misconduct of ORGANIZATION, its officers, employees, agents, participants, representative or vendors. It is further agreed, ORGANIZATION's obligations to indemnify, defend and hold harmless will apply even in the event of concurrent active or passive negligence on the part of AGENCY, its City Council, each member thereof, present and future, or its officers, agents and employees, except for liability resulting from the sole negligence or willful misconduct of AGENCY, its

officers, employees or agents relating to ORGANIZATION's use of the Subject Facility under this AGREEMENT. In the event AGENCY, its officers, employees, agents and/or volunteers are made a party to any action, lawsuit, or other adversarial proceeding arising from the performance of the services encompassed by this AGREEMENT, and upon demand by AGENCY, ORGANIZATION shall have an immediate duty to defend AGENCY at ORGANIZATION's cost or at AGENCY's option, to reimburse AGENCY for its costs of defense, including reasonable attorney's fees and costs incurred in the defense of such matters.

20. INDEPENDENT CONTRACTOR

Volunteer administrators, volunteer coaches, parents, contractors, employees and/or officers and directors of ORGANIZATION shall not be deemed to be employees or agents of AGENCY as a result of the performance of this AGREEMENT.

21. ENTIRE AGREEMENT OF THE PARTIES

This AGREEMENT supersedes any and all agreements, either oral or written, between the parties hereto with respect to the use of the Subject Facility by ORGANIZATION and contains all of the covenants and conditions between the parties with respect to the use of the Subject Facility. Each party to this AGREEMENT acknowledges that no representations, inducements, promises or agreement, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement, or promise not contained in this AGREEMENT has been made by the parties. Modification of this AGREEMENT can only be made in writing, signed by both parties to this AGREEMENT.

(SIGNATURES FOR THIS AGREEMENT APPEAR ON THE NEXT PAGE.)

ORGANIZATION: Metropolitan Little Leag	gue
By: (Signature)	
(Print Name)	
(Title)	
CITY OF SANTA FE SPRINGS A Municipal Corporation	
Juanita Trujillo Mayor	
ATTEST:	
Janet Martinez, CMC City Clerk	
APPROVED AS TO FORM:	
Yolanda M. Summerhill City Attorney	

City Council Meeting

January 24, 2019

NEW BUSINESS

Approval of Agreement with Hinderliter, de Llamas & Associates for Sales, Use and Transactions Tax Audit and Information Services

RECOMMENDATION(S)

That the City Council take the following actions:

- Authorize the Mayor to execute an agreement with Hinderliter, deLlamas & Associates for sales, use and transactions tax audit and information services.
- Adopt Resolution No. 9620 authorizing the examination of sales, use and transactions tax records.

BACKGROUND

The City contracts for revenue protection and auditing services related to sales, use and transactions tax ("Sales Tax"), the General Fund's largest revenue source. This service is a vital revenue protection tool and is the primary mechanism to ensure the City receives its full share of sales tax. These services will take on an even greater importance with the passage and implementation of Measure Y, a transactions and use tax which adds a 1% tax for transactions conducted within the City. Additionally, the information services provide the basis for revenue budgeting and forecasting, assists with community and economic development as well as infrastructure planning and Business Occupancy Tax compliance.

Hinderliter, de Llamas & Associates ("HdL") provides sales tax auditing and information services to approximately 500 local government agencies. Founded in 1983, HdL has recovered more than \$2 billion in revenue for their clients. The services contemplated in the proposed agreement consist of two parts: (1) audit and (2) information services.

HdL's audit services consist of maintaining databases and reviewing California Department of Tax and Fee Administration ("CDTFA") records to identify and recover allocation and other errors, by either the CDTFA or business which collect the tax. Information services consist of quarterly analysis and City staff support to aid in budgeting and forecasting, as well as identifying trends, voids, and opportunities designed to maximize the City's revenue.

The City is currently contracted with Avenu (formerly known as MuniServices LLC) for these services. HdL and Avenu are the only two firms that provide comprehensive sales tax audit and information services within California. The City has contracted with Avenu since 1987. Based on market changes, the implementation of Measure Y, and feedback received from finance officials from other agencies, Staff is recommending a change in service provider at this time.

Report Submitted By: Travis Hickey Date of Report: January 18, 2019

Finance and Administrative Services

The cost of services between the two firms are approximately equal. Both firms provide audit services on a contingency basis. Avenu receives 20% of recovered revenue for the misallocated period plus the following 6 quarters while HdL would receive 15% for the misallocated period plus the following 8 quarters. Both methods yield the same cost to the City.

The cost of information related services is \$1,889 per quarter for Avenu (not updated for the implementation of Measure Y). The cost proposed by HdL is \$2,550 per quarter, including the Measure Y. Ultimately, the fees are essentially the same and the real benefit of one firm over another will be from the ability to identify and recover misallocated revenue and in the quality of the quarterly analysis and support provided to the City. Staff believes that HdL will be able to provide the highest level of service to the City going forward.

HdL's background and services are more fully described in the attached proposal. The proposal also includes information on their economic development services. Discussions with HdL regarding these services are ongoing and may be brought to the City Council for approval at a future meeting. The recommended action in this item will not result in engaging HdL for economic development services at this time.

Resolution No. 9620 authorizes certain City staff to examine confidential tax records maintained by CDTFA related to the collection of sales taxes. City staff may also use these records for the purposes of budget planning, community and economic development, transportation & infrastructure planning, and Business Occupancy Tax compliance. The City staff positions authorized to examine tax records includes:

- City Manger
- Director of Finance and Administrative Services
- Director of Planning
- Senior Planner
- Finance Manager
- Accounting Manager

In addition, the City Manager is authorized to change the designated positions by notifying the CDTFA of such changes in writing. Lastly, the Resolution authorizes HdL to also receive confidential tax records related to the sales tax.

FISCAL IMPACT

The City's budget currently includes an appropriation for sales tax audit and information services. As noted previously, the ultimate cost of the service will be dependent upon the amount of revenue recovered by the firm.

Report Submitted By: Travis Hickey Date of Report: January 18, 2019

Finance and Administrative Services

LEGAL REVIEW

The City Attorney's office has reviewed the agreement with HdL.

Raymond R. Cruz City Manager

Attachments:

- 1. Agreement for Sales Tax Audit and Information Reporting Services
- 2. HdL proposal
- 3. Resolution 9620 authorizing examination of sales tax records

AGREEMENT FOR SALES, USE AND TRANSACTIONS TAX AUDIT AND INFORMATION SERVICES

This Agreement is made and entered into as of the _____ day of _______, 2019 (the "Effective Date") by and between the CITY OF SANTA FE SPRINGS, a municipal corporation hereinafter called ("CITY"), and HINDERLITER, de LLAMAS AND ASSOCIATES, a California Corporation, hereinafter called ("CONTRACTOR").

I. RECITALS

WHEREAS, sales, use and transactions tax (sometimes collectively referred to herein as "sales and use tax") revenues can be increased through a system of continuous monitoring, identification and correction of allocation errors, and

WHEREAS, an effective program of sales and use tax management will improve identification of economic opportunities; provide for more accurate sales and use tax forecasting; and assist in related revenue collections; and

WHEREAS, CITY desires the combination of data entry, report preparation and analysis necessary to effectively manage its sales and use tax base; the recovery of revenues erroneously allocated to other jurisdictions and allocation pools; and to maximize its financial and economic planning; and

WHEREAS, CONTRACTOR has the programs, equipment and personnel required to deliver the sales and use tax related services referenced herein;

THEREFORE, CITY and CONTRACTOR, for the consideration hereinafter described, mutually agree as follows:

II. SERVICES

The CONTRACTOR shall perform the following services (collectively, the "Services"):

A. SALES TAX AND ECONOMIC ANALYSIS SERVICES

- 1. CONTRACTOR shall establish a special database that identifies the name, address and quarterly allocations of all sales tax producers within the CITY for the most current and all quarters back to fiscal year 1991-1992 or earlier, if the CITY has prior historical sales tax data available on computer readable magnetic media. This database will be utilized to generate special reports to the CITY on: major sales tax producers by rank and category, sales tax activity by categories, or business districts, identification of reporting aberrations, and per capita and outlet comparisons with regional and statewide sales.
- 2. CONTRACTOR shall provide updated reports following each calendar quarter identifying changes in sales by individual businesses, business groups and categories and by geographic area. These reports may include, without limitation, quarterly aberrations due to State audits, fund transfers, and receivables along with late or double payments, and quarterly reconciliation worksheets to assist with budget forecasting. CONTRACTOR shall meet quarterly with CITY.
- 3. CONTRACTOR shall additionally provide following each calendar quarter a summary analysis for the CITY to share with Council Members Chambers of Commerce, other economic development interest groups and the public that analyze CITY'S sales tax trends by major groups, and geographic areas without disclosing confidential information.
- 4. CONTRACTOR shall make available to CITY staff CONTRACTOR's web-based sales tax computer software program containing sellers permit and quarterly allocation information for all in-city business outlets registered with the Department of Tax and Fee Administration and updated quarterly. This software shall allow CITY staff to search businesses by street address, account number, business name, business type and keyword, arrange data by geographic area, and print out a variety of reports.

B. ALLOCATION AUDIT AND RECOVERY SERVICES

- 1. CONTRACTOR shall conduct initial and on-going sales, use and transactions tax audits to identify and correct distribution and allocation errors, and to proactively affect favorable registration, reporting or formula changes thereby generating previously unrealized sales, use and transactions tax income for the CITY and/or recovering misallocated tax from previously properly registered taxpayers. Common errors that will be monitored and corrected include, but are not limited to: transposition errors resulting in misallocations; erroneous consolidation of multiple outlets; formula errors, misreporting of "point of sale" to the wrong location; delays in reporting new outlets; misallocating use tax payments to the allocation pools or wrong jurisdiction; and erroneous fund transfers and adjustments.
- 2. CONTRACTOR shall initiate contacts with state agencies, and sales management and accounting officials in companies that have businesses where a probability of error exists to verify whether current tax receipts accurately reflect the local sales activity. Such contacts will be conducted in a professional and courteous manner.
- 3. CONTRACTOR shall (i) prepare and submit to the Department of Tax and Fee Administration information for the purpose of correcting allocation errors that are identified and (ii) follow-up with individual businesses and the California Department of Tax and Fee Administration to promote recovery by the CITY of back or prospective quarterly payments that may be owing.
- 4. If during the course of its audit, CONTRACTOR finds businesses located in the CITY that are properly reporting sales and use tax but have the potential for modifying their operation to provide an even greater share to the CITY, CONTRACTOR may so advise CITY and work with those businesses and the CITY to encourage such changes.

C. DEFICIENCY/ALLOCATION REVIEWS AND RECOVERY

- 1. CONTRACTOR shall conduct on-going reviews to identify and correct unreported transactions and tax payments and distribution errors thereby generating previously unrealized revenue for the CITY. Said reviews shall include:
 - (i) Comparison of county-wide local tax allocations to transactions tax for brick and mortar stores and other cash register-based businesses, where clearly all

- transactions are conducted on-site within the CITY boundaries, and therefore subject to transactions tax.
- (ii) Review of any significant one-time use tax allocations to ensure there is corresponding transaction tax payments for taxpayers with nexus within the CITY boundaries.
- (iii) Review of state-wide transactions tax allocations and patterns to identify any obvious errors and omissions.
- (iv) Identification and follow-up with any potentially large purchasers of supplies and equipment (e.g. hospitals, universities, manufacturing plants, agricultural operations, refineries) to ensure that their major vendors are properly reporting corresponding transactions tax payments to the Measure "Y" Transactions Tax District.
- 2. CONTRACTOR will initiate, where the probability of an error exists, contacts with the appropriate taxpayer management and accounting officials to verify whether current tax receipts accurately reflect the local sales activity. Such contacts will be conducted in a professional and courteous manner so as to enhance CITY's relations with the business community.
- 3. CONTRACTOR shall prepare and submit to the Department of Tax and Fee Administration all information necessary to correct any allocation errors and deficiencies that are identified, and shall follow-up with the individual businesses and the California Department of Tax and Fee Administration to ensure that all back quarter payments due the CITY are recovered.

D. DATA BASE MANAGEMENT, REPORTS AND STAFF SUPPORT

- 1. CONTRACTOR shall establish a database containing all applicable Department of Tax and Fee Administration (CDTFA) registration data for each business within the Measure "Y" District boundaries holding a seller's permit account. Said database shall also identify the quarterly transactions and use tax allocations under each account for the most current and previous quarters where available.
- CONTRACTOR shall provide updated reports each quarter identifying changes in allocation totals by individual businesses, business groups and by categories.
 Quarterly aberrations due to State audits, fund transfers, and receivables, along with

late or double payments, will also be identified. Quarterly reconciliation worksheets to assist finance officer with budget forecasting will be included.

- CONTRACTOR shall advise and work with CITY Staff on planning and economic
 questions related to maximizing revenues, preparation of revenue projections and
 general information on sales, transactions and use tax questions.
- 4. CONTRACTOR shall make available to CITY the HdL proprietary software program and Measure "Y" database containing all applicable registration and quarterly allocation information for CITY business outlets registered with the Department of Tax and Fee Administration. The database will be updated quarterly.

E. CONSULTING AND OTHER OPTIONAL SERVICES

CONTRACTOR may, from time to time in its sole discretion, consult with CITY staff, including without limitation, regarding (i) technical questions and other issues related to sales, use and transactions tax; (ii) utilization of reports to enhance business license collection efforts; and (iii) sales tax projections for proposed annexations, economic development projects and budget planning. In addition to the foregoing optional consulting services, CONTRACTOR may, from time to time in its sole discretion, perform other optional Services, including without limitation, negotiating/review of tax sharing agreements, establishing purchasing corporations, and meeting with taxpayers to encourage self-assessment of use tax.

III. CONSIDERATION

A. CONTRACTOR shall provide the sales tax and economic analysis Services described in Section II-A above for a fee of \$750 per month, commencing with the month of the Effective Date (hereafter referred to as "monthly fee"). The monthly fee shall be invoiced quarterly in arrears, and shall be paid by CITY no later than 30 days after the invoice date. The monthly fee shall increase annually following the month of the Effective Date by the percentage increase in the "CPI" for the preceding twelve-month period. In no event shall the monthly fee be reduced by this calculation. For purposes of this Agreement, the "CPI" shall mean the Consumer Price Index - All Urban Consumers for the surrounding statistical metropolitan area nearest CITY, All Items (1982-84 = 100), as published by the U.S. Department of Labor, Bureau of Labor Statistics, or, if such index should cease to be published, any reasonably comparable index selected by CONTRACTOR.

- B. CONTRACTOR shall be further paid 15% of all new and recovered sales, use and transactions tax revenue received by the CITY as a result, in whole or in part, of the allocation audit and recovery services described in Section II-B above (hereafter referred to as "audit fee"), including without limitation, any reimbursement or other payment from any state fund and any point of sale misallocations.
 - 1. The audit fee shall be paid even if CITY assists, works in parallel with, and/or incurs attorneys' fees or other costs or expenses in connection with any of the relevant Services. Among other things, the audit fee applies to state fund transfers received for back quarter reallocations and monies received in the first eight consecutive reporting quarters following completion of the allocation audit by CONTRACTOR and confirmation of corrections by the California Department of Tax and Fee Administration. CITY shall pay audit fees upon CONTRACTOR'S submittal of evidence of CONTRACTOR'S work in support of recovery of subject revenue, including, without limitation, copies of CDTFA 549-S petition forms of any other correspondence between CONTRACTOR and the Department of Tax and Fee Administration or the taxpayer.
 - 2. For any increase in the tax reported by businesses already properly making tax payments to CITY, it shall be CONTRACTOR's responsibility to support in its invoices the audit fee attributable, in whole or in part, to CONTRACTOR's Services.
- CONTRACTOR shall be paid \$100 monthly billed quarterly for the transaction district C. tax reports that we include with the quarterly sales tax analyses. CONTRACTOR shall be paid 25% of the initial amount of new transactions or use tax revenue received by the CITY as a result of audit and recovery work performed by CONTRACTOR (hereafter referred to as "audit fees"). New revenue shall not include any amounts determined and verified by CITY or CONTRACTOR to be increment attributable to causes other than CONTRACTOR'S work pursuant to this agreement. In the event that CONTRACTOR is responsible for an increase in the tax reported by businesses already properly making tax payments to the CITY, it shall be CONTRACTOR'S responsibility to separate and support the incremental amount attributable to its efforts prior to the application of the audit fee. Said audit fees will apply to state fund transfers received for those specific quarters identified as being missing and/or deficient following completion of the audit by CONTRACTOR and confirmation of corrections by the California Department of Tax and Fee Administration but shall not apply prospectively to any future quarter. CONTRACTOR shall provide CITY with an itemized quarterly invoice showing all formula calculations and amounts due for audit fees.

D. CONTRACTOR shall invoice CITY for any consulting and other optional Services rendered to CITY in accordance with Section II-E above based on the following hourly rates on a monthly or a quarterly basis, at CONTRACTOR's option. All such invoices shall be payable by CITY no later than 30 days following the invoice date. CITY shall not be invoiced for any consulting Services totaling less than an hour in any month. The hourly rates in effect as of the Effective Date are as follows:

Principal \$325 per hour
Programmer \$295 per hour
Senior Analyst \$245 per hour
Analyst \$195 per hour

CONTRACTOR may change such hourly rates from time to time upon not less than 30 days' prior written notice to CITY.

- E. Any invoices not paid in accordance with the Thirty (30) day payment terms, shall accrue monthly interest at a rate equivalent to ten percent (10%) per annum until paid.
- F. CONTRACTOR unilaterally retains the right to divide any recovery bills in excess of \$25,000 over a one (1) year period (Four (4) quarterly billings).
- G. CONTRACTOR shall provide CITY with an itemized quarterly invoice showing all formula calculations and amounts due for the audit fee (including, without limitation, a detailed listing of any corrected misallocations), which shall be paid by CITY no later than 30 days following the invoice date.

IV. CONFIDENTIALITY; OWNERSHIP/USE OF INFORMATION

A. Section 7056 of the State of California Revenue and Taxation Code specifically limits the disclosure of confidential taxpayer information contained in the records of the California Department of Tax and Fee Administration. Section 7056 specifies the conditions under which a CITY may authorize persons other than CITY officers and employees to examine State Sales and Use Tax records.

- B. The following conditions specified in Section 7056-(b), (1) of the State of California Revenue and Taxation Code are hereby made part of this Agreement:
 - 1. CONTRACTOR is authorized by this Agreement to examine sales, use or transactions and use tax records of the Department of Tax and Fee Administration provided to CITY pursuant to contract under the Bradley-Burns Uniform Sales and Use Tax Law Revenue and Taxation Code section 7200 et.seq.
 - CONTRACTOR is required to disclose information contained in, or derived from, those sales, use or transactions and use tax records only to an officer or employee of the CITY who is authorized by resolution to examine the information.
 - CONTRACTOR is prohibited from performing consulting services for a retailer, as defined in California Revenue & Taxation Code Section 6015, during the term of this Agreement.
 - 4. CONTRACTOR is prohibited from retaining the information contained in, or derived from those sales, use or transactions and use tax records, after this Agreement has expired. Information obtained by examination of Department of Tax and Fee Administration records shall be used only for purposes related to collection of local sales and use tax or for other governmental functions of the CITY as set forth by resolution adopted pursuant to Section 7056 (b) of the Revenue and Taxation Code. The resolution shall designate the CONTRACTOR as a person authorized to examine sales and use tax records and certify that this Agreement meets the requirements set forth above and in Section 7056 (b), (1) of the Revenue and Taxation Code.
- C. <u>Software Use.</u> CONTRACTOR hereby provides authorization to CITY to access CONTRACTOR'S Sales Tax website if CITY chooses to subscribe to the software and reports option. The website shall only be used by authorized CITY staff. No access will be granted to any third party without explicit written authorization by CONTRACTOR. CITY shall not sublet, duplicate, modify, decompile, reverse engineer, disassemble, or attempt to derive the source code of said software. The software use granted hereunder shall not imply ownership by CITY of said software, or any right of CITY to sell said software or the use of same, or any right to use said software for the benefit of others. This software use authorization is not transferable. Upon termination or expiration of this Agreement, the software use authorization shall expire, and all CITY staff website logins shall be de-activated.

D. Proprietary Information. As used herein, the term "proprietary information" means all information or material that has or could have commercial value or other utility in CONTRACTOR's business, including without limitation: CONTRACTOR'S (i) computer or data processing programs; (ii) data processing applications, routines, subroutines, techniques or systems; desktop or web-based software; (iii) business processes; (iv) marketing plans, analysis and strategies; and (v) materials and techniques used; as well as the terms and conditions of this Agreement. Except as otherwise required by law, CITY shall hold in confidence and shall not use (except as expressly authorized by this Agreement) or disclose to any other party any proprietary information provided, learned of or obtained by CITY in connection with this Agreement. The obligations imposed by this Section IV-D shall survive any expiration or termination of this Agreement or otherwise. The terms of this Section IV-D shall not apply to any information that is public information.

V. CITY MATERIALS AND SUPPORT

CITY shall adopt a resolution in a form acceptable to the California Department of Tax and Fee Administration and in compliance with Section 7056 of the Revenue and Taxation Code, authorizing CONTRACTOR to examine the confidential sales tax records of CITY. CITY further agrees to provide any information or assistance that may readily be available such as business license records within the CITY and to provide CONTRACTOR with proper identification for contacting businesses. CITY further agrees to continue CONTRACTOR's authorization to examine the confidential sales tax records of the CITY by maintaining CONTRACTOR's name on the CITY resolution or by providing copies of future allocation reports on computer readable magnetic media until such time as all audit adjustments have been completed by the California Department of Tax and Fee Administration and any audit fee owing to CONTRACTOR has been paid.

VI. LICENSE, PERMITS, FEES AND ASSESSMENTS

CONTRACTOR shall obtain such licenses, permits and approvals (collectively the "Permits") as may be required by law for the performance of the Services. CITY shall assist CONTRACTOR in obtaining such Permits, and CITY shall absorb all fees, assessments and taxes which are necessary for any Permits required to be issued by CITY.

VII. TERMINATION

This Agreement may be terminated for convenience by either party by giving 30 days written notice to the other of such termination and specifying the effective date thereof. Upon the presentation of such notice, CONTRACTOR may continue to perform Services through the date of termination. Following termination of this Agreement, CITY shall continue to timely pay CONTRACTOR's invoices for Services performed and not paid for prior to termination. Anything to the contrary herein notwithstanding (and without limitation on the foregoing sentence), CITY shall continue to pay to CONTRACTOR the audit fee for tax payments received by CITY after termination of this Agreement from (i) state fund transfers for back quarter reallocations and the first eight consecutive calendar quarters following completion of the allocation audit by CONTRACTOR and confirmation of corrections by the California Department of Tax and Fee Administration; and (ii) businesses identified by CONTRACTOR pursuant to Section III-B-2 above, to the extent such businesses commence or continue to make increased tax payments during the first 24 months following termination of this Agreement.

VIII. INDEPENDENT CONTRACTOR

CONTRACTOR shall perform the services hereunder as an independent contractor and shall furnish such services in its own manner and method, and under no circumstances or conditions shall any agent, servant, or employee of CONTRACTOR be considered as an employee of CITY.

IX. COOPERATIVE AGREEMENT

It is intended any other public agency (e.g., city, county, district, public authority, public agency, municipality, or other political subdivision of California) located in the state of California shall have an option to procure identical services as set forth in this Agreement. The City of Santa Fe Springs shall incur no responsibility, financial or otherwise, in connection with orders for services issued by another public agency. The participating public agency shall accept sole responsibility for securing services or making payments to the vendor.

X. NON-ASSIGNMENT

This Agreement is not assignable either in whole or in part by CONTRACTOR without the written consent of CITY.

XI. INSURANCE

Without limiting Contractor's indemnification of CITY, CONTRACTOR shall maintain the policies set out below, and in amounts of coverage not less than those indicated herein. Additionally, where required by CITY, CONTRACTOR shall name the CITY as an additional insured on CONTRACTOR's comprehensive general liability policy and provide a Certificate of Insurance.

A. Minimum Scope and Limits of Insurance.

- 1. Worker's Compensation and Employer's Liability. A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure and provide legal defense for both the CONTRACTOR and the CITY against any loss, claim or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by the CONTRACTOR in the course of carrying out the work or services contemplated in this Agreement. Comprehensive General Liability. Bodily injury liability in the amount of \$1,000,000 for each person in any one accident, and \$1,000,000 for injuries sustained by two or more persons in any one accident. Property damage liability in the amount of \$1,000,000 for each accident, and \$2,000,000 aggregate for each year of the policy period.
- 2. <u>Comprehensive Automobile Liability</u>. A policy of comprehensive automobile liability insurance written on a per occurrence basis in an amount of \$1,000,000 for each accident.
- 3. <u>Errors and Omissions.</u> In addition to any other insurance required by this Agreement, CONTRACTOR shall provide and maintain, during the term of this Agreement, professional liability insurance in the amount of \$1,000,000 as evidenced by a Certificate of Insurance.
- B. <u>Endorsements</u>. The commercial general liability insurance policy and business automobile liability policy shall contain or be endorsed to contain the following provisions:

- 1. Additional insureds: "The City of Santa Fe Springs and its elected and appointed boards, officers, officials, agents, employees, and volunteers are additional insureds with respect to: liability arising out of activities performed by or on behalf of the Contractor pursuant to its contract with the City.
- 2. Notice: "Said policy shall not terminate, be suspended, or voided, nor shall it be cancelled, nor the coverage or limits reduced, until thirty (30) days after written notice is given to City."
- 3. Other insurance: "The Contractor's insurance coverage shall be primary insurance as respects the City of Santa Fe Springs, its officers, officials, agents, employees, and volunteers. Any other insurance maintained by the City of Santa Fe Springs shall be excess and not contributing with the insurance provided by this policy."
- 4. All insurance policies shall be issued by an insurance company currently authorized by the Insurance Commissioner to transact business of insurance or is on the List of Approved Surplus Line Insurers in the State of California, with an assigned policyholders' Rating of A- (or higher) and Financial Size Category Class VI (or larger) in accordance with the latest edition of Best's Key Rating Guide, unless otherwise approved by the City's Finance Department.
- C. <u>Certificates of Insurance</u>. Contractor shall provide to City certificates of insurance showing the insurance coverages and required endorsements described above, in a form and content approved by City, prior to performing any services under this Agreement. The certificates of insurance shall be attached hereto as Exhibit "D" and incorporated herein by this reference.
- D. <u>Non-Limiting</u>. Nothing in this Section shall be construed as limiting in any way, the indemnification provision contained in this Agreement, or the extent to which Contractor may be held responsible for payments of damages to persons or property.

XII. INDEMNIFICATION

A. CONTRACTOR agrees to indemnify the CITY, its officers, agents and employees against, and will hold and save them and each of them harmless from, any and all actions, suits, claims, damages to persons or property, losses, costs, penalties, obligations, errors, omissions or liabilities, (herein "claims or liabilities") that may be asserted or claimed by

any person, firm or entity arising out of or in connection with the negligent performance of the work, operations or activities of CONTRACTOR, its agents, employees, subcontractors, or invitees, provided for herein, or arising from the negligent acts or omissions of CONTRACTOR hereunder, or arising from CONTRACTOR'S negligent performance of or failure to perform any term, provision, covenant or condition of this Agreement, whether or not there is concurrent passive or active negligence on the part of the CITY, its officers, agents or employees but excluding such claims or liabilities arising from the sole negligence or willful misconduct of the CITY, its officers, agents or employees, who are directly responsible to the CITY.

B. CITY agrees to indemnify the CONTRACTOR against, and will hold and save them and each of them harmless from, any and all actions, suits, claims, damages to persons or property, losses, costs, penalties, obligations, errors, omissions or liabilities, (herein "claims or liabilities") that may be asserted or claimed by any person, firm or entity arising out of or in connection with the negligent performance of the work, operations or activities of CITY, its agents, employees, subcontractors, or invitees, provided for herein, or arising from the negligent acts or omissions of CITY hereunder, or arising from CITY'S negligent performance of or failure to perform any term, provision, covenant or condition of this Agreement, whether or not there is concurrent passive or active negligence on the part of the CONTRACTOR, its officers, agents or employees but excluding such claims or liabilities arising from the sole negligence or willful misconduct of the CONTRACTOR, its officers, agents or employees, who are directly responsible to the CONTRACTOR.

Each party to this Agreement agrees to investigate, handle, respond to, provide defense for, and defend at its sole expense any such claims, demand, or suit for which it has agreed to indemnify the other party pursuant to this paragraph. Each party also agrees to bear all other costs and expenses related to its indemnity obligation, even if the claim or claims alleged are groundless, false, or fraudulent. This provision is not intended to create any cause of action in favor of any third party against CONTRACTOR or the CITY or to enlarge in any way the liability of CONTRACTOR or the CITY but is intended solely to provide for indemnification of each party from liability for damages or injuries to third persons or property arising from this contract or agreement on the terms set forth in this paragraph.

XIII. IRREPARABLE HARM

CONTRACTOR and CITY each understands and agrees that any breach of this Agreement by either of them may cause the other party hereto irreparable harm, the amount of which may be difficult to ascertain, and therefore agrees that such other party shall have the right to apply to a court of competent jurisdiction for specific performance and/or an order restraining and enjoining any further breach and for such other relief as such other party shall deem appropriate. Such right is to be in addition to the remedies otherwise available to such other party at law or in equity. The parties hereto expressly waive the defense that a remedy in damages will be adequate and any requirement in an action for specific performance or injunction hereunder for the posting of a bond.

XIV. DISPUTE RESOLUTION

The Parties agree to make a diligent, good faith attempt to resolve any claim, controversy or dispute arising out of or relating to this Agreement, or concerning the breach or interpretation thereof. If a dispute arises between the Parties that cannot be settled after engaging in good faith negotiations, the parties agree to resolve the dispute pursuant to the following procedures. Each Party shall designate an authorized representative to negotiate the dispute, and said representative will attempt to resolve the dispute by any means within their authority.

If the issue remains unresolved after thirty (30) days, the Parties will resolve any remaining dispute through (non-binding) arbitration. The non-binding arbitration process will provide for the selection by both Parties of a disinterested third person arbitrator within thirty (30) days. If the Parties cannot agree upon an arbitrator, then a single neutral arbitrator will be appointed pursuant to Section 1281.6 of the Code of Civil Procedure. The place of the arbitration shall be in Los Angeles County, California. The arbitrator will follow the substantive laws of the State of California, including rules of evidence, and the arbitrator's decision will be supported by substantial evidence. The arbitrator will have no power, authority or jurisdiction to award any punitive or exemplary damages. The award will be made within six (6) months, and the prevailing Party will be entitled to an award of reasonable attorneys' fees, CONSULTANT and expert witness fees, and any and all costs for services rendered to or for such prevailing Party. If non-binding arbitration does not result in settlement of the dispute within six (6) months, either Party may pursue other legal remedies for a determination of the dispute.

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This provision is not intended to, nor shall it be construed to, change the time periods for filing any claim or action under Government Code Sections 900, et seq. This dispute resolution process is a material condition to this Agreement and must be exhausted as an administrative remedy prior to either party initiating litigation. By executing this Agreement, you are agreeing to the dispute resolution process described in this section, and are giving up any rights you might possess to have the dispute litigated in a court or by jury trial.

	Ranu
CITY (initial)	CONSULTANT (initial)

XV. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of California (without regard to its choice of law provisions). If any legal action is necessary to enforce or interpret this Agreement, the parties agree that such action shall be brought in the Superior Court for the State of California, County of Los Angeles, or the U.S. District Court for the Central District of California, Western Division. The parties hereby submit to the exclusive jurisdiction of such courts and waive any other venue to which either party might be entitled by domicile or otherwise.

XVI. ATTORNEYS' FEES

If any party hereto brings an action or proceeding under this Agreement or to declare rights hereunder, the Prevailing Party in any such proceeding, action, or appeal thereon shall be entitled to recover all reasonable fees, costs and expenses, including reasonable attorneys' fees. Such fees, costs and expenses may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. "Prevailing Party" shall mean and include, without limitation, a party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other party of its claim or defense.

XVII. SEVERABILITY; NO WAIVER

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect. If any of the provisions of this Agreement shall be deemed to be unenforceable by reason of its extent, duration, scope or otherwise, then the parties

contemplate that the court making such determination shall enforce the remaining provisions of this Agreement, and shall reduce such extent, duration, scope, or other provision and shall enforce them in their reduced form for all purposes contemplated by this Agreement. No failure or delay by either party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder.

XVIII. NOTICES

All notices sent by a party under this Agreement shall be in writing and shall be deemed properly delivered to the other party as of the date of receipt, if received on a business day prior to 3:00 PM local time, or otherwise on the next business day after receipt, provided delivery occurs personally, by courier service, or by U.S. mail to the other party at its address set forth below, or to such other address as either party may, by written notice, designate to the other party. Notices to CONTRACTOR shall be sent to HINDERLITER, de LLAMAS and ASSOCIATES, 120 S. State College Blvd., Suite 200, Brea, CA 92821; and notices to CITY shall be sent to CITY OF SANTA FE SPRINGS, 11710 E. Telegraph Road, Santa Fe Springs, CA 90670.

XIX. ENTIRE AGREEMENT; ETC.

This Agreement expresses the full and complete understanding of the parties with respect to the subject matter hereof and supersedes all prior or contemporaneous proposals, agreements, representations and understandings, whether written or oral, with respect to the subject matter. This Agreement may not be amended or modified except in writing signed by each of the parties hereto. This Agreement shall be construed as to its fair meaning and not strictly for or against either party. The headings hereof are descriptive only and not to be construed in interpreting the provisions hereof.

XX. COUNTERPARTS; AUTHORITY TO SIGN

This Agreement may be executed in any number of counterparts, each of which will constitute an original and all of which, when taken together, will constitute one agreement. Any signature pages of this Agreement transmitted by facsimile or sent by email in portable document format (PDF) will have the same legal effect as an original executed signature page. Each of the persons signing on behalf of a party hereto represents that he or she has the right and power to execute this Agreement on such party's behalf.

	CITY:
	CITY OF SANTA FE SPRINGS
	·
	Mayor
City Clerk	
	CONTRACTOR:
	HINDERLITER, DE LLAMAS & ASSOCIATES
	A California Corporation
	·
•	By:
	Andrew Nickerson, President
APPROVED AS TO FORM:	
City Attorney	

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City of Santa Fe Springs

Proposal for Sales, Use and Transactions

Tax Services and

Economic Development Services

November 27, 2018

Submitted by: HdL Companies 120 S. State College Blvd. Suite 200 Brea, CA 92821 www.hdlcompanies.com

Contact:
Andy Nickerson
714.879.5000
anickerson@hdlcompanies.com

Hdl[®] Companies

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I, LETTER OF TRANSMITTAL

November 27, 2018

Mr. Ray Cruz, City Manager City of Santa Fe Springs 11710 E. Telegraph Road Santa Fe Springs, CA 90670

RE: Sales, Use and Transactions Tax Services and Economic Development

Dear Mr. Cruz,

As President of Hinderliter, de Llamas and Associates (HdL), I currently have over 25 years of experience working with local agencies on proactive programs for revenue enhancement, business cooperation, revenue forecasting and analyzing legislative proposals that would impact local agencies receipts of taxes and fees.

Founded in 1983, HdL has been providing revenue management, economic development and tax advisory services to California local governments for 35 years. We currently serve over 500 local governments and have recovered more than \$2 billion in revenue for our clients. Our team of professionals has extensive finance, economic development, and local government experience. We use this expertise to analyze the City's tax data in detail and provide relevant, useful and timely information to support your financial strategies, business retention/expansion programs, tax administration and regulatory compliance needs. Our highly focused and accurate budget forecasts have proven to be particularly valuable for financial planning.

HdL's approach to maximizing local revenues offers the following advantages:

- HdL maintains the largest and most complete sales tax database in California organized and structured in a manner to allow more thorough revenue audits, accurate budget forecasts and identification of emerging economic trends and opportunities.
- HdL's advanced audit methodology identifies and recovers allocation errors often missed by other systems. Its solid documentation and continuous follow-up results in faster revenue recovery and fewer appeals which results in lower recovery fees.
- HdL's approach to maximizing revenues goes beyond just recovery of misallocated revenues. Its quarterly analysis and staff support is done in context with the surrounding market region to better identify retail trends, voids and opportunities.
- The included web-based sales tax application and PDF reports provide HdL clients with immediate and convenient access to the most up-to-date tax information available. The service includes a custom non-confidential newsletter that can be shared with the Council and community.
- All audit staff are selected and trained for their abilities to maintain positive relations with the business community. The Company's dealings with local businesses are strictly positive and educational in nature, with complete emphasis on protection of confidentiality, cooperation and assistance. This produces the desired gain in City revenues while maintaining positive relations with the City's businesses.

- HdL's ECONSolutions leverages the firm's unmatched databases to provide leading edge strategic planning and consulting services to assist with economic development, retail attraction, planning and execution.
- Our ECONSolutions staff has over 45 years of local economic development and community development experience in California.

Thank you for the opportunity to present this proposal to the City of Santa Fe Springs. We look forward to reviewing the proposal with you in more detail and demonstrating how HdL can enhance the City's bottom line.

Please feel free to call if you have questions or need additional information. I can be reached at 714.879.5000 or by email at anickerson@hdlcompanies.com.

Sincerely

Andy Nickerson

II. QUALIFICATIONS

A. Company History and Qualifications

Founded in 1983, the HdL Companies were established to maximize local government revenues by providing a variety of audits, analytical services and software products. The firm developed California's first computerized sales tax management program and was responsible for securing legislation (AB 1611) that allowed independent verification of state allocations. In 1990, HdL Coren & Cone was established to provide audit and information services related to property taxes. HdL Software was formed in 1996 to provide local tax software and services. HdL's systematic and coordinated approach to revenue management and economic data analysis is being utilized by an ever-growing number of agencies, currently over 500 in six states.

Many of HdL's key staff have extensive local government experience having previously held positions in municipal management, finance, planning, economic development or revenue collection. This close understanding of local government needs coupled with extensive databases and advanced audit methodologies provides for the most relevant, productive and responsive, revenue recovery, forecasting and economic services available. The team that would serve Santa Fe Springs has decades of experience in managing budgets, developing and implementing economic strategies, tracking sales and use tax revenues, and administering business tax and transient occupancy tax services to municipalities of all sizes.

HdL maintains the largest privately held sales, property and business tax databases in California. The firm constantly improves and enhances the California Department of Tax and Fee Administration's (CDTFA) raw registration data by correcting addresses and business names, differentiating brick and mortar retailers from business to business and online taxpayers and adding new business classifications to better identify emerging trends and economic opportunities. This highly enhanced database includes 25 years of the City of Santa Fe Springs's sales tax history and serves as the base for identifying emerging economic trends and developing budget projections that take those trends into account.

The database also includes constantly updated registration data for every seller in California including allocation data for 502 of the state's 538 agencies and 138 transactions tax districts, business license data for 668,000 businesses, property tax data for every jurisdiction in the 38 largest counties, a constantly updated automated telephone directory for all of California and thousands of business contacts developed through three decades of audit and business development activity.

HdL monitors an annual sales tax base of \$4.9 billion on behalf of clients that includes some of the most complex industrial, e-commerce, inventory/delivery, and out-of-state sales and use tax issues in California. The Company submits an average of 6,000 errors for correction each year with total values generally ranging from \$40 million to \$50 million. To date, HdL has recovered a cumulative total of \$2 billion in new sales and use tax revenues for client agencies.

HdL is proud to have served local governments and special districts for over 35 years. During that time, HdL has grown from one employee to over 75 employees. In 2007, HdL's employees purchased the corporation from the founding partners and the company is now 100% employee owned. This structure provides each employee a personal investment in providing outstanding service to our clients. Rather than focusing on short-term quarterly profits to appease investors, our employee-owners believe in a long-term strategy of continually investing in new technology, databases and service upgrades to support our client's needs for precise auditing, budgeting and economic information. This approach has led to steady long-term growth, financial stability, capacity and resources that the City desires from its vendors.

The Company goes beyond audits by using its databases and expertise to help clients expand their revenues by identifying economic voids; finding local companies that can restructure the way orders are taken to increase local tax revenues; ascertaining opportunities for expanding use tax from construction projects; seeking prospects for direct payment permits and purchasing corporations and by providing staff expertise to support a proactive and effective approach to short and long term fiscal and economic planning.

HdL is a Corporate Partner of the League of California Cities and California State Association of Counties and works extensively with the State Association of County Auditors, California Society of Municipal Finance Officers (CSMFO) and California Municipal Revenue and Tax Association (CMRTA) on anticipation and planning of programs to strengthen local government revenues.









B. The HdL Advantage

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The *HdL Advantage* includes:

Exceptional Personnel: The HdL team is vested in your success. We are 100% employee owned and view your success as our success. Many of our key employees previously served local government agencies in positions of strategic management, and have extensive experience in economic development, finance and revenue collection. We use a team approach to serving our clients, so that there is always someone available to take your questions during our normal business hours of 8:00 am - 5:00 pm.

Comprehensive Business Friendly Compliance Services: HdL has the largest sales tax database outside of the California Department of Tax and Fee Administration, allowing for a "fresh" look at revenue collections. This advantage coupled with the firm's advanced technology and processes consistently finds sales and use tax allocation errors and revenue opportunities often missed by other firms. HdL's superior databases and technology deliver cost-effective local tax compliance services, ensuring that businesses subject to taxation are identified and brought into compliance. HdL's processes rely on a business-friendly education centric methodology, which maximizes City revenues while maintaining positive relations with the business community.

Accurate Forecasting: HdL has developed a comprehensive, detail-oriented method for projecting and monitoring client sales and use tax revenues that has proved to result in estimates that fall within 1% of actual receipts two-thirds of the time.

Insightful Reports and Timely Services: HdL's analysis is done in context with the surrounding market region to better identify retail trends, voids and economic development opportunities. The firm's sophisticated economic support program provides special reports and data to assist the City in monitoring and leveraging existing economic development programs, identifying new revenue opportunities and maximizing use tax revenues.

Easy-to-Use, Powerful Software: Our web-based sales tax application is user-friendly and offers clients immediate access to current and historical sales tax data and reports. Quarterly reports are available on the website within 5 days of receiving the Quarterly Data Report from the California Department of Tax and Fee Administration. Our local tax software is the most powerful and flexible solution available, designed from the ground up for local taxes such as business license tax. All software systems are regularly enhanced through close collaboration with HdL's broad client base and in response to the ever changing legislative and technology landscapes.

Seamless Transition: As recent converts will attest, switching to HdL is seamless without any loss of historical data or interruption in audit, reporting and support activity.

III. KEY PERSONNEL

Sales, Use and Transactions Tax Services Team

HdL retains a staff of over 70 trained and experienced specialists for performing audits, analysis and software support. Below is a current listing our sales tax management team:



Andrew Nickerson - President

Andrew Nickerson possesses over 25 years of experience working with local government agencies on programs to enhance sales tax, property tax, RDA tax increment and documentary transfer tax revenues. He has been instrumental in

guiding market expansion and new product development for the three affiliated HdL Companies. He is responsible for the day-to-day management of the sales tax programs and services. Throughout his career, he has been involved in various municipal organizations including The League of California Cities, California Society of Municipal Finance Officers and California Redevelopment Association. Mr. Nickerson has Bachelor of Science degree from California State Polytechnic University, Pomona.

Sales, Use and Transactions Tax Management Team

Our sales and use tax principals will provide the City of Santa Fe Springs with sales tax, budget and revenue management services. The team will advise the City on economic development opportunities, including analyzing the City's sales tax data for presentations and preparing sales and use tax revenue estimates of various terms up to five years. They will also meet with City staff quarterly to present the City's reports and address any issues or concerns.

Providing these services to the City are:



Howard Longballa - Principal

Mr. Longballa previously served as Finance Director and City Treasurer for the Cities of Alhambra, Placentia, Monrovia and Fountain Valley. He is a past President and Board member of the California Society of Municipal Finance

Officers and is certified as a Public Finance Officer and California Municipal Treasurer. He has a Bachelor's degree in Accounting from San Jose State University and Master's degree in Management from the University of La Verne where he has also served as Adjunct Professor for their M.P.A. program



Robin Sturdivant – Principal

Ms. Sturdivant has been with HdL for 20 years and performs sales tax analysis, conducts quarterly client briefings, and assists clients with budget issues. She works with both clients and taxpayers to provide training and assistance on complex sales, transaction and use tax issues. Ms. Sturdivant is responsible for

high level appeal cases including research, analysis and preparing legal briefs. She represents HdL clients at Legal Department Appeals Conferences and is the main point of contact between HdL and the CDTFA Legal Department and the State Controller's office.



Tom Bachman - Principal

Mr. Bachman has over 30 years of experience working with local government. He was the Assistant City Manager/Finance Director for the City of West Covina and the Finance Director for the City of Commerce. He is a member of the California

Society of Municipal Finance Officers, Government Finance Officers Association and the California Municipal Treasurers Association in addition to serving on the League of California Cities Policy Committees for Environmental Quality and Employee Relations. Mr. Bachman holds a Bachelor of Science Degree in Business Administration from California State University, Los Angeles.

Audit Services Team

Our Director of Audit Services and Associate Director of Audit Services have over 35 years combined experience auditing local tax, place of sale and CDTFA administrative issues. The firm has continually adapted to legislative changes, CDTFA regulation changes, and technology advances and will utilize these tools for the City of Santa Fe Springs. HdL has an audit team in place that is very well trained and familiar with the state regulations and guidelines concerning tax reporting for the City.

Matt Hinderliter - Director of Audit Services

Mr. Hinderliter manages and supervises HdL's Sales Tax Audit Team. He joined the firm in 1990 after receiving his Bachelor of Arts degree in Business Administration from California State University, Fullerton, and during his 25-year tenure has directly participated in thousands of point of sale audits. Mr. Hinderliter is the author of an extensive audit training manual including information regarding complex point of sale issues and proposed changes in legislation and regulations. He created the state's first multi-dimensional audit process, which includes extensive in-house data mining and web-based analysis combined with field surveys. As Director of the Audit Team, he is responsible for quality control, and for ensuring HdL's audit techniques and programs remain at the industry's leading edge through continuous innovation and improvement.



A.P. Mehta - Associate Director of Audit Services

Mr. Mehta is the lead analyst for the audit services team. He works closely with the Director of Audit Services on operational and management aspects of the team, supervises and trains audit team members and is a principal liaison with

CDTFA Allocation Group staff. Mr. Mehta holds a Bachelor of Science degree in Business Administration from California State Polytechnic University, Pomona.

Production Services Team

Our Production Team insures that the data from the California Department of Tax and Fee Administration is processed in an accurate and timely manner and is available to the City on our sales tax web application. The team is responsible for running the reports that are delivered at meetings with the City staff, as well as processing any special report requests.



Robert Gray - Director of Information Technology

Mr. Gray serves as Director of Information Technology and has been with the firm since 1996. He has extensive experience in the design, development, implementation and support of software systems for local government. To date, he

has played a key role in the design of eight software systems and approximately 200 successful implementations of those systems. He earned a Bachelor of Science degree in Computer Science and a Master's degree in Business Administration from Azusa Pacific University.



Mary Hubbeil - Manager of Production Services

Ms. Hubbell supervises the conversion of the California Department of Tax and Fee Administration sales tax data to HdL's proprietary software and its subsequent translation into various client reports. She assists with client technical support and

client software training, and is responsible for the production of client newsletters and reports. Ms. Hubbell received a Bachelor of Science degree in Administration and Marketing from the University of Arizona.

ECONSolutions by HdL Team

Following are the key members of the HdL Economic Development team.



Barry Foster - Managing Director

Mr. Foster has over 23 years of experience working in local government for the Cities of Moreno Valley, Rancho Mirage, Monrovia and Loma Linda. His extensive background in Community and Economic Development has been instrumental as HdL expands to provide additional economic development consulting services to its clients. While at HdL, he started ECONSolutions by HdL and has provided a variety of services to more than 60 clients. He earned a Bachelor of Science degree from Minnesota State University and a Master of Public Administration degree from the University of Kansas. Mr. Foster is currently an active member of the International Council of Shopping Centers.



Elisa J Grey - Senior Associate

Elisa Grey has over 15 years of experience in the public sector focusing on business attraction, retention, and project management for commercial development projects. She was previously the Economic Development Manager for the City of Fontana. In

that capacity, she managed the Economic Development budget, was instrumental in relocating Rotolo Chevrolet, Rock Honda, and Valley KIA as well as the project management for Fontana Nissan's expansion into the Auto Center. Additionally, she worked with Dix Development in the reuse of the Fontana Civic Auditorium campus, an 8-acre site currently occupied by a technical medical college along with affordable housing and additional office space. Ms. Grey worked with Chaffey College with their Fontana campus expansion as well as positioning the College District to acquire additional land for future growth. Ms. Grey holds a Bachelor of Arts degree from the University of California, Riverside, and a Master of Arts degree from Azusa Pacific University.

IV. SCOPE OF SERVICES

A. Sales and Use Tax Services

1. Audit Methodology

Using confidential taxpayer records as authorized by Revenue and Taxation Code Section 7056, HdL will find and correct errors that result in underpayments of tax to the City of Santa Fe Springs. The firm will employ a series of analyses, comparisons with other data sources and physical canvassing the City to find, document and submit for correction all taxpayer errors that result in lost City revenue or could result in lost revenue in the future. When errors are found, HdL staff will promptly file claims for their correction following CDTFA procedures and regulations. Thereafter, HdL will diligently work with the CDTFA to ensure the prompt recovery of all escaped revenues. Documentation of errors will be regularly provided to the City.

In conducting these activities on behalf of the City, HdL will provide reports that accurately depict the City's sales tax base, use tax collections and revenues. All reports, graphs, tables and revenue forecasts are designed to enhance the City's capacity to plan for, expand and manage its various sales use and district tax revenues. Reports identifying and comparing the retail composition of various sub-geographic-areas of the City will also be provided.

To achieve the highest audit and recovery results, HdL employs the following audit techniques and programs:

a. Identification of Errors and Revenue Maximization Opportunities

<u>Field Surveys</u>: Field inventories of the City's business and industrial areas are conducted every 10-12 months to identify businesses located within the City that appear to be under-reporting revenues or are not on the CDTFA allocation rolls. Specially trained field auditors, using the latest in mapping, GPS and digital recording technology, document not only the existence of sales tax producing businesses but also any relevant factors such as size, presence of a large stock of goods, will-call windows and any specific references to sales activity. This process identifies a wide range of registration errors including erroneous consolidation of multiple outlets, misreporting of point of sale from an erroneous location and delays in reporting new outlets.

<u>Tax Area Code (TAC) Review:</u> HdL reviews *every* active account on the CDTFA's allocation rolls reporting \$50 or more in local tax to ensure proper TAC assignment. Government and private sector mapping and GIS databases are used extensively in this process. These programs are important because physical canvassing will not reveal businesses with missing or incomplete signage, or those that are home-based. A complete TAC review is performed at least once every 9-12 months.

<u>Deviation Assessment:</u> HdL applies proprietary queries and analyses to its statewide allocation database to identify *all* accounts for which there has been a substantial change in allocation pattern. HdL's database, unmatched in size, comprises over 98.5% of all sales and use tax transactions in California and allows for the most comprehensive audits in the state.

The deviation review is performed every three months and is far more sophisticated and thorough than a review of the CDTFA's published Quarterly Distribution Report. The review is applied to direct allocations and to the county pools and allows for a much broader view and understanding of what has happened in any given quarter. Well-founded leads are quickly culled from this process, often without the need for time-consuming manual reviews of taxpayer files. This allows for faster processing and less time used for preparing submittals. This in turn lowers recovery fees by reducing the amount of prior quarter revenue requiring redistribution.

Use Tax Errors and Opportunities: HdL analyzes the use tax allocation pools of the 58 counties and the state each quarter to identify instances where a taxpayer may have misidentified a transaction as use tax rather than sales tax. Further specialized reviews and techniques are employed to identify direct allocation opportunities of local use tax. California Department of Tax and Fee Administration Regulation 1802(d) allows for direct allocation of local use tax on qualifying individual sales or purchases over \$500,000. Out-of-state and foreign-based companies in particular often have large transactions that meet the criteria for direct allocation under this section. Under Regulation 1699.6, businesses and organizations (including local government agencies) with aggregate purchases subject to use tax of least \$500,000 per year can apply for a Use Tax Direct Payment Permit, allowing for direct allocation of the corresponding local share. Finally, under a resolution adopted by CDTFA in December 1994, a construction contractor who enters into a contract equal to or greater than \$5,000,000 may elect to obtain a sub-permit for the jobsite resulting in a direct allocation of local use tax to the jurisdiction where the jobsite is located.

Regulation 1699 Evaluations: CDTFA Regulation 1699 controls when and where a permit should be issued to a given business location. Wholesalers, contractors, processors, manufacturers, and other non-retail businesses that do not normally sell merchandise often conduct occasional sales, self-accrue use tax or are levied deficiency assessments by the state. HdL uses proprietary methods for finding companies that should be taking out permits so that those revenues are allocated to the City.

b. Recovery of Misallocated Revenue

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<u>Development of Correction Data</u>: Preliminary lead lists developed through any of the aforementioned audit programs are further culled using a variety of programs and databases to reduce the need for taxpayer contact. Companies remaining in the audit database are then contacted by a specialized audit unit whose members are specifically selected and trained to interview tax preparers and marketing, warehouse and management staff. *Taxpayer interviews are always conducted in a business friendly, non-intrusive manner that emphasizes cooperation and protection of confidentiality.*

<u>Documentation</u>: Telephone contacts are often accompanied by a written follow-up questionnaire concerning business activities, a specific one-time transaction or a written confirmation of our findings. This documentation is always filed with the petition to minimize CDTFA processing time. Solid documentation and follow-up lowers client fees by reducing the number of quarters requiring retroactive adjustment and ensures faster recovery of misallocated revenues.

<u>City Review</u>: To avoid potential conflicts with a City's in-house audit efforts, HdL prepares a list of misallocated or under-reporting businesses for City officials to review and authorize prior to any invoicing. This line item, account-level approval process is an important step in eliminating any misunderstandings or disagreements regarding what may be considered a valid audit "find."

Preparation and Submittal of Corrections: Petitions are prepared (CDTFA Form 549-S or 549-L) that notify the CDTFA the existence and nature of the misallocation. All relevant and available supporting documentation is included. Copies of all transmittal forms and correspondence with the CDTFA and taxpayers are sent to City staff.

Continuous Follow-up: HdL employs a full-time case manager whose responsibility is to monitor and follow-up on case inventory. An aging report is updated and reviewed on a monthly basis and the appropriate follow-up is initiated on cases that are taking an inordinate amount of time to correct. This follow-up emphasizes partnership and cooperation with CDTFA Allocation Group staff. HdL's continuous efforts to check on the status of submittals are made to ensure that corrections are being pursued. Timely follow-up on cases reduces the time it takes for the City to recover its revenue.

Appeals: HdL cases are thoroughly researched, vetted and documented *prior to* submittal. This ensures the fastest possible processing times and reduces the number of cases that are initially disclaimed and must be further researched and defended through a very lengthy CDTFA appeals process. Nearly all HdL cases are resolved favorably at either the first or second levels of the CDTFA petition process described in Regulation 1807. HdL has cultivated close working relationships with the CDTFA Appeals Division and with each of the elected Board Members. When an appeal is required, HdL has the necessary expertise and access to competently and aggressively represent client interests. Having many cases on appeal may be presented by some vendors as evidence of a more sophisticated and aggressive audit program. It should be viewed, however, as an indication that inadequate supporting documentation tends to require more case appeals and lead to otherwise unnecessary procedural delays.

c. Track Record

HdL is effective in recovering misallocated revenue for client agencies in 97% of all cases submitted to the CDTFA. In the roughly 3% of cases that are initially disclaimed, HdL achieves positive results by successfully appealing cases. The small amount of cases that do to appeal is evidence of HdL's thorough research and the quality of the information included to support claims.

Only 5% of HdL's case submittals are unresolved after two quarters with an average for all cases of 186 days. The company's backlog of cases requiring retroactive adjustments for any lengthy period is one-fifth that of other companies submitting claims to the CDTFA.

2. Management Services

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a. HdL Database, Reports and Training

HdL maintains Santa Fe Springs's detailed sales tax data back to 1991 and will provide City staff with unlimited access to its quarterly updated web-based sales tax system to facilitate "in-house" analysis and printing of reports. The system allows City staff to search, print and export their sales tax data for a variety of financial, management and planning functions. The system provides the ability to search all sales tax producers in the City by business name, address, CDTFA account number and current or historical sales tax allocations. The web application also provides access to the City's archived quarterly sales tax reports. Data is easily queried and exported to either comma delimited or native Excel formats, allowing for convenient use with standard applications such as the Microsoft Office suite. The web application is accessible from all major operating systems, internet browser platforms, and device types (laptop, tablet, PC, mobile). The City's archived quarterly sales tax reports can also be accessed through the online sales tax application.

HdL's geo-area feature supports use of address ranges, which ensures the inclusion of all appropriate CDTFA registrations and also allows City staff to create and modify geo-areas without a separate GIS system. HdL also supports interfacing with the City's GIS by including accurately geocoded latitude and longitude for each business. This data can include all data fields including historical allocation information and can be quickly exported by City staff on demand using HdL's Sales Tax Web Application. Additionally, City created shape files can be used to define a Geo-area, which would identify related businesses by latitude and longitude.

Training on use of the software and ongoing upgrades is provided at no additional charge.

Quarterly sales tax reports are provided on both a cash and adjusted basis. Cash reports reconcile to CDTFA payments and are necessary for any revenue sharing agreements that the City might have in place. The adjusted reports shift payment aberrations (double-up payments, CDTFA audit adjustments, etc.) into the quarter where the sales occurred to accurately show the City's true economic trends. The quarterly sales tax data will be presented in reports for major sales tax producers by both rank and category, analysis of sales tax activity by category, business or areas specified by the City.

HdL's quarterly sales tax reports include a listing of top sales tax producers and comparisons with both regional and statewide trends. Retailer information is provided in grouped form or in business by business detail. Quarterly information will also include tables that track year-to-date receipts and show comparisons with past periods to measure progress toward achieving the City's annual budgeted revenue amount. HdL staff also prepares sales and use tax projections for proposed development projects, responds to technical questions relating to CDTFA processes and regulations, and monitors revenue sharing agreements.

HdL's services are superior to other vendors because the firm provides data analysis instead of bound stacks of raw data printouts. The analysis is done in context with regional market areas, countywide and statewide trends to better monitor and compare the City's economic performance by business category and geographical area. A non-confidential newsletter is included to support management's efforts to inform and engage the public.

Analysis of sales and use tax data and presentations to City staff are led by seasoned professionals, whose experience and knowledge adds value by identifying emerging retail trends, business retention needs, leveraging of economic clusters and reviewing successes in client jurisdictions with similar characteristics. HdL staff also prepares sales and use tax projections for proposed development projects, responds to technical questions relating to CDTFA processes and regulations, and monitors revenue sharing agreements.

b. Budget Projections and Monitoring

HdL has developed a comprehensive, mdetail-oriented method for projecting and monitoring client sales and use tax revenues that has proved to result in estimates that fall within 1% of actual receipts two-thirds of the time. Initial and mid-year projections are made by factoring out payment aberrations that skew the base revenue and factoring in known changes such as new or closed businesses. HdL also incorporates information from over 90 economic sources as well as information gathered from client meetings to develop economic factors to apply to individual retail business segments; the results are combined into a single estimate of anticipated revenue. HdL further enhances its projections by contacting builders of large-scale development projects to better time and estimate the value of potential use tax payments into its estimates. Five-year forecasts are also provided.

c. Use Tax Maximization Program

Major construction projects and even ongoing business operations often generate significant use tax revenues from purchases of machinery, equipment and other fixed assets. HdL has worked with numerous clients to ensure that use tax from manufacturing and assembly plants, food processing, cold storage facilities, power/energy projects, medical, research and technical facilities, oil fields/refineries and extraction/mining industries are properly allocated to the host jurisdiction.

HdL's sales tax team includes a staff of specialists who review new business startups that might present potential self-assessed use tax opportunities, meets with contractors to advise on sub-permits and reporting procedures and provides materials and advice on purchasing companies and direct payment permits. The firm monitors major construction projects to make sure that any use tax generated is properly allocated to the job site's host jurisdiction.

When brought into a project early, HdL assists clients with inserting provisions in conditional use permits and development agreements to guarantee that use tax maximization procedures are followed and monitors projects and subcontractors to make certain that sales tax is properly allocated back to the client jurisdiction. Direct payment permits and purchasing corporations can sometimes be utilized where conditions offer mutual opportunities for the client agency to capture additional sales tax revenues and the participating company can increase control of sales and use tax liabilities.

d. Economic Development Benefits

When properly refined and organized, sales tax data analysis is an important tool for strengthening and expanding local economies. The data shows companies that are growing and may need expansion space and should be contacted as part of an agency's business retention program. When broken out geographically, the data produces patterns of industries that potentially share common customers, suppliers, technology and labor and therefore offer opportunities for attracting new businesses. The data further exposes retail areas that may be over saturated in some retail segments while also identifying voids and opportunities for additional retail development

Although numerous companies and agencies use the CDTFA's published data as a basis for analysis, the results are usually inaccurate and misleading due to address and business categorization errors in the data. To correct those deficiencies, HdL performs data validation and scrubbing techniques on an ongoing basis, fixing business addresses and re-categorizing merchants to differentiate brick and mortar retailers from "business to business "suppliers and on-line retailers.

The company further creates and groups businesses into additional categories and classifications, not provided by the CDTFA, to better track new and emerging economic trends. Samples include the breaking out of biotech/medical suppliers, online fulfillment centers, alternate energy and utility providers, wineries and marijuana dispensaries. This focused approach to data management allows agencies to more accurately compare the impact of trends in their jurisdiction with state and regional trends. On a regional basis, it also allows for the identification of true economic voids and opportunities to expand the City's tax base.

Accurate addressing allows for improved performance monitoring and comparison of specific economic areas such as shopping centers, down City districts and auto malls with similar projects throughout California.

In addition to using our large database, HdL's principals leverage their experience analyzing client data throughout California to identify new trends and developments that might help other clients. The service includes analyses to identify retail voids and opportunities and an annual publication of retailers seeking expansion in the region and state.

e. Legislative Updates

HdL prepares Legislative Updates for clients to keep them informed on any changes that may impact local revenues. The firm also provides Issue Updates which are similar in nature but deal with specific issues such as Sales Tax Participation Agreements. Each issue is presented in detail so that Agency staff is better equipped to handle questions on that topic from their community leaders.

The firm also retains Rebecca Marcus as a lobbyist to represent client interests in matters before the CDTFA and the state legislature. With over 20 years of experience in state and national politics, Rebecca has developed the necessary institutional knowledge and established relationships to effectively advance clients' interests in Sacramento.

As a Chief of Staff for 13 years in the California State Assembly for several distinguished Members including Assembly members Mark Stone, Mike Feuer and Johan Klehs, Rebecca successfully advanced legislation across a diverse array of policy areas. As a result, over 100 of these Members' bills became law ranging from landmark green chemistry legislative to a transformative transportation tax for Los Angeles County.

f. Consultation

Each quarter, a principal of the firm analyzes the City's data in detail and meets with appropriate City officials to review trends and discuss and make recommendations regarding the budget implications of the quarter's data.

HdL also serves as "on-call" staff to provide sales tax estimates for proposed projects, assist with budget projections and answer sales and use tax questions related to economic development, budgeting and related revenue collection. When requested by the City, principals also meet with committees of the City Council and other groups to explain sales tax regulations and their importance to the City's tax base.

HdL will, when requested by the City, conduct technical seminars for City personnel on California sales and use tax processes. To support in-house efforts to maximize use tax, the seminars will cover the fundamentals of direct payment permits, purchasing corporations and maximizing "use tax" from construction projects.

HdL maintains close and positive relationships with members of the CDTFA and staff to quickly resolve policy issues unique to individual clients. The firm also advocates regulation and legislative changes when they are of benefit to all clients. Examples are the Company's work in the change of allocation of "use tax" for major construction projects, securing an Executive Order from the Governor to allow publishing of top taxpayers in public documents and the introduction of the problem of "point of sale" for warehouses to the CDTFA.

B. Transactions Tax Services

1. Transactions and Use Tax Audit Program

The following services would be performed by our audit team members under the direction of our Director of Audit Services.

Once data from the City's transactions tax is uploaded and processed, several sophisticated and proprietary queries and analyses would be applied to identify potential misallocations and deficiencies. These processes are supported and supplemented by HdL's Bradley-Burns Local Sales and Use Tax database, which includes account-level registration and allocation data for all of Marin County (incorporated cities and the unincorporated area) dating back to FY 1990-91. The HdL database also includes both historical and current transactions tax data for over 160 individual districts.

The size and quality of HdL's database is the optimal foundation for a review of City of Santa Fe Springs transactions and use tax data and the basis for a thorough search for deficient or misallocated tax payments.

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Our unmatched database allows for quick generation of exception or "lead lists". It also lends legitimacy to requests for information and enhances taxpayer cooperation when HdL can demonstrate that is already has specific information from the taxpayer's sales and use tax returns. Once a target list of potential point of sale/delivery/use errors is developed, senior auditors, who are experienced in taxpayer outreach, contact the appropriate company personnel in sales, operations and accounting to determine if a reporting error exists.

A thorough initial audit will be supplemented by ongoing reviews of quarterly distribution reports as new data is released. All countywide payments, including direct allocations, county pool distributions and deficiency assessments will be compared to the City's transactions tax distributions to isolate all potential opportunities for revenue recovery.

The administrative process for recovery of *misallocated* transactions tax revenue (i.e revenue credited in error to the wrong district) is governed by the California Department of Tax and Fee Administration (CDTFA) Regulation 1828. Section (e) of this regulation limits redistributions to two quarterly periods prior to the quarter in which CDTFA is made aware of the error. Recovery of *deficient* payments is limited by Section 6487 of the Sales and Use Tax Law to three years after the return is filed.

HdL remains cognizant of these statutes during both initial and ongoing reviews and will target all missing revenue within reach. HdL's audit team will also file all necessary documentation with CDTFA on a timely basis to secure the earliest possible date of knowledge. A full-time case manager actively monitors all outstanding claims and follows up with appropriate CDTFA staff as necessary to ensure prompt correction.

Negative findings will be researched and further documented and pursued following all guidelines and deadlines stipulated by Regulation 1828. This includes formal appeals to the Sales and Use Tax Department, the Appeals Division and when/if necessary the elected Board Members.

Invoicing on audit claims will include all necessary and relevant detail to allow for quick and easy validation of claims with minimal disruption to City staff. A Work Authorization detailing audit findings and submittals to CDTFA prior to any invoicing can be provided at the option of City staff. All billings are easily verified through HdL's paper trail, CD responses and our web-based sales tax application.

2. Transactions and Use Tax Management Program

The following services would be performed by our team of sales tax principals, production team and assisted by our IT department.

a. Economic Analysis

Although numerous companies and agencies use the CDTFA's published data as a basis for analysis, the results are usually inaccurate and misleading due to address and business categorization errors in the data. To correct those deficiencies, HdL scrubs the data on an ongoing basis, fixing business addresses and re-categorizing merchants to differentiate brick and mortar retailers from "business-to-business" suppliers and on-line retailers.

The company further creates and groups businesses into additional categories not provided by the CDTFA to better track new and emerging economic trends. Samples include the breaking out of biotech/medical suppliers, online fulfillment centers, alternate energy and utility providers, wineries and marijuana dispensaries. This focused approach to data management allows agencies to more accurately compare the impact of trends in their jurisdiction with state and regional trends.

In addition to a comprehensive database, HdL's principals use the intelligence gleaned from quarterly sales tax meetings with over 300 agencies to identify new trends and developments that might help other clients. The firm's bi-weekly Headlines e-news service is included to keep clients informed of trends and developments that may impact individual and regional economic strategies and goals.

b. Budget Projections and Monitoring

HdL has developed a comprehensive, detail-oriented method for projecting and monitoring transactions tax revenues. The state's economic base is divided into seven major economic segments. Initial and mid-year projections are made for each category by eliminating payment aberrations and including recent revenue impacts such as newly opened or closed businesses. HdL also incorporates information gathered from over 90 industry sources and from its quarterly client meetings across the state of California; the results are combined into a single estimate of anticipated revenue. HdL's historical approach, which has been well-received by its clients, has been to provide each client a single "most-likely" budget estimate and to stand-by that budget projection, explaining variances when they occur. HdL has an excellent track record in supporting its clients in this way and of providing accurate estimates.

Clients generally prefer this approach over a budget range, which often puts staff of client agencies in the difficult position of having to choose a single point estimate from what can often be widely dispersed options. Of course, HdL can provide three-different scenarios if that best meets the needs of the City of Santa Fe Springs and HdL will take the time to explain the factors that went into each of its estimates to help staff make the most informed budget decision possible.

HdL further enhances its projections by contacting builders of large-scale development projects to determine the estimated timing and value of potential construction related revenue in its estimates. Five-year forecasts are also provided.

c. Management Support

HdL will establish a consistent liaison with City of Santa Fe Springs coordinator and define logical checkpoints for reviewing progress towards the agreed upon objectives. Each quarter, a principal of the firm will analyze the City of Santa Fe Springs transactions and use tax data in detail and meet with appropriate officials to review trends and make recommendations regarding the economic and budget implications of that quarter's data.

HdL serves as "on-call" staff to provide transactions and use tax estimates for proposed projects and prepare budget projections. When requested, principals also meet with committees of the Board to explain transactions tax regulations and their importance to the City of Santa Fe Springs's tax base.

HdL maintains close and positive relationships with CDTFA Board Members and staff to quickly resolve policy issues unique to individual clients. The firm also advocates regulation and legislative changes when they are of benefit to all HdL clients. Examples are the firm's work in the change of allocation of "use tax" for major construction projects, securing an Executive Order from the Governor to allow publishing of top taxpayers in public documents and the introduction of the problem of "point of sale" for warehouses to the CDTFA.

d. Reports, Transactions Tax Website and Training

Within one week of receiving new quarterly data, HdL staff will import the City's detailed transactions and use tax data into its web-based sales tax system to facilitate analysis and report preparations. The system allows City staff to search, print and export their transactions and use tax data for a variety of financial, management and planning functions. The firm provides the ability to search transactions tax producers by business name, address, CDTFA account number and current and historical allocations. The archived quarterly transactions and use tax reports can also be accessed through the online application. Training on use of the web-based application and ongoing upgrades are provided at no additional charge.

Quarterly transactions tax reports are provided on both a cash and adjusted basis. Cash reports reconcile to CDTFA payments while adjusted reports accurately provide economic trending data. HdL will provide reports on major tax producers and total tax receipts as requested. The data will be presented in reports for major tax producers, by both rank and category, analysis of tax activity by category and business, district or specific areas that the City of Santa Fe Springs has specified, analysis of reporting aberrations and per capita and by number of outlet comparisons.

Additional quarterly reports will include reports by major retail outlets, business category, geo area growth and decline comparisons, historical revenue tables and top 100 taxpayer listings.

The firm's quarterly analysis is done in context with regional market, countywide and statewide trends to better monitor and compare the economic performance by business category and geographical area. A non-confidential newsletter is included to support management's efforts to inform and engage the public.

Unlike the Bradley-Burns Uniform local tax which is allocated basically to the "Point of Sale", transactions taxes are to the extent possible collected and allocated only to those residing or physically located within the Agency levying the tax. The difference often creates confusion and difficulties in projecting revenue trends. HdL's reports are designed to overcome these problems and provide clients with accurate revenue projections and planning forecasts.

C. ECONSolutions – Economic Development

In 2014, HdL launched ECONSolutions as an expansion of services to provide cost-effective strategic planning and consulting to local governments. ECONSolutions offers a variety of customized economic development products and services tailored around a client's budget needs and specific development requirements.

Whether you need to understand a trade area, fill a vacancy, or market a shopping center, ECONSolutions will collaborate with City staff, developers, and real estate professionals to bring increased economic activity to your community. We will work with City staff in formulating steps to capitalize on near-term opportunities, evaluate areas for redevelopment or repositioning of commercial shopping centers, future revenue projections and feasibility studies to ultimately devise a strategy to encourage commercial development in your City through an understanding of your marketplace. Presently, ECONSolutions is working for 15 northern California cities including Belmont, Cupertino, Danville, Lafayette, Los Banos, Morgan Hill, Novato, Pacific Grove, Placerville, Pleasant Hill, Rancho Cordova, Sand City, Tracy, Vacaville and Watsonville.

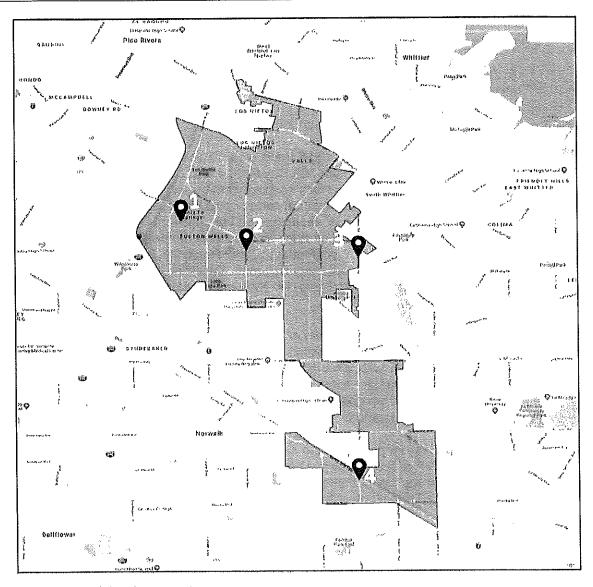
Our ECONSolutions staff has over 45 years of local economic development and community development experience in California. ECONSolutions offers up-to-date data capability, an online GIS platform with state-of-the-art software for market analytics and the ability to leverage HdL's extensive databases systems. ECONSolutions can engage in projects of every size ranging from data analysis to comprehensive studies to advisory support and to public/private collaboration.

HdL has the largest privately held sales tax database in the State of California with sales tax data for 99% of the state's businesses. The firm's proprietary sales tax/software system affords numerous opportunities to leverage the data to identify economic development opportunities. The following items are recommended for the City of Santa Fe Springs.

INSIGHT Market Analytics

Provide analytics data for 4 trade areas within the City of Santa Fe Springs including:

- Telegraph Rd./Orr & Day Rd.
- Telegraph Rd./Carmenita Rd.
- Telegraph Rd./Norwalk Blvd.
- I-5/Carmenita Rd.



Includes the following reports:

- Consumer Demographic Profile uses STI Popstats database with over 1,200
 variables to deliver the highest accuracy level and dependable demographic data.
- Household Segmentation Profile provides a deep understanding of consumer preferences, behaviors and habits, utilizing Personix Lifestage database.
- Employment Profile provides a deep understanding of workforce statistics to provide information on daytime population, student population and employment Industry clusters.
- Consumer Demand & Market Supply Assessment examines opportunity/surplus gaps across 31 retail segments and 40 major project and service lines to provide insight on potential opportunities within a defined market.
- Supporting Trade Area Maps visual tools to assist in understanding a trade areas' shopping centers and retail clusters.
- Semi-Annual Update.

Market Study

 Preparation of a Market Study to identify demand and highest & best uses for a possible specific plan or overlay zone at Telegraph Rd and Norwalk Blvd.

Business Attraction Support – for Market/Grocery Stores at the Santa Fe Springs Promenade Center

 Preparation of a void analysis & market profile to a list of targeted markets and grocery stores identified and based on trade area analytics and the use of a database of over 1,100 national & regional retailers and restaurants.

Creation of a Marketing Packet

Preparation of marketing packets for distribution to potential targets.

Marketing/Attraction Support

On-going support services for attraction of potential targets.

V. REFERENCES

A. Sales, Use and Transactions Tax Audit and Management Services

City of Commerce

Vilko Domic, Director of Finance/City Treasurer

Ph: 323.722.4805

Email: vilkod@ci.commerce.ca.us

Services: Sales, Use and Transactions Tax Audit and Management Services, Business

License and Property Tax Services.

City of Downey

Anil Gandhy, Director of Finance

Ph: 562.904.7265

Email: agandhy@downeyca.org

Services: Sales, Use and Transactions Tax Audit and Management Services and Property

Tax Services.

City of La Mirada

Anne Haraksin, Deputy City Manager

Ph: 562.943.0131

Email: aharaksin@cityofmirada.org

Services: Sales, Use and Transactions Tax Audit and Management Services, Economic

Development, Business License and Property Tax Services.

City of Pico Rivera

Michael Solorza, Finance Director

Ph: 562.942.2000

Email: msolorza@pico-rivera.org

Services: Sales and Use Tax Audit and Management Services, Cannabis and Property Tax

Services.

B. ECONSolutions by HdL - Economic Development

City of Diamond Bar

Dan Fox, City Manager

Ph: 909.839.7010

Email: dfox@diamondbarca.gov

Services: Economic Development, Sales and Use Tax Audit and Management Services and

Property Tax Services.

City of Eastvale

Bryan Jones, Interim City Manger

Ph: 951.361.0900

Email: mnissen@eastvaleca.gov

Services: Economic Development, Sales and Use Tax Audit and Management Services and

Property Tax Services.

City of Novato

Peggy Flynn, Assistant City Manager

Ph: 415.897.4311

Email: pflynn@novato.org

Services: Economic Development Services

City of Port Hueneme

Rod Butler, City Manager (Former City Manager for the City of Upland)

Ph: 805.986.6501

Email: rbutler@ci.port-hueneme.ca.us

Services: Economic Development and Sales, Use and Transactions Tax Audit and

Management Services.

VI. FEE PROPOSAL

A. Sales, Use and Transactions Tax Services

1. Sales and Use Tax Audit Services

HdL proposes a fee of **15%** of all new sales and use tax revenue received by the City (including reimbursement from the sales and use tax compensation fund outlined in Section 97.68 of the Revenue and Taxation Code) as a result of audit and recovery work performed by the firm. This audit fee applies to monies received in the first eight consecutive reporting quarters beginning with the receipt of the audit revenue and includes retroactive back quarter adjustments obtained by HdL.

Audit fees are billed only after completion of the audit, submittal of corrections to the CDTFA and receipt of revenues by the client. 100% of all new revenue generated by HdL flows to the City after the completion of the eight quarters. The fee constitutes the full reimbursement to HdL and covers all direct and indirect costs incurred by the firm under this contract. This includes all salaries of our employees, travel expenses and service contracting costs as well as the software to be delivered to the City of Santa Fe Springs under this proposal.

Invoices are submitted only for recoveries previously approved by the City. HdL does not bill for audit revenues until the client has received said monies. Further, if during the billing cycle, a taxpayer receives a refund for overpayment of taxes generated during that cycle, HdL credits back any proportionate share of the fee that may have been levied.

Invoices are submitted quarterly after the City has received the revenue from the audit correction. The invoice includes a printout showing the name, address, and sales tax registration number of each company, and the specific amount of revenue allocated by the CDTFA to the City for those businesses.

If a misallocation correction involves additional revenue from a company that had already been partially allocating revenues to the City, the City and HdL will agree in a Work Authorization, prior to billing, the methodology for identifying the incremental revenue attributable to HdL's work.

2. <u>Sales and Use Tax Management Services, Quarterly Meetings and Web-Based Application</u>

This includes access to the City's sales tax database through our web-based software and quarterly meetings with one of our principals. In preparation for each meeting, a principal of the firm analyzes the City's data in detail and meets with appropriate City officials to review trends, point out businesses that should be contacted as part of the City's business retention program and discuss and make recommendations regarding the economic and budget implications of the quarter's data. Also included is a non-confidential newsletter that can be shared with your council and the public. The price for this option is \$750 per month.

3. Transactions Tax Services

HdL will monitor and report on this additional revenue source at the City's option for \$100 per month. The only requirement is that the City's adopt a separate resolution of confidentially authorizing HdL's access to the confidential database. Should the City desire HdL to audit its transactions and use taxes, the charge would be a 25% contingency fee against retroactive adjustments only (no prospective billing). Audit fees are billed only after the completion of the audit, submittal of corrections to the CDTFA and receipt of revenue by the City.

B. Economic Development Services

The following is the cost for the services contained in the proposal presented by ECONSolutions.

INSIGHT Market Analytics Fixed fee of \$5,000

Market Study Fixed fee of \$12,000

Business Attraction Support for New Market/Grocery Stores Fixed fee of \$5,500 Not-to-Exceed \$7,500

Total Compensation
Shall not exceed \$30,000 (Fixed and Not-to-Exceed)

Other work possibilities to consider include site selection assistance, reuse and redevelopment studies and special economic development projects, shall be done on an hourly basis or negotiated with hourly rates of:

Staff	Hourly Rate
Managing Director	\$250
Senior Associate	\$190
Analyst	\$125

VII. SALES TAX SAMPLE REPORT PACKAGE

Trends by Major Groups

Major Industry Groups Quarterly Line Graph Annual Line Graph

Major business type changes, including comparisons with state and county averages.

Allocations by Business Type Including Pools Adjusted for Reporting Aberrations

Top sales tax generators listed in descending order. Used by management to track trends and identify companies who should be contacted as part of a business retention program.

Top 100 Sales Tax Generators Quarterly Deviation Analysis

Reports for Revenue Projections.

Sales Tax Allocation Summary Cash Reconciliation Report Budget Projections Five Year Forecast Consensus Forecast

Quarterly customized newsletter summarizing sales tax highlights presented in a manner to protect confidentiality and that can be shared with the public.

City of La Mirada, Q22018 City of Commerce, Q12018

Special reports as needed for economic development and other purposes.

Regional Updates Market Competition Comparisons Surplus/Gap Comparison Retail Analytics Brochure

Sample of Legislative and Issue Updates.

1.1

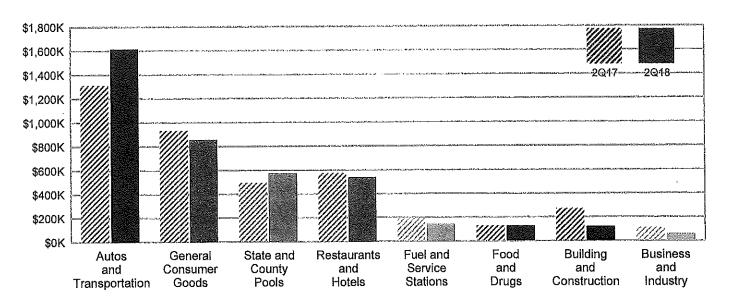
Legislative Update – Sales, Use and Property Tax, October 2018 Issue Update – 2018 November Election Ballot Results, November 2018 Issue Update – Wayfair Decision, November 2018 HeadLines Bi-Monthly E-Newsletter–Trends Affecting California's Economy

Note: Most reports are for the City of Prosperity due to confidentiality standards.

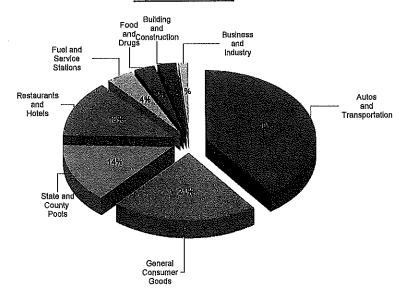
HOLO CITY OF PROSPERITY

Major Industry Group	Count	<u>2Q18</u>	<u>2Q17</u>	\$ Change	% Change
Autos and Transportation	167	1,618,047	1,314,740	303,307	23.1%
General Consumer Goods	849	858,050	934,590	(76,540)	-8.2%
State and County Pools	_	571,872	491,166	80,706	16.4%
Restaurants and Hotels	262	541,139	575,735	(34,596)	-6.0%
Fuel and Service Stations	11	147,986	191,127	(43,141)	-22.6%
Food and Drugs	92	123,276	123,307	(31)	0.0%
Building and Construction	52	116,961	266,035	(149,075)	-56.0%
Business and Industry	593	54.738	111,517	(56,778)	-50.9%
Transfers & Unidentified	66	3,521	(1,366)	4,886	357.8%
Total	2,092	4,035,590	4,006,852	28,738	0.7%

2Q17 Compared To 2Q18



2Q18 Percent of Total



HOLO CITY OF PROSPERITY

4Q

15

3Q

15

2Q

15

1Q

16

2Q

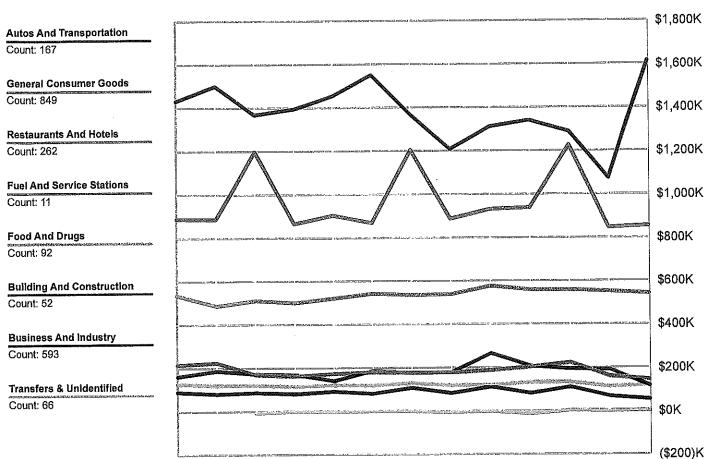
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3Q

16

MAJOR INDUSTRY GROUPS - 13 QUARTER HISTORY

Sales Tax by Major Industry Group



Agency Trend

4Q

16

2Q

17

1Q

17

3Q

17

4Q

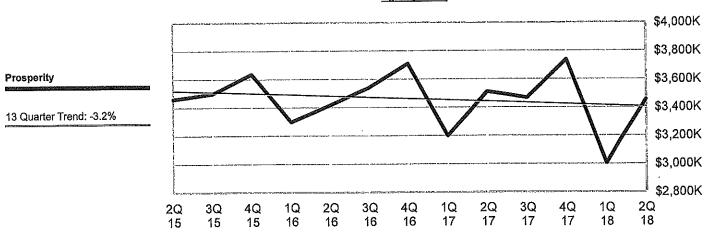
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2Q

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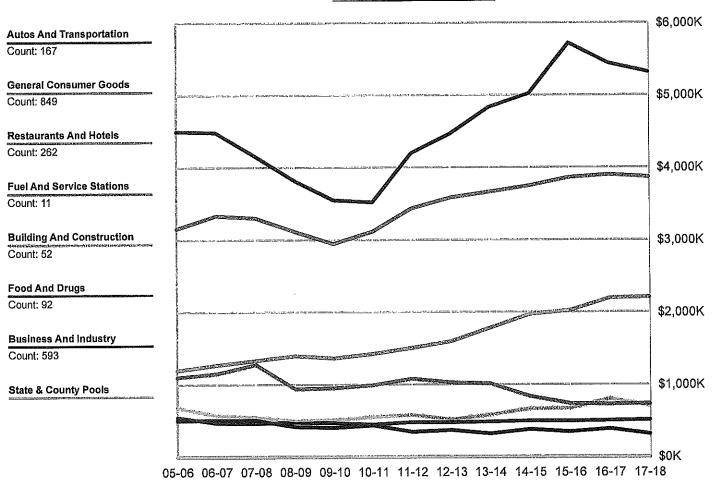
1Q

18

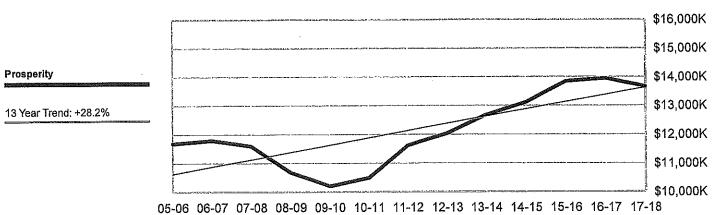


Periods shown reflect the period in which the sales occurred - Point of Sale

Sales Tax by Major Industry Group



Agency Trend



Periods shown reflect the period in which the sales occurred - Point of Sale



Hole CITY OF PROSPERITY
TOP 25 BUSINESS TYPES LISTED BY ALL TOP 25 BUSINESS TYPES LISTED BY ALLOCATION 2Q 2018 COMPARED TO 2Q 2017

Code	Business Type Description (Count)	2Q 2018	AGENCY 2Q 2017	Change	H 2Q 2018	dL STATE 2Q 2017	Change
60	New Motor Vehicle Dealers (18)	1,011,987	934,474	8.3%	159,249,273	162,397,023	-1.9%
08	Discount Dept Stores (3)	537,580	568,455	-5.4%	77,405,400	89,450,373	-13.5%
65	Auto Lease (16)	475,473	254,682	86.7%	36,029,770	22,396,418	60.9%
35	Casual Dining (84)	263,154	296,725	-11.3%	80,150,772	91,671,966	-12.6%
24	Quick-Service Restaurants (152)	223,325	219,346	1.8%	73,510,254	78,053,462	-5.8%
62	Service Stations (11)	147,986	191,127	-22.6%	90,783,762	123,284,106	-26.4%
19	Specialty Stores (248)	110,025	82,600	33.2%	31,487,787	32,991,796	-4.6%
50	Building Materials (6)	85,214	141,938	-40.0%	61,003,920	79,389,561	-23.2%
31	Electronics/Appliance Stores (54)	60,700	73,981	-18.0%	37,177,845	39,172,664	-5.1%
34	Grocery Stores (18)	55,306	53,665	3.1%	42,120,134	45,296,632	-7.0%
27	Drug Stores (31)	41,319	42,481	-2.7%	15,314,051	15,978,605	-4.2%
37	Fast-Casual Restaurants (12)	39,682	27,386	44.9%	16,325,154	16,887,157	-3.3%
07	Department Stores (16)	37,508	37,449	0.2%	33,914,245	30,085,439	12.7%
03	Family Apparel (95)	35,133	68,877	-49.0%	31,463,970	43,226,590	-27.2%
71	Auto Repair Shops (49)	35,127	36,271	-3.2%	13,699,367	16,080,681	-14.8%
61	Automotive Supply Stores (35)	31,804	21,054	51.1%	16,882,384	19,095,518	-11.6%
22	Convenience Stores/Liquor (23)	26,094	26,817	-2.7%	19,648,086	21,634,171	-9.2%
64	Used Automotive Dealers (12)	25,385	23,129	9.8%	15,625,221	26,704,449	-41.5%
05	Variety Stores (43)	23,651	23,170	2.1%	7,966,074	8,215,179	-3.0%
85	Transportation/Rentals (33)	21,199	30,143	-29.7%	14,992,813	15,123,591	-0.9%
12	Sporting Goods/Bike Stores (15)	21,069	40,224	-47.6%	9,653,832	12,198,997	-20.9%
82	Contractors (35)	18,790	106,526	-82.4%	38,088,509	42,656,129	-10.7%
66	Boats/Motorcycles (3)	16,545	14,544	13.8%	6,310,496	7,202,559	-12.4%
76	Leisure/Entertainment (12)	14,791	32,274	-54.2%	17,018,873	17,650,450	-3.6%
86	Electrical Equipment (28)	11,063	25,312	-56.3%	15,118,584	19,857,447	-23.9%
	All Others (1040)	93,810	143,037	-34.4%	360,882,093	429,309,757	-15.9%
	TOTAL ALL TYPES (2092)	3,463,718	3,515,686	-1.5%	1,321,822,667	1,506,010,722	-12.2%
	Major Industry Groups						
	Autos And Transportation (167)	1,618,047	1,314,740	23.1%	272,237,057	278,413,471	-2.2%
	Building And Construction (52)	116,961	266,035	-56.0%	123,716,646	148,065,561	-16.4%
	Business And Industry (593)	54,738	111,517	-50.9%	205,239,280	261,453,308	-21.5%
	Food And Drugs (92)	123,276 147,986	123,307 191,127	0.0% -22.6%	83,222,445 110,655,419	89,204,240 143,220,037	-6.7% -22.7%
	Fuel And Service Stations (11) General Consumer Goods (849)	858,050	934,590	-8.2%	305,860,011	346,518,816	-11.7%
	Restaurants And Hotels (262)	541,139	575,735	-6.0%	219,454,311	238,387,052	-7.9%
	Transfers & Unidentified (66)	3,521	(1,366)	357.8%	1,437,500	748,235	92.1%
<u></u>	TOTAL ALL GROUPS (2092)	3,463,718	3,515,686	-1.5%	1,321,822,667	1,506,010,722	-12.2%
	ALL BUSINESSES (2092)	3,463,718	3,515,686	-1.5%	1,321,822,667	1,506,010,722	-12.2%
	ATIONS FROM COUNTY POOL	570,511	493,053	15.7%			
	TIONS FROM STATE POOL	1,361	(1,888) 4,006,852	172.1% 0.7%	1		
GROSS	RECEIPTS	4,035,590	4,006,852	0.7%			



TOP 25 BUSINESS TYPES LISTED BY ALLOCATION 2Q 2018 COMPARED TO 2Q 2017

Code	Business Type Description (Count)	2Q 2018	AGENCY 2Q 2017	Change	2Q 2018	HdL STATE 2Q 2017	Change
60	New Motor Vehicle Dealers (18)	1,061,826	934,474	13.6%	166,648,986	162,353,653	2.6%
08	Discount Dept Stores (3)	573,327	568,455	0,9%	92,273,755	89,450,373	3.2%
35	Casual Dining (84)	289,754	296,148	-2.2%	89,378,810	90,786,994	-1.6%
65	Auto Lease (16)	253,845	235,932	7.6%	22,196,312	20,849,325	6.5%
62	Service Stations (11)	220,903	198,887	11.1%	132,760,558	122,815,532	8.1%
24	Quick-Service Restaurants (152)	220,391	218,063	1.1%	78,135,669	77,224,675	1.2%
50	Building Materials (6)	152,644	141,944	7.5%	81,880,157	79,448,295	3.1%
19	Specialty Stores (248)	81,423	84,621	-3.8%	31,946,979	32,752,493	-2.5%
03	Family Apparel (95)	70,887	68,835	3.0%	43,756,607	43,152,483	1.4%
34	Grocery Stores (18)	55,746	53,665	3.9%	45,908,730	45,144,733	1.7%
31	Electronics/Appliance Stores (54)	51,797	52,219	-0.8%	35,784,944	34,338,283	4.2%
27	Drug Stores (31)	41,357	42,481	-2.6%	15,550,402	15,984,330	-2.7%
12	Sporting Goods/Bike Stores (15)	40,457	40,222	0.6%	11,999,696	12,171,694	-1.4%
37	Fast-Casual Restaurants (12)	37,750	31,187	21.0%	17,533,189	16,862,041	4.0%
07	Department Stores (16)	37,288	37,378	-0.2%	28,273,401	29,140,491	-3.0%
71	Auto Repair Shops (49)	36,453	36,073	1.1%	14,785,003	15,821,796	-6.6%
61	Automotive Supply Stores (35)	31,503	21,367	47.4%	18,022,933	18,827,170	-4.3%
22	Convenience Stores/Liquor (23)	30,323	30,765	-1.4%	21,571,680	21,482,717	0.4%
76	Leisure/Entertainment (12)	25,838	32,438	-20.3%	18,224,165	17,588,909	3.6%
64	Used Automotive Dealers (12)	25,522	23,135	10.3%	25,570,454	26,447,359	-3.3%
05	Variety Stores (43)	24,032	23,289	3.2%	8,221,198	8,199,535	0.3%
85	Transportation/Rentals (33)	23,830	30,152	-21.0%	15,433,420	14,883,324	3.7%
82	Contractors (35)	22,845	24,015	-4.9%	44,735,038	42,572,520	5.1%
66	Boats/Motorcycles (3)	16,545	14,544	13.8%	7,268,588	7,166,574	1.4%
52	Plumbing/Electrical Supplies (9)	13,186	13,478	-2.2%	22,232,160	21,567,502	3.1%
ŰŽ.	All Others (1059)	109,910	161,114	-31.8%	409,069,779	415,047,953	-1.4%
	TOTAL ALL TYPES (2092)	3,549,381	3,414,883	3.9%	1,499,162,614	1,482,080,755	1.2%
	Major Industry Groups						
	Autos And Transportation (167)	1,450,051	1,296,121	11.9%	280,180,795	275,930,099	1.5%
	Building And Construction (52)	195,771	184,108	6.3%	153,554,454	148,001,102	3.8%
	Business And Industry (593)	63,997	111,102	-42.4%	241,120,996	250,420,573	-3.7%
	Food And Drugs (92)	128,009	127,445	0.4%	89,535,833	88,794,750	0.8%
	Fuel And Service Stations (11)	220,903	198,887 918,725	11.1% -0.4%	156,359,679 339,237,743	142,938,973 339,631,155	9,4% -0.1%
	General Consumer Goods (849)	914,988 573,918	577,839	-0.476 -0.7%	238,617,971	236,385,191	0.9%
	Restaurants And Hotels (262) Transfers & Unidentified (66)	1,745	657	165.5%	555,143	(21,088)	na
	TOTAL ALL GROUPS (2092)	3,549,381	3,414,883	3.9%	1,499,162,614	1,482,080,755	1.2%
TOTAL A	ALL BUSINESSES (2092)	3,549,381	3,414,883	3.9%	1,499,162,614	1,482,080,755	1.2%
	TIONS FROM COUNTY POOL	0	0	na			
ALLOCA	TIONS FROM STATE POOL	0	0	na			
GROSS	RECEIPTS	3,549,381	3,414,883	3.9%			

Hole city of prosperity TOP 100 SALES TAX PRODUCERS - 2Q 2018

Rank	Business Type	Firm Name	Business Address	2Q 2018	2Q 2017	Prior 4 Qtrs	Percent Change	Percent of Total	Cumulative Percent
1	08	Dougco Discount Dept Stores	2207 W Butler Ave	454,449	449,271	2,013,611	1.15%	13.12%	13%
2	60	Silverstone New Motor Vehicle Dealers	400 S Ingersoll Blvd	291,669	161,375	779,236	80.74%	8.42%	22%
3	65	Kiaras Auto Lease	No Address In City	265,196	116,738	404,833	127.17%	7.66%	29%
4	60	Macnetworks New Motor Vehicle Dealers	2 Locations	156,705	169,049	672,499	-7.30%	4.52%	34%
5	60	Djgraphic New Motor Vehicle Dealers	4 Locations	126,495	141,001	550,158	-10.29%	3.65%	37%
6	60	Ooohlala New Motor Vehicle Dealers	2 Locations	116,022	112,295	445,548	3.32%	3.35%	41%
7	60	Bonega New Motor Vehicle Dealers	1247 W East St	109,360	98,619	375,204	10.89%	3.16%	44%
8	65	Eventos Auto Lease	No Address In City	92,420	42,992	132,929	114.97%	2.67%	47%
. 9	60.	Archetype New Motor Vehicle Dealers	1100 W East St	90,132	14,870	238,434	506.14%	2.60%	49%
10	08	Verdalee Discount Dept Stores	2120 W East St	83,132	119,184	514,070	-30.25%	2.40%	52%
11	50	Giftprints Building Materials	500 S East Ave	74,892	140,137	586,339	-46.56%	2.16%	54%
12	19	Keris Specialty Stores	2500 W Butler Ave	57,841	25,010	106,313	131.27%	1.67%	55%
13	60	Beachtownrules New Motor Vehicle Deale	rs726 E East St	55,086	66,002	209,218	-16.54%	1.59%	57%
14	60	Crepery New Motor Vehicle Dealers	1811 W East St	39,481	33,770	146,300	16.91%	1.14%	58%
15	07	Asd Department Stores	1201 S Townsend Ave	36,943	37,082	154,225	-0.37%	1.07%	59%
16	62	Keyman Service Stations	1201 S Ingersoll Blvd	36,242	32,158	126,080	12.70%	1.05%	60%
17	03	Francesca Family Apparel	150 E East St Ste 130	33,490	32,238	136,327	3.88%	0.97%	61%
18	60	Formerica New Motor Vehicle Dealers	1700 W East St	27,037	38,335	131,580	-29.47%	0.78%	62%
19	24	Awch Quick-Service Restaurants	2 Locations	26,122	24,375	100,167	7.17%	0.75%	63%
20	62	Capelli Service Stations	601 W Yukon Blvd	23,362	20,095	80,697	16.26%	0.67%	63%
21	65	Joyce Auto Lease	No Address In City	22,760	13,540	40,336	68.10%	0.66%	64%
22	19	Maxies Specialty Stores	2568 W Butler Ave	21,564	20,840	82,532	3.47%	0.62%	65%
23	65	Nesting Auto Lease	No Address In City	20,258	21,009	62,389	-3.58%	0.58%	65%
24	27	Kade Drug Stores	4 Locations	20,124	20,025	82,121	0.49%	0.58%	66%
25	31	Muchos Electronics/Appliance Stores	6 Locations	20,052	8,954	31,205	123.94%	0.58%	66%
26	65	Msb Auto Lease	No Address In City	20,042	16,696	52,676	20.04%	0.58%	67%
27	34	Hotdog Grocery Stores	2400 W Butler Ave	18,370	20,589	76,200	-10.78%	0.53%	68%
28	62	Metropoly Service Stations	3201 W Yukon Blvd	17,772	15,989	63,752	11.15%	0.51%	68%
29	62	Possessions Service Stations	2601 W East St	17,165	13,930	59,966	23.23%	0.50%	69%
30	62	Natuurlik Service Stations	525 N Ingersoll Blvd	16,870	17,459	70,127	-3.37%	0.49%	69%
31	24	Chaunceys Quick-Service Restaurants	1210 N Ingersoll Blvd	16,624	20,318	82,759	-18.18%	0,48%	70%
32	34	Mulkeyland Grocery Stores	725 E East St	16,541	12,201	55,564	35.57%	0.48%	70%
33	66	Nuvart Boats/Motorcycles	3001 W East St Unit A	16,424	14,475	57,244	13,47%	0.47%	70%
34	64	Oic Used Automotive Dealers	1744 W Yukon Blvd	16,385	14,455	62,166	13.36%	0.47%	71%
35	85	Samkhya Transportation/Rentals	3 Locations	15,015	14,377	57,460	4.44%	0.43%	71%

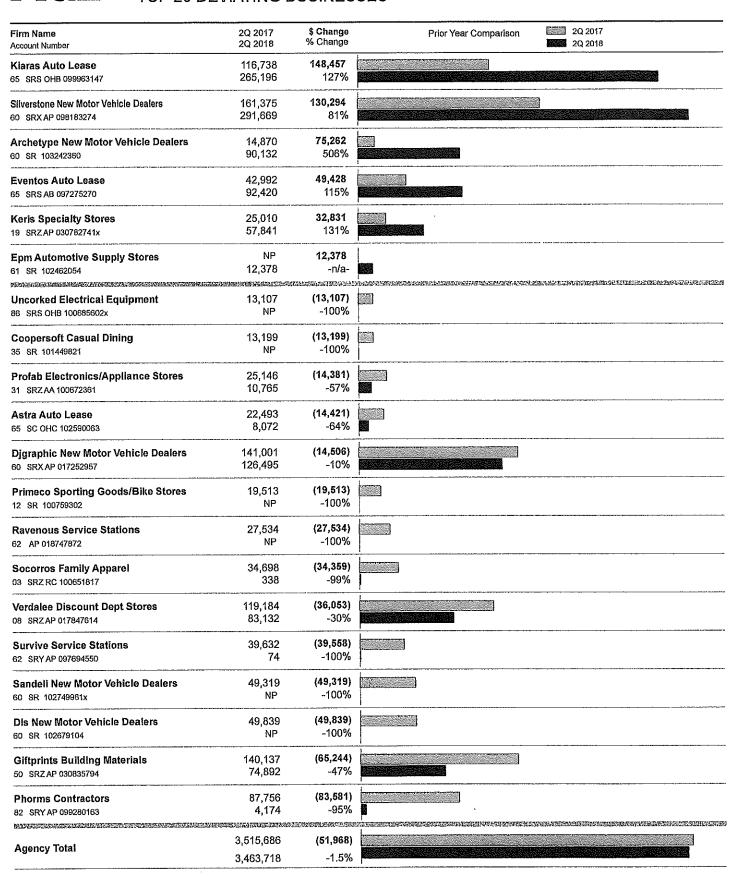
TOP 100 SALES TAX PRODUCERS - 2Q 2018

Rank	Business Type	Firm Name	Business Address	2Q 2018	2Q 2017	Prior 4 Qtrs	Percent Change	Percent of Total	Cumulative Percent
36	62	Lanimar Service Stations	848 S Gibson Ave	14,912	4,067	54,411	266.63%	0.43%	72%
37	35	Kese Casual Dining	2223 W Butler Ave	14,802	14,489	53,809	2.16%	0.43%	72%
38	65	Dcs Auto Lease	No Address In City	14,464	6,384	19,992	126.56%	0.42%	73%
39	65	Adeles Auto Lease	No Address In City	13,750	4,255	12,676	223.18%	0.40%	73%
40	62	Trails Service Stations	2600 W Yukon Blvd	12,876	12,796	47,493	0.63%	0.37%	73%
41	35	Greenbrew Casual Dining	33 W East St	12,795	13,532	49,106	-5.44%	0.37%	74%
42	61	Epm Automotive Supply Stores	1200 E Yukon Blvd	12,378	0	20,017	n/a	0.36%	74%
43	35	Confeccion Casual Dining	68 W East St	11,985	11,714	43,848	2.32%	0.35%	74%
44	35	Insidecomputer Casual Dining	245 W Yukon Blvd	11,560	0	31,810	n/a	0.33%	75%
45	12	Chavas Sporting Goods/Bike Stores	2801 W Dunkirk Rd	11,426	10,176	47,648	12.29%	0.33%	75%
46	31	Axion Electronics/Appliance Stores	2121 W East St Ste 300	11,162	11,010	50,033	1.38%	0.32%	75%
47	76	Truckstuff Leisure/Entertainment	741 S Townsend Ave	10,800	12,620	39,201	-14.42%	0.31%	76%
48	31	Profab Electronics/Appliance Stores	810 E Yukon Blvd Ste D	10,765	25,146	64,550	-57.19%	0.31%	76%
49	35	Primitives Casual Dining	2 S Gibson Ave Ste 100	10,677	11,963	32,674	-10.75%	0.31%	76%
50	35	Heatherstone Casual Dining	700 W Yukon Blvd	10,609	10,319	41,989	2.81%	0.31%	77%
51	35	Sportaction Casual Dining	500 W East St Ste A	10,409	9,190	40,853	13.26%	0.30%	77%
52	50	Sades Building Materials	616 S East Ave	10,215	1,802	6,017	466.97%	0.29%	77%
53	27	Mandalay Drug Stores	2551 W East St	10,116	10,243	30,882	-1,23%	0.29%	78%
54	27	Bondesign Drug Stores	2 Locations	9,963	11,117	41,707	-10.38%	0.29%	78%
55	24	Canasia Quick-Service Restaurants	2531 W Yukon Blvd	9,951	4,206	12,691	136.58%	0.29%	78%
56	35	Goldmart Casual Dining	2131 W Butler Ave	9,853	10,310	40,236	-4.43%	0.28%	78%
57	24	Eastwind Quick-Service Restaurants	138 E Yukon Blvd	9,461	9,644	36,223	-1.89%	0.27%	79%
58	71	Frances Auto Repair Shops	328 S East Ave	9,013	8,877	34,365	1.53%	0.26%	79%
59	65	Digitime Auto Lease	No Address In City	8,721	5,825	15,793	49.71%	0.25%	79%
60	34	Greenland Grocery Stores	150 E East St Ste 150	8,664	8,280	32,914	4.64%	0.25%	79%
61	12	Euphorbia Sporting Goods/Bike Stores	620 E Yukon Blvd	8,509	9,170	36,799	-7.21%	0.25%	80%
62	35	Zyzzle Casual Dining	21 E East St	8, 44 1	8,420	31,506	0.26%	0.24%	80%
63	82	Imt Contractors	3001 W Dunkirk Rd Ste B	8,438	6,934	29,303	21.68%	0.24%	80%
64	86	Cynmar Electrical Equipment	2015 Morris St	8,157	8,764	33,018	-6.93%	0.24%	80%
65	65	Astra Auto Lease	No Address In City	8,072	22,493	36,908	-64.11%	0.23%	81%
66	62	Martinetti Service Stations	1401 S Gibson Ave	8,051	6,418	24,625	25.44%	0.23%	81%
67	35	Alteryears: Casual Dining	2000 W East St	7,710	8,269	35,656	-6.76%	0.22%	81%
68	35	Monico Casual-Dining	301 E Yukon Blvd	7,558	6,741	28,323	12.11%	0.22%	81%
69	05	Warrior Variety Stores	600 E Yukon Blvd	7,341	6,813	22,669	7.74%	0.21%	82%
70	35	Fye Casual Dining	100 W East St	7,274	4,503	13,052	61.52%	0.21%	82%
71	64	Khakis Used Automotive Dealers	400 W Yukon Bivd	7,169	5,371	19,052	33.48%	0.21%	82%

TOP 100 SALES TAX PRODUCERS - 2Q 2018

****	Business			1.00		··········	Percent	Percent	Cumulative
Rank	Туре	Firm Name	Business Address	2Q 2018	2Q 2017	Prior 4 Qtrs	Change	of Total	Percent
72	18	Waxworks Office Supplies/Furniture	1200 W Yukon Blvd	7,059	8,968	36,106	-21.29%	0.20%	82%
73	19	Ardove Specialty Stores	2115 W Butler Ave	7,049	6,849	29,117	2.93%	0.20%	82%
74	05	Fernoll Variety Stores	2810 W Republic Rd	6,686	6,664	28,032	0.33%	0.19%	83%
75	35	Chanfield Casual Dining	1412 S Gibson Ave	6,659	0	6,581	n/a	0.19%	83%
76	35	Loshas Casual Dining	228 W Yukon Blvd Ste 101	6,579	6,092	24,054	8.00%	0.19%	83%
77	31	Goombahs Electronics/Appliance Stores	6 Locations	6,559	2,104	7,479	211.76%	0.19%	83%
78	19	Sante Specialty Stores	2 Locations	6,544	6,082	28,181	7.60%	0.19%	83%
79	35	Dawsons Casual Dining	2234 W Yukon Blvd	6,458	. 6,473	24,959	-0.23%	0.19%	84%
80	24	Calmaka Quick-Service Restaurants	245 S Ingersoll Blvd	6,446	5,915	24,257	8.98%	0.19%	84%
81	35	Altatron Casual Dining	515 W East St	6,430	0	19,821	n/a	0.19%	84%
82	24	Travelsmith Quick-Service Restaurants	2528 W Butler Ave	6,377	6,773	26,190	-5.85%	0.18%	84%
83	35	Croissanteria Casual Dining	1032 E Yukon Blvd	6,300	5,649	23,609	11.52%	0.18%	84%
84	35	Giulianos Casual Dining	701 S Townsend Ave	6,253	5,939	25,245	5.29%	0.18%	84%
85	24	Skytree Quick-Service Restaurants	647 W Yukon Blvd	6,134	4,703	18,492	30.42%	0.18%	85%
86	35	Lara Casual Dining	369 W East St	6,088	5,725	23,809	6.34%	0.18%	85%
87	35	Envirotherm Casual Dining	201 W East St	5,813	5,780	23,830	0.56%	0.17%	85%
88	35	Juice Casual Dining	1 W East St	5,792	4,327	18,617	33.85%	0.17%	85%
89	37	Lockserv Fast-Casual Restaurants	2121 W East St Ste 210	5,753	5,581	21,789	3.09%	0.17%	85%
90	37	Mariscos Fast-Casual Restaurants	100 E East St Ste 150	5,740	0	14,041	n/a	0.17%	85%
91	34	Normans Grocery Stores	2 Locations	5,735	5,982	27,233	-4.14%	0.17%	86%
92	35	Childprotect Casual Dining	208 E Yukon Blvd	5,605	6,405	24,500	-12.49%	0.16%	86%
93	65	Metalcraft Auto Lease	No Address In City	5,592	3,357	9,092	66.56%	0.16%	86%
94	35	Alans Casual Dining	736 E Yukon Blvd	5,203	5,267	21,480	-1.20%	0.15%	86%
95	52	Grotto Plumbing/Electrical Supplies	17 N Federal St	5,185	5,563	20,114	-6.80%	0.15%	86%
96	37	Zazie Fast-Casual Restaurants	5 E East St	5,178	4,714	18,566	9.86%	0.15%	86%
97	22	Brovell Convenience Stores/Liquor	1200 S Gibson Ave	4,950	4,790	19,350	3.33%	0.14%	87%
98	35	Hsquare Casual Dining	47 W East St	4,941	4,848	18,986	1.91%	0.14%	87%
99	35	Greenmail Casual Dining	828 W Yukon Blvd	4,885	4,824	19,113	1.27%	0.14%	87%
100	24	Casanovas Quick-Service Restaurants	2001 W Yukon Blvd	4,850		12,023	n/a	0.14%	87%
		Д	mount Paid By Top 100 Accounts	3,012,933	2,580,684	10,666,780		86.99%	87%
		. F	ercent Paid By Top 100 Accounts	86.99%	73.40%	77.66%			
		Т	otal Paid By All Accounts	3,463,718	3,515,686	13,734,928			

HCLO CITY OF PROSPERITY TOP 20 DEVIATING BUSINESSES

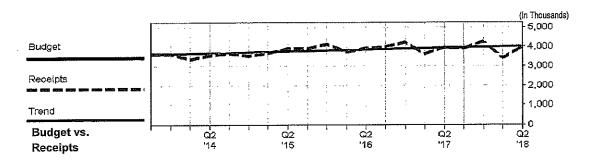


HdL®

CITY OF PROSPERITY

SALES TAX ALLOCATION SUMMARY

	Fiscal Yr		FY 2016-17 Sale	es Quarters		Fiscal Yr 2016-17	Dollar Change	Percent Change		FY 2017-18 Sa	les Quarters		Fiscal Yr 2017-18	YTD % Change
Seven Major Industry Groups	2015-16 Totals	3Q	4Q	1Q	2Q	Z016-17 Totals	Prior Yr	Prior Yr	3Q	4Q.	1Q	2Q	Totals	Prior Yr
Point of Sale														
Autos And Transportation	5,731,503	1,554,574	1,372,047	1,211,357	1,314,740	5,452,718	(278,785)		1,343,632	1,291,518	1,077,137	1,618,047	5,330,334	-2%
Building And Construction	674,583	187,750	177,708	179,360	266,035	810,854	136,271	20%	207,600	194,068	190,904	116,961	709,532	-12%
Business And Industry	343,419	82,347	107,830	82,970	111,517	384,664	41,245	12%	81,699	110,121	68,127	54,738	314,685	-18%
Food And Drugs	491,394	122,961	133,557	121,782	123,307	501,608	10,214	2%	134,740	136,303	114,380	123,276	508,699	1%
Fuel And Service Stations	742,154	182,892	180,228	180,135	191,127	734,383	(7,771)		206,126	225,816	162,401	147,986	742,329	1%
General Consumer Goods	3,869,970	872,883	1,208,898	890,65 6	934,590	3,907,027	37,058	1%	940,965	1,228,861	848,108	858,050	3,875,983	-1%
Restaurants And Hotels	2,018,914	541,666	535,313	538,247	575,735	2,190,961	172,046	9%	558,120	557,478	550,364	541,139	2,207,100	1%
Transfers & Unidentified	(6,244)	0	(357)	(5,467)	(1,366)	(7,190)	(946)		(13,360)	3,213	923	3,521	(5,703)	21%
Total Point of Sale	13,865,693	3,545,073	3,715,224	3,199,040	3,515,686	13,975,024	109,331	1%	3,459,520	3,747,378	3,012,344	3,463,718	13,682,960	-2%
County Pool Allocations	1,985,467	499,555	549,307	461,534	493,053	2,003,449	17,982	1%	495,291	560,246	425,792	570,511	2,051;841	2%
State Pool Allocations	8,147	1,283	3,890	4,638	(1,888)	7,923	(224)	-3%	2,813	1,112	2,734	1,361	8,019	1%
Total (Net Collections)	15,859,307	4,045,911	4,268,420	3,665,212	4,006,852	15,986,395	127,089	1%	3,957,625	4,308,736	3,440,870	4,035,590	15,742,820	-2%
Triple Flip Reduction	(2,028,581)	0	0	0	0	0	2,028,581	. 100%	0	0	0	0	; 0	- N/A -
Total	13,830,726	4,045,911	4,268,420	3,665,212	4,006,852	15,986,395	2,155,670	16%	3,957,625	4,308,736	3,440,870	4,035,590	15,742,820	-2%
Less: Cost of Administration	(198,032)	(50,931)	(50,018)	(48,855)	(47,664)	(197,468)	563	0%	(47,272)	(48,157)	(43,377)	(48,832)	(187;638)	5%
Balance	13,632,694	3,994,980	4,218,402	3,616,357	3,959,188	15,788,927	2,156,233	16%	3,910,353	4,260,578	3,397,493	3,986,759	15,555,183	-1%
Sales & Use Tax Comp Fund*	3,125,568	0	0	0	0	. 0	(3,125,568)	-100%	0	0	0	0	. 0	- N/A -
Grand Total	16,758,262	3,994,980	4,218,402	3,616,357	3,959,188	15,788,927	(969,335)	-6%	3,910,353	4,260,578	3,397,493	3,986,759	15,555,183	-1%
Budget														
**Due to the monthly allocation changes	by CDTFA, as of 1st	Quarter 2018 all fis	cal year totals wil	l be reported on a	an accrual basi:	s (July to June sale	s).							
Transactions Taxes	14,457,258	3,542,268	3,843,741	3,352,789	3,518,601	14,257,399	(199,859)	-1%	3,470,872	4,086,449	3,534,818	2,929,063	14,021,201	-2%
Less: Cost of Administration	(180,450)	(42,620)	(31,500)	(31,490)	(37,470)	(143,080)	37,370	21%	(37,470)	(37,470)	(22,890)	(38,880)	(136,710)	
Total	14,276,808	3,499,648	3,812,241	3,321,299	3,481,131	14,114,319	(162,489)	-1%	3,433,402	4,048,979	3,511,928	2,890,183	13,884,491	-2%
Budget	0					. 0							.0	





SALES TAX ALLOCATION CASH RECONCILIATION

	Payment Month	Fiscal Year 2017-18		Fiscal Year 2018-19	
1st Advance	June	\$ 1,095,400.00		\$ 1,270,729.32	
2nd Advance	July	1,095,400.00		1,372,793.84	
3rd Advance	August	1,460,400.00		-	
Clean Up	September	307,987.96		1,343,235.46	
2nd Quarter Allocation		3,959,187.96		3,986,758.62	
				• • • • • • • • • • • • • • • • • • • •	
1st Advance	September	1,159,800.00		-	
2nd Advance	October	1,159,800.00		_	
3rd Advance	November	1,546,500.00		_	
Clean Up	December	44,252.58			
3rd Quarter Allocation		3,910,352.58			
1st Advance	December	1,199,900.00		-	_
2nd Advance	January	1,199,900.00	ang.	-	Sule
3rd Advance	February	1,600,000.00	Ais	-	SV
Clean Up	March	260,778.47	Day ial	-	
4th Quarter Allocation		4,260,578.47	60°D)	_	90.09 90.09
1st Advance	March	1,037,100.00	Oak Co	-	TO CO
2nd Advance	April	1,037,100.00	66	-	8
3rd Advance	May	<u>.</u>		-	
Clean Up	June	1,323,292.98		-	
1st Quarter Allocation		3,397,492.98		7	
1st Advance	June	1,270,729.32		-	
2nd Advance	July	1,372,793.84		•	
3rd Advance	August	-		-	
Clean Up	September	1,343,235.46			
2nd Quarter Allocation		3,986,758.62			
Fiscal Year Reconciliation					
60 Day/Acqual Period		\$,14(519)936,46		\$1,343,235,46	
90 Day Acqual Pariod		\$416,655,182.65		\$ 5-	

HOLES COMPANIES

CITY OF PROSPERITY

EXTENDED SALES AND USE TAX BUDGET ESTIMATE

	FY 2017-18	FY 2018-19)	FY 2019-20		FY 2020-21		FY 2021-22	ŀ	FY 2022-23	•	FY 2023-24	1
Industry Group	Actuals	Projection	%	Projection	%	Projection	%	Projection	%	Projection	%	Projection	%
Autos & Transportation	5,330,334	5,330,334	0.0%	5,330,334	0.0%	5,330,334	0.0%	5,330,334	0.0%	5,330,334	0.0%	5,330,334	0.0%
Building & Construction	709,532	709,532	0.0%	709,532	0.0%	709,532	0.0%	709,532	0.0%	709,532	0.0%	709,532	0.0%
Business & Industry	314,685	314,685	0.0%	314,685	0.0%	314,685	0.0%	314,685	0.0%	314,685	0.0%	314,685	0.0%
Food & Drugs	508,699	508,699	0.0%	508,699	0.0%	508,699	0.0%	508,699	0.0%	508,699	0.0%	508,699	0.0%
Fuel & Service Stations	742,329	742,329	0.0%	742,329	0.0%	742,329	0.0%	742,329	0.0%	742,329	0.0%	742,329	0.0%
General Consumer Goods	3,875,983	3,875,983	0.0%	3,875,983	0.0%	3,875,983	0.0%	3,875,983	0.0%	3,875,983	0.0%	3,875,983	0.0%
Restaurants & Hotels	2,207,100	2,207,100	0.0%	2,207,100	0:0%	2,207,100	0.0%	2,207,100	0.0%	2,207,100	0.0%	2,207,100	0.0%
Transfers & Unidentified	(5,703)	(5,703)	0.0%	(5,703)	0.0%	(5,703)	0.0%	(5,703)	0.0%	(5,703)	0.0%	(5,703)	0.0%
State & County Pools	2,059,860	2,059,860	0.0%	2,059,860	0.0%	2,059,860	0.0%	2,059,860	0.0%	2,059,860	0.0%	2,059,860	0.0%
Total	15,742,820	15,742,820	0.0%	15,742,820	0.0%	15,742,820	0.0%	15,742,820	0.0%	15,742,820	0.0%	15,742,820	0.0%
Administration Cost	(187,638)	(204,657)		(204,657)		(204,657)		(204,657)		(204,657)		(204,657)	
Total	15,555,183	15,538,164	-0.1%	15,538,164	0.0%	15,538,164	0.0%	15,538,164	0.0%	15,538,164	0.0%	15,538,164	0.0%
Triple Flip Deduction	0	0		0	-								
Estimated SUTCF	0	0		O									
True-Up Payment	0	0		0	-								
Total	15,555,183	15,538,164	-0.1%	15,538,164	0.0%	15,538,164	0.0%	15,538,164	0.0%	15,538,164	0.0%	15,538,164	0.0%



HdL provides relevant information and analyses on the economic forces affecting California's local government agencies. In addition, HdL's Revenue Enhancement and Economic Development Services help clients to maximize revenues.

HdL serves over 500 cities, counties and special districts in California and across the nation.



Delivering Revenue, Insight and Efficiency to Local Government Since 1983

HDL CONSENSUS FORECAST – SEPTEMBER 2018 STATEWIDE SALES TAX TRENDS

HdL® Companies

TOTAL 2.2% | 2.1%



Autos/Transportation

2018/19 | 2019/20 0.5% | 0.0%

This sector is in a sweet-spot marked by growing wages combined with moderate financing rates; this has yielded strong truck and sports utility vehicle sales. However, lending rates have risen from historic lows and it is becoming more difficult to find zero-rate vehicle loans. Continued increases in benchmark interest rates, higher gasoline prices and a glut of off-lease vehicles hitting the market are expected to crimp tax revenue in the coming months. Simmering trade tensions further unsettle industry observers.



Building/Construction

4.5% | 3.9%

Construction product costs are rising steadily and will boost taxes. Home affordability continues to take a hit with both labor and materials on a sharp upward trajectory. Planned multi-family starts may be affected as projects fail to pencil out. At best, upcoming bids for infrastructure projects will cause the scope of work to decrease, some projects could be delayed or shelved due to a lack of funding. The volume of work on highways and local streets under existing contracts is not affected by recent increases levies on imported steelwork and lumber.



Business/Industry

2.2% | 2.0%

Not limited to this group, but the State's computer conversion problems delayed a substantial number of second quarter tax returns thereby skewing what can be determined from sales tax data. Outside statistics suggest capital investment remains at previous year's levels with the tech sector being the primary driver of growth. Costs of raw materials and transportation rising due to labor shortages. A rush in purchases to beat new rounds of tariff announcements may generate a spike in third quarter sales tax revenues followed by declines in subsequent quarters.



Food/Drugs

1.9% | 1.5%

Grocery stores are in the midst of a rapidly changing landscape. Established chains still dominate the market. However, new entrants are luring shoppers with low margin products, expansive on-line inventories and quick home delivery. Cashierless outlets and voice activated buying are emerging trends anchored to consumer convenience preferences. Drug store offerings reflect liquor, food and trendy products while enhancing pharmaceutical and medical service offerings. Licensed cannabis businesses are cultivating new revenues for this sector.

Proposition 172 projections vary from statewide Bradley-Burns calculations due to the state's utilization of differing collection periods in its allocation to counties. Retroactive accounting adjustments are anticipated in 2018/19 and beyond as the California Department of Tax and Fee Administration migrated to a new information management platform in May 2018. HdL forecasts positive growth in Fiscal Year 2018/19 just at a slower pace than prior years due to potential economic constraints impacting consumer spending. HdL forecasts a statewide increase of 1.51% for Fiscal Year 2018/19 and a gain of 2.10% in 2019/20.



Fuel/Service Stations

0.2% | 1.0%

Global crude oil prices have remained steady for several months as OPEC members and affiliates complied with production caps, only slowly increasing output to keep up with demand. This consistent pricing also tempered U.S. extraction in West Texas as driller's struggle with tight labor markets. In California, while elevated summer pricing will soon give way to lower winter blend cost, all eyes will be on the Prop 6 November election results – repeal of SB-1 legislation that increased statewide excise tax on gas and diesel fuel.



General Consumer Goods 1.0% | 1.0%

iraditionally based retail is transforming itself driven by emphasis on experience and community. This means the integration of bedrock brands infused with ever changing, limited quality, unique finds combined with the addition of restaurants, pop-up shops, and amenities such as speaker series, art installations and podcasts. The launching of storefronts amplifying online sellers and the emergence of social media are becoming a force in the retail marketplace. As a result, there will be local and regional fluctuations in performance based on retail mix and demographics. There are predictions of an ongoing favorable sales trend, buoyed by rising wages and low unemployment. However emerging headwinds like rising freight, fuel prices and merchandise tariffs could rein in spending.



Restaurants/Hotels 3.0% | 3.0%

Restaurant owners again report a net increase in activity and are generally optimistic about sales growth in the months ahead. Quick service and fast casual eateries have remained unperturbed by the recent softness and should continue to perform well. Casual dining establishments are struggling with weak same-store sales and traffic. Menu prices are increasing at a much quicker rate than the prices of food at the grocery stores. California's hotel market remains strong; new openings offer bars, meals and other conveniences that



State and County Pools 5.5% | 5.1%

contribute to the positive trend for this group.

Favorable prognostications are on the horizon for the 2018 holiday season. This is particularly so for e-commerce and mobile device purchases; experts anticipate sizeable growth from tech-savvy consumers. Amazon will dominate gains; traditional retailers are poised to reap benefits from digital age investments that cater to consumer shopping patterns. Congress introduced the Online Sales Simplicity and Small Business Relief Act in response to the Supreme Court's Wayfair decision. Notable is a \$10 million exemption provision for small business sellers; it remains until simplified taxpayer collection is agreed to by all states. California has yet to implement Wayfair guidelines; new out of state taxes for the pools are not expected soon.

NATIONAL AND STATEWIDE ECONOMIC DRIVERS





U.S. Real GDP Growth

2018/19 | 2019/20 3.0% | 2.4%

The United States is currently in the midst of the second longest expansion in the nation's history at 111 months and counting. If it continues to July of next year, the current expansion will officially become the longest on record. Will we make it? Odds are almost certain we will. Far from losing steam, the U.S. economy has been on an upswing lately. The rest of this year looks solid, but expect slower growth next year. Additionally, the long-term stressors of heavy Federal borrowing, rising interest rates and ongoing political chaos make it clear that while there is no reason to expect a recession anytime soon. We should remain more vigilant than ever in watching for the unanticipated shock. The nation's capacity to absorb a blow to its economy is substantially diminished and it won't take much to end the current expansion.



U.S. Unemployment Rate 3.9% | 3.9%

Employment growth over the last 3 months has totaled over 200,000 jobs added per month even with unemployment below 4%. More importantly, the job openings rate is at 4.2%, suggesting that employers would hire even more workers if they could find them. As positive as all this news is, don't be fooled into believing the U.S. economy has truly achieved a new pace of sustained growth. The current growth surge is, at best, temporary, with the economy's long-run trajectory limited by increases in the labor force.



CA Total Nonfarm Employment Growth

1.8% | 1.7%

With two quarters down and sights turning toward the last part of the year, it is apparent that the California economic engine continues to hum along, much like the nation as a whole. Job gains have been steady and the state's leading industries have expanded despite ongoing concerns on the international trade front. In looking at the future growth trajectory of the California economy, the elephant in the room is the high cost of housing and its impact on labor force growth. As growth in the state's labor force slows further, it will tighten like a noose on the economy and limit future expansion and business development.



CA Unemployment Rate 4.1% | 4.0%

California continues to land in record territory, with its unemployment rate at 4.2% for the fourth month in a row as of July 2018. Recent labor market reports reveal the ongoing challenge that U.S. employers currently face in filling job vacancies. The number of job openings nationally has been routinely pushing into record territory, with nearly every industry suffering from a lack of workers, from the tech sector to health care to restaurants. These problems are compounded in California, which has consistently outpaced the nation in terms of job growth and economic activity.



CA Median \$502,100 | \$533,865 Existing Home Price

California's housing market has been a mixed bag so far this year. According to CoreLogic, the median home price in California was \$481,100 in the second quarter, up 8.6% year-to-year. The median price is still about 7% below its pre-recession peak despite a string of yearly price gainsgoing back several years. Still, home sales have been average, at best, and disappointing when considered against the backdrop of the state's long economic expansion.



CA Residential 122,500 | 132,100 Building Permits

New home construction moved up a notch in the first half of this year compared with last year, a development that should also temper, but not halt, price increases. Overall, housing permits rose 9.4% in the first half of 2018 compared to one year earlier, with increases of 7.3% in single-family permits and 11.4% in multi-family permits. The state is on track to add about 130,000 new units this calendar year, still far below its needs which are closer to 200,000 units annually. As long as home construction lags what the state needs, high housing costs will be a painful thorn in the side of the California economy.

HdL Companies

120 S. State College Blvd., Suite 200 Brea, CA 92821

Telephone: 714.879.5000 • 888.861.0220

Fax: 909.861.7726

California's allocation data trails actual sales activity by three to six months. HdL compensates for the lack of current information by reviewing the latest reports, statistics and perspectives from fifty or more economists, analysts and trade associations to reach a consensus on probable trends for coming quarters. The forecast is used to help project revenues based on statewide formulas and for reference in tailoring sales tax estimates appropriate to each client's specific demographics, tax base and regional trends.

Beacon Economics

Southern California Office 5777 West Century Boulevard, Suite 895 Los Angeles, CA 90045

Telephone: 310.571.3399

Fax: 424.646.4660 E-Fax: 888.821.4647

Beacon Economics, LLC has proven to be one of the most thorough and accurate, economic research/analytical forecasters in the country. They regularly provide national, state, regional, and sub-regional economic analysis/ forecasting to clients ranging from the State of California to private hedge funds to major universities. Their evaluation of the key drivers impacting local economies and tax revenues provides additional perspective to HdL's quarterly consensus updates. The collaboration and sharing of information between Beacon Economics and HdL helps both companies enhance the accuracy of the work that they perform for their respective clients.

Hdl Companies

714.879.5000 | hdlcompanies.com 120 S. State College Blvd., Suite 200, Brea, CA 92821





City of La Mirada Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

La Mirada In Brief

a Mirada's receipts from April through June were 17.6% below the second sales period in 2017, though the decline was the result of the State's transition to a new software and reporting system that caused a delay in processing thousands of payments statewide. Sizable local allocations remain outstanding for building material suppliers, restaurants and business-industrial enterprises. Excluding reporting aberrations, actual sales were up 2.5%.

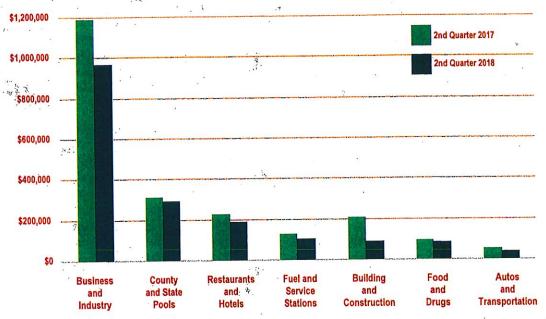
The primary factor powering this improvement was increased sales volume reported by a local fuel and service station outlet.

Decreased light industrial-printer cash receipts due to a shift in a tax-payer's reported point-of-sale partially offset this progress. An organizational restructuring also reduced heavy-industrial supplier allocations.

Voter-approved Measure I expired at the end of last quarter, but late payments and State adjustments recorded this period added \$114,000 to the amounts previously discussed.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.6% over the comparable time period; the Southern California region was up 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



Top 25 Producers

IN ALPHABETICAL ORDER

Home Depot

IQ Air Living Spaces

In N Out-Burger

Marshalls Accu Tech Ahern Rentals **Pivot Interiors** Pnp Shell Albertsons Sentry Equipment Arco AM PM Erectors **Bet Plant Services** Shabuya Camping World Smith & Nephew Clearmans Northwoods Inn Spinitar Staples Fulfillment **CVS Pharmacy** Center Eagle High Reach Stater Bros Equipment **US Foodservice Event Carpet Pros**

Walmart

Market

Neighborhood

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date (Q3 to Q2)

	2016-17	2017-18
Point-of-Sale	\$9,023,201	\$8,889,918
County Pool	1,254,168	1,276,316
State Pool	5,005	, 5,206
Gross Receipts	\$10,282,374	\$10,171,440
	*	

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

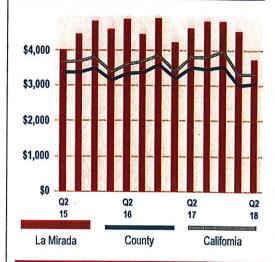
Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

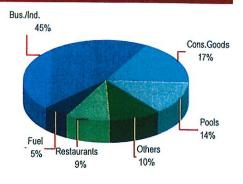
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP La Mirada Thìs Quarter



LA MIRADA TOP 15 BUSINESS TYPES

*In thousands of dollars	Lai	Mirada	County	HdL State
Business Type	Q2 '18*	Change	Change	Change
Building Materials	80.9	-48.4%	-34.1%	-23.1%
Casual Dining	66.6	-20.5%	-11.3%	-12.4%
Drug Stores	24.5	-4.1%	-3.8%	-4.2%
Electrical Equipment	56.5	-4.5%	-25.3%	-23.9%
Family Apparel	34.2	2.8%	-27.3%	-27.2%
Food Service Equip./Supplies	— CONF	FIDENTIAL —	-20.8%	-19.9%
Fulfillment Centers	- CONF	FIDENTIAL —	-2.5%	-3.9%
Grocery Stores	50.4	-12.7%	-12.1%	-7.0%
Heavy Industrial	69.8	-32.0%	-32.3%	-26,2%
Home Furnishings	— CONF	FIDENTIAL —	-28.7%	-21.7%
Light Industrial/Printers	23.5	-74.1%	-23.9%	-26.0%
Medical/Biotech	23.1	-19.7%	-61.8%	-28.4%
Quick-Service Restaurants	91.4	-17.5%	-5.9%	-5.8%
Repair Shop/Equip. Rentals	98.0	1.3%	-24.0%	-19.7%
Service Stations	104.9	-7.4%	-23.5%	-26.4%
Total All Accounts	1,852.2	-19.2%	-11.9%	-12.2%
County & State Pool Allocation	295.3	-5.3%	3.2%	5.5%
Gross Receipts	2,147.4	-17.6%	-10.1%	-10.1%





City of Commerce Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2018)

Commerce In Brief

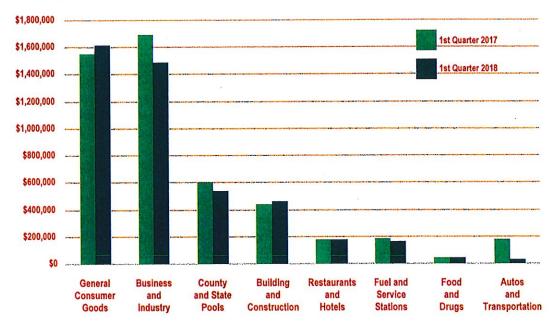
Commerce's receipts from January through March were 7.2% below the first sales period in 2017, but results were down only because of numerous aberrations. Several payments were delayed this quarter due to the State's transition to a new software and reporting system, which particularly impacted the auto-transportation and state and county pool categories. Payment corrections and misallocations also negatively impacted the business-industrial and service-station groups, which would have otherwise posted positive returns. Excluding reporting aberrations, actual sales were up 6.6%.

A new store opening lifted family apparel results and was the primary factor in this quarter's improvement.

Service station proceeds were also higher, after adjusting for the impact of the previously mentioned State correction. Prices at the pump have been boosted by higher demand and a tightening global oil supply.

Net of aberrations, taxable sales for all of Los Angeles County grew 4.4% over the comparable time period: the Southern California region was up 5.6%.

SALES TAX BY MAJOR BUSINESS GROUP



Top 25 Producers

IN ALPHABETICAL ORDER

Adidas Haldeman Calvin Klein Home Depot Chevron Michael Kors Nike Clean Source Coach Old Navy Oldcastle Glass Commerce Casino Ross Dress For Commerce Truck Stop Less/ dd's Discounts Costco Business Structural Materials Center **Dimension Data Target Dockers** Union Pacific Railroad **Ernest Paper** Univar Gap Western Office H&M

Interiors

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$17,687,870	\$17,816,800
County Pool	2,515,501	2,480,123
State Pool	13,992	5,972
Gross Receipts	\$20,217,363	\$20,302,895
		(K, 4), A
Measure AA	\$7,359,773	\$7,895,668

Published by HdL Companies in Summer 2018 www.hdlcompanies.com | 888.861.0220 COMPA



CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

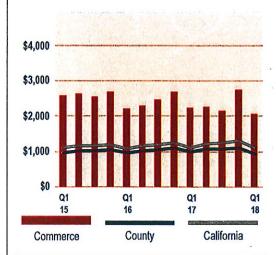
Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the online interstate marketplace was not the prevailing issue before the court in 1992.

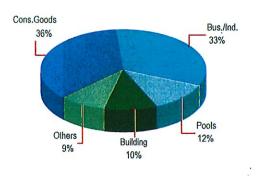
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

SALES PER ACCOUNT



REVENUE BY BUSINESS GROUP Commerce This Quarter



COMMERCE TOP 15 BUSINESS TYPES

*In thousands of dollars	Com	nerce	County	HdL State	
Business Type	Q1 '18*	Change	Change	Change	
Building Materials	213.7	13.0%	-3.0%	3.8%	
Contractors	113.6	-8.7%	7.8%	21.6%	
Discount Dept Stores	— CONFI	DENTIAL —	2.7%	2.8%	
Drugs/Chemicals	173.0	14.8%	16.6%	4.5%	
Electrical Equipment	55.2	-18.4%	13.2%	2.1%	
Family Apparel	621.9	17.8%	9.6%	8.2%	
Heavy Industrial	177.9	-3.2%	-0.2%	11.7%	
Light Industrial/Printers	213.1	-15.9%	-10.2%	-12.2%	
Plumbing/Electrical Supplies	— CONFI	IDENTIAL —	10.0%	11.5%	
Quick-Service Restaurants	76.4	-5.8%	-4.1%	-3.8%	
Service Stations	146.1	-20.4%	-3.8%	4.6%	
Shoe Stores	273.4	4.0%	-3.9%	0.2%	
Specialty Stores	79.1	-3.3%	-10.9%	-10.1%	
Transportation-Non-Auto	— CONFI	IDENTIAL —	8.3%	27.1%	
Women's Apparel	— CONFI	IDENTIAL —	-2.3%	-6.7%	
Total All Accounts	3,984.2	-6.7%	-5.9%	-1.8%	
County & State Pool Allocation	537.9	-11.1%	-10.3%	-2.1%	THE PERSON
Gross Receipts	4,522.0	-7.2%	-6.4%	-1.8%	



Hdle SOUTHERN CALIFORNIA ACTUALIADJUSTED COMPARISON - BY COUNTY AN

ACTUAL/ADJUSTED COMPARISON - BY COUNTY AND MAJOR INDUSTRY GROUP

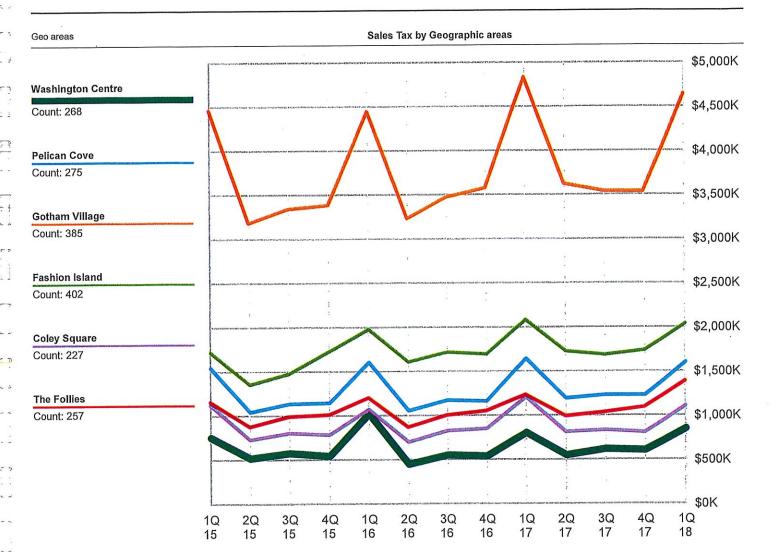
	ACTUAL RECEIPTS			ADJUSTED FOR ECONOMIC DATA		
	2Q 2018	2Q 2017	% Change	2Q 2018	2Q 2017	% Change
Imperial County				•		
Autos And Transportation	831,737	829,740	0,2%	875,859	807,639	8.4%
Building And Construction	672,014	427,551	57.2%	740,420	393,226	88.3%
Business And Industry	413,188	645,781	-36.0%	618,567	630,558	-1.9%
Food And Drugs	211,519	202,489	4.5%	207,933	201,586	3.1%
Fuel And Service Stations	402,196	809,652	-50,3%	906,871	904,340	0.3%
General Consumer Goods	1,410,892	1,633,280	-13.6%	1,658,981	1,610,356	3.0%
Restaurants And Hotels	545,281	535,343	1.9%	503,436	520,074	-3.2%
Transfers & Unidentified	2,416	462	423.0%	172	0	- N/A -
County & State Pool	879,108	911,689	-3.6%	877,282	904,506	-3.0%
·	5,368,361	6,995,986	-10.5%	6,389,521	5,972,285	7.0%
Los Angeles County	66 629 407	66,188,685	0.7%	65,369,054	65,354,058	0.0%
Autos And Transportation	66,638,407	29,697,847	-23.3%	29,590,806	29,606,199	-0.1%
Building And Construction	22,792,193	52,438,591	-23.2%	48,279,105	50,062,511	-3.6%
Business And Industry	40,248,888 20,846,289	22,841,402	-8.7%	22,676,346	22,656,579	0.1%
Food And Drugs	· ·	32,032,512	-18.6%	35,595,664	31,832,618	11.8%
Fuel And Service Stations	26,059,804 78,350,315	90,248,958	-13.2%	86,573,764	87,760,948	-1,4%
General Consumer Goods		65,519,903	-7.2%	65,055,303	64,768,019	0.4%
Restaurants And Hotels Transfers & Unidentified	60,813,743 535,759	10,544	***,*%	208,769	-54,130	485.7%
	50,426,263	48,846,963	3.2%	50,766,062	49,779,295	2.0%
County & State Pool	366,711,660	407,825,404	-10.1%	404,114,873	401,766,097	0.6%
Orange County						
Autos And Transportation	27,610,925	28,235,058	-2.2%	28,388,736	27,962,188	1.5%
Building And Construction	10,406,130	12,649,973	-17.7%	12,912,627	12,843,123	0.5%
Business And Industry	17,333,711	23,919,769	-27.5%	21,748,213	23,485,599	-7.4%
Food And Drugs	6,871,768	7,165,728	-4.1%	7,283,383	7,163,151	1.7%
Fuel And Service Stations	9,617,538	12,109,624	-20,6%	13,347,382	12,095,760	10.3%
General Consumer Goods	32,186,455	35,421,647	-9.1%	34,896,851	34,893,631	0.0%
Restaurants And Hotels	25,045,399	26,549,372	-5.7%	27,040,202	26,514,156	2.0%
Transfers & Unidentified	197,386	-44,529	543.3%	70,349	-26,252	368.0%
County & State Pool	18,379,954	17,683,840 163,690,482	3.9% -9.8%	19,125,570 164,813,313	18,700,641 163,631,996	2.3% 0.7 %
Riverside County	147,649,266	103,050,402	-5.070	10-1,0 10,0 10	(10,40.,600	
Autos And Transportation	15,520,599	16,329,386	-5.0%	16,502,826	16,243,019	1.6%
Building And Construction	9,306,191	10,968,192	-15,2%	11,498,280	10,811,369	6.4%
Business And Industry	9,799,676	15,028,828	-34.8%	11,153,181	11,520,214	-3.2%
Food And Drugs	5,047,195	4,984,335	1.3%	5,277,875	5,003,201	5,5%
Fuel And Service Stations	7,044,165	7,898,124	-10.8%	9,019,148	8,085,033	11.6%
General Consumer Goods	17,131,069	19,212,733	-10.8%	18,949,256	18,815,041	0.7%
Restaurants And Hotels	10,534,599	11,473,084	-8.2%	11,428,973	11,340,661	0.8%
Transfers & Unidentified	42,305	-7,401	671.6%	19,761	-3,214	714.9%
County & State Pool	10,309,296	8,356,311	23.4%	10,519,564	9,775,864	7.6%
County & Clate 1 CO	84,735,095	94,243,592	-10.1%	94,368,865	91,591,188	3.0%
San Bernardino County			2.504	40.044.040	16,691,391	-0.5%
Autos And Transportation	15,448,137	16,822,034	-8.2%	16,611,012		4.4%
Building And Construction	7,168,123	8,513,164	-15.8%	8,812,105	8,437,259	
Business And Industry	18,249,266	20,595,545	-11.4%	19,801,514	20,497,164	-3,4%
Food And Drugs	3,736,381	3,956,592	-5.6%	4,054,681	3,932,755	3.1% 11.5%
Fuel And Service Stations	7,757,879	9,766,495	-20.6%	10,524,027	9,438,833	
General Consumer Goods	16,072,196	18,095,318	-11.2%	17,752,936	17,810,376	-0.3%
Restaurants And Hotels	8,869,412	9,377,869	-5.4%	9,443,400	9,313,307	1.4% ***.*%
Transfers & Unidentified -	32,184	8,165	294.2%	19,124	-29	•
County & State Pool	10,652,060 87,985,638	10,226,162 97,361,345	4.2% - 9.6 %	11,473,516 98,492,315	10,453,697 96,574,754	9,8% 2.0%
San Diego County	07,000,000	07,001,040	0.07.0	,,	,	
Autos And Transportation	22,641,188	23,952,430	-5.5%	23,370,988	23,782,788	-1.7%
Building And Construction	9,930,538	12,474,069	-20.4%	12,759,641	12,803,815	-0.3%
Business And Industry	14,017,629	17,774,215	-21.1%	17,070,016	17,252,988	-1.1%
Food And Drugs	7,281,817	7,400,862	-1.6%	7,578,665	7,404,204	2.4%
Fuel And Service Stations	8,026,112	11,142,998	-28.0%	12,050,235	10,930,329	10.2%
		31,656,961	-10.3%	31,208,274	31,151,038	0,2%
	28.381.041	Q [,QJQ, BQ				
General Consumer Goods	28,381,041 21,265,683			23,039,960	22,867,354	0.8%
General Consumer Goods Restaurants And Hotels	21,265,683	22,918,635	-7.2%	23,039,960	22,867,354 5,590	0.8% 582.4%
General Consumer Goods	•					

SOUTHERN CALIFORNIA

ACTUAL/ADJUSTED COMPARISON - BY COUNTY AND MAJOR INDUSTRY GROUP

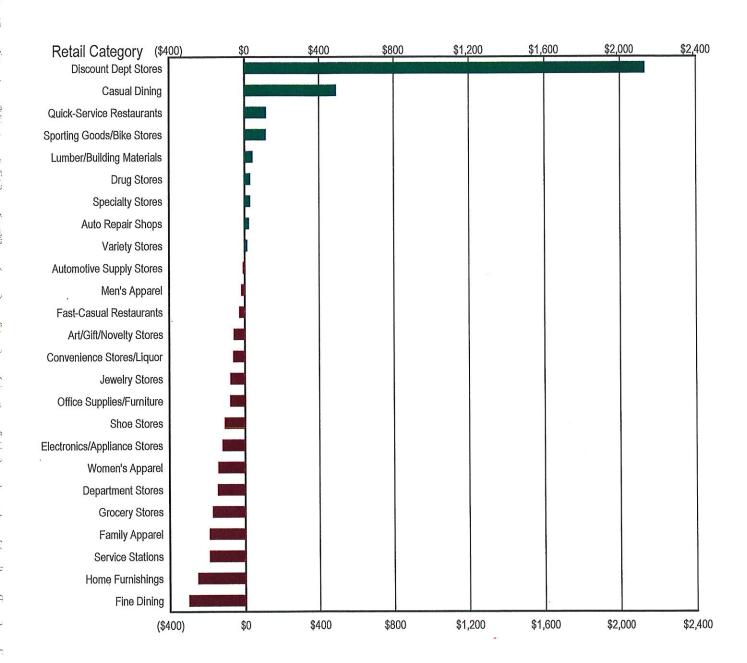
·	ACTUAL RECEIPTS		ADJUSTED FOR ECONOMIC DATA			
	2Q 2018	2Q 2017	% Change	2Q 2018	2Q 2017	% Change
Ventura County						
Autos And Transportation	7,434,220	7,466,810	-0.4%	7,195,603	7,344,449	-2.0%
Building And Construction	2,341,695	2,889,113	-18.9%	2,929,940	2,897,740	1.1%
Business And Industry	3,281,684	4,485,324	-26.8%	3,874,281	4,361,271	-11.2%
Food And Drugs	2,006,118	2,002,433	0.2%	2,050,790	1,999,348	2.6%
Fuel And Service Stations	2,099,138	2,497,752	-16.0%	2,946,591	2,740,897	7.5%
General Consumer Goods	6,847,303	7,680,928	-10.9%	7,535,116	7,594,242	-0.8%
Restaurants And Hotels	4,045,668	4,417,171	-8.4%	4,369,014	4,386,137	-0.4%
Transfers & Unidentified	49,040	-5,776	949.0%	6,165	-9,705	163.5%
County & State Pool	4,281,086	3,707,267	15.5%	4,218,666	3,953,850	6.7%
	32,385,952	35,141,023	-7.8%	35,126,166	35,268,229	-0.4%
Southern California Totals						
Autos And Transportation	156,125,213	159,824,143	-2.3%	158,314,079	158,185,532	0.1%
Building And Construction	62,616,884	77,619,909	-19.3%	79,243,818	77,792,731	1.9%
Business And Industry	103,344,043	134,888,054	-23,4%	122,544,877	127,810,305	-4.1%
Food And Drugs	46,001,086	48,553,842	-5,3%	49,129,673	48,360,826	1.6%
Fuel And Service Stations	61,006,832	76,257,156	-20.0%	84,389,918	76,027,811	11.0%
General Consumer Goods	180,379,271	203,949,826	-11.6%	198,575,178	199,635,632	-0.5%
Restaurants And Hotels	131,119,786	140,791,377	-6.9%	140,880,287	139,709,708	0.8%
Transfers & Unidentified	952,519	-26,060	***.*%	362,487	-87,740	513.1%
County & State Pools	113,209,103	107,167,843	5.6%	115,828,809	112,053,098	3.4%
County & Grate P 0015	854,754,738	949,026,090	-9.9%	949,269,127	939,487,902	1.0%
	004,704,700	040,020,000	-0.072	040;E00; iEi	300,701,302	1.070
HdL State Totals						
Autos And Transportation	272,237,134	278,413,247	-2.2%	280,180,602	275,929,874	1.5%
Building And Construction	123,729,765	148,063,938	-16.4%	153,546,075	147,988,452	3.8%
Business And Industry	205,217,719	261,466,413	-21.5%	241,129,897	250,433,676	-3.7%
Food And Drugs	83,208,282	89,187,225	-6.7%	89,522,770	88,777,731	0.8%
Fuel And Service Stations	110,672,804	143,247,033	-22.7%	156,382,047	142,965,970	9.4%
General Consumer Goods	305,800,205	346,432,562	~11.7%	339,167,393	339,555,846	~0.1%
Restaurants And Hotels	219,521,739	238,452,068	-7.9%	238,681,108	236,450,294	0.9%
Transfers & Unidentified	1,435,020	748,235	91.8%	552,721	-21,088	***.*%
County & State Pools	218,520,633	207,110,736	5.5%	227,027,165	216,825,668	4.7%
	1,540,343,301	1,713,121,458	-10.1%	1,726,189,779	1,698,906,423	1.6%

REGIONAL RETAIL CENTERS - 13 QUARTER HISTORY





PER CAPITA SALES TAX SURPLUS/GAP COMPARISON - FISCAL YEAR 2017-18



The above graph compares per capita sales tax generated from targeted retail categories against countywide averages. A retail surplus suggests the community is capturing its local market for that category of goods plus attracting shoppers from outside the jurisdiction. A retail gap suggests the possibility that residents may have a greater demand for products in the specific category than is being satisfied by local businesses. The information is provided only as a starting point in identifying potential sources of sales tax loss and should not automatically be interpreted as an expansion or leveraging opportunity without more detailed analysis and assessment.

PER CAPITA SALES TAX SURPLUS/GAP COMPARISON - FISCAL YEAR 2017-18

Retail Category	Per Cap Sales Capture (+) or Gap (-)	Sales Tax Deviation	Typical Sales Per Sq Ft by Retall Type	Approx Sq Ft to Close Gap
Discount Dept Stores	\$2,133	\$1,848,495	\$475	n/a
Casual Dining	492	425,958	525	n/a
Quick-Service Restaurants	116	100,540	500	n/a
Sporting Goods/Bike Stores	114	98,807	225	n/a
Lumber/Building Materials	44	37,951	300	n/a
Drug Stores	30	26,259	350	n/a
Specialty Stores	30	25,722	175	n/a
Auto Repair Shops	23	19,829	215	n/a
Variety Stores	13	11,691	100	n/a
Automotive Supply Stores	(9)	(7,661)	275	3,000
Men's Apparel	(17)	(15,149)	225	7,000
Fast-Casual Restaurants	(29)	(24,734)	520	5,000
Art/Gift/Novelty Stores	(58)	(50,118)	150	33,000
Convenience Stores/Liquor	(61)	(52,432)	375	14,000
Jewelry Stores	(76)	(65,926)	500	13,000
Office Supplies/Furniture	(78)	(67,287)	225	30,000
Shoe Stores	(108)	(93,243)	200	47,000
Electronics/Appliance Stores	(119)	(103,495)	500	21,000
Women's Apparel	(142)	(122,934)	375	33,000
Department Stores	(146)	(126,843)	175	72,000
Grocery Stores	(173)	(149,532)	110	136,000
Family Apparel	(190)	(164,395)	375	44,000
Service Stations	(190)	(164,473)	n/a	n/a
Home Furnishings	(253)	(218,838)	175	125,000
Fine Dining	(300)	(259,952)	800	32,000

Average sales per square foot are based on HdL's overview of average statewide chain store sales. The square footage needed to close the gap is only on approximation and specific demand will vary with regional and local market conditions and individual retailers.

2018 California Retail Analytics

Expanding Retailers and Retail Stores Sales Estimates







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RETAILERS EXPANDING IN CALIFORNIA

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	D !	Leasable	Est. Annual	Olfo Donforce	F	0(()	On the state of the same of th	
1	Business name	Sq Ft in 000's	Tax in \$000's	Site Preferences	Expansion Area	Contact Name	Contact Information	
	GENERAL RETAIL	10-25	\$20-28	2 2 4 9	04	Jesse Allen	Income @000 print come	
	99 Cents Only Ace Hardware	8-12	\$11-35	2, 3, 4, 8 2, 4, 13, 14	CA CA - Northern	Robert Nelson	jessea@99only.com rnels@acehardware.com	
	Ace Hardware	8-12	\$11-35	2, 4, 13, 14	CA - Southern	Paul Overton	pover1@acehardware.com	1
	Aki-Home	22-35	\$20-34	3, 4, 9	CA	Shumpel Yoshizawa	shumpei yoshizawa@nitori-usa.com	
	Ann Taylor	4-7.5	\$14-30	6, 7, 9, 11, 13	CA	Whitney Welch	whitney_welch@anninc.com	
	Apple Stores	1-6	\$220-375	6, 7, 8	CA	Chris Morse	cmorse@apple.com	,
	AutoZone	6.5-8	\$14-23	2, 3, 4, 13, 14	CA - Northern	Michael Chastain	michael.chastain@autozone.com	
	Bed Bath & Beyond	20-85	\$50-105	4, 6, 8, 13, 14	CA	Ralph Czitrom		Į.
	Big 5 Sporting Goods	10-12	\$21-32	2, 3, 4, 6, 13	CA	Jim Berlin	jsb@big5corp.com	Ž.
	Big Lots	30-35 40-50	\$25-36 \$84-118	2, 4, 13, 14	CA Northead	Joshua Nanberg	joshuananberg@biglots.com	
	Burlington Burlington	40-50	\$84-118	2, 3, 4, 13, 14 2, 3, 4, 13, 14	CA - Northern CA - Southern	Eric Corpuz Chris Klehler	eric.corpuz@burlingtonstores.com chris.kiehler@burlingtonstores.com	r
	Carter's	3.5-7	\$12-19	2, 9, 11, 13, 14	CA - Southern	Marc Klein	marc.klein@carters.com	
	Catherine's	4-5	\$5-8.5	3, 9, 13, 14	CA - Southern	Paul Bartlett	pbartlett@edge-re.com '	٠
	Charming Charlie	5-8	\$9-15.5	2, 4, 6, 13	CA - Southern	Parks Landon	plandon@epsteen.com	
	Costco	115-150	\$870-1,240	4, 13	CA - Northern	Mike Dobrota	mdobrota@northwestatlantic.com	
	Costco	115-150	\$870-1,240	4, 13	CA - Southern	Steve McArthur	smcarthur@northwestatlantic.com	
	dd's Discounts	20-25	\$55-85	2, 8, 13, 14	CA - Southern	Jack Toth	,	2
	Dick's Sporting Goods	40-60	\$70-100	3, 4, 9, 13, 14	CA	Kristen Holst	kristen.holst@dcsg.com	
	Dollar General	9-12	\$10-15	2, 4, 8, 13, 14	CA - Northern	David Fritz		r
	Dollar General Dollar Tree	9-12 8-12	\$10-15 \$10-15	2, 4, 8, 13, 14	CA - Southern CA - Northern	Randy Wilson Trace Johnson	rwilson@dollargeneral.com trjohnson@dollartree.com	
	Dollar Tree	8-12	\$10-15	2, 4, 8, 13, 14 2, 4, 8, 13, 14	CA - Northern	Jeff Forman	forman@dollartree.com	ε.
	Dress Barn	6.5-8	\$10-17.5	2, 3, 9, 13, 14	CA	Richard Sosnovy	richard.sosnovy@dressbarn.com	
	Family Dollar	7.8-10	\$8.5-13	2, 4, 8, 13, 14	CA	James Allen		c
	Five Below	8-10	\$15-25	3, 6, 7, 9, 11, 14	Nationwide	Zach Minteer	zach.minteer@fivebelow.com	
	Forever 21/F21 Red	20-100/12-20	\$30-60	2, 3, 6, 7, 8, 9, 11, 13, 14	CA - Northern	Matt Kircher	matt.kircher@cbre.com	i.
	Forever 21/F21 Red	20-100/12-20	\$30-60	2, 3, 6, 7, 8, 9, 11, 13, 14	CA - Southern	Mike Rielly	mrielly@townsendassociates.com	
	Fossil	1.5-5	\$7.2-23	3, 6, 7, 8, 9, 13, 14	Nationwide	Bob Higgins	bhiggins@fossil.com	7:
	Francesca's	1.2-1.4	\$5.5-9	3, 6, 7, 8, 9	Nationwide	Mike Stanley	michaei.staniey@irancescas.com	· ·
	GameStop	1.5-2 9-20	\$10-15	2, 3, 6, 7, 8, 11, 13, 14	CA	Bree Russell	breerussell@gamestop.com	11
	Guitar Center H&M	15-40	\$24-72 \$40-70	2, 3, 4, 13, 14 2, 6, 8, 13, 14	Nationwide Nationwide	Roberto Guerrero Kai Aejmelaeus	rguerrero@guitarcenter.com kai.aejmelaeus@hm.com	*****
	Harbor Freight Tools	13-18	\$35-60	2, 3, 4, 9, 13, 14	CA	Trey Feiler	Mallan Charles for label and	_
	Hibbett Sports	5-6	\$6-8	2, 3, 4, 6, 9, 13	CA	David Nichols	david.nichols@hibbett.com	5
	Hobby Lobby	40-60	\$50-85	3, 4, 13	Nationwide	Scott Nelson	scott.nelson@hobbylobby.com	
	HomeGoods .	24-28	\$70-100	4, 9, 13, 14	CA	Deborah Holmsen	deborah_holmsen@tjx.com	Ŀ.
	Indochino	2-3	N/A	8, 9	CA	Dean Handspiker	dean.handspiker@indochino.com	
	Justice	4-5	\$8-12	2, 6, 9, 11, 13, 14	CA	John Beaney	jbeaney@edge-re.com	5.
	Kirkland's Home	6.5-10	\$12-17	2, 4, 11, 13, 14	Nationwide	Sarah Weaver Dickerson	sarah.dickerson@kirklands.com	
	Kohl's	64-88	\$110-150	2, 3, 4, 6, 9, 13	Nationwide	Scott Schnuckel	re-realestate@kohls.com	_
	Lane Bryant	5-7 5-7	\$8-13 \$8-13	3, 6, 7, 9	CA - Northern CA - Southern	Jason Gallelli	jgallelli@gallelire.com	
	Lane Bryant Lululemon	3-3.2	\$40-65	3, 6, 7, 9 8, 9	Nationwide	Paul Bartlett Wynn Spencer	pbartlett@edge-re.com wspencer@lululemon.com	T.
	Marshalls	20-35	\$88-122	4, 9, 13, 14	CA	Deborah Holmsen	deborah holmsen@tjx.com	\$5
	Nordstrom Rack	25-40	\$185-465	3, 6	CA	Tony Sekora	tony.sekora@nordstrom.com	4.
	Off Broadway Shoe Warehouse	18-20	\$16-48	2, 6, 11, 13, 14	CA	Kent Gonnerman	kgonnerman@rackroom.com	
	Orchard Supply Hardware	25-60	\$55-95	3, 4, 13	CA - Northern	Chris Homs	chris@lockehouse.com	Ę.,
	Orchard Supply Hardware	25-60	\$55-95	3, 4, 13	CA - San Diego	Nancy Johnston	njohnston@epsteensd.com	8
	Party City	10-15	\$8-22	2, 3, 4, 13, 14	CA	Dane Gladden	dgladden@partycity.com	L.
	Petco	10-15 5-7	\$20-35	3, 4, 13, 14	CA Netlemodele	Bill Engen	bill.engen@petco.com	
	Rack Room Shoes Ross Dress for Less	25-30	\$11-18 \$70-115	2, 3, 6, 7, 9, 11, 13 2, 4, 6, 13	Nationwide CA	Rick Brown Jack Toth	rbrown@rackroom.com jack.toth@ros.com	π.
	Sally Beauty	1.2-1.8	\$6-9	2, 3, 9, 13	CA	Cathy Richards	cricharde(d)eallyheauty com	ü.
	Sephora	5.2-5.5	\$65-110	2, 6, 9, 13, 14	Nationwide	David Hart	dave.hart@sephora.com	4_
	Sherwin-Williams	4-6	\$11-18	2, 4, 13, 14	CA	Ray Starbuck	rstarbuck@sherwin.com	200-200
	Skechers	6-25	\$9.5-22	4, 11, 13, 14	Nationwide	Peter Mow		6-
	Sprint	1.5-2.8	\$1-8	3, 6, 7, 9, 11, 13	CA - Northern	Jeff Halbert		;- :
	Sprint	1.5-2.8	\$1-8	3, 6, 7, 9, 11, 13	CA - Southern	Rob Pratt	rob@rlpratt.com	ï.
	T.J. Maxx	20-31	\$80-115	4, 9, 13, 14	CA - Northern	Tami DeFrank	tam_uerrank@ijx.com	56511
	T.J. Maxx T.J. Maxx	20-31 20-31	\$80-115 \$80-115	4, 9, 13, 14 4, 9, 13, 14	CA - Southern San Diego County	Anthony Mansour Don Moser	amansour@clovercompany.com dmoser@retailinsite.net	۳
	Target	100-178	\$285-410	2, 3, 4, 6, 8, 9, 13	CA COUNTY	Brian Treber	brian.treber@target.com	
	The Home Depot	125-135	\$340-545	3, 4, 6, 8, 13	CA - Northern	Neil Danville	neil_a_danville@homedepot.com	
	The Home Depot	125-135	\$340-545	3, 4, 6, 8, 13	CA - Southern, Central	Jeff Hardman	jeffrey_s_hardman@homedepot.com	<u>. </u>
	Tilly's	7-10	\$21-33	2, 3, 6, 13, 14	CA	John Beaney	jbeaney@edge-re.com	
	T-Mobile	1.5-2.5	\$5-12	2, 3, 4, 6, 7, 8, 9, 13	CA - Southern	Larry Simpson	larry.simpson31@t-mobile.com	Г
	Torrid	2.3-2.5	\$9.5-14	6, 7, 9	CA - Northern	Larry Keel	Ikeel@hottopic.com	24
	Torrid	2.3-2.5	\$9.5-14	6, 7, 9	CA - Southern	Pam Wallace	pwallace@hottopic.com	٣
	Tractor Supply	19-25	\$37-65 \$0.5.15	2, 4, 13, 14	Nationwide	Clay Teter	cteter@tractorsupply.com	
	Tuesday Morning ULTA Beauty	10-15 10-10.5	\$9.5-15 \$40-60	2, 3, 4, 8, 13, 14 3, 6, 7, 9	CA CA	Karen Slayton Pamela Lent	kslayton@tuesdaymorning.com plent@ulta.com	•
	Under Armour	5-12	\$37-63	6, 7, 9, 11	Nationwide	Patrick Stringer	pstringer@underarmour.com	
	Urban Outfitters	10-15	\$25-45	3, 6, 7, 8, 9	Nationwide	Wade McDevitt	site_submittals@mcdevittco.com	
	Verizon Wireless	1-5	\$17-50	2, 3, 4, 9, 13	CA	Elizabeth Johnson	elizabeth.johnson5@verizonwireless.com	n
	Wal-Mart	40-235	\$325-550	3, 4	CA - Northern	Colin Sangster	colin.sangster@walmart.com	-
	Wal-Mart	40-235	\$325-550	3, 4	CA	Damian Tutt	damian.tutt@walmart.com	
	WSS Shoes	10-14	\$20-32	1, 3, 4, 5, 12	CA	William Argueta	wargueta@shopwss.com	_

Description Text 1,000 Text	~]	Leasable	Est. Annual				
Control District Control Dis	Business name			Site Preferences	Expansion Area	Contact Name	Contact Information
State Branch 46 20.23 3.4 d. N. 19.1 d. Ox. More Oxforting Control (1998) Contr	RESTAURANTS						A4E 000 2007
25-53 25-17 2, 3, 3, 1, 4 CA - Northern Existent logger Company							
Billion Prize 14-7 314-66 34-7 314-67 34-66 34-66 34-7 34-66 34-7 34-66 34-7 34-66 34-7 34-66 34-7 34-66 34-7 34-66 34-7 34-66 34-7 34-66 34-66 34-7 34-66 34-7 34-66 34-7 34-66 34-7 34-66 34-7 34-66 34-7 34-66 34-7 34-66 34-7 34-66 34-66 34-7 34-66 34-7 34-66 34-7 34-66 34-7 34-66	•						
Designation 1943 39-12 2, 3, 4, 8, 1, 9 Notification 1944 39-12 2, 3, 4, 8, 1, 1 C.A. C							•
Chair File Mexican Gill			\$34-55	2, 3, 4, 6, 8, 9	Nationwide		
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Dealer Tomats	Cowboy Chicken	3-4	\$8-18	3, 4, 5, 8, 9, 12			
Dublet D						1.5	
Description 1,50,68 32,75 2,4 13,14 CA Southern South Needman	•						
Establish 2.5 2.4 3.6 0.5							
Fernitriang Pays	1.55						justin@eurekarestaurantgroup.com
Firehouse Subs	-		10.000			Joyce Dery	, , , , ,
Fine Cape Burgen & Fries 2.8 - 3.5 57.13 4					NEWS		
Geldern Carrier	2						• • •
Cabe							
No. Cont. Struger	G 71						
Second Binage							konishi@innout.com
Line Color					CA - Southern		
Lance General Leaves 16-24 327.70 3, 9, 14 Nationwide Scott Schuster Lance Am Rosenblum Loren Ketzunan Lore	Jersey Mike's Subs						
Low Call State							
Month Properties Frozen Yogust 1.2.4, 15 91.0.2.5 2.3, 8, 9, 14 CA Southern Lyrn Allment Ly							
Mooyab Burger & Fries 1,9,2-4 39-12 2, 3, 8, 9, 14 CA Northern Lorent Ratzman Mooyab Burger & Fries 1,9,2-4 39-12 2, 3, 8, 9, 14 CA Northern Lorent Ratzman Mooyab Burger & Fries 1,9,2-4 39-12 2, 3, 8, 9, 14 CA Southern Caregory Spatter Mooyab Burger & Fries 1,9,2-4 39-12 2, 3, 8, 9, 14 CA Southern Caregory Spatter Mooyab Burger & Fries 1,9,2-4 39-12 2, 3, 6, 9, 13, 15 CA The Officer Mooyab Purger 1,9,3-1 3,9,1-4 2, 3, 6, 9, 13, 15 CA The Officer Mooyab Purger 1,9,3-1 3,9,1-4 2, 3, 6, 9, 13, 15 CA The Officer Mooyab Purger 1,9,3-1 3,9,1-4 2, 3, 6, 9, 13, 15 CA The Officer Mooyab Purger 1,9,3-1 3,9,1-4 2, 3, 6, 9, 13, 15 CA Southern Moorabde Mooyab Purger							
Moncynh Burger & Fries						1.5	natashaf@modpizza.com
Mancie Minier Cells					CA - Northern		
Pande Express 3,44,22 3,4,13,15 CA							• , – .
Paneral Election 3,5.4.5 \$15.21 2,3.4,6,9.13,14 CA							(T) (F)
Piacology Pizzaria							
PitzzaRow 2-3 \$6-11 2, 3, 8, 9, 12 CA Emily Schade Use U							
Color Restaurant Corp. 2-24 \$6.5-12 4, 9, 13 Neltonwide Laufe Macaluso Laufe Macaluso Indicator					CA	Emily Schade	
Smashburger		2-2.4	\$6.5-12	4, 9, 13			
Sarib Divie-In 1,5-1,6 \$10-20	Raising Cane's						
Starbind							
Starbucks Q.8-2 \$3-4.5 All CA Northern Mike Abbate mabbate@starbucks com stephen. Starbucks Q.8-2 \$3-4.5 \$3.5-22 4, 7, 8, 9, 13, 14 CA Northern Mike Sater mike@starbucks.com mabbate@starbucks.com mabbate@starbu	Sonic Drive-In						
Starbucks Q.8-2 \$3.4.5 \$8.6-22 4, 7, 8, 9, 13, 14 CA - Southern John Justin Ja@coresr-coom mike Salar Shake 24.5 \$8.6-22 4, 7, 8, 9, 13, 14 CA - Southern John Justin Ja@coresr-coom mike Salar mike@salaroll.com scoleman@habiturger.com mike Salar mike@salaroll.com mike@salaroll.com scoleman@habiturger.com mike Salar mike@salaroll.com mike Salar mike@salaroll.com mike Salar mike@salaroll.com mike Salar mike@salaroll.com mike Salar mike	Starbucks						eyee@starbucks.com
Steak	0.00			All	CA - Southern		
The Habit Burger Grill 1.5-2.5 \$16-22 2, 3, 4, 8, 9, 13, 14 CA - Southern, Central Christopher Schlueter Schlueter Schlueter (Schlueter) A christopher Schlueter Schlueter (Schlueter) A christopher Schlueter Schlueter) A christopher Schlueter Schlueter (Schlueter) A christopher Schlueter Schlueter) A christopher Schlueter Schlueter (Schlueter) A christopher Schlueter Schlueter) A christopher Schlueter Schlueter (Schlueter) A christopher Schlueter Schlueter) A christopher Schlueter (Schlueter) A							15 T
The Habit Burger Grill 1,5-2,5 \$16-22 2, 3, 4, 8, 9, 13, 14 CA Southern Steven Wang steven@wabegrill.com c.bright@gripzra.com c.bright@gripzra.com c.bright@gripzra.com c.bright@gripzra.com c.bright@gripzra.com c.bright@gripzra.com c.bright@gripzra.com c.bright@gripzra.com matt.alexander@srsre.com patrick@agegrivesto.com patrick@agegrivesto.com patrick@agegrivesto.com patrick@agegrivesto.com stephen.labonge cyshealth.com holly Jensen@cvshealth.com holly Jensen@cvshealth.com bcoyle@dgo.com holly Jensen@cvshealth.com bcoyle@dgo.com c.bright@age.com steven@wabegrill.com stephen.labonge stephen.							
Maba Gril	7 7						
Wingstop 2,3.8 \$9-15 2, 13, 14 CA Bay Area Michael Seigel michael.seige@cushwake.com c.bright@cpiz.ac.om Zpizza Tap Room 2,3.8 \$6-12 2, 4, 9, 13, 14 CA Bay Area Chris Bright c.bright@cpizza.com Zpizza Tap Room 2,3.8 \$6-12 2, 4, 9, 13, 14 CA Bright c.bright@cpizza.com Zpizza Tap Room 5,5-11 \$35-57 2, 3, 4, 13, 14 CA Northern Matt Alexander matt.alexander@srse.com pbartlett@edge-re.com partlett@edge-re.com partlett@edge-re.com partlett@edge-re.com partlett@edge-re.com partlett@edge-re.com partlett@edge-re.com partlett@ed							-
Zpitzza Tap Room					CA- Bay Area		
Alci		2-3.8	\$6-12	2, 4, 9, 13, 14	Nationwide	Chris Bright	c.bright@zpizza.com
BevMo	FOOD & DRUGS	大学 观情绪,表		公共区域。第45条	地名中国国际		
BevMo 5-11 \$35-57 2, 3, 4, 13, 14 CA - Southern - Paul Bartlett pbartlett@edge-re.com patrick@ageInvestoc.com stephen.labonge@cvsheatth.com bedylege.ge.com patrick@ageInvestoc.com stephen.labonge@cvsheatth.com holly.jensen@cvsheatth.com							• • =
Cardenas/Mi Pueblo 35-45 \$25-42 2, 4, 13, 14 CA Northern Stephen LaBonge stephen.labonge@cvshealth.com stephen.labonge@cvsheal							**************************************
CVS 11-13 \$15-34 2, 3, 4, 8, 9, 13, 14 CA - Northern							· · · · · · · · · · · · · · · · · · ·
CVS						Stephen LaBonge	
Scrocery Outlet 15-25 \$12-23 4, 11 CA Bill Coyle Docyle@cigo.com		11-13	\$15-34	2, 3, 4, 8, 9, 13, 14			
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RETAILERS EXPANDING IN CALIFORNIA

www.ECONSolutionsbyHdL.com



HdL used a mix of similar stores to estimate sales per gross square foot for each category. Actual results will vary based on store size, location and market area characteristics. If your jurisdiction has received a site plan and prospective tenant list for a new project, contact us for a revenue estimate.

Store Type	Typical Sq Ft in 000s	Example Stores	Est. Annual Tax in 000s	Annual Sales/Sq Ft
Women's Apparel Stores				Carry and the state of
Accessories	1.5 - 3.5	Charming Charlie, Claires, Icing, Styles for Less	\$4.5 - \$7.5	\$150 - \$350
Small Format	2 - 5	Catherine's, Chico's, Kate Spade, Torrid	\$9 - \$15	\$250 - \$650
Mid-Size Format	5 - 8	Ann Taylor, Charlotte Russe, Dress Barn, Lane Bryant, Maurices	\$9.5 - \$18	\$190 - \$300
Large Format	8 - 15	Anthropologie, Banana Republic, Express, Urban Outfitters, Zara	\$23 - \$48	\$285 - \$535
Bargain Chic	15 - 30	F21 Red, Forever 21, H&M, Uniqlo	\$30 - \$65	\$170 - \$330
Men's Apparel Stores				
Casual	3 - 6	Casual Male XL, Nautica, Tommy Hilfiger, Van Heusen	\$7 - 18	\$230 - \$470
Business Attire	4 - 6	Brooks Brothers, Jos. A. Bank, Men's Wearhouse	\$10.5 - \$26	\$325 - \$485
Family Apparel				
Children	3 - 7	Buy Buy Baby, Carter's, Gymboree, OshKosh B'Gosh, The Childern's Place	\$8 - \$17	\$190 - \$450
Casual	20 - 60	Burlington, Gap, Kohl's, Old Navy	\$45 - \$120	\$125 - \$385
Discount	25 - 35	Marshalls, Nordstrom Rack, Ross, T.J. Maxx	\$80 - \$125	\$300 - \$415
Shoe Stores				
Small	2 - 3	Clarks, Cole Haan, Johnston & Murphy, Journeys, Stride Rite	\$6 - \$12	\$300 - \$450
Mid-Sized ·	3 - 6	Aldo, Payless ShoeSource, Rack Room Shoes, Shiekh, Skechers	\$4.5 - \$11	\$130 - \$260
Large	10 - 18	Boot Barn, DSW, Shoe City, WSS	\$17 - \$38	\$200 - \$375
Athletic	2 - 10	Adidas, Foot Locker, New Balance, Nike, Puma, Reebok, Under Armour	\$11 - \$42	\$300 - \$1,500
Department Stores/General Merchand	lise			
Closeout / Dollar Stores	12 - 25	99 Cents Only, Big Lots, Dollar General, Dollar Tree, Family Dollar	\$11 - \$25	\$70 - \$150
Discount Department	125 - 150	Target, Walmart	\$295 - \$485	\$250 - \$300
Membership Warehouse*	140 - 180	Costco, Sam's Club	\$625 - \$1,200	\$500 - \$650
Traditional Department	100 - 150	Dillards, JC Penney, Macy's	\$135 - \$270	\$150 - \$225
Upscale Department	100 - 175	Bloomingdales, Neiman Marcus, Nordstrom, Saks	\$95 - \$545	\$225 - \$400
Food Stores		Mark 1965年1967年1967年1967年1967年1967年1967年1967年1967		
Specialty Markets	15 - 30	Mother's Market, Sprouts Farmers Market, Trader Joe's, Whole Foods	\$33 - \$65	\$180 - \$360
Chain Supermarket*	45 - 55	Albertson's, Ralphs, Safeway, Stater Bros., Vons	\$52 - \$80	\$125 - \$155
Warehouse Grocery	35 - 80	Food 4 Less, Food Maxx, Smart & Final, WinCo	\$33 - \$62	\$65 - \$145
Ethnic Market	35 - 50	99 Ranch Market, Cardenas, El Super, H Mart, Northgate, Rio Ranch	\$20 - \$38	\$60`- \$90
Drug Stores	英三大王建			
Drug Stores / Pharmacy	12 - 15	CVS, Rite Aid, Walgreens	\$18 - 32	\$170 - \$215
Restaurants				
Coffee House	1 - 2	Coffee Bean & Tea Leaf, Dunkin' Donuts, Peet's Coffee, Starbucks	\$2 - \$4	\$165 - \$330
Fast Food - Burger	2 - 4	Burger King, Carl's Jr., In N Out, Jack in the Box, McDonald's	\$13.5 - \$30	\$575 - \$1,140
Fast Food - Hispanic	2 - 3	Del Taco, El Pollo Loco, Miguel's Jr., Taco Bell	\$12 - 18	\$500 - \$765
Fast Food - Asian	2 - 3	Ono Hawaiian BBQ, Panda Express, Pick up Stix, Yoshinoya	\$10 - \$19	\$500 - \$760
Fast Casual	2 - 3.5	Chipotle, Five Guys, Habit Burger, Mooyah, Panera Bread, Smashburger	\$12 - \$20	\$440 - \$770
Fast Casual - Pizza	2 - 3	Blaze Pizza, MOD Pizza, Pieology, Pizza Studio, PizzaRev, Zpizza	\$7.5 - \$13	\$350 - \$520
Family Dining	6 - 9	BJ's, Cheescake Factory, Claim Jumper, Islands, Red Robin, TGI Fridays	\$30 - \$72	\$565 - \$845
Dinner House	7 - 10	Chart House, Fleming's, McCormick & Schmick, Nobu, Roys, Ruth's Chris	\$42 - \$68	\$595 - \$850
Home Improvement/Furnishings	第一 图 17			
Home Décor / Accessories	20 - 35	Bed Bath & Beyond, Cost Plus World Market, HomeGoods, Kirklands	\$30 - \$85	\$185 - \$325
Paint	4 - 6	Dunn Edwards, Sherwin Williams, Vista Paint	\$12 - \$22	\$310 - \$465
Home Improvement / Building Supply	100 - 150	Home Depot, Lowe's, ProBuild	\$280 - \$480	\$260 - \$400
Hardware	15 - 30	Ace Hardware, Harbor Freight Tools, Orchard Supply Hardware, True Value	\$14 - \$55	\$130 - \$265
Furniture/Bedroom	4.5 - 7	Ortho Mattress, Sit 'n Sleep, Sleep Number	\$8.5 - \$28	\$240 - \$375
Furniture/General	12 - 25	Aki-Home, Bassett Furniture, Ethan Allen, Mor Furniture for Less	\$30 - \$68	\$225 - \$470
Warehouse Furniture	80 - 250	Ashley Homestore, Ikea, Jeromes, Living Spaces, Mathis Brothers	\$165 - \$800	\$160 - \$500
Small Electronics	1 - 6	Apple, Microsoft	\$165 - \$365	\$5,000 - \$30,000
Cell Phones	1.5 - 4	AT&T, Sprint, T-Mobile, Verizon	\$8 - \$35	\$400 - \$1,000
Volume Electronics / Appliances	30 - 50	Best Buy, Fry's, Howards, Pacific Sales	\$80 - \$270	\$335 - \$555
Miscellaneous Retail				
Bath & Beauty	3 - 10	Bath & Body Works, LUSH, Sephora, ULTA Beauty	\$20 - \$58	\$425 - \$1,400
Craft Shops	20 - 40	Hobby Lobby, Jo-Ann Fabrics & Crafts, Michaels Arts & Crafts	\$28 - \$55	\$110 - \$215
Multiplex Cinemas	40 - 160	Regal-Edwards, AMC, Pacific, Cinemark		\$650-1,000/screen
Office Supplies	18 - 25	OfficeMax, Staples, Office Depot	\$30 - \$45	\$165 - \$230
Party Supplies	10 - 15	Party City	\$8 - \$22	\$75 - \$110
Pet Supplies	10 - 15	Kahoots, Petco, Petsmart, Unleashed by Petco	\$22 - \$45	\$200 - \$310
Sporting Goods (Sm. Concept)	6 - 15	Big 5 Sporting Goods, Hibbett Sports	\$15 - \$30	\$165 \$415
Sporting Goods (Lg. Concept)	25 - 50	Dick's Sporting Goods, REI	\$75 - \$135	\$225 - \$445
-L-14119 1-81			60% SS	2001

*May include gasoline sales.

HdL receives expanding retailer information from a variety of sources that tend to emphasize large regional and national chains with less focus on small, regional retailers. While many of these chains are also looking to expand, their plans are not as well publicized due to their size. HdL therefore encourages agencies to regularly communicate with their regional business community to maximize the expansion opportunities offered by these smaller chains.



Legislative UpdateOctober 2018

August 31st was the final day to pass all bills in the Legislature. September 30th at midnight was the deadline for the Governor to sign or veto the final bills of his career. As the longest serving governor in California history, Governor Brown has signed nearly 20,000 bills. This year, the governor signed 1,016 bills and vetoed 16.5% (201) of the total 1,217 regular session bills that made it to his desk. The following serves as a reference for final 2018 legislative statuses on bills related to sales and use tax, medical and recreational cannabis taxation and regulation, and property taxation tracked by HdL Companies.

Issue Updates

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South Dakota v. Wayfair, Inc. Decision

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. State regulatory actions and possible legislation may be needed to address issues raised by the collection of new revenue from remote sales. Implementation by the California Department of Tax and Fee Administration (CDTFA) would likely require appropriate software for remote sellers to implement the new system. CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers. Click here to read HdL's Issue Update.

Proposition 6 and Repeal of SB 1 Transportation Tax and Fee Provisions

The passing of SB 1 enacted transportation tax and fee provisions that pay for repairs and improvements to local roads, state highways, and public transportation. Opposition to this newly enacted law has resulted in legislation and initiatives to repeal SB 1. UPDATE: Assembly Bill 1756 was never heard in committee, but on June 28, 2018, Initiative 1830 (17-0033A1) received the required signatures and was certified by the Secretary of State as qualifying ballot measure (Proposition 6) for the November 6, 2018 General Election ballot. According to the Legislative Analyst and Director of Finance, the repeal of SB 1 would result in the reduction of annual state transportation tax revenues by \$2.9 billion in fiscal year 2018-19 and increasing to \$4.9 billion annually by fiscal year 2020-21.

Online Transactions and Local Sales Taxes: SB 1466/SCA 20 (Glazer)

Senate Constitutional Amendment (SCA) 20, on and after January 1, 2020, would require the allocation of sales and use taxes for all online purchases be changed from the current point of sale methodology to the point of destination (where the goods are shipped). <u>Click here</u> to read HdL's Issue Update.

Status: SB 1466 - Died, SCA 20-Died in the Senate Appropriations Committee.

Economic Development Subsidies: AB 2853 (Medina)

Existing law requires each local agency, as defined, to provide specified information to the public before approving an economic development subsidy within its jurisdiction, and to, among other things, hold hearings and report on those subsidies, as provided. Existing law defines "economic development subsidy" for these purposes to mean any expenditure of public funds or loss of revenue to a local agency in the amount of \$100,000 or more. This bill would similarly require each local agency to provide specified information to the public before approving an economic development subsidy for a warehouse distribution center. They would also have to provide the name and address of all corporations, including members of a commonly controlled group or members of a combined reporting group of which the corporation is a member, or any other business entities, except for sole proprietorships, that are the beneficiary of the economic development subsidy.

Status: Vetoed by the Governor - September 10, 2018.

Local Governments' Taxation Authority: AB 1838, SB 872 and The Tax Fairness Act

The Tax Fairness Act initiative was withdrawn and exchanged for AB 1838, which bans local governments from imposing new taxes on groceries, including ones related to soda, until January 1, 2031. On June 28, 2018, AB 1838 was signed into law. This bill will allow a local agency to continue to levy and collect, enforce, or reauthorize any tax, fee, or other assessment on groceries imposed, extended, or increased on or before January 1, 2018. This bill would stand inoperative on the effective date of this measure for any tax, fee, or other assessment on groceries imposed by a local agency after January 1, 2018. SB 872 was also signed into law to clarify that cannabis is excluded from the definition of groceries, as defined for purposes of AB 1838. Governor Brown addressed the concerns of many in the Legislature in his signing message:

"To the Members of the California State Assembly: This bill establishes a moratorium on imposing new assessments on "groceries" at the local level. Out of 482 cities in California, a total of 4 cities are considering passing a soda tax to combat the dangerous and ill effects of too much sugar in the diets of children.

In response, the beverage industry has circulated a far-reaching initiative that would, if passed, raise the approval threshold from 50% to two-thirds on all measures, on all topics in all 482 cities. Mayors from countless cities have called to voice their alarm and to strongly support the compromise which this bill represents. The initiative also contains language that would restrict the normal regulatory capacity of the state by imposing a two-thirds legislative vote on what is now solely within the competency of state agencies. This would be an abomination. For these reasons, I believe Assembly Bill 1838 is in the public interest and must be signed. Sincerely, Edmund G. Brown Jr."

Click here to read HdL's Issue Update.

California Sugar-Sweetened Beverages Tax Initiative (2020)

Following the passage of AB 1838, the California Sugar-Sweetened Beverages Tax Initiative (No. 18-004) has been drafted and may appear on the ballot in California as a combined initiated constitutional amendment and state statute on November 3, 2020. This ballot initiative would tax bottled sugar-sweetened beverages, at \$0.02 per fluid ounce beginning July 1, 2021. Tax collected from these beverages would create a Children and Family Health Promotion Fund (CFHPF) to fund healthcare programs, educational programs, access to healthy foods and research on diseases associated with sugar-sweetened beverages.

2 Year Bill: AB 1250 (Jones-Sawyer) Contracts for Personal Services for Counties

This 2 Year Bill has been substantially amended since it was first introduced but still establishes specific standards for use of personal service contracts by general law counties. The bill would allow for a county or county agency to contract for personal services customarily performed by employees, as applicable, when specified conditions are met. Among other things, and subject to specified exceptions and exclusions, the bill requires a county to clearly demonstrate that a proposed contract will result in an actual cost savings to the county and that the contract will not cause displacement of county workers. Click here for specified exceptions and exclusions.

Status: Died in the Senate Committee on Rules.

Sales and Use Tax Legislation

AB 327 (Gipson) Air Pollution

Status: This bill has been replaced with an air pollution bill.

AB 2938 (Bloom) Sales and Use Taxes Credit for the City of Santa Monica

This bill would allow the City of Santa Monica to apply as a credit the amount the City paid to the California Department of Tax and Fee Administration for the taxes imposed pursuant to this part, as measured by rental receipts, for the lease or rental of bicycles as part of a publicly shared regional bicycle system within the County of Los Angeles against an amount equal to what the City of Santa Monica would have paid as sales tax reimbursement or use tax for the taxes imposed pursuant to this part on the sale of, or on the storage, use, or other consumption in this state of, those bicycles, as measured by the sales or purchase price, as provided.

UPDATE: This bill exempts 500 bicycles purchased by the City of Santa Monica in 2015 from the sales and use tax until January 1, 2025.

Status: Approved by the Governor and Chaptered by the Secretary of State - September 14, 2018.

AB 3170 (Friedman) Sales and Use Taxes Exemptions for Retailers for the Sale of Water Efficiency Products

Existing sales and use tax laws impose taxes on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state, or on the storage, use, or other consumption in this state. This bill would exempt from those taxes the gross receipts from the sale of, and the storage, use, or other consumption of, qualified water efficiency products sold or purchased during the 3-day period beginning at 12:01 a.m. on the Saturday preceding the last Monday in March and ending at 11:59 p.m. on the following Monday in March.

Status: Died in the Assembly Appropriations Committee.

SB 993 (Hertzberg) Sales Tax Services Expansion

On and after January 1, 2019, this bill would expand the Sales and Use Tax Law to impose a tax on the purchase of services by businesses in California at a specified percentage of the sales price of the service. The bill would require the tax to be collected and remitted by the seller of the purchased services. Under this law, sales tax exemptions would be granted to businesses with gross receipts of less than \$100,000 in the previous four quarters, and health care services, education services, child care, and interest and insurance payments subject to the state gross premiums tax.

Status: Died without a vote in the Senate policy committee.

SB 1484 (Hernandez) Sales and Use Tax Exemptions for Charitable Thrift Stores

Current law will repeal sales and use tax exemptions for retail items sold by thrift stores operated by nonprofit organizations, if the purpose of that thrift store is to obtain funding for medical, hospice, or social services provided to individuals with HIV or AIDS by the nonprofit organization, as provided on January 1, 2019. This bill would extend the operation of that exemption indefinitely.

Status: Approved by the Governor and Chaptered by the Secretary of State – September 23, 2018.

Cannabis-Related Legislation

AB 1627 (Cooley) Business and Professions Code Relating to Clinical Laboratories.

Status: This bill has been replaced with a clinical laboratories bill.

AB 1741 (Bonta) Electronic Funds Transfer

Sales and Use Tax Law authorizes, before January 1, 2022, a person issued a seller's permit for a place of business that is a dispensary, as defined in the Medical Cannabis Regulation and Safety Act, which was repealed, to remit amounts due for retail sales at the dispensary by a means other than electronic funds transfer. This bill, until January 1, 2022, would instead authorize a person licensed under MAUCRSA, whose estimated tax liability averages \$10,000 or more per month, to remit amounts due by a means other than electronic funds transfer if the board deems it necessary to facilitate collection of amounts due.

Status: Signed into law by the Governor - August 28, 2018. The urgency clause will cause it to go into effect immediately.

AB 2020 (Quirk) Local Jurisdiction Licenses for Temporary Event Permits

The bill would authorize a state issued temporary license to a licensee for an event to be held at any other venue expressly approved by the local jurisdiction for event.

UPDATE: Requires a licensee who submits an application for a state temporary event license to provide a list of all licensees that will be providing onsite sales of cannabis or cannabis products at the event to the bureau 60 days before the event, authorizes the Bureau of Cannabis Control to impose a civil penalty for violations, and prohibits the smoking of cannabis or cannabis products in areas where smoking is not permitted at the temporary event site.

Amendments taken on June 26, 2018 include the following: All participants in the event are licensed under MAUCRSA, authorizes the bureau to impose a civil penalty to any person who violates the requirements governing state temporary licenses, authorizes the bureau to revoke a state temporary license and order the event shut down if the bureau determines that a person is not in compliance, and modifies some requirements in MAUCRSA to include requirements that are similar to those provided in regulations adopted by the bureau relative to state temporary licenses.

Status: Approved by the Governor and Chaptered by the Secretary of State - September 26, 2018.

AB 2164 (Cooley) Local Ordinances Fines and Penalties

UPDATE: This bill would allow a local agency to adopt an ordinance that provides for the immediate imposition of administrative fines or penalties for the violation of building, plumbing, electrical, or other similar structural, health and safety, or zoning requirements if the violation exists as a result of, or to facilitate, the illegal cultivation of cannabis.

Status: Chaptered and signed into law - September 10, 2018.

AB 2641 (Wood) Temporary Permits

UPDATE: The bill authorizes the Bureau to issue a state temporary cannabis event license to a licensee authorizing onsite cannabis sales to, and consumption by, persons 21 years of age or older at a county fair event or district agricultural association event if the activities, at a minimum, meet certain requirements. The bill would also require the approval of the local jurisdiction where the event its being held before the bureau can issue a state temporary cannabis event license for an event.

Amendments taken on June 27, 2018 include: Authorizes the bureau to issue a state temporary event license that meets prescribed requirements including having a valid license, permit or other authorization issued by a local jurisdiction to conduct commercial cannabis activity and include a sunset on the bill of January 1, 2024.

Status: Died in the Senate Appropriations Committee.

AB 2717 (Lackey) Driving Under the Influence Blood Test

Status: This bill has been replaced with a blood testing bill.

AB 2810 (Levine) Sun Grown Cannabis Commission and Indoor Cannabis Commission

Current law provides for various commission and councils to promote the marketing and production of agricultural and seafood commodities. This bill would create the Sun-Grown Cannabis Commission and would stipulate the powers, duties and responsibilities of the commission's board of directors. The commission's board of directors would be given authorization to conduct research for specified purposes, assess and address the impact of local and state regulations on the cannabis products industries, and collect and disseminate market price information to prevent unfair trade practices.

Status: Died in the Assembly.

AB 2899 (Rubio) Cannabis Advertisements License Number Display

The MAUCRSA requires all cannabis advertisements and marketing to accurately and legibly identify the licensee responsible for that content by adding, at a minimum, the licensee's license number. Current law also prohibits a technology platform from displaying the advertisement on an internet web page unless the advertisement displays that licensee's license number.

UPDATE: This bill would prohibit a licensee from publishing or disseminating advertising or marketing while the licensee's license is suspended.

Status: Approved and Chaptered by the Secretary of State -September 29, 2018.

AB 2929 (Quirk) Cannabis Licenses

13

All licenses issued under MAUCRSA bear a clear designation indicating whether the license is for adult-use activity or medicinal activity, with the exception of testing laboratory licenses as specified. This bill would allow a licensee to conduct any commercial cannabis activity allowed under its license with any other licensee, as specified, and would find and declare that this furthers the purpose of the initiative measure.

Status: Died in the Senate Business, Professions and Economic Development Committee - June 6, 2018.

AJR 27 (Low) Federal Enforcement

This measure would urge the United States Department of Justice not to direct its enforcement priorities towards California's lawfully and closely regulated cannabis industry.

Status: Chaptered by Secretary of State - August 27, 2018.

AJR 28 (Jones-Sawyer) Financial Institutions

This measure would urge the United States Congress and the President to pass legislation that would allow financial institutions to provide services to the cannabis industry.

Status: Chaptered by Secretary of State - June 14, 2018.

SB 118 (Committee on Budget and Fiscal Review) Background Checks

Current law requires a cannabis business applicant to electronically submit fingerprint images to the Department of Justice to obtain information as to the existence and content of a record of state or federal convictions and arrests. Existing law requires the Department of Justice to provide a response to the licensing authority, as provided. This bill would specify that the Bureau of Cannabis Control, the Department of Food and Agriculture and the State Department of Public Health may obtain and receive, at their discretion, criminal history information from the Department of Justice and the United States Federal Bureau of Investigation for an applicant for any state license under the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), including any license established by a licensing authority by regulation pursuant to the authority described above.

Status: Died in the Assembly.

SB 930 (Hertzberg) Financial Institutions

The current Financial Institutions Law regulates the activities of various financial entities. This bill would state the intent of the Legislature to enact subsequent legislation that would establish a state-chartered bank for persons licensed to engage in commercial cannabis activity under MAUCRSA in the State of California. UPDATE: It would also authorize the department to charge an applicant for a cannabis limited charter bank or credit union license with a reasonable fee.

Status: Died in the Assembly Appropriations Committee.

SB 1302 (Lara) Local Jurisdiction Prohibitions on Delivery

This bill would prohibit a local jurisdiction from preventing delivery of cannabis or cannabis products on public roads, or to an address that is located within the jurisdictional boundaries of that local jurisdiction, by a licensee who is acting in compliance with any license, permit, or other authorization obtained from another local jurisdiction. Status: Died in the Senate on the inactive file.

Property Tax

Proposition 5

In November, California voters will decide on Proposition 5. This changes requirements for certain property owners to transfer their property tax base to their replacement property. If passed, homeowners who are older than 55, severely disabled, or who have contaminated or disaster destroyed property, can transfer their tax assessments from their old home to their new home, no matter the value of the new home, its location, or how may times the buyer has moved.

Fiscal Impact: Schools and local governments each would lose over \$100 million in annual property taxes early on, growing to about \$1 billion per year with a similar increase in state costs to backfill school property tax losses.

AB 6 (Obernolte) Local Ballot Measures Statement

This bill was amended on June 25, 2018. This bill would require that the statement for a local bond measure include the best estimate from official sources of the average annual tax rate that would be required to be levied to fund the bond issue over the entire duration of the bond debt service. This is an urgency measure; it requires 2/3 vote and will take effect immediately.

Status: Died in Senate Elections Committee.

AB 1900 (Brough) Capital Investment Incentive Programs Credit

Until January 1, 2019, current law authorizes a county, city, or city and county to establish a capital investment incentive program, pursuant to which the county, city and county, or city is authorized to pay, upon request, a capital investment incentive amount that does not exceed the amount of property tax derived from that portion of the assessed value of a qualified manufacturing facility that exceeds \$150,000,000 to a proponent of a qualified manufacturing facility for up to 15 years.

UPDATE: The bill extends this provision to January 1, 2024. Status: Signed and Chaptered into Law - September 14, 2018.

AB 3209 (Frazier) Property Tax Exemption for Disabled Veterans for Their Principal Residence

UPDATE: A veteran who is totally disabled as a result of injury or disease incurred in military service would be exempt of property tax for the full value of the principal place of residence of a veteran and the unmarried surviving spouse of a veteran beginning with the 2019-20 fiscal year.

Status: Died in the Assembly Appropriations Committee.

ACA 24 (Waldron) Transfer of Base Year Value in the Event of Disaster

In the event of substantially damaged or destroyed property by a natural disaster, as declared by the Governor, occurring on or after January 1, 2017, to July 1, 2018, would additionally require the Legislature to provide for the transfer of base year value of property to comparable property located within the same or a different county that is acquired or newly constructed as a replacement for the substantially damaged or destroyed property. The measure would limit this provision to intercounty transfers of base year value that occur on or after the effective date of the measure.

Status: Died in the Revenue and Taxation Committee.

SB 1237 (Bates) Change in Ownership

The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. For purposes of this limitation, "full cash value" is defined as the assessor's valuation of real property as shown on the 1975–76 tax bill under "full cash value" or, thereafter, the appraised value of that real property when purchased, newly constructed, or a change in ownership has occurred. This bill would additionally specify that if 90% or more of the direct or indirect ownership interests in a legal entity are sold or transferred in a single transaction, as defined, the real property owned by that legal entity has changed ownership whether or not any one legal entity or person that is a party to the transaction obtains control.

The bill would require the State Board of Equalization to prescribe regulations to carry out the purposes of this act, and report to the Legislature, no later than January 1, 2021, regarding the implementation of these changes in ownership, and the revenue impact and frequency of reassessments of real property owned by legal entities. Status: Died and failed passage in the Senate Governance and Finance Committee.

Special Taxes

AB 1792 (Frazier) Affordable Housing Authorities Infrastructure

Status: This bill has been replaced with an affordable housing bill.

AB 1889 (Caballero) Santa Clara Valley District

The Santa Clara Valley Water District Act authorizes the district to impose special taxes at minimum rates according to land use category and size. The district act authorizes the district to provide an exemption from these taxes for residential parcels owned and occupied by one or more taxpayers who are at least 65 years of age, or who qualify as totally disabled, if the household income is less than an amount approved by the voters of the district.

This bill would authorize the district to require a taxpayer seeking an exemption from these special taxes to verify their age, disability status or household income.

UPDATE: Recent amendments put a December 31, 2023 sunset on the provisions of the bill and would require the board of directors to annually adopt a written policy describing why more than 10 meetings per month are necessary.

Status: Signed and Chaptered into Law - September 5, 2018.

AB 2491 (Cooley) Vehicle License Fee Adjustment Amounts for Cities Incorporating After January 1, 2012

This bill establishes a base-year Vehicle License Fee (VLF) adjustment amount for the first year of incorporation for a city incorporating after January 1, 2012, to replicate funds that existed for new cities prior to 2004. In each subsequent FY, the VLF adjustment amount is the city's annual change in assessed property values, which is the same formula used to calculate the VLF adjustment amount for other cities. This bill also provides for an additional VLF adjustment amount for the first five years following incorporation.

Status: Died in the Assembly Appropriations Committee.

Future Ballot Measures and Legislation:

Proposition 13 Split Role

Currently under Prop. 13, all California property, commercial and residential, is reassessed only when it is sold. The proposed ballot measure would require commercial and industrial property to be reassessed on a regular basis and taxed at the reassessed full value. This measure would maintain the reassessment of homes and small businesses would occur only when they are sold.

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ISSUE UPDATE

NOVEMBER 2018

CALIFORNIA'S 2018 NOVEMBER GENERAL ELECTION BALLOT RESULTS

California's 2018 November General Election ballots included an extraordinary number of local tax measures. The following summarizes all local Sales Tax, Transient Occupancy Tax, Utility User Tax, Cannabis Tax, and Parcel Tax Measures that appeared on ballots during calendar year 2018.

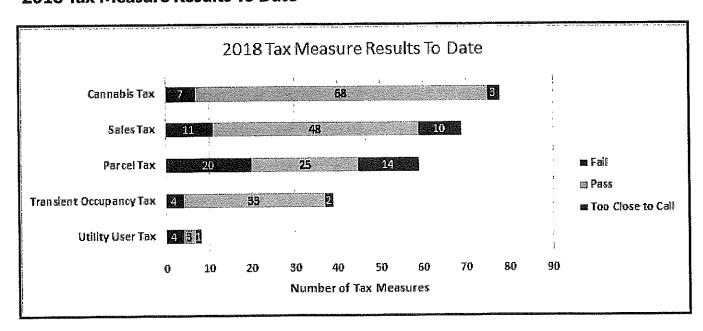
Local Sales Tax (Transaction and Use Tax) Measures

Local Governments have the authority to seek voter approval to increase their sales tax rate through the formation of "add- on" transactions and use tax districts. As with other taxes, the district must obtain a majority vote if for general purposes and a two-thirds vote if for special purposes.

In Calendar Year 2018, there were 339 Sales, Cannabis, Parcel, Transient Occupancy, and Utility User Tax Measures placed on ballots across the state.

253 of these tax measures were on the November 2018 ballot. Preliminary November 2018 results indicate that Cannabis, Sales, Parcel, Transient Occupancy, and Utility User Tax Measures currently have a combined-average passage rate of 71.9%.

2018 Tax Measure Results To Date



Cannabis Taxes

Before the November elections, California agencies placed 15 Cannabis Tax Measures on ballots in 2018. Of the 15 measures, 12 passed and 3 failed. On November 6th, 78 Cannabis Sales Tax Measures were placed on ballots.

November 2018 Election Stats

- Total of 78 Cannabis Sales Tax Measures.
- Preliminary results indicate 68 passed, 7 failed, and 3 are too close to call.
- Preliminary PASS/FAIL rate of 91%/9%

Sales Taxes (Transactions and Use Tax)

Prior to the November elections, California agencies placed 11 Sales Tax Measures on ballots in 2018. Of the 11 measures, 6 passed and 5 failed. On November 6th, 69 Sales Tax Measures were placed on ballots.

November 2018 Election Stats

- Of the 69 Sales Tax Measures, 53 are new taxes and 16 either extend or replace existing tax measures that are scheduled to sunset in 2019.
- Preliminary results indicate 48 passed, 11 failed, and 10 are too close to call.
- Preliminary PASS/FAIL rate of 80%/20%

Parcel Taxes

Prior to the November elections, California agencies placed 48 Parcel Tax Measures on ballots in 2018. Of the 48 measures, 30 passed and 18 failed. On November 6th, 59 Parcel Tax Measures were placed on ballots.

November 2018 Election Stats

- Total of 59 Parcel Tax Measures
- Preliminary results indicate 25 measures passed, 20 failed, and 14 are too close to call
- Preliminary PASS/FAIL rate of 56%/44%

Transient Occupancy Taxes

Prior to the November elections, California agencies placed 2 Transient Occupancy Tax Measures on ballots in 2018. One passed and one failed. On November 6th, 39 Transient Occupancy Tax Measures were placed on ballots.

November 2018 Election Stats

- Total of 39 Transient Occupancy Tax Measures
- Preliminary results indicate 33 measures passed, 4 failed, and 2 are too close to call
- Preliminary PASS/FAIL rate of 89%/11%

In Calendar Year 2018, there were 339 Sales, Cannabis, Parcel, Transient Occupancy and Utility User Tax Measures placed on ballots across the state.

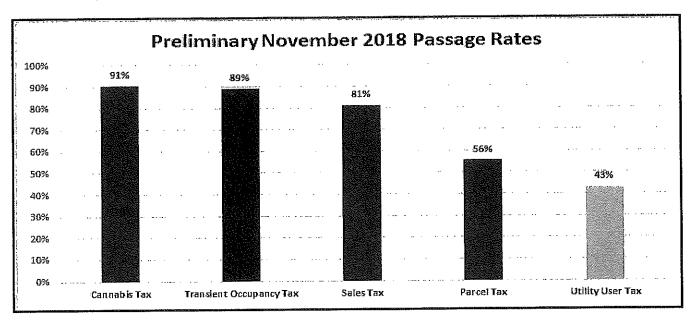
Utility Users Taxes

Prior to the November elections, California agencies placed 6 Utility Users Tax Measures on ballots in 2018. 4 passed and 2 failed. On November 6th, 8 Utility Tax Measures were placed on ballots.

November 2018 Election Stats

- Total of 8 Utility Users Tax Measures
- Preliminary results indicate 3 measures passed, 4 failed, and 1 is too close to call
- Preliminary PASS/FAIL rate of 43%/57%

Preliminary November 2018 Passage Rates



Please find the listing by agency of all district sales tax measures here.

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ISSUE UPDATE

NOVEMBER 2018

LANDMARK WAYFAIR DECISION **FACILITATES** COLLECTION OF ONLINE RETAIL SALES AND USE TAXES

Over the next two months, the California Department of Tax and Fee Administration (CDTFA) will begin implementing a recent U.S. Supreme Court decision that will facilitate state and local government taxation of online retail sales, a revenue source that CDTFA estimates may represent up to \$2 billion dollars annually in combined state, county, city and special district tax revenues. This landmark case could have serious implications not only for local governments but for California's overall fiscal health, given that sales and use tax is the second largest revenue source for the State General Fund.

A Bit of Tax History

Use tax was first imposed in 1935 to protect California retailers by discouraging buying from out of state to avoid the state sales tax. Accordingly, consumers who purchase tangible personal property from out of state are liable for use tax at a rate equivalent to their local sales tax, however consumers often do not report the tax. Use tax is also imposed on the storage, use, lease or other consumption of tangible personal property any time a sales tax has not been paid by the retailer.

The growth in e-commerce sales has exacerbated the problem since many online retailers do not have a "physical presence" in the state and are therefore not required to collect and remit sales and use taxes associated with their transactions in California. With the slow but steady rise in online sales in recent years, which the CDTFA maintains, shows that online sales now account for 10 percent of total retail sales in California. This "sales tax gap" has become a source of increasing concern for both state and local governments.

AB 155: California's Initial Attempt at **Online Retailer Accountability**

The first successful effort to address this problem was in 2011 when the Legislature enacted AB 155. This expanded the universe of online businesses required to collect and remit use tax by creating a new nexus for three categories of retailers:

- 1) Retailers with an Affiliate Nexus: Those retailers who enter into agreements with California residents under which the resident, for consideration, refers customer to the retailer, and cumulative gross receipts for the retailer exceeded \$10,000 annually. This has also been called the "click-through" nexus.
- 2) Retailers with a Corporate Nexus: Those retailers who are members of a commonly controlled group that performs services in the state related to tangible personal property sold by the retailer.

3) Retailers with a Long-Arm Nexus: Any retailer that has a substantial nexus in the state for purposes of the Commerce Clause of the U.S. Constitution, and upon whom federal law allows the state to impose a duty to collect tax. (This is California's long-arm statute).

AB 155 mainly affected online retailers but its implementation was delayed until 2012 under a deal Amazon struck with the state, which gave it time to build warehouses, thereby creating both jobs and a physical presence in California. But the long-arm provision is the most important in the context of the *Wayfair* decision. It will allow California to adjust its tax collection procedures to follow the Supreme Court decision, possibly based on the provisions in South Dakota's law.

South Dakota: The Road to Wayfair

In 2016, South Dakota enacted S.106, a law requiring remote sellers to pay sales tax if they met one of two conditions in the prior or current calendar year:

- 1) Their gross revenue exceeded \$100,000; or
- 2) They made 200 or more separate sales transactions to South Dakota residents.

Some remote sellers refused to comply with the new law. South Dakota responded by suing three of the largest online retailers in the state: Wayfair, Overstock.com, and New Egg, all businesses with annual revenue of over \$1 billion. The trial court and the South Dakota Supreme Court ruled in favor of the remote sellers, citing the physical presence requirement established in *Quill Corp. v. North Dakota*, 502 U.S. 808 (1992) and *National Bellas Hess, Inc. v. Dept. of Revenue of Illinois*, 386 U.S. 753 (1967). South Dakota appealed to the U.S. Supreme Court.

Wayfair Paves the Way to Taxation of Online Retailers

In June 2018, the U.S. Supreme Court in the case of <u>South Dakota v. Wayfair, Inc.</u> 138 S. Ct. 2080 overturned a legal precedent dating back to 1967 when it eliminated the "physical presence test" for determining a substantial nexus that would allow a state to require a business to collect and remit sales and use tax. Prior to <u>Wayfair</u>, a sales and use tax obligation could not be imposed on a business

unless it had a physical presence in the state seeking to impose the obligation. With the <u>Wayfair</u> decision, a major obstacle requiring online retailers to pay their fair share of sales and use tax has been removed.

The U.S. Supreme Court overruled <u>Quill</u> and <u>Bellas Hess</u>, calling the physical presence requirement an "arbitrary measure" that does not "put businesses on an even playing field." The Court vacated the lower court rulings and found that the South Dakota law met the substantial nexus requirement established in <u>Complete Auto Transit</u>, <u>Inc v. Brady</u>, 430 U.S. 274 (1977), satisfying the Commerce Clause requirements for the validity of state taxes.

Prior to <u>Wayfair</u>, a sales and use tax obligation could not be imposed on a business unless it had a physical presemce in the state.

In announcing its decision, the Court cited aspects of South Dakota's law that protects interstate commerce:

- 1) It has a safe harbor for limited business activity;
- It has no retroactive application; and
- 3) It includes a system to reduce administrative and compliance costs, as it follows the Streamlined Sales and Use Tax Agreement (SSUTA), requiring member states to adopt uniform definitions, state level tax administration, and the provision, free of charge, of compliance software to retailers with audit protection for those who use it.

CDFTA Director Nicolas Maduros, in a joint hearing before the Senate Governance and Finance Committee and the Assembly Revenue and Taxation Committee on October 15, 2018, laid out in general terms the plan for implementing *Wayfair* in California. In concentrating on online retailers, the department will focus on the collection of the use tax since California law provides that effective sales tax collection must involve in-state participation or negotiation by the retailer. Maduros testified that the "full contours" of implementation are not yet known. For example, the volume of sales that will trigger use tax obligations for online retailers has yet to be established.

Maduros made it clear that California's implementation will not be retroactive, and that his department plans to issue a notice by the end of the year informing online businesses of the need to comply with California sales and use tax law.

During the joint legislative hearing on October 15th, legislators in Sacramento questioned whether California, with its significantly larger economy, should have a different threshold for use tax collection than that employed in South Dakota. It is not yet clear if CDTFA will pursue a different standard but the department has publicly acknowledged that imposing a different standard will require state legislation which would of necessity delay the department's implementation efforts.

While the details of California's implementation of Wayfair have not been ironed out, it appears that the era of avoiding sales and use tax in online transactions is finally coming to an end.

Implementing Wayfair in California

At its October 24th Stakeholder Meeting in Sacramento, CDTFA announced its intention to implement Wayfair by making use of the "long-arm statute" created by AB 155. The long-arm statute enables the state to impose a tax collection requirement on any retailer that has a substantial nexus with the state for purposes of the Commerce Clause of the U.S. Constitution. Again, the U.S. Supreme Court in Wayfair opined that South Dakota's threshold (\$100,000 or 200 individual transactions) established a sufficient nexus for the state to mandate collection of the applicable use tax. CDTFA has signaled its intention to use the South Dakota standard for California.

Impact on Local Governments

As California prepares to implement the Wayfair decision, cities and counties have a strong incentive to remind state officials to consider the likely impact on local governments in advance of any action. Additionally, they should consider how that action will affect local voter-approved transactions and use taxes, the municipal share of the sales tax, as well as the pooling arrangements for revenues by which use tax is allocated on a pro-rata basis to cities and counties.

Over time, cities and counties should generate additional revenues if they are resourceful in both lobbying the state as it crafts changes to safeguard their interests in the post-Wayfair environment, and in devising ways to apply the substantial nexus test without the obstacle of the physical presence requirement.

There is also the threshold question of what the test will be for local governments to impose a valid tax, with the physical presence test now eliminated. Any guidance issued by the state will hopefully make it clear when a substantial nexus does and does not exist.

Summary

While the details of California's implementation of Wayfair have not yet been ironed out, it appears that the era of avoiding sales and use tax in online transactions is finally coming to an end. This is good news for local governments whose destination-based sourcing for transactions and use taxes helps keep revenues in local communities.

CDTFA's plan to employ the state's long-arm statute and begin to more aggressively enforce collection of revenues will begin to address the revenue gaps identified by a 2017 State Board of Equalization Study citing remoteseller-related revenue losses of \$1.4 billion combined for state, counties, cities and special tax districts. As CDTFA's Wayfair reforms take hold, local governments should begin to realize the first increased revenues by Fiscal Year 2019-20 and greater amounts by 2020-21.

Click the links below for additional information:

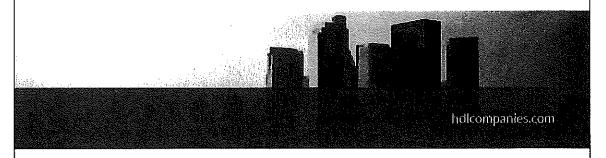
Senate Media Archive for the Joint Hearing on October 15th of the Senate Governance and Finance Committee and the Assembly Revenue and Taxation Committee

CDTFA October 24th Stakeholder Meeting

Text for AB155



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Our HeadLines e-news service provides HdL clients with the most up-to-date information on trends affecting California's economy and is meant to provide you with insight and support in your budget preparation and economic planning.

IN THIS ISSUE:

- NRF Forecasts Holiday Sales Will Increase Between 4.3 and 4.8 Percent
- No Sign of the Retail Apocalypse
- The Economy is Booming. So Why are Cities' Revenues Still Lagging?
- Smart Checkouts Will Process \$45B in Transactions by 2023
- Malls and Lifestyle Center Absorption Turns Negative for First Time Since 2010
- Sears is Shuttering 142 Stores With Liquidation Sales Starting Immediately

NRF Forecasts Holiday Sales Will Increase Between 4.3 and 4.8 Percent

The National Retail Federation announced that it expects holiday retail sales in November and December — excluding automobiles, gasoline and restaurants — to increase between 4.3 and 4.8 percent over 2017 for a total of \$717.45 billion to \$720.89 billion. The forecast compares with an average annual increase of 3.9 percent over the past five years. Read More

No Sign of the Retail Apocalypse

It's been more than two years since the notion of a retail apocalypse took hold in the mainstream media — yet we haven't seen it arrive. Instead of the predicted demise, retail's fortunes are looking decidedly rosy. In July retail sales hit 4.9 percent, a remarkably high growth rate for an industry that's purportedly in dire straits. In fact, growth this year has been so robust that NRF had to revise our annual sales forecast upward. Initially, we expected 3.8 – 4.4 percent growth for 2018; now we expect a minimum of 4.5 percent growth, and it could be a lot higher if conditions remain as strong as they are. Retail is growing faster than the rest of the economy at large, buoyed by a confident consumer and a strong economy. Read More

The Economy is Booming. So Why are Cities' Revenues Still Lagging?

Though there may have been times over the last nine years or so when the economic future seemed to be in peril, right now most parts of the economy look reasonably strong. But the good fortune is not shared by many city governments. Cities, which are arguably our great engines of economic growth (and the major contributor to the GDP), have been slow to see their general funds return to pre-recessionary levels. The fault lies not in their stars but in the structure of their tax systems. Read More

Smart Checkouts Will Process \$45B in Transactions by 2023

Smart checkout technology systems are expected to process more than \$45 billion in transactions for retailers by 2023, according to a new Juniper Research study. That translates to a 182.2% compound annual growth rate between now (when smart checkout transactions are estimated to total \$253 million) and 2023. Juniper said it could take until 2021 before at least 2,000 stores have smart checkout technology. Read More

Malls and Lifestyle Center Absorption Turns Negative for First Time Since 2010

Following more than a year of major store closing announcements, it appears the vacancies are starting to have an impact on the retail sector's property fundamentals. For the first time in nearly a decade, space absorption is negative for mall and lifestyle centers, according to research firm CoStar and other real estate firms that track this figure. Read More

Sears is Shuttering 142 Stores With Liquidation Sales Starting Immediately

Sears filed for Chapter 11 bankruptcy protection and announced plans to close 142 stores before the end of the year, with liquidation sales beginning immediately. Sears has been closing stores and selling off assets following years of crippling sales declines. The company now operates 687 Sears and Kmart stores, according to its bankruptcy filing. That's down from nearly 2,000 stores in 2013. <u>Click here</u> for the complete list.

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By The Numbers

Percent of change from one year ago.

CALIFORNIA DATA

Ports (September):

Containers

Imported 1 6.78%

Exported **† 6.79**%

Airport Traffic (August)

Passengers

Domestic 14.46%

International ↑ 3.24%

Unemployment Rate:

September 2017 4.5%

September 2018 4.1%

ARCHIVE

To view past issues of HeadLines, click the link below:

> Volume 8 Issue 12 July 12, 2018 Volume 8 Issue 13 July 30, 2018

Volume 8 Issue 14 August 15, 2018

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RESOLUTION NO. 9620

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA FE SPRINGS AUTHORIZING THE EXAMINATION OF SALES, USE AND TRANSACTIONS TAX RECORDS

WHEREAS, pursuant to Ordinance No. 16, as amended, of the City of Santa Fe Springs, the City entered into a contract with the California Department of Tax and Fee Administration (hereafter referred to as Department) to perform all functions incident to the administration and operation of the local sales and use taxes; and

WHEREAS, pursuant to Ordinance No. 1094 of the City of Santa Fe Springs hereinafter called District and Section 7270 of the Revenue and Taxation Code, the District entered into a contract with the Department to perform all functions incident to the administration and operation of the Transactions and Use Tax Ordinance; and

WHEREAS, the City Council of the City/District deems it desirable and necessary for authorized representatives of the City/District to examine confidential sales, use and transactions tax records of the Department pertaining to sales, use and transactions taxes collected by the Department for the City/District pursuant to those contracts; and

WHEREAS, Section 7056 of the Revenue and Taxation Code sets forth certain requirements and conditions for the disclosure of Department records and establishes criminal penalties for the unlawful disclosure of information contained in or derived from, the sales, use and transactions tax records of the Department;

NOW, THEREFORE, IT IS RESOLVED AND ORDERED AS FOLLOWS:

Section 1. That the City Manager, Director of Finance & Administrative Services, Director of Planning, Senior Planner, Finance Manager, Accounting Manager, or other officer or employee of the District designated in writing by the City Manager to the Department is hereby appointed to represent the District with authority to examine sales, use and transactions tax records of the Department pertaining to sales, use and transactions taxes collected for the City/District by the Department pursuant to the contracts between the City/District and the Department. The information obtained by examination of Department records shall be used only for purposes related to the collection of the City/District's sales, use and transactions taxes by the Department pursuant to those contracts.

Section 2. That the City Manager, Director of Finance & Administrative Services, Director of Planning, Senior Planner, Finance Manager, Accounting Manager, or other officer or employee of the District designated in writing by the City Manager to the Department is hereby appointed to represent the City/District with authority to examine those sales, use and transactions tax records of the Department for purposes related to the following governmental functions of the City/District:

APPROVED: ITEM NO.:

- a) City administration
- b) Revenue management and budgeting
- c) Community and economic development
- d) Business Occupancy Tax Certificate administration
- e) Transportation/infrastructure planning

The information obtained by examination of Department records shall be used only for those governmental functions of the City/District listed above.

- **Section 3.** That Hinderliter, de Llamas & Associates (HdL) is hereby designated to examine the sales, use and transactions tax records of the California Department of Tax and Fee Administration pertaining to sales, use and transactions taxes collected for the City/District by the Department. The person or entity designated by this section meets all of the following conditions:
- a) has an existing contract with the City/District to examine those sales, use and transactions tax records;
- b) is required by that contract to disclose information contained in, or derived from those sales, use and transactions tax records only to the officer or employee authorized under Section 1 (or Section 2) of this resolution to examine the information;
- c) is prohibited by that contract from performing consulting services for a retailer during the term of that contract;
- d) is prohibited by that contract from retaining the information contained in, or derived from those sales, use and transactions tax records after that contract has expired.
- **BE IT FURTHER RESOLVED** that the information obtained by examination of Department records shall be used only for purposes related to the collection of Department's sales, use and transactions taxes by the Department pursuant to the contracts between the City/District and Department.

APPROVED and ADOPTED this 24th day of January, 2019 by the following roll call vote:

AYES: NOES: ABSENT: ABSTAIN:		
ATTEST:	Juanita Trujillo, Mayor	
Janet Martinez, CMC, City Clerk		



City Council Meeting

January 24, 2019

NEW BUSINESS

Approval of Salary Modification for the Deputy Fire Marshal Position

RECOMMENDATION(S)

That the City Council approve a salary modification for the Deputy Fire Marshal position.

BACKGROUND

Staff is requesting that the City Council approve a salary modification for the Deputy Fire Marshal position. The Deputy Fire Marshal position is in the Environmental Protection and Fire Prevention Bureau Division within the Department of Fire-Rescue. The employee who most recently held this position retired in December 2018. The individual held a Professional Engineer certification. Many years ago this certification provided for an 11% stipend. The stipend was subsequently eliminated, but existing employees holding the certification were "grandfathered" and their salaries were adjusted to include the eliminated 11% stipend.

With the retirement of the prior Deputy Fire Marshal, the salary should be adjusted to remove the "built-in" stipend for the Professional Engineer certification prior to filling the vacancy. This will align the salary to match the same range as the Deputy Director of Environment Protection. The Deputy Fire Marshal and the Deputy Director of Environmental Protection are on the same level within the Department's organizational structure and report directly to the Director of Environmental Protection-Fire Prevention Bureau.

The current and proposed monthly salary ranges are as follows:

<u>Step</u>	Current	Proposed
A	\$9,028.994	\$8,134.577
В	\$9,525.588	\$8,581.979
C	\$10,049.496	\$9,053.987
D	\$10,602.219	\$9,551.957
E	\$11,185.340	\$10,077.314

The proposed change has been discussed with and approved by the Santa Fe Springs Firefighters Association.

Report Submitted By: Travis Hickey and Debbie Ford Date of Report: January 17, 2019

Finance and Administrative Services

FISCAL IMPACT

The salary adjustment will result in savings of approximately \$17,000 annually.

brusing for Raymond R. Cruz



January 24, 2019

PROCLAMATION

<u>Proclamation declaring February 2019 as "Heart Health Month" in the City of Santa</u> Fe Springs

RECOMMENDATION

That the City Council proclaim the month of February 2019 as "Heart Health Month" in the City of Santa Fe Springs.

BACKGROUND

Heart disease is the leading cause of death for men and women in the United States. According to the American Heart Association, 1 in 4 deaths are caused by heart disease every year. Anyone can develop heart disease; risk factors including diabetes, obesity, poor diet, physical inactivity, and excessive alcohol consumption can also increase the likelihood of developing heart disease. Heart disease can be prevented when people make healthy choices and learn to manage their health conditions. Communities, health professionals, and families can work together to create opportunities for people to make healthier choices.

In order to shed light on this issue, the month of February has been designated as Heart Health Month in the United States. This annual campaign focuses on raising awareness about this deadly disease and educating the public about the importance of preventing the illness by living healthy lives at home and in our communities.

As a Healthy Eating, Active Living (H.E.A.L) City, Santa Fe Springs will proudly participate in Heart Health Month. The Department of Community Services offers health-related opportunities year round. Over the last few years, we have partnered with several organizations to offer health & wellness classes and programs. This year we are partnering with The Whole Child's Champions for Change Program to provide educational resources to our community, specifically centered on healthy eating and drinking.

Additionally, we invite everyone to wear red on Friday, February 1, 2019 and show your support for heart health and saving lives. National Wear Red Day is the first Friday each February and it is a day to bring attention to heart disease, especially in women. Everyone is encouraged to wear red, know their cardiovascular risk and take action to live longer, healthier lives.

The Mayor may wish to call on Maritza Sosa-Nieves, Management Assistant, to assist with the presentation.

Raymond R. Cruz City Manager

Attachment Proclamation – Heart Health Month 2019 WHEREAS, heart disease claims 1 million lives each year in the United States; and

WHEREAS, heart disease can be prevented by making healthier choices and lifestyle changes; and

WHEREAS, the month of February is Heart Health Month, an annual campaign dedicated to raising awareness of heart disease and educating the public about the importance of preventing the disease by living heart-healthy lives; and

WHEREAS, this February, the City of Santa Fe Springs will join the nationwide movement in support of healthier communities and healthier lives;

WHEREAS, the Community Services Department has partnered with The Whole Child's Champions for Change program to offer health and wellness classes to members of the community; and

NOW, THEREFORE, be it resolved that I, Juanita Trujillo, Mayor of the City of Santa Fe Springs, proclaim February 2019 as

"Heart Health Month"

in the City of Santa Fe Springs, and encourage all citizens to educate themselves about heart disease, learn how it can be prevented, and take the necessary steps toward a healthier lifestyle. Furthermore, I call upon all community members to get involved and help raise heart disease awareness by participating in National Wear Red Day on Friday, February 1 as a sign of commitment to fighting heart disease.

DATED this 24 day of January 2019

ATTEST:	MAYOR JUANITA TRUJILLO
CITY CLERK	



City Council Meeting

January 24, 2019

PROCLAMATION

<u>Proclamation declaring the Month of January 2019 as "Cervical Health Awareness Month" in the City of Santa Fe Springs</u>

RECOMMENDATION

That the City Council proclaim the month of January 2019 as "Cervical Health Awareness Month" in the City of Santa Fe Springs.

BACKGROUND

The United States Congress designated January as Cervical Health Awareness Month. Nearly 13,000 women in the United States are diagnosed with cervical cancer each year, but the disease is preventable with vaccination and appropriate screening (Pap and HPV tests).

During January, the National Cervical Cancer Coalition and its many local chapters across the country highlight issues related to cervical cancer, HPV disease and the importance of early detection. While NCCC chapters host events throughout the year, January is a month with a special focus as chapters celebrate Cervical Health Awareness Month and work to spread the word in their communities.

The Mayor may wish to call on the City Clerk to assist with the reading of the proclamation.

Raymond R. Cruz
City Manager

Report Submitted By:

Fernando Muñoz City Clerk Technician Date of Report: January 18, 2019

Cervical Health Awareness Month Proclamation

WHEREAS, cervical cancer is a disease that strikes 13,000 American women each year; and

WHEREAS, cervical cancer most often affects women in the prime of life; and

WHEREAS, regular cervical cancer screening tests are effective in detecting the disease early when it can be effectively treated; and

WHEREAS, cervical cancer vaccines are available that - together with screening tests- provide a formidable and effective means of preventing this disease; and

WHEREAS, increasing awareness among patients and health care providers alike regarding the best use of these prevention tools is a key component is safeguarding women's health;

NOW, THEREFORE, the City of Santa Fe Springs do hereby proclaim January as

Cervical Health Awareness Month

In the City of Santa Fe Springs and encourage all our citizens to recognize that cervical cancer is preventable, and to encourage and support the women in our lives in taking charge of their health and availing themselves of the tests and vaccines that have proven so effective in preventing cervical cancer.

DATED this 24th day of January, 2019.

City of Santa Fe Springs

City Council Meeting

January 24, 2019

Committee	Vacancies	Councilmember
Beautification	2	Rounds
Beautification	5	Rodriguez
Beautification	2	Zamora
Family & Human Candiana	1	Podriguoz.
Family & Human Services	1 1	Rodriguez
Family & Human Services	ļ	Rounds
Historical	2	Rounds
Historical	3	Rodriguez
Historical	3	Trujillo
Historical	2	Zamora
Parks & Recreation	1	Mora
Parks & Recreation	1	Rodriguez
Parks & Recreation	1	Trujillo
Parks & Recreation	2	Zamora
Senior Citizens	3	Mora
Senior Citizens	2	Rodriguez
Senior Citizens	4	Trujillo
0:1 - 0:	4	
Sister City	1	Mora
Sister City	2	Rounds
Sister City	4	Rodriguez
Sister City	3	Zamora
Youth Leadership Committee	5	Rounds
Youth Leadership Committee	1	Rodriguez

Applications Received: Jeannette Lizarraga for Beautification Committee and Eduardo Duran for Senior Citizens Advisory Committee.

Recent Actions: Laurie Rios, Richard Moore, Albert Hayes, and Francis Carbajal to the Heritage Arts Advisory Committee; Felix Miranda and Linda Vallejo to the Traffic Commission; Alan Avalos, Joseph Casillas, and Isaac Aguilar to the Youth Leadership Committee; Priscilla Rodriguez to the Parks & Recreation Committee; and Francis Carbajal to the Planning Commission.

Attachments:

Prospective Members

Committee Lists

Raymond R. Cruz

Drivery for

City Manager

Report Submitted by: Janet Martinez

City Clerk

Date of Report: January 18, 2019

Prospective Members for Various Committees/Commissions

Beautification	
Jeannette Lizarraga	
Family & Human Services	
Heritage Arts	
Historical	
Personnel Advisory Board	
Parks & Recreation	
Planning Commission	
Senior Citizens Advisory	
Eduardo Duran	
Sister City	
Traffic Commission	·
Youth Leadership	

BEAUTIFICATION COMMITTEE

Meets the fourth Wednesday of each month, except July, Aug, Dec.

9:30 a.m., Town Center Hall

Qualifications: 18 Years of age, reside or active in the City

Membership:

25 Residents appointed by City Council

APPOINTED BY	NAME	TERM EXPIRES JUNE 30 OF
Mora	Juliet Ray	(20)
	Guadalupe Placensia	(19)
	Francis Carbajal	
	Eileen Ridge	(19)
	Jeannie Hale	(19)
Zamora	Vacant	
	Charlotte Zevallos	(20)
	Doris Yarwood	(20)
	Vada Conrad	(19)
	Vacant	, ,
Rounds	Sadie Calderon	(20)
	Vacant	(20)
	Mary Arias	(19)
- 14. 15로 프랑스 (14. 15. 15. 15. 15. 15. 15. 15. 15. 15. 15	Marlene Vernava	(19)
	Vacant	(19)
Rodriguez	Vacant	
	Vacant	
Trujillo	Jacqueline Martinez	(20)
	AJ Hayes	(20)
	Margaret Bustos*	(20)
	Debra Cabrera	(19)
	Kay Gomez	

^{*}Indicates person currently serves on three committees

FAMILY & HUMAN SERVICES ADVISORY COMMITTEE

Meets the third Wednesday of the month, except Jun., Sept., and Dec., at 5:45 p.m., Gus Velasco Neighborhood Center

Qualifications: 18 Years of age, reside or active in the City

Membership: 15 Residents Appointed by City Council

5 Social Service Agency Representatives Appointed by the Committee

APPOINTED BY	NAME	TERM EXPIRES JUNE 30 OF
Mora	Martha Villanueva	(20)
	Margaret Bustos*	(20)
	Miriam Herrera	
Zamora	Gaby Garcia	(20)
	Tina Delgado	(19)
	Gilbert Aguirre	(19)
Rounds	Vacant	
	Janie Aguirre	(19)
	Peggy Radoumis	(19)
Rodriguez	Vacant	
	Linda Vallejo	(20)
	Hilda Zamora	(19)
Trujillo	Dolores H. Romero*	(20)
	Laurie Rios	(20)
	Bonnie Fox	(19)
Organizational Representatives:	Nancy Stowe	
(Up to 5)	Evelyn Castro-Guillen	
,	Elvia Torres	
	(SPIRITT Family Services)	
	·	

^{*}Indicates person currently serves on three committees

HERITAGE ARTS ADVISORY COMMITTEE

Meets the Last Tuesday of the month, except Dec., at 9:00 a.m., at the Gus Velasco Neighborhood Center Room 1

Qualifications: 18 Years of age, reside or active in the City

Membership: 9 Voting Members

6 Non-Voting Members

APPOINTED BY	NAME	TERM EXPIRES JUNE 30 OF
Mora	AJ Hayes	6/30/2021
Zamora	Larry Oblea	6/30/2019
Rounds	Richard Moore	6/30/2021
Rodriguez	Francis Carbajal	6/30/2021
Trujillo	Laurie Rios	6/30/2021
Committee Representatives		
Beautification Committee	Jacqueline Martinez	6/30/2019
Historical Committee	Sally Gaitan	6/30/2019
Planning Commission	Gabriel Jimenez	6/30/2019
Chamber of Commerce	Debbie Baker	6/30/2019
Council/Staff Representatives	ga.	:
Council Liaison	Bill Rounds	
Council Alternate	Vacant	
City Manager	Ray Cruz	
Director of Community Services	Maricela Balderas	
Director of Planning	Wayne Morrell	

^{*}Indicates person currently serves on three committees

HISTORICAL COMMITTEE

Meets Quarterly - The 2nd Tuesday of Jan., April, July, and Oct., at 5:30 p.m., Heritage Park Train Depot

Qualifications: 18 Years of age, reside or active in the City

Membership:

20

APPOINTED BY	NAME	TERM EXPIRES JUNE 30 OF
Mora	Astrid Shesterkin	(20)
	Tony Reyes	(20)
	Amparo Oblea	(19)
	Wayne M. Morrell	(20)
Zamora	Francis Carbajal	(19)
	Vacant	
	Vacant	
	Larry Oblea	(20)
Rounds	Vacant	
	Adrianne Matte	(20)
	Mark Scoggins*	(19)
	Vacant	(19)
Rodriguez	Vacant	
	Vacant	
	Vacant	
	Sally Gaitan	(19)
Trujillo	Vacant	
	Vacant	
	Merrie Hathaway	(19)
	Vacant	

^{*}Indicates person currently serves on three committees

PARKS & RECREATION ADVISORY COMMITTEE

Meets the First Wednesday of the month, except Jul., Aug., and Dec., 7:00 p.m., Town Center Hall, Meeting Room #1

Subcommittee Meets at 6:00 p.m.

Qualifications: 18 Years of age, reside or active in the City

Membership: 25

APPOINTED BY	NAME	TERM EXPIRES JUNE 30 OF
Mora	Vacant	
	Adrian Romero	(19)
	William Logan	(19)
	Ralph Aranda	(19)
	Kurt Hamra	(19)
Zamora	Michael Givens	(20)
	Ruben Gonzalez	(20)
	Frank Aguayo, Sr.	(20)
	Vacant	(20)
	Vacant	
	vacant	
Rounds	Kenneth Arnold	(20)
	Mary Anderson	(20)
	Johana Coca*	(20)
	Tim Arnold	(19)
	Mark Scoggins*	(19)
Dodriguoz	Rudy Lagarreta Jr.	(20)
Rodriguez		
	Priscilla Rodriguez	(20)
	Lisa Garcia	(19)
	Vacant	
	David Diaz-Infante	(19)
Trujillo	Dolores Romero	(19)
	Andrea Lopez	(20)
	Lydia Gonzalez	(19)
	Anthony Ambris	(19)
	Vacant	

^{*}Indicates person currently serves on three committees

PERSONNEL ADVISORY BOARD

Meets Quarterly on an As-Needed Basis

Membership:

5 (2 Appointed by City Council, 1 by Personnel

Board, 1 by Firemen's Association, 1 by

Employees' Association)

Terms:

Four Years

APPOINTED BY	NAME	TERM EXPIRES JUNE 30 OF
Council	Angel Munoz Ron Biggs	6/30/2019 6/30/2019
Personnel Advisory Board	Neal Welland	6/30/2020
Firemen's Association	Jim De Silva	6/30/2019
Employees' Association	Johnny Hernand	dez 6/30/2020

PLANNING COMMISSION

updated 10/17/17

Meets the second Monday of every Month at 4:30 p.m., Council Chambers

Qualifications: 18 Years of age, reside or active in the City

Membership:

E

APPOINTED BY	NAME
Mora	Ken Arnold
Rounds	Ralph Aranda
Rodriguez	Francis Carbajal
Trujillo	Frank Ybarra
Zamora	Gabriel Jimenez

SENIOR CITIZENS ADVISORY COMMITTEE

Meets the Second Tuesday of the month, except Jun., Sep., and Dec., at 9:30 a.m., Gus Velasco Neighborhood Center

Qualifications: 18 Years of age, reside or active in the City

Membership: 25

APPOINTED BY	NAME	TERM EXPIRES JUNE 30 OF
Mora	Paul Nakamura	(20)
	Astrid Shesterkin	(19)
	Vacant	
	Vacant	
	Vacant	
Zamora	Dolores Duran	(20)
	Elena Lopez Armendariz	(20)
	Rebecca Lira	(20)
	Amelia Acosta	(19)
	Gloria Madrid	(19)
Rounds	Sally Gaitan	(20)
	Bonnie Fox	(20)
	Gilbert Aguirre	(19)
	Lorena Huitron	(19)
	Janie Aguirre	(19)
Rodriguez	Yoko Nakamura	(20)
· · · · · · · · · · · · · · · · · · ·	Linda Vallejo	(20)
	Hilda Zamora	(19)
	Vacant	
	Vacant	
Trujillo	Vacant	
	Vacant	
A CONTRACTOR OF THE CONTRACTOR	Vacant	
	Margaret Bustos*	(19)
	Vacant	

^{*}Indicates person currently serves on three committees

SISTER CITY COMMITTEE

Meets the First Monday of every month, except Dec., at 6:45 p.m., Town Center Hall, Mtg. Room #1. If the regular meeting date falls on a holiday, the meeting is held on the second Monday of the month.

Qualifications: 18 Years of age, reside or active in the City

Membership: 25

APPOINTED BY	NAME	TERM EXPIRES JUNE 30 OF
Mora	Martha Villanueva	(20)
	Laurie Rios	(18)
	Vacant	
	Peggy Radoumis	(19)
	Francis Carbajal	(19)
Zamora	Charlotte Zevallos	(20)
	Vacant	(19)
	Vacant	
	Doris Yarwood	(19)
	Vacant	
Rounds	Manny Zevallos	(20)
	Susan Johnston	(20)
	Jacqueline Martinez	(19)
	Vacant	
	Vacant	
Rodriguez	Jeannette Wolfe	(20)
	Vacant	
Trujillo	Beverly Radoumis	(19)
	Andrea Lopez	(20)
	A.J. Hayes	(19)
	Marcella Obregon	(19)
	Debra Cabrera	(19)

^{*}Indicates person currently serves on three committees

TRAFFIC COMMISSION

Meets the Third Thursday of every month, at 6:00 p.m., Council Chambers

Membership:

5

Qualifications: 18 Years of age, reside or active in the City

APPOINTED BY	NAME
Mora	Bryan Collins
Rounds	Johana Coca
Rodriguez	Felix Miranda
Trujillo	Linda Vallejo
Zamora	Nancy Romo

YOUTH LEADERSHIP COMMITTEE

Meets the First Monday of every month, at 6:30 p.m., Gus Velasco Neighborhood Center

Qualifications: Ages 13-18, reside in Santa Fe Springs

Membership:

20

APPOINTED BY	NAME	Term Expires in Year Listed or upon Graduation
Mora	Kharisma Ruiz	(20)
	Destiny Cornejo	(19)
	Zachary Varela	(20)
	Jazmine A. Duque	(19)
Zamora	Joseph Casillas	(20)
	Savanna Aguayo	(19)
	Valerie Melendez	(19)
	Christian Zamora	(19)
Rounds	Vacant	
	Vacant	
	Vacant	
	Vacant	
Rodriguez	Angel M. Corona	(19)
	Vacant	
	Ivan Aguilar	(19)
	Jennifer Centeno Tobar	(19)
Trujillo	Bernardo Landin	(20)
	Isaac Aguilar	(21)
	Andrew Bojorquez	(20)
	Alan Avalos	(21)