

City Council Agenda

REVISED AGENDA
(Revision made to 1B)

Council President
Steve Brandau

Councilmembers

Oliver L. Baines III – Acting President
Lee Brand
Paul Caprioglio

Clinton J. Oliver
Sal Quintero
Blong Xiong

City Manager
Bruce Rudd

City Clerk
Yvonne Spence, CMC

City Attorney
Douglas T. Sloan

RECEIVED

2014 MAY 12 AM 9:18

CITY CLERK, FRESNO, CA

The meeting room is accessible to the physically disabled. If you require special assistance to participate in the meeting, notify the Office of the City Clerk at 559-621-7650 at least three business days prior to the meeting. Please keep the doorways, aisles and wheelchair seating areas open and accessible. If you need assistance with seating because of a disability, contact Security.

The City Council welcomes you to the Council Chambers, located in City Hall, 2nd Floor, 2600 Fresno Street, Fresno CA 93721.

May 15, 2014

FISCAL YEAR 2014-2015 BUDGET HEARINGS – TO BE HELD IN THE COUNCIL CHAMBERS (SUBJECT TO CHANGE)

Please Note: Department budgets will generally be considered as listed below starting with the initial public hearing and continuing until council adopts the budget. Members of the public will be allowed to address the Council regarding the budget and will be allowed two (2) minutes. Please be advised consideration of some departments may be continued to the next scheduled hearing date if discussions run long, and other departments may be considered in advance of the date and time listed.

May 22-	9:30 A.M.	Mayor-Budget Presentation
June 5-	1:00 P.M.	General Fund Overview; BMSD, City Attorney, City Clerk, FAX, Information Services
June 9-	9:00 A.M.	FYI, Convention Center, General City Purpose, PARCS, Police
June 10-	9:00 A.M.	Finance, Personnel, Fire, Public Works, City Council
June 11-	9:00 A.M.	Public Utilities, DARM, CDBG, HOME, NSP, ESG, Mayor/City Manager's Office
June 12-	8:30 A.M.	Council Meeting- Final Motions made
June 16-	9:00 A.M.	Budget Overflow; Council vote on motions
June 19-	1:30 P.M.	Council Meeting - Council vote on Budget Documents
June 30-		Balance Budget Required by Charter

1:30 P.M. ROLL CALL

Invocation by Minister Matt Phillips of the Woodward Park Church of Christ

Pledge of Allegiance to the Flag

Ceremonial Presentations:

Proclamation of American Lung Association's "NATIONAL WOMEN'S LUNG HEALTH WEEK" – Council President Brandau

Proclamation of "FUGMAN ELEMENTARY DAY" – Councilmember Brand

Proclamation of "RESERVE POLICE OFFICER JOE L. INFAUSTO DAY" – Acting President Baines

Proclamation of "INCREASING EXPORT OPPORTUNITIES IN PARTNERSHIP WITH THE CENTER FOR INTERNATIONAL TRADE DEVELOPMENT DAY" – Council President Brandau

Proclamation of "MARITIME DAY" – Mayor's Office

The agenda and related staff reports are available on (www.fresno.gov) as well as in the Office of the City Clerk. The Council meeting can also be heard live at the same web site address, and viewed live on Comcast Channel 96 and AT&T Channel 99 from 8:30 a.m. and re-played beginning at 8:00 p.m.

PROCESS: For each matter considered by the Council there will first be a staff presentation followed by a presentation from the involved individuals, if present. Testimony from those in attendance will then be taken. All testimony will be limited to three minutes per person. If you would like to speak fill out a Speaker Request Form available from the City Clerk's Office and in the Council Chambers. The three lights on the podium next to the microphone will indicate the amount of time remaining for the speaker.

The green light on the podium will be turned on when the speaker begins. The yellow light will come on with one minute remaining. The speaker should be completing the testimony by the time the red light comes on and tones sound, indicating that time has expired. A countdown of time remaining to speak is also displayed on the large screen behind the Council dais.

No documents shall be accepted for Council review unless they are submitted to the City Clerk at least **24 hours prior** to the Council Agenda item being heard.

Following is a general schedule of items for Council consideration and action. The City Council may consider and act on an agenda item in any order it deems appropriate. Actual timed items may be heard later but not before the time set on agenda. Persons interested in an item listed on the agenda are advised to be present throughout the meeting to ensure their presence when the item is called.

Approve Joint Meeting minutes with the City of Clovis of [April 29, 2014](#)

Action Taken:

Approve Council minutes of [May 1, 2014](#)

Action Taken:

Councilmember Reports and Comments

Action Taken:

Approve Agenda

Action Taken:

Action Taken:

1. **CONSENT CALENDAR**

All Consent Calendar items are considered to be routine and will be treated as one agenda item. The Consent Calendar will be enacted by one motion. Public comment on the Consent Calendar is limited to three (3) minutes per speaker. There will be no separate discussion of these items unless requested by a Councilmember, in which event the item will be removed from the Consent Calendar and will be considered as time allows.

- A. * **RESOLUTION** - 44th amendment to the Annual Appropriation Resolution (AAR) No. 2013-98 appropriating \$27,000 of Older Americans Act Title III C1 grant funds from the Fresno Madera-Area Agency on Aging (FMAAA) for the Senior Hot Meals (SHM) program **(Requires 5 affirmative votes)** – PARCS

Action Taken:

- B. Award a contract in the amount of \$245,865 to Zim Industries to furnish and install 16-inch liner and gravel pack to rehabilitate the potable water well at Pump Station 17, located at 761 E. Cornell Avenue - Bid File 3300 **(Council District 1)** - Department of Public Utilities

Action Taken:

1. Adopt finding of a Categorical Exemption per staff determination, pursuant to Section 15301 of the CEQA Guidelines

Action Taken:

- C. Approve the partial acquisition of 0.85 acres of a parcel of property in the amount of \$92,800, owned by Rancho Amboy, a limited partnership, for the construction of Veterans Boulevard overcrossing near Golden State and Bullard Avenue **(Council District 2)** - Public Works Department

Action Taken:

- D. * **RESOLUTION** - 45th amendment to the Annual Appropriation Resolution (AAR) No. 2013-98 appropriating \$200,000 from the Systems Replacement Fund to replace hardware that is past its end of service life (EOSL) **(Requires 5 affirmative votes)** – Information Services Department

Action Taken:

- E. Actions pertaining to a grant award for \$117,566 from the State Homeland Security Grant Program, through the County of Fresno - Fire Department

1. **RESOLUTION** - Authorizing the application for and acceptance of Fiscal Year13 Cycle U.S. Department of Homeland Security/Office of Domestic Preparedness "State Homeland Security Grant Program" funding, through the County of Fresno

Action Taken:

2. * **RESOLUTION** - 43rd amendment to the Annual Appropriation Resolution (AAR) No. 2013-98 appropriating \$18,200 from the State Homeland Security Grant Program to the Fire Department to provide equipment and support of the community emergency response team **(Requires 5 affirmative votes)**

Action Taken:

1. **CONSENT CALENDAR CONTINUED**

- F. **BILL - (For introduction)** - Annual amendment to Subsection (a) of Sections 7-504 and 7-505 of the Fresno Municipal Code relating to local Sales and Use Taxes, pursuant to the Memorandum of Understanding with Fresno County (MOU) – Finance Department
Action Taken:

CONTESTED CONSENT CALENDAR

2. **GENERAL ADMINISTRATION**

- A. **Actions pertaining to IUOE, Stationary Engineers Local 39 – Personnel Services Department**
1. * Adopt a Successor MOU between the City of Fresno and IUOE, Stationary Engineers, Local 39 (non-supervisory blue collar employees – Unit 1)
Action Taken:
 2. * Adopt a Side Letter of Agreement between the City of Fresno and IUOE, Stationary Engineers, Local 39 (Non-supervisory blue collar employees – Unit 1) on pensions for new employees
Action Taken:
- B. **Submission and acceptance of City of Fresno Comprehensive Annual Financial Report (CAFR) and Single Audit for Fiscal Year 2013 – Finance Department**
Action Taken:
- C. **RESOLUTION - Reallocating \$700,000 from the Property/Liability self-insurance contingency account to the refunds and claims account and outside legal services account – Personnel Services Department**
Action Taken:
- D. **RESOLUTION – To submit grant applications for up to \$1,250,000 to the State of California Department of Transportation Active Transportation Program (ATP), and authorizing the execution of documents by the City Manager, Public Works Director, or designees – Public Works Department**
Action Taken:
- E. **Actions pertaining to an award of a construction contract to California Building Evaluation & Construction, Inc. of Buena Park, California in the amount of \$736,360 for the emergency generator upgrade at Fresno City Hall (bid file No. 3227) (Council District 3) – Public Works Department**
1. Adopt finding of a Categorical Exemption per staff determination, pursuant to Section 15301(c) of the CEQA Guidelines
Action Taken:
 2. Award a construction contract with California Building Evaluation & Construction, Inc. of Buena Park, California in the amount of \$736,360 for the emergency generator upgrade at Fresno City Hall
Action Taken:

2. **GENERAL ADMINISTRATION CONTINUED**

- F. Approve the acquisition of 19.66 acres of property in the amount of \$3,855,500, owned by Rancho Rivington, a limited partnership, for the construction of Veterans Boulevard overcrossing near Golden State and Bullard Avenue (**Council District 2**) - Public Works Department

Action Taken:

- G. Actions pertaining to the First Street traffic synchronization project from Nees Avenue to Ventura Street rebid (bid file 3321) (**Council Districts 3, 4, 5, 6, and 7**) – Public Works Department

1. Adopt finding of a Categorical Exemption per staff determination, pursuant to Section 15301(c) of the CEQA Guidelines, for the First Street traffic synchronization project from Nees Avenue to Ventura Street

Action Taken:

2. Award a construction contract with Kertel Communications Inc., dba Sebastian of Fresno in the amount of \$1,197,058 for the base bid and all add alternates for the First Street traffic synchronization project from Nees Avenue to Ventura Street

Action Taken:

- H. Actions pertaining to the Fresno/Clovis Regional Wastewater Reclamation Facility Headworks Building coating repair and stop plate installation – (**Council District 3**) - Department of Public Utilities

1. * **RESOLUTION** – 46th amendment to the Annual Appropriation Resolution (AAR) No. 2013-98 appropriating \$4,458,000 for the Fresno/Clovis Regional Wastewater Reclamation Facility Headworks Building coating repair and stop plate installation (**Requires 5 affirmative votes**)

Action Taken:

2. Adopt a finding of Class 1 Categorical Exemption, pursuant to Section 15301 (b) and (d) of the California Environmental Quality Act Guidelines

Action Taken:

3. Award a \$6,367,960 contract as negotiated to Floyd Johnston Construction Company of Clovis, California for the design and construction thereof (bid file 3201)

Action Taken:

- I. Approve application for and acceptance of Fiscal Year 2013 Staffing for Adequate Fire and Emergency Response (SAFER) grant award for \$2,587,200 through the U.S. Department of Homeland Security - Fire Department

Action Taken:

1. **RESOLUTION** - Authorizing the application for and acceptance of Fiscal Year 2013 Cycle Staffing for Adequate Fire and Emergency Response (SAFER) funding issued by the U.S. Department of Homeland Security Grant Program and authorizing completion of all required documents

Action Taken:

2. * **RESOLUTION** - 35th amendment to the Annual Appropriation Resolution (AAR) No. 2013-98 appropriating \$227,200 from the SAFER Grant Program to the Fire Department for funding shift replacement in Fiscal Year 2014 (**Requires 5 affirmative votes**)

Action Taken:

2. **GENERAL ADMINISTRATION CONTINUED**

J. **Actions pertaining to the acquisition of CVP Unreleased Restoration Flows and transfer of said Unreleased Restoration Flows to the Orange Cove Irrigation District to assist in mitigation of severe drought conditions – Department of Public Utilities**

1. Adopt findings that the proposed agreements are not a “project” within the meaning of Public Resources Code Section 21803 (CEQA Guidelines section 15378), that the proposed agreements also statutorily exempt from CEQA under Public Resources Code Section 21080(b)(4) due to the proclamation of a qualifying state of emergency related to a drought, and NEPA compliance is complete based upon the United States Bureau of Reclamation’s adopted “finding of no significant impact” covering the Recirculation of Recaptured Water for Water Year 2014-2017 San Joaquin Restoration Flows, “finding of no significant impact” covering the Accelerated Water Transfer Program for Friant Division and Cross Valley Central Valley Project Contractors, 2011-2015, and “finding of no significant impact” covering the Increase in Quantity for the Friant Division and Cross Valley Accelerated Water Transfer Program, 2011-2015

Action Taken:

2. * **RESOLUTION** - Authorizing the Department of Public Utilities to execute the “Agreement between the United States Bureau of Reclamation and the City of Fresno for delivery of banked unreleased restoration flows, and execute the “Agreement for Transfer and Exchange of Water” between the Orange Cove Irrigation District and the City of Fresno in substantially the form attached

Action Taken:

3. **CITY COUNCIL**

A. **Council Boards and Commissions Communications, Reports, Assignments and/or Appointments, Reappointments, Removals to/from City and non-City Boards and Commissions:**

1. Council of Governments – **Swearingin-Ex-Officio (Olivier-Alternate)**
2. Financial Audit Committee – **Brand, Olivier, Xiong**
3. Fresno Area Workforce Investment Corporation - **Baines**
4. Fresno County Transportation Authority (FCTA) - **Swearingin, Brandau**
5. Fresno Regional Workforce Investment Board – **Baines, Renena Smith**
6. Fresno County Zoo Authority – **Swearingin (Baines-Alternate)**
7. Fresno Madera Area Agency on Aging Board - **Olivier**
8. Joint Powers Financing Authority – **Baines, Xiong, Swearingin**
9. Leadership Council on Ending Homelessness - **Swearingin, Baines**
10. San Joaquin River Conservancy Board - **Swearingin (Brandau-Alternate)**
11. Association for the Beautification of Highway 99 - **Baines**
12. Upper Kings Basin Integrated Regional Water Management JPA – **Xiong**
13. Pension Reform Task Force – **Brand, Xiong, (3rd Member vacant)**
14. Economic Development Corporation Serving Fresno County – **Brandau-Ex-Officio**
15. Fresno/Clovis Convention & Visitors Bureau (CVB) – **Amy Fuentes**
16. League of California Cities (Annual Meeting) – **Swearingin (Olivier-Alternate)**
17. San Joaquin Valley Air Pollution Control District - **Baines**
18. Infill Development Ad Hoc Subcommittee - **Brand, Baines, Olivier**
19. Litigation Exposure Reduction Ad Hoc Committee – **Brandau, Caprioglio**
20. Convention Center Oversight Advisory Board – **Baines, (Brand-Alternate), City Manager, SMG General Manager and one representative from each of SMG’s organizations**

Action Taken:

4. **CLOSED SESSION**

A. **CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION** - Government Code Section 54956.9, Subdivision (d)(1)

1. City of Fresno v. Chevron USA et al. - MDL 1358; CV-04973 (SAS)

Action Taken:

B. **CONFERENCE WITH REAL PROPERTY NEGOTIATOR** - Government Code Section 54956.8

Property involving APN 493-020-28ST (No Address) and APN 493-020-37ST; (5005 E. Dakota)

Negotiating Parties: Executive Director of Successor Agency Marlene Murphey

Action Taken:

C. **CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION** - Government Code Section 54956.9, Subdivision (d)(1)

1. **Case Name:** City of Fresno, a municipal corporation, Douglas Sloan, in his capacity as the City Attorney of the City of Fresno v. Doug Vagim, Diane Smith, Steve Wayte; Fresno Superior Court No. 13CECG03080
5th District Court of Appeal No. F069296

Related Matter: Doug Vagim, Diane Smith, Steve Wayte v. City of Fresno, a municipal corporation, Douglas Sloan, in his capacity as the City Attorney of the City of Fresno; Fresno Superior Court No. 13CECG03206

Action Taken:

SCHEDULED COUNCIL HEARINGS AND MATTERS

2:00 P.M. **HEARING** to consider Plan Amendment Application No. A-11-003, Rezone Application No. R-11-003, and related Environmental Finding for property located on the northeast corner of North Fowler and East Clinton Avenues (**Council District 4**) - Development and Resource Management Department

Action Taken:

- a. Consider the environmental finding of Environmental Assessment No. A-11-003/ /R-11-003/C-13-092/T-6033, a finding of a Mitigated Negative Declaration, dated March 21, 2014

Action Taken:

- b. **RESOLUTION** - Approving Plan Amendment Application No. A-11-003 to amend the 2025 Fresno General Plan and the McLane Community Plan for ±34.01 net acres of property located on the northeast corner of North Fowler and East Clinton Avenues from the light industrial planned land use to the neighborhood commercial planned land use designation for 2.14 acres and to the medium density residential planned use designation for 31.87 acres

Action Taken:

- c. **BILL- (For introduction and adoption)** - Amending the Official Zone Map to reclassify ±34.01 net acres of property located on the northeast corner of North Fowler and East Clinton Avenues from the C-M/UGM/cz (Commercial and Light Manufacturing/Urban Growth Management/conditions of zoning) zone district to the C-1/UGM/cz (Neighborhood Shopping Center/Urban Growth Management/conditions of zoning) for 2.14 acres and to the R-1/UGM/cz (Single Family Residential/Urban Growth Management/conditions of zoning) zone district for 31.87 acres

Action Taken:

PLEASE NOTE: UNSCHEDULED COMMUNICATIONS IS NOT SCHEDULED FOR A SPECIFIC TIME AND MAY BE HEARD ANY TIME DURING THE MEETING

SCHEDULED COMMUNICATION –

UNSCHEDULED COMMUNICATION – Members of the public may address the Council regarding items that are not listed on the agenda and within the subject matter jurisdiction of the Council. Each person is limited to a three (3) minute presentation. Anyone wishing to be placed on an agenda for a specified topic should contact the City Clerk's Office at least ten (10) days prior to the desired date. Council action on unscheduled items, if any, shall be limited to referring the item to staff for a report and possible scheduling on a future Council agenda.

UPCOMING SCHEDULED COUNCIL HEARINGS AND MATTERS

May 22 - 9:30 A.M. Mayor's presentation of the Fiscal Year 2014-2015 Budget
May 28 - NO MEETING- MEMORIAL DAY
June 5 - 8:30 A.M. MEETING
June 12 - 8:30 A.M. MEETING
June 19 - 1:30 P.M. MEETING
June 26 - 8:30 A.M. MEETING
July 17 - 10:00 A.M. HEARING re: UUD No. FRE-93 on the north side of Nees Avenue from Maple Avenue to Hayston Avenue
July 17 - 10:15 A.M. HEARING re: Final Tract Map No. 5531 annexed to CFD No. 11 to provide funding for the operation and reserves for maintenance ("Services") pertaining to the landscaping, trees and irrigation systems within the street rights-of-way and landscape easements in and along South Armstrong and East California Avenues

UPCOMING EMPLOYEE CEREMONIES

July 31 - 8:30 a.m. Employee of the Summer Quarter (*Reception immediately following – 2nd floor foyer*)
Oct. 2 - 8:30 a.m. Employee of the Fall Quarter (*Reception immediately following – 2nd floor foyer*)
Oct. 22 - (Weds) 2:00 p.m. Presentation of Employee Service Awards (*Reception immediately following – 2nd floor foyer*)

City Council Minutes

April 29, 2014

The City Council met in special joint session with the City of Clovis at the hour of 6:00 P.M. in the Independence Room at the Clovis Veterans Memorial District building, on the day above written.

The meeting was called to order by Clovis Mayor Ashbeck.

The flag salute was led by Fresno Council President Brandau

6:02 P.M. CITY OF CLOVIS ROLL CALL

Present:	Lynne Ashbeck	Mayor
	Nathan Magsig	Mayor Pro Tem
	Jose Flores	Councilmember
	Bob Whalen	Councilmember

Absent:	Harry Armstrong	Councilmember
---------	-----------------	---------------

6:02 P.M. CITY OF FRESNO ROLL CALL

Present:	Oliver Baines III	Acting Council President
	Lee Brand	Councilmember
	Paul Caprioglio	Councilmember
	Clinton Olivier	Councilmember, arrived shortly thereafter.
	Blong Xiong	Councilmember
	Steve Brandau	Council President

Absent:	Sal Quintero	Councilmember
---------	--------------	---------------

Also Present:	Bruce Rudd	Fresno City Manager
	Robert Woolley	Clovis City Manager
	Doug Sloan	Fresno City Attorney
	David Wolfe	Clovis City Attorney
	Yvonne Spence	Fresno City Clerk
	David Holt	Clovis City Clerk

PUBLIC COMMENTS

The following members of the public addressed the joint council regarding items not on the Agenda:

Clovis Resident Michael Cunningham – Complimented the responsiveness of Clovis City staff when responding to reports of faulty sprinklers on median islands reported on the GORquest mobile application.

Fresno County Supervisor Andreas Borgeas – Discussed state and local ground water extraction policies.

1. JOINT MEETING OF THE CLOVIS CITY COUNCIL AND THE FRESNO CITY COUNCIL

A. Water Workshop (Martin Querin / Luke Serpa)

Action Taken: HELD

The Water Workshop consisted of presentations by Luke Serpa, Clovis Public Utilities Director, and Martin Querin, Assistant Director of the Fresno Public Utilities Department. Upon conclusion of the presentations, the Councilmembers engaged the presenters in a question and answer period.

B. Trails Workshop (Mark Keppler)

Action Taken: HELD

The Trails Workshop consisted of a presentation by Professor Mark Keppler, Executive Director of the Maddy Institute. Upon conclusion of the presentation, the Councilmembers engaged Professor Keppler in a question and answer period.

C. Council Comments

Action Taken: HELD

Councilmembers from each jurisdiction lauded the meeting and expressed enthusiasm for future joint meetings.

ADJOURNED – 8:02 P.M.

Approved on the _____ day of _____, 2014.

Steve Brandau, Council President

ATTEST: _____
Todd Stermer, Assistant City Clerk

City Council Minutes

May 1, 2014

The City Council met in regular session at the hour of 8:30 A.M. in the Council Chamber, City Hall, on the day above written.

8:34 A.M. ROLL CALL

Present:	Oliver Baines III	Acting Council President - arrived shortly thereafter
	Lee Brand	Councilmember - arrived shortly thereafter
	Paul Caprioglio	Councilmember
	Clinton Olivier	Councilmember
	Sal Quintero	Councilmember - arrived shortly thereafter
	Blong Xiong	Councilmember
	Steve Brandau	Council President
Also Present:	Bruce Rudd	City Manager
	Renena Smith	Assistant City Manager
	Doug Sloan	City Attorney
	Yvonne Spence	City Clerk
	Todd Stermer	Assistant City Clerk

Invocation by Pastor Terry Townsend of Peoples Church

8:36 A.M. Acting President Baines and Councilmember Quintero entered the Council Chamber.

Pledge of Allegiance to the Flag

Ceremonial Presentations:

Presentation of the SPCA Pet of the Month – Councilmember Caprioglio – **Presented.**

Proclamation of “HISTORIC PRESERVATION WEEK” – Mayor’s Office – **Read.**

Proclamation of “PEACE OFFICERS MEMORIAL” – Mayor’s Office – **Read.**

8:53 A.M. Councilmember Brand entered the Council Chamber.

Proclamation of “LANCE-KASHIAN & COMPANY 50TH ANNIVERSARY DAY” – Mayor’s Office and Council President Brandau – **Read.**

Presentation of P.R.I.D.E. Team Certificates for the Spring Quarter – **Presented.**

RECESSED 9:30 A.M. to 10:00 A.M. – Council resumed in the absence of Acting President Baines, Councilmember Brand and Councilmember Quintero.

Approve Council minutes of April 24, 2014

Action Taken: APPROVED AS SUBMITTED

Motion / Second: Councilmember Olivier / Councilmember Caprioglio
Ayes: Caprioglio, Olivier, Xiong, Brandau
Noes: None
Absent: Baines, Brand, Quintero

10:01 A.M. Councilmember Brand entered the Council Chamber.

Approve Successor Agency minutes of April 24, 2014

Action Taken: APPROVED AS SUBMITTED

Motion / Second: Councilmember Olivier / Councilmember Xiong
Ayes: Brand, Caprioglio, Olivier, Xiong, Brandau
Noes: None
Absent: Baines, Quintero

10:02 A.M. Acting President Baines and Councilmember Quintero entered the Council Chamber.

Councilmember Reports and Comments

Action Taken: MADE

Councilmember Caprioglio commented on the number of addendums and supplements to the agenda and stated he didn't have time to read them all. Councilmember Caprioglio also noted that items were needed well in advance of the hearing date so the Councilmembers could make effective and intelligent decisions.

Councilmember Brand recognized the third grade class in attendance from Maple Creek Elementary.

Councilmember Xiong announced there would be a Cinco De Mayo event in Downtown Fresno over the weekend.

Council President Brandau acknowledged the successful joint council meeting with the City of Clovis that covered the topics of water and trails. President Brandau stated the City of Fresno looked forward to hosting the next joint meeting sometime in the fall.

Approve Agenda

Action Taken: APPROVED AS AMENDED

City Clerk Spence announced the following changes to the agenda: Business Friendly Fresno Final Report and Workshop has moved from 1:30 P.M. to 11:15 A.M.; the resolution affirming support for Assembly Bill (AB) 2686 has moved from 11:15 A.M. to 1:30 P.M.; the presentation of the Kiosk

Program by HealthWise Services has moved from 10:20 A.M. to 1:50 P.M.; the title for Consent Calendar item 1-C sub part 2, regarding approval of the acquisition of a public street easement and temporary construction easement should read “‘northeast’ corner of Herndon Avenue and Blackstone Avenue,” not “northwest.”

Motion / Second: Councilmember Brand / Councilmember Olivier
Ayes: Baines, Brand, Caprioglio, Olivier, Quintero, Xiong, Brandau
Noes: None

Adopt Consent Calendar
Action Taken: APPROVED

Motion / Second: Councilmember Caprioglio / Councilmember Brand
Ayes: Baines, Brand, Caprioglio, Olivier, Quintero, Xiong, Brandau
Noes: None

1. **CONSENT CALENDAR**

- A. * **RESOLUTION** – 5th amendment to Salary Resolution No. 2013-101 adding the classification of Forestry Supervisory I to Exhibit 13A, Unit 13A – City of Fresno Professional Employees Association (CFPEA), with corresponding salaries – Personnel Services Department

Action Taken: RESOLUTION 2014-69 ADOPTED

- B. Approve second amendment to consultant services agreement with Peters Engineering Group Inc. for an additional \$75,000 for a total fee of \$255,000 to provide construction engineering services for the Clovis Unified School District (CUSD) Metropolitan Area Network (MAN) Phase 3 Project (**Council Districts 2, 4, 5 and 6**) - Public Works Department

Action Taken: APPROVED

- C. Actions pertaining to the Herndon Avenue right turn lane extension project at Blackstone Avenue (**Council District 6**) – Public Works Department

1. Adopt a finding of a Categorical Exemption pursuant to Class 1 of the California Environmental Quality Act (CEQA) Guideline Section 15301(c) (Existing Facilities) for extension of a right turn lane at Herndon Avenue and Blackstone Avenue

Action Taken: ADOPTED

2. Approve the acquisition of a public street easement and a temporary construction easement at the northwest corner of Herndon Avenue and Blackstone Avenue (APN 303-170-54) of property owned by Chong’s Plaza, LLC, a California Limited Liability Company

Action Taken: APPROVED

- D. Actions pertaining to the summary vacation of a portion of a public street easement at the southeast corner of E. Butler Avenue and S. Temperance Avenue (**Council District 5**) –

Public Works Department

1. Adopt a finding of Categorical Exemption per staff determination, pursuant to Sections 15301/Class 1, 15304/Class 4 and 15311/Class 11 of the California Environmental Quality Act (CEQA) Guidelines, Environmental Assessment No. S-13-022
Action Taken: ADOPTED
2. **RESOLUTION** - Ordering the summary vacation of a portion of a public street easement at the southeast corner of E. Butler Avenue and S. Temperance Avenue
Action Taken: RESOLUTION 2014-70 ADOPTED

- E. Award a five-year services contract for armored transport service to Loomis Armored US, LLC (Rebid File 9178) in the amount of one-hundred fifty-four thousand eighty-one dollars (\$154,081 based fixed fee) (**Citywide Services**) – Finance Department
Action Taken: AWARDED
- F. Approve amendments to the Labor Management Act – Councilmember Brand
1. * **BILL NO. B-21 - (Intro. 4/24/2014) (For adoption)** – Amending Subsections (a) and (c) of Section 3-616 of the Fresno Municipal Code, relating to the employer-employee relations ordinance
Action Taken: ORDINANCE 2014-24 ADOPTED

2. **GENERAL ADMINISTRATION**

- A. Actions pertaining to the Browning and Palm water main replacements and transfers (**Council District 2 and County of Fresno**) – Public Works Department
1. Adopt a finding of Categorical Exemption per staff determination, pursuant to Class 1 Section 15301(b) (Existing Facilities) of the California Environmental Quality Act (CEQA) guidelines for the Browning and Palm water main replacements and transfers
Action Taken: ADOPTED
 2. Award a construction contract to Dawson-Mauldin Construction, Inc., of Huntington Beach, California in the amount of \$2,169,958 for the Browning and Palm water main replacements and transfers - Bid File 3261
Action Taken: AWARDED
- Motion / Second: President Brandau / Councilmember Olivier
Ayes: Baines, Brand, Caprioglio, Olivier, Quintero, Xiong, Brandau
Noes: None
- B. Actions pertaining to the sale of a portion of the Selland Arena parking lot to Gary Lanfranco, owner of the Cosmopolitan Tavern, to operate a restaurant – City Manager's Office
1. Adopt a finding of categorical exemption pursuant to Article 19, Section 15332(Class 32/In-fill Development) and Section 15312 (Class 12/Surplus Government Property Sales) of the California Environmental Quality Act (CEQA) Guidelines to authorize a sale of a portion of the Selland Arena parking lot to operate a restaurant
Action Taken: ADOPTED

2. Approve the material terms of the Purchase and Sale Agreement and Escrow Instructions between the City and Lanfranco, subject to approval as to form by the City Attorney

Action Taken: APPROVED

Councilmember Caprioglio stated he would not vote on this item as the sixteen page supplement was not timely submitted and there was not enough time for him to review it.

Deputy City Manager Quan-Schechter clarified for the record that, "the closing of the sale was expected to be the later of either 30 days after the High Speed Rail acquires the buyer's real property, located at 1546 Fresno Street, or upon thirty days' notice that the buyer had applied for the necessary building permits."

Acting President Baines noted for the record that while council did not receive the documents relating to this project in a timely fashion, the property owner had nothing to do with that and was subject to everyone's whim but his own.

For the record, President Brandau clarified the following issues with City Manager Rudd: large events that use big trucks, like the circus and the Ice Capades, would not be lost because of the space taken by the restaurant and the promoters of those events had been consulted; a hotel would not be a better use of this property because the City already purchased land at Inyo and M streets for a hotel.

The following member of the public spoke on this item: Gary Lanfranco

Motion / Second:	Acting President Baines / Councilmember Quintero
Ayes:	Baines, Brand, Olivier, Quintero, Xiong, Brandau
Noes:	None
Abstained:	Caprioglio

3. **CITY COUNCIL**

SCHEDULED COUNCIL HEARINGS AND MATTERS

10:15 A.M. SCHEDULED COMMUNICATION

1. Appearance by MaryAnn Salgado to discussion expanding public transportation

Ms. Salgado appeared and asked Council to review and consider expanding accessible public transportation and bus routes throughout the rapidly growing city.

- 10:00 A.M. HEARING** to consider an appeal filed by Councilmember Brand, appealing the Planning Commission's action regarding Vesting Tentative Tract Map No. 6045, Conditional Use Permit No. C-13-136 and related environmental findings, filed by Copper River 74, Inc., for property located within the Copper River Ranch Master Planned Community (**Council District 6**) – Development and Resource Management Department

Action Taken: HELD

- a. Consider and adopt the Finding of Conformity to the 2025 Fresno General Plan Master Environmental Impact Report (MEIR) No. 10130 and Mitigated Negative Declaration prepared for Plan Amendment A-09-02 (Air Quality MND) and to the Program EIR No. 10126 related to the Copper River Ranch Project, prepared for Environmental Assessment No. C-13-136/T-6045 dated January 17, 2014

Action Taken: ADOPTED

- b. **RESOLUTION** - Approving Vesting Tentative Tract Map No. 6045/UGM and Conditional Use Permit Application No. C-13-136 pertaining to approximately 21.07 acres of property located between N. Friant Road and E. Copper Avenue, within the Copper River Ranch Master Planned Community

Action Taken: RESOLUTION 2014-71 ADOPTED AS AMENDED

Councilmember Olivier announced he would recuse himself from this item at the suggestion of counsel and exited the council chamber.

Planning Manager Sanchez stated the following for the record: staff has concerns with parking enforcement as a direct violation of federal law to prohibit impeding of pedestrian access in the right of way; a city cannot allow its parking controllers to enter private property to issue citations; vehicles cannot have full access on an 8 foot driveway approach; there is a safety concern that vehicles could not back out adequately; without additional distance, a standard car would cross into the public right of way before there was a full and complete view of the sidewalk; increased street parking caused by the lack of driveway parking would create friction for emergency vehicles and guest parking; the staff recommendation is to approve the environmental document for a finding of conformity and to deny the appeal and uphold the planning commission recommendation for an 18 foot garage setback on the public portion of the project.

The following members of the public spoke on this item: Jeff Roberts, Darius Assemi, Michelle Brunn.

Councilmember Brand motioned to: approve sub item "a" regarding the MEIR; approve sub item "b" regarding the resolution for the Vesting Tentative Tract Map but to sustain the appeal with regards to the setbacks by amending the resolution to allow a minimum 8 foot garage setback for homes fronting public streets; to hold a workshop and bring a resolution regarding garage setbacks back to Council within 90 days.

Motion / Second: Councilmember Brand / Acting President Baines
Ayes: Baines, Brand, Caprioglio, Xiong, Brandau
Noes: Quintero
Recused: Olivier

RECESSED 12:10 P.M. to 1:36 P.M. - Council resumed in the absence of Acting President Baines, Councilmember Xiong and Councilmember Quintero.

10:40 A.M. WORKSHOP relating to the role and function of the Fresno/Clovis Convention & Visitors Bureau - Councilmember Brand

Layla Forstedt, Chief Executive Officer of the Fresno/Clovis Convention and Visitors Bureau presented the workshop and answered questions asked by Council.

1:45 P.M. Acting President Baines entered the Council Chamber.

1:54 P.M. Councilmember Xiong entered the Council Chamber.

11:15 P.M. Business Friendly Fresno Final Report and Workshop – Development and Resource Management Department

Workshop removed for future agenda date.

1:30 P.M. RESOLUTION - Affirming support for Assembly Bill (AB) 2686 (Perea), the Clean, Safe, and Reliable Water Supply Act of 2014 and the importance of above-ground water storage, Delta restoration and safe drinking water - Council President Brandau
Action Taken: RESOLUTION 2014-72 ADOPTED

The following member of the public spoke on this topic: Mario Santoyo.

Motion / Second:	President Brandau / Councilmember Olivier
Ayes:	Baines, Brand, Caprioglio, Olivier, Xiong, Brandau
Noes:	None
Absent:	Quintero

1:50 P.M. Presentation of the Kiosk Program by HealthWise Services designed to improve the medical waste disposal process - Kacey Auston (Council President Brandau)

Kacey Auston presented the workshop and answered questions asked by council.

UNSCHEDULED COMMUNICATION

The following member of the public spoke to Council regarding items not on the Agenda:

Dave Herb - discussed the 100th anniversary of his historic home on Huntington Boulevard and invited Council to attend the celebration.

4. CLOSED SESSION

The City Council met in closed session in Room 2125 from 2:44 P.M. to 3:22 P.M. to discuss the following:

A. CONFERENCE WITH LABOR NEGOTIATOR – Government Code Section 54957.6

City Negotiator(s): Jeffrey Cardell, Ken Phillips

Employee Organization(s):

1. City of Fresno Management Employees Association (CFMEA)
2. City of Fresno Professional Employees Association (CFPEA)
3. IUOE, Stationary Engineers, Local 39 (L39)
4. Fresno City Employees Association (FCEA)
5. Fresno Police Officers Association (FPOA Basic)
6. International Association of Firefighters, Local 753 (Fire Basic)
7. Amalgamated Transit Union, Local 1027 (ATU)
8. International Brotherhood of Electrical Workers, Local 100 (IBEW)
9. Fresno Police Officers Association (FPOA Management)
10. International Association of Firefighters, Local 753 (Fire Mgmt.)
11. Fresno Airport Public Safety Supervisors (FAPSS)

Action Taken: HELD

No announcement was made.

B. CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION - Government Code Section 54956.9, Subdivision (d)(1)

1. Chris Willis, et al. v. City of Fresno, et al.; United States District Court Case No.: 09-CV-01766-LJO-DLB

Action Taken: HELD

City Attorney Sloan announced that Council authorized all necessary appeals.

Motion / Second:	Acting President Baines / Councilmember Caprioglio
Ayes:	Baines, Caprioglio, Olivier, Xiong, Brandau
Noes:	None
Absent:	Brand, Quintero

ADJOURNED – 3:23 P.M.

Approved on the _____ day of _____, 2014.

 Steve Brandau, Council President

ATTEST: _____
 Todd Stermer, Assistant City Clerk

AGENDA ITEM NO. 1A
COUNCIL MEETING: 05/15 /14
APPROVED BY _____

Date: May 15, 2014

DEPARTMENT DIRECTOR _____

CITY MANAGER _____

FROM: BRUCE A. RUDD, City Manager/PARCS Director
Parks, After School, Recreation and Community Services

BY: SHAUN R. SCHAEFER, Community Recreation Supervisor II *SS*
Parks, After School, Recreation and Community Services

SUBJECT: Adopt a Resolution of the Council of the City of Fresno adopting the 44th amendment to the Annual Appropriation Resolution No. 2013-98 appropriating \$27,000 of Older Americans Act Title III C1 grant funds from the Fresno Madera-Area Agency on Aging (FMAAA) for the Senior Hot Meals (SHM) program

RECOMMENDATION

Staff recommends that the City Council approve the attached resolution appropriating \$27,000 from the Older Americans Act Title III C1 grant funds from FMAAA for the Senior Hot Meals program.

EXECUTIVE SUMMARY

FMAAA received notice that they had been awarded Older Americans Title III C1 grant funds that could be distributed to partnering agencies that provide meal service. The PARCS SHM was awarded \$27,000 dollars of these grant funds by FMAAA.

PARCS has worked with FMAAA to provide congregate lunch time meals at six sites throughout Fresno. PARCS will utilize the Older Americans Act Title III C1 grant funds to provide additional programming and meal service resources to the six SHM sites. Due to the downsizing and streamlining of the SHM program, PARCS will use this grant award to replenish older meal service equipment and add equipment and supplies back to the program to benefit participants.

BACKGROUND

The PARCS Department has partnered with FMAAA since 1994 as a site meal service provider. FMAAA has provided the PARCS Department "one time only" (OTO) grant funding and Federal Stimulus funding in the past. With this OTO funding, PARCS has been able to purchase equipment, add programming and services, which has benefited the overall program.

The PARCS Senior Hot Meals program operates a high quality experience for older adults, which serves lunch at six (6) sites throughout Fresno on a Monday through Friday schedule. A nutritious healthy daily congregate meal is provided to seniors at a minimal cost and seniors are provided an environment where social, emotional, and physical needs are met through activities, presentations and events.

Staff provides activities and opportunities that enable seniors to participate in leisure learning, special events and dances. By creating a welcoming and professional-caring program culture the Senior Hot Meals program has provided an exciting environment where seniors are on the move and engaged. Through volunteerism and work experience programs, technology, educational and exercise instruction is provided on a regular basis to ensure constant and continual learning, which enables seniors to be healthy and active while enjoying a high quality of life.

ENVIROMENTAL FINDINGS

By the definition in the California Environmental Quality Act (CEQA) Guidelines Section 15378, the acceptance of grant funds does not qualify as a "project" as defined CEQA.

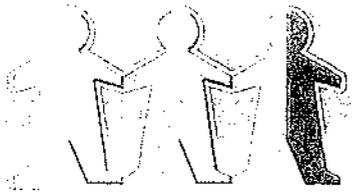
LOCAL PREFERENCE

Local preference was not considered because this Resolution does not include a bid or award of a construction or services contract.

FISCAL IMPACT

There is no additional impact to the General Fund as a total of \$27,000 will be received from the Older Americans Act Title III C1 grant funds from FMAAA as reimbursement for the Senior Hot Meals program.

Attachment: FMAAA Notification Letter
AAR



Agency on Aging *Serving Fresno & Madera*
Connecting the Community

March 20, 2014

Bruce Rudd
City Manager
City of Fresno
2600 Fresno St., Rm. 2064
Fresno, CA 93721

Dear Bruce:

The Governing Board of the Fresno-Madera Area Agency on Aging has approved an allocation of additional Older Americans Act Title III C1 grant funds to your agency for provision of Nutrition Site Management for the October 1, 2013 through June 30, 2014 period as follows:

Contract No. 14-0310: \$27,004 in additional funding, Amendment 1

A revised budget for the October 1, 2013 through June 30, 2014 grant period is due in electronic format no later than March 28, 2014 in order to meet the State's deadline for budget approval. Please email the revised budget, using the Excel budget template provided with your original contract, to Teresa Scheidt (tscheidt@fmaaa.org).

Two sets of the contract amendment are enclosed. Please complete, sign, and return both sets to our office as soon as possible. We will forward a fully executed contract amendment to your attention following review and approval.

These funds must be fully expended by June 30, 2014, with services provided and/or items purchased in your possession by June 30, 2014.

Please let us know if you need any additional information.

Sincerely,

Jean Robinson
Executive Director

Enclosures

cc: Shaun Schaefer, Community Services Division Manager

3837 N. Clark St. • Fresno, CA 93726

Senior Information: Ph 559.600.4405 • Fax 559.243.5651 • Email: services@fmaaa.org
Administration/Finance: Ph 559.600.4405 • Fax 559.243.5918 • Email: admin@fmaaa.org
Toll Free 800.510.2020 • Website: www.fmaaa.org

This page intentionally left blank.

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO
ADOPTING THE 44TH AMENDMENT TO THE ANNUAL
APPROPRIATION RESOLUTION No. 2013-98 APPROPRIATING
\$27,000 OF OLDER AMERICANS ACT TITLE III C1 GRANT FUNDS
FROM THE FRESNO-MADERA AREA AGENCY ON AGING
(FMAAA) FOR THE SENIOR HOT MEALS (SHM) PROGRAM

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FRESNO:

THAT PART III of the Annual Appropriation Resolution No. 2013-98 be and is hereby
amended as follows:

	<u>Increase/(Decrease)</u>
TO: PARCS DEPARTMENT	
General Fund	\$ 27,000

THAT account titles and numbers requiring adjustment by this Resolution are as follows:

General Fund

Revenues:

Account: 33519 State--Services	\$ <u>27,000</u>
Fund: 10101	
Org Unit: 170604	

Total Revenues	\$ <u>27,000</u>
----------------	------------------

Appropriations:

Account: 51101 Permanent Salaries	\$ 15,700
51102 Permanent Fringe	6,800
56120 Athletic & Recreation	<u>4,500</u>
Fund: 10101	
Org Unit: 170604	

Total Appropriations	\$ <u>27,000</u>
----------------------	------------------

THAT the purpose is to appropriate \$27,000 of Older Americans Act Title II C1 grant
funds from the Fresno-Madera Agency on Aging for the Senior Hot Meals Program.

- 1 -

Date Adopted:
Date Approved:
Effective Date:

Resolution No.

CLERK'S CERTIFICATION

STATE OF CALIFORNIA }
COUNTY OF FRESNO } ss.
CITY OF FRESNO }

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing Resolution was adopted by the Council of the City of Fresno, California, at a regular meeting thereof, held on the _____ Day of _____, 2014

AYES:
NOES:
ABSENT:
ABSTAIN:

Mayor Approval: _____, 2014
Mayor Approval/No Return: _____, 2014
Mayor Veto: _____, 2014
Council Override Veto: _____, 2014

YVONNE SPENCE, CMC
City Clerk

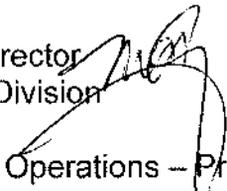
Date Adopted:
Date Approved:
Effective Date:

Resolution No.

AGENDA ITEM NO.	1B
COUNCIL MEETING	05/15/14
APPROVED BY	
	
DEPARTMENT DIRECTOR	
	
CITY MANAGER	

May 15, 2014

FROM: Department of Public Utilities

BY: MARTIN A. QUERIN, PE, Assistant Director
Department of Public Utilities - Water Division 

KENNETH G. HEARD, Chief of Water Operations – Production/SWTF
Department of Public Utilities - Water Division

CYNTHIA FISCHER, Water System Supervisor – Production
Department of Public Utilities - Water Division

SUBJECT: Award a contract in the amount of \$245,865 to Zim Industries, Incorporated, to furnish and install 16-inch liner and gravel pack to rehabilitate the potable water well at Pump Station 17, located at 761 East Cornell Avenue – Bid File 3300 (Council District 1)

RECOMMENDATION

Staff recommends that City Council award a contract in the amount of \$245,865 to Zim Industries, Incorporated, to furnish and install a 16-inch liner and gravel pack to rehabilitate the potable water well at Pump Station 17 (PS 17).

EXECUTIVE SUMMARY

The Department of Public Utilities - Water Division, solicited contractor services to furnish and install liner and gravel pack to the potable water well at PS 17. Zim Industries was found to be the lowest responsive and responsible bidder submitting a bid amount of \$245,865. This new liner and gravel pack will be installed in the existing potable water well in order to rehabilitate its life and production capacity.

Funding for this contract is included in the 2014 fiscal year (FY 2014) budget. Staff recommends award of a contract to Zim Industries, Incorporated, for these service in the amount of \$245, 865.

BACKGROUND

The Department of Public Utilities – Water Division maintains a network of 260 plus municipal water supply wells providing approximately 88 percent of the City's potable water. The rehabilitation of this existing well is required to meet increased demands, extend its useful life, and assist in sustaining the public water supply. The purpose of rehabilitating this existing potable water well is to restore production capacity and extend the service life of the well.

REPORT TO THE CITY COUNCIL

Award PS 17 Well Rehab

May 15, 2014

Page 2

A Notice Inviting Bids was published on February 19, 2014. 15 Building Exchanges received Notice Inviting Bids, and nine specifications were distributed to prospective bidders. The bid opening was on March 11, 2014, and will expire on May 14, 2014. The sole bidder was Zim Industries, Incorporated of Fresno, California for \$245,865, and is considered the lowest responsive and responsible bidder. The Notice of Staff Determination of Contract Award was posted on the City's website on April 24, 2014.

ENVIRONMENTAL FINDINGS

Staff has performed a preliminary environmental assessment of this project and has determined that it falls within the Class 1 Categorical Exemption set forth in CEQA Guidelines, Section 15031 as this contract is for the rehabilitation of the existing well at PS 17 located at 761 East Cornell Avenue, which will not result in the expansion of capacity of the existing well. Furthermore, none of the exceptions to the Categorical Exemptions set forth in the CEQA Guidelines, Section 15300.2 apply to this project.

LOCAL PREFERENCE

Local preference did not affect the award of this contract award since the lone bidder qualifies as a local business according to the Fresno Municipal Code Section 4-108.

FISCAL IMPACT

Funds for the rehabilitation of PS 17 are included in Water Division's FY 2014 Capital Improvement Program budget within the Water Enterprise Fund (40101). The rehabilitation of water wells was included in the water rate model used to create the four-year utility rate plan and subsequently adopted by City Council on August 15, 2013 (Resolution 2013-143).

EVALUATION OF BID
PROPOSALS

FOR: REHABILITATE OPEN BOTTOM WELL AT PUMP STATION 17:
FURNISH AND INSTALL 16 INCH LINER AND GRAVEL PACK

Bid File No. 3300
Bid Opening: 3/11/14

BIDDER'S

TOTAL NET BID AMOUNT

1. Zim Industries, Inc. 4545 E. Lincoln Avenue Fresno CA 93725	\$245,865.00
--	--------------

Each bidder has agreed to allow the City sixty-four (64) days from date bids are opened to accept or reject their bid proposal. Purchasing requests that you complete the following sections and return this bid evaluation to the Purchasing Division at the latest by Monday, March 31, 2014, 5:00 P.M.

The Engineer's Estimate for this expenditure is \$248,500.00. The contract price is 1% below the Engineer's Estimate. If the overage is greater than 10% or only one bid was received, give explanation: Contractor has bid the well rehab using 16" stainless steel casing as opposed to 12" to 14" casing normally used in older small diameter wells. This particular well was originally drilled with a 20" diameter allowing for a 16" casing which will improve the production and longevity of the well.

BACKGROUND OF PROJECT (To be completed by Evaluating Department/Division. Explain need for project/equipment): This is the City of Fresno's oldest functioning well. It was drilled in 1939 as an open bottom well and produced between 2,000 and 2,500 gallons per minute (gpm). Over time the Water Division has had to reduce production to 600 to 800 gpm due to sand intrusion. By rehabbing the well using a 16" stainless steel casing, the division can increase production back to over 2,000 gpm with a life expectancy of 80 to 100 years.

DEPARTMENT CONCLUSIONS AND RECOMMENDATION:

Award a contract in the amount of \$ 245,865.00
to Zim Industries, Inc.
as the lowest responsive and responsible bidder.

Remarks:

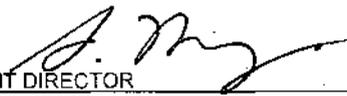
Reject all bids. Reason:

FISCAL IMPACT STATEMENT

PROGRAM: Rehabilitate Pump Station 17 (WC00017)

<u>RECOMMENDATION</u>	<u>TOTAL OR CURRENT</u>	<u>ANNUALIZED COST</u>
Direct Cost	\$245,865.00	\$245,865.00
Indirect Cost	0	0
TOTAL COST	\$245,865.00	\$245,865.00
Additional Revenue or Savings Generated	0	0
Net City Cost	\$245,865.00	\$245,865.00
Amount Budgeted (If none budgeted, identify source)	\$248,500.00	\$248,500.00

This page intentionally left blank.

AGENDA ITEM NO.	1C
COUNCIL MEETING	05/15/14
APPROVED BY	
	
DEPARTMENT DIRECTOR	
	
CITY MANAGER	

May 15, 2014

FROM: SCOTT L. MOZIER, Director
Public Works Department

BY: SCOTT L. TYLER, PE, Interim Assistant Director
Public Works Department, Traffic and Engineering Services Division

PETE CALDWELL, Senior Real Estate Agent *PC*
Public Works Department, Real Estate Services Section

SUBJECT: Approve the partial acquisition of 0.85 acres of a parcel of property in the amount of \$92,800, owned by Rancho Amboy, a limited partnership, for the construction of Veterans Boulevard overcrossing near Golden State and Bullard Avenue (Council District 2)

RECOMMENDATION

Approve the partial acquisition of 0.85 acres of a parcel of property owned by Rancho Amboy, a limited partnership, in the amount of \$92,800 for the construction of Veterans Boulevard overcrossing near Golden State and Bullard Avenue and that Council authorizes the Public Works Director, or his designee, to sign all documents necessary to complete the transaction as delegated by City Manager.

EXECUTIVE SUMMARY

The City of Fresno in cooperation with the California Department of Transportation (Caltrans), proposes to build a new interchange on State Route 99 plus supporting roadway improvements in northwest Fresno. The improvements would add a new interchange to State Route 99 between Shaw Avenue and Herndon Avenue as well as a new city arterial roadway that will enhance the local circulation network. The property owner(s) Rancho Amboy, a limited partnership, has agreed to the compensation of \$92,800 for this partial acquisition of property.

BACKGROUND

Veterans Boulevard, originally referred to as the Herndon-Grantland Diagonal, was part of the 1984 General Plan and is a planned 6-lane super arterial in the 2025 General Plan. The interchange idea was refined in 1986 with a feasibility study conducted to analyze potential interchange/grade separation configurations, with the intention of determining the alternative best suited to the site and the proposed Veterans Boulevard. In 1991, a Project Initiation Document was completed, and in

REPORT TO THE CITY COUNCIL

Approve a Partial Acquisition – Rancho Amboy, a limited partnership APN 504-080-09s

May 15, 2014

Page 2

1996, the official plan line for Veterans Boulevard was adopted. In recent years, staff as completed the Project Study Report (PSR), Project Report and Environmental Impact Report (EIR). Veterans Boulevard and the proposed interchange with State Route 99 are identified as part of the Circulation Element in both the City and County General Plans. The new interchange would be a partial cloverleaf connecting State Route 99 and Veterans Boulevard. A new Veterans Boulevard overcrossing would span State Route 99 with three northbound and three southbound lanes, a Class I bicycle lane/pedestrian trail on the west side of the structure and Class II bicycle lanes on both sides. Veterans Boulevard will have ramps connecting to Golden State Boulevard and will span over the Union Pacific Railroad. Drainage basins would be built to retain water runoff from the project. Typical freeway interchange landscaping will be provided. The City Attorney's Office has reviewed and approved as to form the proposed Purchase and Sale Agreement.

The partial acquisition of 0.85 acres property located along North Golden State Boulevard (APN 504-080-09s) near Bullard Avenue was appraised by Kelly P. Stevens Real Property Analysts under the direction Lawrence D. Hopper, MAI.

ENVIRONMENTAL FINDINGS

The proposed project is a joint project by the Caltrans and the Federal Highway Administration, and is subject to state and federal environmental review requirements. Project documentation, including an EIR, have been prepared in compliance with both the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA). Caltrans is the lead agency under National Environmental Policy Act. Caltrans is the lead agency under California Environmental Quality Act. In addition, Federal Highway Administration's responsibility for environmental review, consultation, and any other action required in accordance with applicable Federal laws for this project is being, or has been, carried out by Caltrans under its assumption of responsibility pursuant to 23 United States Code 327.

LOCAL PREFERENCE

N/A

FISCAL IMPACT

The \$130 million Veterans Boulevard Project which is located in Council District 2 will have no impact upon the General Fund. The Veterans Boulevard project is being funded through Measure "C" Tier 1 funds, Citywide Regional Street Impact fees, State Transportation Improvement Programs (STIP), Regional Transportation Mitigation Fees (RTMF) and Federal transportation funds.

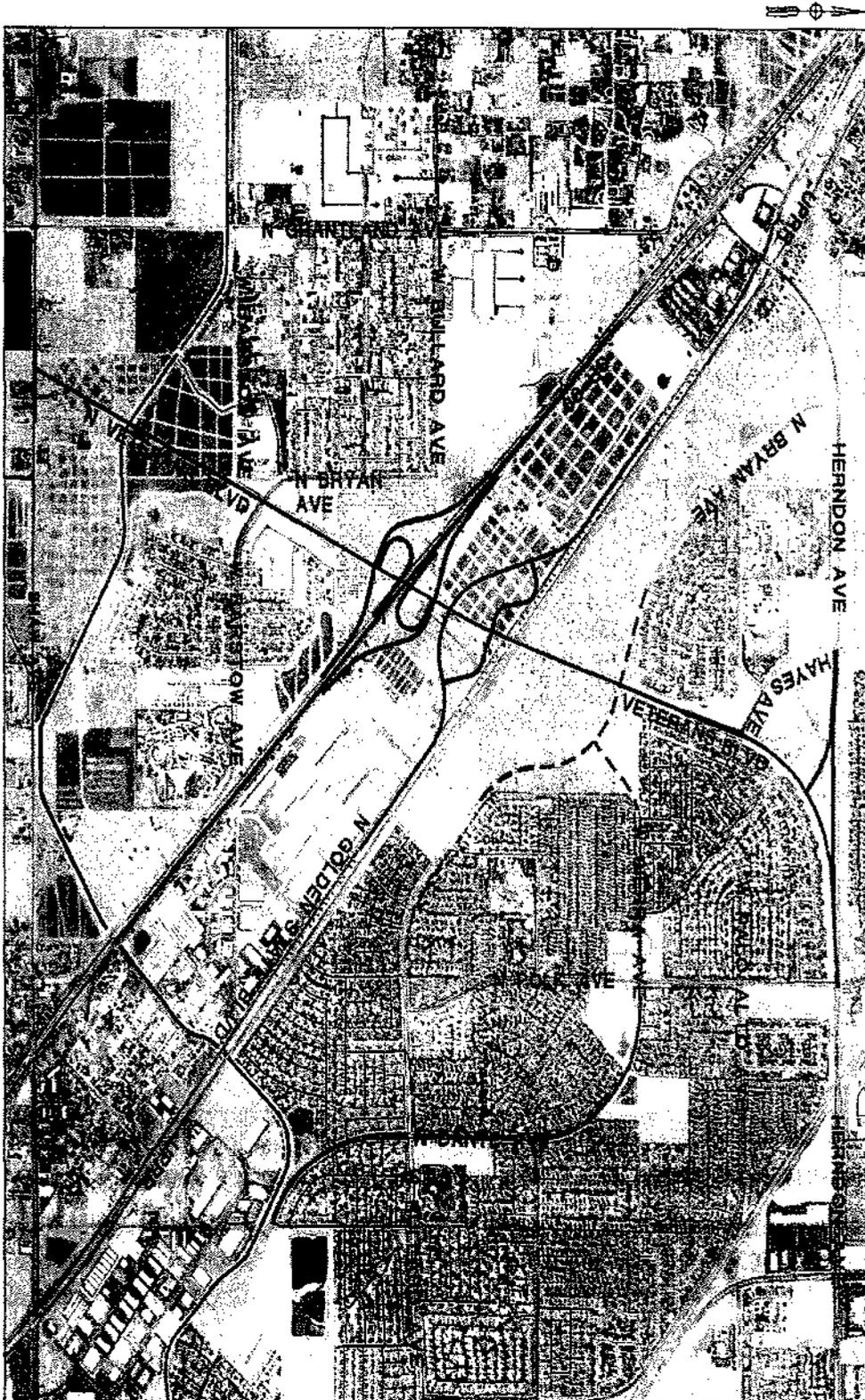
REPORT TO THE CITY COUNCIL

Approve a Partial Acquisition – Rancho Amboy, a limited partnership APN 504-080-09s

May 15, 2014

Page 3

Veterans Boulevard/State Route 99 Interchange Project/Veterans Boulevard Grade Separation



Veterans Boulevard Vicinity Map

Vicinity Map
APN 504-080-09s



AGENDA ITEM NO. 1D
COUNCIL MEETING 05/15/14
APPROVED BY

May 15, 2014


DEPARTMENT DIRECTOR

CITY MANAGER


FROM: CAROLYN T. HOGG, Chief Information Officer/Director
Information Services Department

BY: KEN ISHIMOTO, Limited Administrative Manager 
Information Services Department

SUBJECT: APPROVE A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO
ADOPTING THE 45th AMENDMENT TO THE ANNUAL APPROPRIATION
RESOLUTION NO. 2013-98 APPROPRIATING \$200,000 FROM THE SYSTEMS
REPLACEMENT FUND TO REPLACE HARDWARE THAT IS PAST ITS END OF
SERVICE LIFE (EOSL)

RECOMMENDATION

Staff recommends that Council approve the 45th Amendment to the Annual Appropriation Resolution No. 2013-98 appropriating \$200,000 to purchase replacement servers and disk storage arrays for existing hardware that have passed their EOSL.

EXECUTIVE SUMMARY

Servers and disk storage arrays supporting the City's PeopleSoft Financials, Human Resources, and Payroll applications have passed their EOSL. The hardware vendor can no longer guarantee the availability of parts to support the maintenance of the existing hardware. The purchase of new hardware will ensure uninterrupted and continued operation of the City's PeopleSoft applications.

BACKGROUND

The City's PeopleSoft Financials, Human Resources, and Payroll applications were implemented on July 1, 1999. The system has undergone several upgrades and is currently operating on version 8.9. The PeopleSoft applications process and maintain the City's accounting, personnel, and payroll records including accounting transactions, employee information, payroll checks, and support the City's federal and state reporting requirements.

The PeopleSoft applications are operated on a hardware platform of servers, storage arrays, and tape libraries. The PeopleSoft Financials applications support the City's general ledger, accounts payable, accounts receivable, billings, purchasing, fixed asset, and project accounting functions. The PeopleSoft Human Capital Management applications process employee information, employee self service, applicant tracking, benefits, employee development, and maintain personnel records.

REPORT TO THE CITY COUNCIL

45th Amendment to the Annual Appropriation Resolution No. 2013-98

May 15, 2014

Page 2

PeopleSoft Payroll processes payroll checks, direct deposits, deductions, leave balances, labor distribution, maintains payroll records, and supports federal and state reporting requirements.

Three servers and two disk storage arrays that support the PeopleSoft applications have passed their EOSL. Our hardware vendor cannot guarantee the availability of parts to maintain our existing hardware. The purchase of new hardware will ensure uninterrupted and continued operation of the City's PeopleSoft applications. The funding source will be from the Information Services Department's (ISD) System Replacement Fund (54003).

ENVIRONMENTAL FINDINGS

N/A

LOCAL PREFERENCE

N/A

FISCAL IMPACT

The General Fund is not impacted. Funds are available in ISD's System Replacement Fund (54003). The approval of this item will increase appropriations for ISD's fiscal year 2014 budget.

Attachment:

Annual Appropriation Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO
ADOPTING THE 45th AMENDMENT TO THE ANNUAL
APPROPRIATION RESOLUTION NO. 2013-98 APPROPRIATING
\$200,000 FROM THE SYSTEMS REPLACEMENT FUND TO
REPLACE HARDWARE THAT IS PAST ITS END OF SERVICE LIFE
(EOSL)

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FRESNO:

THAT PART III of the Annual Appropriation Resolution No. 2013-98 be and is hereby
amended as follows:

	<u>Increase/(Decrease)</u>
TO: INFORMATION SERVICES DEPARTMENT	
Systems Replacement Fund	\$ 200,000

THAT account titles and numbers requiring adjustment by this Resolution are as follows:

Systems Replacement Fund

Revenues:

Account: 30101 Transfer from Fund Balance	\$ <u>200,000</u>
Fund: 54003	
Org Unit: 511001	

Total Revenues	\$ <u>200,000</u>
----------------	-------------------

Appropriations:

Account: 57412 Replacement Machinery & Equip	\$ <u>200,000</u>
Fund: 54003	
Org Unit: 510801	

Total Appropriations	\$ <u>200,000</u>
----------------------	-------------------

THAT the purpose is to appropriate \$200,000 from the Systems Replacement Fund to
replace hardware that is past its End of Service Life (EOSL).

- 1 -

Date Adopted:
Date Approved:
Effective Date:

Resolution No.

CLERK'S CERTIFICATION

STATE OF CALIFORNIA }
COUNTY OF FRESNO } ss.
CITY OF FRESNO }

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing Resolution was adopted by the Council of the City of Fresno, California, at a regular meeting thereof, held on the _____ Day of _____, 2014

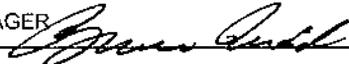
AYES:
NOES:
ABSENT:
ABSTAIN:

Mayor Approval: _____, 2014
Mayor Approval/No Return: _____, 2014
Mayor Veto: _____, 2014
Council Override Veto: _____, 2014

YVONNE SPENCE, CMC
City Clerk

Date Adopted:
Date Approved:
Effective Date:

Resolution No.

AGENDA ITEM NO.	1 E
COUNCIL MEETING	05/15/14
APPROVED BY	
	
DEPARTMENT DIRECTOR	
CITY MANAGER	
	

Date: May 15, 2014

FROM: KERRI L. DONIS, Fire Chief
Fire Department

BY: CHERYL CARLSON, Management Analyst III
Fire Department

SUBJECT: Approve documents related to grant award for \$117,566 from the State Homeland Security Grant Program, through the County of Fresno

1. Resolution of the Council of the City of Fresno authorizing the application for and acceptance of FY13 Cycle U.S. Department of Homeland Security/Office of Domestic Preparedness "State Homeland Security Grant Program" funding, through the County of Fresno
2. Resolution of the Council of the City of Fresno adopting the 43rd amendment to the Annual Appropriation Resolution No. 2013-98 appropriating \$18,200 from the State Homeland Security Grant Program to the Fire Department to provide equipment and support of the community emergency response team

RECOMMENDATION

It is recommended the Council:

1. Adopt the resolution authorizing the application for and acceptance of \$117,566 in FY13 Cycle U.S. Department of Homeland Security/Office of Domestic Preparedness "State Homeland Security Grant Program" funding through the County of Fresno.
2. Adopt the 43rd Amendment to the Annual Appropriation Resolution No. 2013-98 to appropriate \$18,200 from the State Homeland Security Grant Program to the FY14 Fire Department budget.

EXECUTIVE SUMMARY

The Fire Department participated in the annual State Homeland Security Grant Program process with other Fresno county public safety and law enforcement agencies and was awarded \$117,566 for equipment purchases and training. Of this amount \$18,200 will be expended in FY14. The balance of the grant award has been included in the FY15 proposed budget. An adopted City Council resolution is required to enable the Fire Department to process the grant and receive payment of the grant funds.

REPORT TO CITY COUNCIL

Approve documents related to grant award for \$117,566 from the State Homeland Security Grant Program, through the County of Fresno

May 15, 2014

Page 2

BACKGROUND

A State Homeland Security Grant Program has been made available through the U. S. Department of Homeland Security Office of Domestic Preparedness. The Fire Department was included in the grant process, along with other Fresno county public safety and law enforcement agencies.

Grant awards have been made and the Fire Department was awarded \$117,566 towards equipment purchases (\$67,000) and emergency response training and planning activities (\$50,566). The Fire Department has identified \$18,200 in expenditures in FY14 for the purchase of fire station battery backup systems totaling \$3,200 and \$15,000 in salaries and benefits support for the Community Emergency Response Team, which will require an increase in appropriations and revenues. An adopted City Council resolution is required to enable the Fire Department to process the grant, to allow the Fire Chief to sign all required grant documents, and to receive payment of the grant funds.

ENVIRONMENTAL FINDING

N/A

LOCAL PREFERENCE

N/A

FISCAL IMPACT

There is no net fiscal impact to the General Fund. All \$18,200 in FY14 expenditures will be fully reimbursed from authorized grant funding. The balance of the grant is included in the FY15 proposed budget in Fund 22035 - Homeland Security Grant - Fire.

Attachments:

Resolution: Authorizing Acceptance of SHSGP Grant

Resolution: 43rd Amendment to AAR 2013-98

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE APPLICATION FOR AND ACCEPTANCE OF FY 2013 CYCLE U.S. DEPARTMENT OF HOMELAND SECURITY/OFFICE OF DOMESTIC PREPAREDNESS "STATE HOMELAND SECURITY GRANT PROGRAM" THROUGH THE COUNTY OF FRESNO, AND AUTHORIZING COMPLETION OF REQUIRED DOCUMENTS

WHEREAS, the U.S. Department of Homeland Security provides funding for the FY 2013 Cycle State Homeland Security Grant Program ("Program") which is administered through the Office of Domestic Preparedness ("ODP"); and

WHEREAS, the procedures established by the ODP require the applicant to certify by resolution approval of the grant award; and

WHEREAS, the City of Fresno ("City") will enter into an agreement with ODP and any collaborating local agencies and entities for the grant funded Program.

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

Section 1. That Council approves acceptance of grant funds for the U.S. Department of Homeland Security through the ODP for FY 2013 Cycle Program

Section 2. To the extent consistent with all Constitution and local law requirements and this resolution, the City certifies that it has or will have sufficient funds to operate and maintain the Program.

Section 3. That the City certifies it has reviewed, understands and, to the extent consistent with all Constitutional and local law requirements and this resolution, agrees to the provisions contained in the Application, Award and Program Guidelines.

Section 4. The Fire Chief for the City of Fresno is appointed the agent of the City of Fresno to conduct all negotiations and take any actions necessary for the purpose of obtaining the federal financial assistance hereunder, execute and submit documents including, but not

1 of 2

Date Adopted:

Date Approved:

Effective Date:

City Attorney Approval: 

Resolution No.

limited to, applications, agreements, memoranda of understanding, payment requests and so on, which may be necessary for the completion of the Program, subject to prior approval as to form by the City Attorney's Office.

* * * * *

STATE OF CALIFORNIA)
COUNTY OF FRESNO) ss.
CITY OF FRESNO)

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing resolution was adopted by the Council of the City of Fresno, at a regular meeting held on the _____ day of _____, 2014.

AYES:
NOES:
ABSENT:
ABSTAIN:

Mayor Approval: _____, 2014
Mayor Approval/No Return: _____, 2014
Mayor Veto: _____, 2014
Council Override Vote: _____, 2014

YVONNE SPENCE, CMC
City Clerk

BY: _____
Deputy

APPROVED AS TO FORM:
CITY ATTORNEY'S OFFICE

BY: _____
Mary Anne B. Tooke
Deputy

MAT:pn

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO ADOPTING THE 43rd AMENDMENT TO THE ANNUAL APPROPRIATION RESOLUTION NO. 2013-98 APPROPRIATING \$18,200 FROM THE STATE HOMELAND SECURITY GRANT PROGRAM TO THE FIRE DEPARTMENT TO PROVIDE EQUIPMENT AND SUPPORT OF THE COMMUNITY EMERGENCY RESPONSE TEAM

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FRESNO:

THAT PART III of the Annual Appropriation Resolution No. 2013-98 be and is hereby amended as follows:

	<u>Increase/(Decrease)</u>
TO: FIRE DEPARTMENT	
Homeland Security Grant-Fire	\$ 18,200

THAT account titles and numbers requiring adjustment by this Resolution are as follows:

Homeland Security Grant-Fire

Revenues:

Account: 33104 Fed-Grant	<u>\$ 18,200</u>
Fund: 22035	
Org Unit: 160201	

Total Revenues	<u>\$ 18,200</u>
----------------	------------------

		<u>Increase/(Decrease)</u>
Appropriations:		
Account: 51101	Permanent Salaries	\$ 11,600
51102	Permanent Fringe	200
51104	Perm Fringe--Health&Welfare	1,700
51105	Perm Fringe--Life&Disab. Ins.	100
51107	Perm Fringe--Pension, Employees	1,400
57413	Equipment	<u>3,200</u>
Fund: 22035		
Org Unit: 160201		
Total Appropriations		<u>\$ 18,200</u>

THAT the purpose is to appropriate \$18,200 from the State Homeland Security Grant Program Grant to the Fire Department to provide equipment and community volunteer emergency planning.

Date Adopted:
Date Approved:
Effective Date:

Resolution No.

CLERK'S CERTIFICATION

STATE OF CALIFORNIA }
COUNTY OF FRESNO } ss.
CITY OF FRESNO }

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing Resolution was adopted by the Council of the City of Fresno, California, at a regular meeting thereof, held on the _____ Day of _____, 2014

AYES:
NOES:
ABSENT:
ABSTAIN:

Mayor Approval: _____, 2014
Mayor Approval/No Return: _____, 2014
Mayor Veto: _____, 2014
Council Override Veto: _____, 2014

YVONNE SPENCE, CMC
City Clerk

This page intentionally left blank.

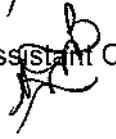
AGENDA ITEM NO. **1F**
COUNCIL MEETING: **05/15/14**
APPROVED BY


DEPARTMENT DIRECTOR


CITY MANAGER

Date: May 15, 2014

FROM: KAREN M. BRADLEY, Assistant Controller
Finance Department 

BY: KAREN M. BRADLEY, Assistant Controller
Finance Department 

SUBJECT: Bill for introduction and adoption of annual amendment to Subsection (a) of Sections 7-504 and 7-505 of the Fresno Municipal Code relating to local Sales and Use Taxes, pursuant to the Memorandum of Understanding with Fresno County (MOU)

RECOMMENDATION

Council should adopt the attached amendment to the Sales and Use Tax Ordinance, implementing an already agreed upon provision of a Memorandum of Understanding between the City of Fresno and the County of Fresno (the "2003 MOU"). Approval of the amendment will increase the City's allocation of existing Sales and Use Tax revenues within the City limits by 0.0001 percent of gross receipts. The Ordinance is being introduced May 15, 2014 and will return on May 22, 2014 for Council adoption as mandated in the City Charter.

EXECUTIVE SUMMARY

State law allocates one percent of Sales and Use Tax revenues to local governments. The 2003 MOU requires the City to annually adjust its proportional share of the one percent allocation pursuant to an agreed upon formula. For fiscal year 2014, the City's share of the Sales and Use Tax revenue generated within the City limits will increase from 0.9466 percent to 0.9467 of gross receipts, effective July 1, 2014. The amount of the sales tax that is charged to consumers remains unchanged. This is accomplished by increasing the City's share and decreasing the County's share of the statutory one percent designated to local governments.

BACKGROUND

On January 6, 2003, the City Council approved a 2003 MOU, which among other things, provides an allocation formula for Sales and Use Tax rates by the two agencies over the life of the agreement, which expires December 31, 2017. Currently, Sales and Use Tax revenue generated within the City limits is allocated by providing 0.9466 percent of gross receipts to the City and 0.0534 percent of gross receipts to the County. The 2003 MOU requires the City to increase its share by 0.0001 percent for fiscal year 2014.

REPORT TO THE CITY COUNCIL

Bill for introduction and adoption to amend Sale Tax Ordinance pursuant to 2003 Memorandum of Understanding (MOU) between the City of Fresno and the County of Fresno

May 15, 2014

Page 2

Only the distribution of the existing Sales and Use Tax rate has change. There is no change in the overall tax rate paid by the consumer. Attached for Council Action is an amendment to the Sales and Use Tax Ordinance, Fresno Municipal Code Chapter 7, Article 6, which changes the City's rate to 0.9467 percent of gross receipts, effective July 1, 2014.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act Guidelines Section 15378, this item does not qualify as a "project" and is therefore exempt from the California Environmental Quality Act Requirements.

LOCAL PREFERENCE

Local preference applies only to competitive bid awards which has no relevance to this particular item.

FISCAL IMPACT

This amendment will result in an increase in the General Fund revenues by approximately \$7,213 in fiscal year 2015.

BILL NO. _____

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF FRESNO, CALIFORNIA,
AMENDING SUBSECTION (a) OF SECTION 7-504, AND
SUBSECTION (a) OF SECTION 7-505 OF THE FRESNO
MUNICIPAL CODE, RELATING TO LOCAL SALES AND
USE TAXES.

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

SECTION 1. Subsection (a) of Section 7-504 of the Fresno Municipal Code is amended to read:

SECTION 7-504. SALES TAX.

(a) (1) Effective July 1, ~~2013~~ [2014], for the privilege of selling tangible personal property at retail a tax is hereby imposed on all retailers in the City at the rate of ~~0.9466~~ [0.9467] percent of the gross receipts of the retailer from the sale of all tangible personal property sold at retail in the City.

(2) For the purposes of this ordinance, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-state designation or to a common carrier for delivery to an out-of-state designation. The gross receipts from such sales shall include delivery charges, when such charges are subject to the state sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the state or has more than one place of business, the place or places at which the retail sales are consummated

Date Adopted:

Date Approved

Effective Date:

City Attorney Approval:



Page 1 of 3

Ordinance amending subsection (a)
of section 7-504 and subsection (a)
of section 7-505 of the FMC,
relating to local sales and use taxes

Ordinance No.

shall be determined under rules and regulations to be prescribed and adopted by the Board of Equalization.

SECTION 2. Subsections (a) of Section 7-505 of the Fresno Municipal Code is amended to read:

SECTION 7-505. USE TAX.

(a) An excise tax is hereby imposed on the storage, use or other consumption in the City of tangible personal property purchased from any retailer on or after the operative date of this article for storage, use or other consumption in the City at the rate of ~~0.9466~~ [0.9467] percent of the sales price of the property from and after July 1, ~~2013~~ [2014]. The sales price shall include delivery charges when such charges are subject to State sales or use tax, regardless of the place to which delivery is made.

SECTION 3. This ordinance shall become effective and in full force and effect upon its final passage.

* * * * *

STATE OF CALIFORNIA)
COUNTY OF FRESNO) ss.
CITY OF FRESNO)

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing ordinance was adopted by the Council of the City of Fresno, at a regular meeting held on the _____ day of _____, 2014.

AYES :
NOES :
ABSENT :
ABSTAIN :

Mayor Approval: _____, 2014
Mayor Approval/No Return: _____, 2014
Mayor Veto: _____, 2014
Council Override Vote: _____, 2014

YVONNE SPENCE, CMC
City Clerk

BY: _____
Deputy

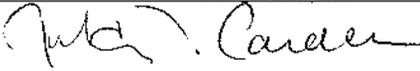
APPROVED AS TO FORM:
CITY ATTORNEY'S OFFICE

BY: _____
Raj Singh Badhesha, Deputy

This page intentionally left blank.

AGENDA ITEM NO. 2A
COUNCIL MEETING: 05/15/14

APPROVED BY



DEPARTMENT DIRECTOR


CITY MANAGER

Date: May 15, 2015

FROM:  Jeff Cardell, Director
Personnel Services Department

BY:  Ken Phillips, Labor Relations Manager
Personnel Services Department

- SUBJECT:
1. Adopt a Successor MOU between the City of Fresno and IUOE, Stationary Engineers, Local 39 (Non-Supervisory Blue Collar Employees – Unit 1)
 2. Adopt a Side Letter of Agreement between the City of Fresno and IUOE, Stationary Engineers, Local 39 (Non-supervisory blue collar employees – Unit 1) on Pensions for New Employees

RECOMMENDATIONS

It is recommended that Council approve: 1) the attached Memorandum of Understanding (MOU) to implement changes in wages, hours and other terms and conditions of employment for City employees in Unit 1, represented by IUOE, Stationary Engineers, Local 39 representing Non-Supervisory Blue Collar Employees in Unit 1; and, 2) a Side Letter of Agreement on Pensions for New Employees.

EXECUTIVE SUMMARY

The City and Local 39 commenced negotiations in April 2012. After extended negotiations, including impasse and factfinding, Local 39 took a proposed MOU to its members who agreed to accept those terms in a vote ending on April 24, 2014.

The proposed MOU includes an employee pickup of the City's share of retirement costs, changes in work rules, an end to the "Task" system in Residential Solid Waste, and a commitment in Residential Solid Waste to improve attendance, with a change in overtime rules if attendance is not improved.

BACKGROUND

The City and the Union met on numerous occasions between April 2012 and September 2013, culminating in a tentative agreement on September 13, 2013. Local 39 members failed to ratify the tentative agreement. The City and Local 39 went through mediation and factfinding. At the conclusion of factfinding, the parties held informal discussions which resulted in Local 39 taking the terms attached to this report to its members for a vote. The members accepted the terms in a vote which culminated on April 24, 2014. Council was advised of the terms in closed session and the City Attorney's Office has approved the documents as to form.

The proposed successor MOU includes an employee pickup of the City's share of retirement costs, changes in work rules, an end to the "Task" system in Residential Solid Waste, and a commitment in Residential Solid Waste to improve attendance. If this commitment is not met, Residential Solid Waste drivers will lose daily and weekend overtime and will receive overtime when hours worked exceed forty hours in a work week in accordance with the Fair Labor Standards Act (FLSA). It also includes a change to layoff provisions which would improve procedures and promote better equity in the process.

Following is a summary of the major changes to the existing terms and conditions in the MOU.

Term

- Through June 30, 2016.
- Negotiations to start as early as the October preceding contract end.

Salaries/City Retirement Costs

- Employees to contribute 4% towards City retirement costs effective May 19, 2014.
- The amount of employee payment towards City retirement will be reduced to 2% effective the last pay period in December 2015 and will be reduced to 0% at the end of the last pay period in June 2016.

Health & Welfare

- Effective July 1, 2014, the City will pay 75% of the health and welfare premium. Future increases will be split so that 50% will be absorbed by the City and 50% will be absorbed by employees.
- Opt out for employees with alternate plan will continue. Maximum amount to increase from \$200 to \$250.
- Reopener on health plan, Health Trust.
- Agreement that Side Letter on Health Trust dated February 27, 2009 is expired.

Acting

- Revised criteria for receiving Acting pay.
- Revised initial qualifying period from 10 days to 80 hours.

Holiday Accruals

- Eliminate 2 holidays (two personal days). Currently there are 3 floating holidays.
- Current holiday leave balances put in separate bank. Can cash out up to 48 hours each fiscal year from special bank. Future holiday leave can be cashed out at any time. Any balance remaining at the end of the fiscal year automatically cashed out.

Sick Leave

- 600 hour cap on accumulation of sick leave. Currently no cap.
- Those with current balances greater than 600 hours will have the hours over 600 deposited in a separate sick leave bank.

Compensatory Time Off

- Reduce guarantee from 40 hours to 20 hours.
- Maximum balance reduced from 100 hours to 80 hours.
- Annual carry-over reduced from 60 hours to 40 hours.

Transfers: Changed to reference transfer provisions in the Fresno Municipal Code (FMC).

Workers Compensation: Salary replacement at same rate as in state law – 66.67% of earnings. Currently 76% of base pay.

Layoff

- No super seniority, carry seniority from higher class if demoted.
- Department only layoffs – reopener if FMC changed.
- Reinstatement List – 2 years, 2 refusals.

Parks, Recreation & Community Services: Eliminated section regarding bidding. (Employees now in different department).

Residential Solid Waste/Task System

- Eliminate task system. Currently considered to have worked 8 hours once assigned route is completed.
- Residential Solid Waste Drivers expected to hit attendance targets. If targets not hit, drivers revert to Fair Labor Standards Act (FLSA) overtime except for holidays. Overtime only if productive work time goes over 40 hours in a work week. No automatic daily/weekend overtime.

Classification and Compensation Study: A classification and compensation study on select classifications will be conducted in FY 2015. Classes to be studied will be selected later.

Federal Drug Policy: The parties agree to a reopener if the law changes and the City changes the City-wide policy.

Retirement Reopener: Agreement to meet and confer over retirement benefits for new employees.

ENVIRONMENTAL FINDINGS

Not applicable.

LOCAL PREFERENCE

Local preference is not applicable.

FISCAL IMPACT

The estimated current annualized savings for these items, excluding the elimination of the Task System and attendance for Residential Solid Waste drivers is approximately \$1.8 million in the first year of the MOU. For the General Fund, estimated annualized savings is approximately \$135,600. In the second year, the estimated current annualized savings for these items, excluding the elimination of the Task System and attendance for Residential Solid Waste drivers is approximately \$2.1 million. For the General Fund in the second year, estimated annualized savings is approximately \$140,890. The Residential Solid Waste Division indicates that a conservative estimate on savings from elimination of Task and improved attendance is over \$400,000 per year.

There are also long term cost savings associated with the reduction of holiday leave accruals and the cap on sick leave accruals.

Attachments: MOU with Local 39 (red line version)
MOU with Local 39
Agreement on Retirement Reopener
Cost Savings Report

MEMORANDUM OF UNDERSTANDING

BETWEEN AND FOR

THE CITY OF FRESNO

AND

**INTERNATIONAL UNION OF OPERATING ENGINEERS,
STATIONARY ENGINEERS, LOCAL 39**

(Non-Supervisory Blue Collar - Unit 1)

FISCAL YEARS

2008 – 2012

July 1, 2012 – June 30, 2016

This page intentionally left blank.

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I – PREAMBLE	1
A. Purpose	1
B. Definitions.....	1
C. Governing Laws	1
ARTICLE II - EMPLOYEE RIGHTS	2
A. Nondiscrimination.....	2
B. Representation Rights.....	2
ARTICLE III - CITY RIGHTS.....	3
A. General.....	3
ARTICLE IV - RECOGNITION.....	4
A. Unit Recognition	4
B. Recognition of Unit Description	4
C. Authorized Agents	4
D. Recognition of Mutual Obligation.....	5
E. Lockout and Strike.....	5
F. Exchange of Information.....	5
G. Union Bulletin Boards	5
H. Notice of Request of Leave to Attend Meet and Confer Sessions.....	6
I. Access to City Facilities.....	6
ARTICLE V - SCOPE OF REPRESENTATION AND GRIEVANCES.....	7
A. General.....	7
B. Grievances	7
C. Use of Hearing Officer in Disciplinary Actions Initiated by City.....	11
ARTICLE VI - DUES DEDUCTION.....	12
A. General.....	12
B. Exceptions to Dues Deduction Authorization Card.....	13
C. Dues Deduction Check.....	13
D. Dues Check-Off.....	14

ARTICLE VII - COMPENSATION AND BENEFITS 15

- A. General..... 15
- B. Salaries 15
- C. Bonus Pay 19
- D. Overtime (Call Back/Telephone Calls)..... 19
- E. Compensatory Time Off (CTO) 21
- F. Premium Pay..... 22
 - 1. P.M. Hours Premium Pay 22
 - 2. Height Work 22
 - 3. Standby Pay 23
 - 4. Hazardous Confined Space Pay 23
 - 5. Surface Water Treatment Facility 23
 - 6. Certificates..... 23
 - a. Body and Fender 23
 - b. Mechanic..... 24
 - (1) Blue Seal of Excellence Recognition 24
 - c. Air Conditioning Mechanic..... 24
 - d. Helicopter Mechanic..... 25
 - e. Instrumentation Specialist 25
 - f. Collection System Maintenance Operator II/III 25
 - g. Traffic Maintenance 25
 - h. Wastewater Treatment Plant Mechanical Series..... 26
 - i. Wastewater Treatment Plant Operator I/II/Senior..... 26
 - j. Wastewater Treatment Operator & Water Distribution
Certificates..... 27
 - k. Crane Operator 27
 - l. Park Maintenance Leadworkers 27
 - m. **Backflow Prevention Assembly Tester Certificate** 27
 - 7. Camp Fresno Meals 28
 - 8. Temporary Assignment to Perform Duties of Absent
Employees (Acting Pay) 28
 - 9. Temporary Assignment Pay..... 29
 - 10. Bilingual Certification Program..... 30
- G. Health and Welfare..... 32
 - ~~4. Health Insurance - Local 39 Plan..... 32~~
 - 1. Health Insurance - City Health Plan - Employee Options 32
 - 2. Other Insurance Contribution (Opt Out Benefit) 33
- H. Leaves..... 34
 - 1. Holidays..... 34
 - 2. Sick Leave (Accrual, Payout, Family Sick Leave)..... 36
 - 3. Vacation Leave..... 37
- I. State Disability Insurance (SDI)..... 37
- J. Health Reimbursement Arrangement (HRA) 39
- K. Uniforms 40
- L. Parking Rates..... 40

M.	Workers' Compensation	41
N.	Hours of Work and Schedules	41
	1. General	41
	2. Daylight Savings Hours	42
	3. Alternate Work Schedules	42
O.	Personnel Matters	44
	1. Personnel Files	44
	2. Employee Performance Evaluations	44
	3. Transfer Requests Within a Department	45
	3. Flexible Staffing	46
	4. Suspension of Competition	46
	5. Layoffs	47
	6. Seniority	51
	7. In Lieu Suspension for Disciplinary Action	51
	8. Labor-Management Committees (LMC's)	52
	9. Contracting Out	52
	10. Classification Matters	53
	11. Americans with Disabilities Act (ADA), Family Medical Leave Act, California Family Rights ACT (CFRA), Occupational Safety and Health Act (OSHA/CalOSHA) and Workplace Violence	54
P.	Jury Duty and Court Appearances	54
	1. Jury Duty	54
	2. Court Appearances	54
P.	Parks, Recreation and Community Services	55
	1. Work Assignment	56
	2. Definitions	56
Q.	Driver's License Policy	56
R.	Special Rules for the Solid Waste Management Division	57
	1. Special Work Week	57
	2. Routes and Quality Control	57
	3. Vacation Selection	58
	4. Days Off Selection	59
	4. Route Assignment Selection	58
	5. Attendance	60
	6. Modification of Special Rules	62
S.	Wastewater Management Division	62
T.	Class and Compensation Study	64
T	Labor Management Committee	64

ARTICLE VIII - FEDERAL DRUG POLICY (FEDERAL OMNIBUS
TRANSPORTATION EMPLOYEE TESTING ACT) 65

ARTICLE IX - HEADINGS, SAVING CLAUSE AND FULL UNDERSTANDING 69

A. Headings 69

B. Saving Clause	69
C. Full Understanding	69
ARTICLE X - TERMINATION	70
Signature Page	71
Exhibit I - Salaries Effective July 1, 2007	73
Exhibit II - Salaries Effective July 1, 2008	
Exhibit III - Salaries Effective July 1, 2009	
Exhibit IV - Salaries Effective July 1, 2010	
Attachment "A" - Total General Fund Operating Revenue	
Addendum I - Attendance Policy	76

<u>LEGEND</u>	
***	= deleted old language
[\$ deleted]	= section/subsection deleted
[\$\$ deleted]	= two or more sections/subsections deleted
bold type	= new language

ARTICLE I

PREAMBLE

A. PURPOSE

This Memorandum of Understanding and/or Collective Bargaining Agreement, hereinafter referred to as Agreement, entered into by and between the City of Fresno, hereinafter referred to as the City, and the International Union of Operating Engineers, Stationary Engineers Local 39, hereinafter referred to as the Union, has as its purpose: the establishment of an equitable and peaceful procedure for the resolution of differences, and the establishment of rates of pay, hours of work, and other terms and conditions of employment, and the rendering of more efficient, progressive service to the public. **Any provisions in this MOU which are new or modified from the terms of the previous MOU are effective May 19, 2014 unless otherwise stated in this MOU.**

B. DEFINITIONS

Unless the particular provision or the context otherwise requires, and, except to the extent that a particular word or phrase is otherwise specifically defined in this Agreement, the definitions and provisions contained in ~~Article 3~~ of Chapter 4 ~~3~~, Sections ~~2-1504~~ **3-101**, ~~2-1604~~ **3-201**, **3-202**, ~~2-1804~~ **3-501**, and ~~2-1903~~ **3-601** of the Fresno Municipal Code, hereinafter FMC, shall govern the construction, meaning, and application of words and phrases used herein. The definition of each word or phrase shall constitute, to the extent applicable, the definition of each word or phrase which is derivative from it, or from which it is a derivative, as the case may be.

C. GOVERNING LAWS

The legal relationship between the City and its employees, and the City and the Union is governed by Government Code Section 3500 et seq. (commonly known as the Meyers-Milias-Brown Act), applicable Regulations of the Public Employment Relations Board (PERB) and ~~Article 19~~ **6** of Chapter ~~2~~ **3** of the FMC. In the event of any conflict between said laws and this Agreement, said laws shall govern.

ARTICLE II

EMPLOYEE RIGHTS

A. NONDISCRIMINATION

The provisions of this Agreement shall apply equally to and be exercised by all employees consistent with state and federal nondiscrimination statutes and in City policies.

B. REPRESENTATION RIGHTS

The Union and the City agree that all employees in the Non-Supervisory Blue Collar Unit are guaranteed their rights as described in the Meyers-Milias-Brown Act.

ARTICLE III

CITY RIGHTS

A. GENERAL

1. It is understood and agreed that the City of Fresno reserves and retains all its inherent managerial rights, powers, functions and authorities. The exclusive rights of the City include, but are not limited to, the right to:
 - a. determine the mission of its constituent departments, divisions, commissions, and boards;
 - b. set standards of service and municipal fees and charges;
 - c. determine the procedures and standards of selection for employment, assignment, transfer, and promotion;
 - d. direct its employees;
 - e. take disciplinary action;
 - f. relieve its employees from duty because of lack of work or for other legitimate reasons;
 - g. maintain the efficiency of governmental operations;
 - h. determine the methods, means, and personnel by which government operations are to be conducted;
 - i. determine the content of job classifications;
 - j. take all necessary actions to carry out its mission in emergencies;
 - k. exercise complete control and discretion over its organization and the technology of performing its work.
2. Nothing in this Agreement shall be construed as delegating to others the authority conferred by law on the City, or in any way abridging or reducing such authority.
3. All City rights formerly or presently claimed by or vested in the City on the effective date of this Agreement, even though not specifically set forth in Section A above, are retained by the City unless clearly and explicitly modified or restricted in this Agreement; provided, that notwithstanding any provisions of this Agreement, no City right shall be deemed waived, modified, or restricted unless such waiver, modification or restriction is explicitly and specifically approved by the Council.

This page intentionally left blank.

ARTICLE IV

RECOGNITION

A. UNIT RECOGNITION

1. The City acknowledges the Union as the recognized employee organization representing the Unit, and therefore, agrees to meet and confer in good faith promptly upon request by the Union and continue for a reasonable period of time in order to exchange freely information, opinions, and proposals, and to make every reasonable effort to reach agreement on a successor Agreement at least one week prior to the last regular Council meeting at which the City budget must be adopted for the ensuing fiscal year. In order that the meet and confer process may include adequate time for full consideration of the proposals of both parties and for resolution of any impasse, the City shall accept proposals from the Union as early as **October** March 1 of the year **prior to expiration of the MOU** expires.
2. There shall be no more than one revocation of representation election during the term of this Agreement.

B. RECOGNITION OF UNIT DESCRIPTION

The Non-Supervisory Blue Collar Unit consists of all employees holding a permanent full-time position, as defined in FMC Section ~~2-4601.4~~ **3-202** (p) (4), in one of the classes listed in Exhibit 1 of any current salary resolution, or in such other class as may be added to the Unit in the manner designated in the FMC.

C. AUTHORIZED AGENTS

For purposes of administering the terms and provisions of this Agreement:

1. The City's principal authorized agent shall be the City Manager or duly authorized representative as provided for under FMC Section ~~2-4914~~ **3-615** (address: 2600 Fresno Street, Fresno, California 93721).
2. The Unit's principal authorized agent shall be the Business Manager of Local 39 or duly authorized representative (address: 337 Valencia Street, San Francisco, California 94103; telephone: (415) 861-1135). Local 39 recognizes FMC Section ~~2-4914~~ **3-615** and pursuant to such, agrees to meet and confer in good faith promptly upon reasonable request by the City and to continue every reasonable effort to reach agreement on matters within the scope of representation at least one week prior to the

last regular Council meeting at which the City budget must be adopted for the ensuing fiscal year.

D. RECOGNITION OF MUTUAL OBLIGATION

The Union and the City recognize and acknowledge their mutual obligation and responsibility to effectuate the purposes set forth herein, and to adhere in good faith to the terms and conditions set forth in this Agreement.

E. LOCKOUT AND STRIKE

1. No lockout of employees shall be instituted by the City during the term of this Agreement.
2. No unlawful strikes or work stoppages by City employees, as defined in Section 2-1923 3-624 of the FMC, shall be caused, instigated, encouraged, condoned, participated in, or honored by the Union or its members during the term of this Agreement.

F. EXCHANGE OF INFORMATION

Union Stewards - A written list of the Officers of Union and the Union Stewards with the specific areas they represent shall be furnished to the City immediately after their designation and the Union shall notify the City promptly in writing of any changes of such Union Officers or Stewards.

City Information - On a regular basis, the City shall provide to the Union a copy of amendments to the Administrative Order manual, new and amended salary resolutions, new and amended position authorization resolutions, job bulletins for classes in this Unit, and copies of new and revised class specifications prior to promulgation, of which such class specification copies shall serve as notice to the Union relative to effects bargaining.

G. UNION BULLETIN BOARDS

The Union may use bulletin boards designated by the City to post materials related to Union business (political advertisements shall not be considered Union material). Any materials posted must be dated, initialed by the Union representative responsible for the posting, and a copy of all materials posted must be distributed to the department head or designee at the time of posting. The Union agrees that nothing libelous, obscene, defamatory, or of a partisan political nature shall be posted.

H. NOTICE FOR REQUEST OF LEAVE TO ATTEND MEET AND CONFER SESSIONS

The Union shall provide the City not less than two days prior notice when requesting leave with or without pay to attend meet and confer sessions. When two day's notice cannot be provided, notice shall be provided as soon as possible. This Section shall not be interpreted to require the City to grant any such leave, but instead is intended to provide prior notice of requests for leave, so that the City may attempt to allow such leave with a minimum of interruption of schedules and operations.

I. ACCESS TO CITY FACILITIES

Access to City facilities shall be governed by the provisions of FMC 2-1924 3-622, as the same may be amended from time to time.

This page intentionally left blank.

ARTICLE V

SCOPE OF REPRESENTATION AND GRIEVANCES

A. GENERAL

1. "Scope of Representation" means all matters relating to employer-employee relations, including, but not limited to wages, hours, and other terms and conditions of employment. Employee rights, as set forth in FMC Section 2-1904 **3-604**, and City rights, as set forth in FMC Section 2-1905 **3-605**, are excluded from the scope of representation.
2. The Union is the exclusive representative of all employees holding a permanent position within those classes in the Unit.
3. The Union shall accord fair representation in all matters to all employees in the Unit without regard to whether the particular employee is a member of the Unit. The duty of fair representation shall include but not be limited to all matters related to collective bargaining, discipline, contract administration, and grievance processing. Employees covered by this Agreement shall have all rights specified in Government Code Section 3502.5(b).
4. Upon request by the Union, and due to extraordinary circumstances specified in such request, a department director, or such other persons whom the department director shall designate, shall allow reasonable access by Union officers or their officially designated representatives for a limited time to job sites for the purposes of processing grievances or conducting business within the scope of representation, except as access is requested for purposes which are precluded by the last sentence of FMC Section 2-1924 **3-622**. Except as the granting of such requests shall unreasonably interfere with departmental operations or established safety or security requirements, such requests shall be granted.

B. GRIEVANCES

1. A grievance is a dispute concerning the interpretation or application of any existing City policy, practice, written rule or regulation governing personnel practices or working conditions, including this Agreement. A grievance involves the claimed misapplication or misinterpretation of a rule or regulation relating to an existing right or duty; it does not relate to the establishment or abolishment of a right or duty. This procedure shall not apply to any dispute for which there is another established resolution procedure, including but not limited to, appeal to the Civil Service Board,

Retirement Board, unfair employer-employee relations charge, fact-finding procedure, or as outlined below.

Grievances regarding probationary demotions/terminations and disciplinary actions excluded from the Civil Service Board process, shall not proceed past Step 2 of the Grievance Procedure.

2. A written grievance must set forth the rule, regulation, policy, or practice claimed to have been violated, describe the specific incident or circumstances of the alleged violation, and specify the remedy sought or it will be returned to the grievant for appropriate completion. Any dispute between the parties as to the grievability of an issue or as to whether the requirements of this procedure have been met shall be presented to the Grievance Advisory Committee (GAC), or to an arbitrator if arbitration has been elected under Step 3 below. The Committee or arbitrator shall rule on the dispute before proceeding with the hearing. The Committee or arbitrator will be bound by the agreement of the parties regarding timeliness unless the parties have mutually agreed to waive time lines.
3. Union Officers and Stewards designated under Article IV, Section F of this Agreement shall be excused without loss of compensation from their regular duties for such time as is necessary to attend and represent the grievant at grievance hearings, beginning at the first level of the procedure.
4. The procedure and sequence in filing and processing a grievance shall be as follows:

Step One - Filing the Grievance

The grievant and/or Union representative shall discuss the grievance with the grievant's immediate supervisor or designee before a written grievance may be filed.

- a. If the grievance is not settled through this discussion a written grievance may be filed with the grievant's immediate supervisor or designee. A written grievance must be filed, with a copy being sent to the Union and Labor Relations Division, within twenty-one (21) calendar days from the time the grievant becomes aware or should have become aware of the issue or incident giving rise to the problem.
- b. Upon receipt of a written grievance, the immediate supervisor or designee shall give the grievant a written reply within fourteen (14) calendar days.

Step Two - Department Head Review

Should the grievant not be satisfied with the answer received from grievant's immediate supervisor or designee, the grievant may within fourteen (14) calendar days file an appeal to the department head or designee. The department head or designee shall have twenty-one (21) calendar days after receipt of the appeal to review the matter, investigate and provide a written answer to the appeal explaining clearly the decision or proposed action and reasons thereof. The department head or designee may confer with the grievant and appropriate supervisors in an attempt to bring about a mutually acceptable solution.

Step Three - Mediation/GAC/Binding Arbitration

- a. Only the Union can move a grievance to Step Three.
- b. If the grievant is not satisfied with the decision of the department head or designee, the Union may, within fourteen (14) calendar days after receipt of the written reply, file a request for a review of the department head's or designee's decision to the Grievance Advisory Committee or through binding arbitration as outlined in Subsection e. below.
- c. The City and the Union may mutually agree to waive steps one (1) and two (2) and proceed directly to hearing by the Grievance Advisory Committee or binding arbitration when the issue is one over which the grievant's supervisor or designee, or department head or designee has no jurisdiction.
- d. The City and the Union may agree to seek resolution of the grievance through mediation using the services of the State Mediation and Conciliation Service, prior to hearing by the Grievance Advisory Committee or binding arbitration. Time limits for processing of the grievance are automatically extended for as long as mediation is in process.
- e. ~~Effective July 1, 2005,~~ the **The** Union shall be limited to two (2) requests for binding arbitration per fiscal year on a grievance that involves a dispute concerning the interpretation or application of an existing City policy, practice, written rule or regulation. There shall be no limitation on requests for binding arbitration dealing with MOU interpretation or application. Any request for binding arbitration that does not meet the requirements of this Subsection shall not be processed, and such grievance concludes at Step One above.

The arbitrator shall hold a hearing on the issue or issues submitted, or as determined by the arbitrator if the parties have not mutually agreed upon the issues, or issues, and render a written decision and reasons for the opinion within thirty (30) calendar days following the closing of the arbitration hearing, unless the period has been mutually extended in writing by all parties. The decision shall be sent to the Labor Relations Division and to the Union. The arbitrator's decision shall be final and binding.

- f. The Grievance Advisory Committee (GAC) shall be comprised of three (3) members: one selected by the Grievant, one selected by the City and the chairperson. The GAC chairperson or arbitrator may be chosen either by mutual agreement of the Union and the City, or by the "strike" method from a list of neutrals provided by the State Mediation and Conciliation Service. If the GAC chairperson is selected by the strike method from the list of neutrals provided by the State Mediation and Conciliation Service, then the GAC shall be comprised exclusively of the selected neutral. The City and the Union shall select a chairperson or arbitrator within fourteen (14) calendar days of the receipt of a grievance requesting review by a Grievance Advisory Committee by the Labor Relations Division or upon receipt of the list of neutrals from State Mediation and Conciliation Service.

Fees and expenses of the chairperson or arbitrator shall be paid half by the City and half by the Union, provided, however, that the GAC or arbitrator may recommend that the City or the Union, pay the total of such fees and expenses should it find that, but for the unreasonableness of that party's posture, the convening of the Committee or arbitration would not have been necessary.

- g. From the date a grievance, otherwise meeting all criteria for the filing and processing of a grievance, reaches the Labor Relations Division, the Grievance Advisory Committee will attempt to convene within thirty (30) calendar days in order to hear the grievance.
- h. All time limits herein may be extended by mutual agreement of the parties. The parties agree that if a time limit for filing a grievance, grievance appeal, or response ends on a Saturday, Sunday, or holiday as listed in this Agreement, the time limits shall be extended to the next regular business day.
- i. The Grievance Advisory Committee shall talk to the employees and the supervisor involved to set forth in writing the facts of the particular situation as objectively as possible and recommend a

solution to the City Manager or designee within thirty (30) calendar days of its last meeting.

- j. If the grievance has been submitted to a GAC, the City Manager or designee shall review the decision of the department head or designee and recommendations of the Grievance Advisory Committee and shall render a written decision to the grievant within twenty-one (21) calendar days after receipt from the Grievance Advisory Committee.
- k. Failure of the grievant to file an appeal within the specified time limit for any but the first step of the procedure shall constitute an abandonment of the grievance process. Failure of the responsible supervisor or official of the City to render a decision within the specified time limit established by this procedure shall automatically move the grievance to the next higher level for action, without any further action required of the grievant.

C. USE OF HEARING OFFICER IN DISCIPLINARY ACTIONS INITIATED BY CITY

Use of a hearing officer in disciplinary actions shall be in accordance with FMC Section 2-1663.1 **3-283**.

This page intentionally left blank.

ARTICLE VI

DUES DEDUCTION

A. GENERAL

1. The City shall deduct the dues or benefit premiums, or both, upon proper authorization by an employee in the Unit.
2. If an employee in the Unit desires the City to deduct dues or benefit premiums from the employee's paycheck, a deduction authorization shall be made upon a Dues Deduction Authorization Card in the form specified in FMC Section 2-1919 **3-620**.
3. Pursuant to and in accordance with Section 3502.5 of the Government Code and all the provisions therein, the City and the Union agree that on and after the effective date of ratification of this Agreement by the Union and approval by the City Council, all employees newly hired into a position in a class in this Unit shall be required as a condition of continued employment to join the Union or pay an agency shop fee in lieu thereof in the amount of the standard initiation fee, periodic dues, and general assessments of the Union. The Union shall neither require a nonmember of the Union to make any payment to the Committee on Political Action (COPE), nor shall the Union include as a part of the agency shop fee an amount to be used for political purposes.
4. In the event an employee covered hereunder does not authorize deduction of either Union dues or an agency shop fee from the employee's paycheck and does not make such payment directly to the Union, the Union shall provide a certification, signed by the Union President, to the City of such failure. Prior to such certification, the Union shall notify the employee of its intent to provide certification to the City, and give the employee an opportunity to respond. Certification shall be on a form provided to the City. Such failure by an employee shall constitute grounds for termination by the appointing authority.
5. Exceptions to Subsections 3 and 4 above shall be as provided in Section 3502.5(c) of the Government Code. An employee claiming exemption shall provide proof satisfactory to the City of such exemption, and shall contribute an amount equal to the agency shop fee to the United Way, CHAD, or the Red Cross. Proof of such contribution shall be required monthly. These provisions may be rescinded pursuant to the procedures provided in Government Code Section 3502.5(b).

6. Any disputes regarding the interpretation of this Section shall be resolved through the grievance procedure unless another established appeal procedure exists.

B. EXCEPTIONS TO DUES DEDUCTION AUTHORIZATION CARD

The member's earnings must be sufficient after other legal and required deductions are made to cover the amount of the dues deduction authorized. When a member is in a non-pay status for an entire pay period, no dues deduction shall be made from future earnings to cover that pay period, nor may the member be required to deposit, nor may the member deposit with the City Controller, the amount which would have been deducted if the member had been in a pay status during that period. In the case of a member who is in a non-pay status during only a part of the pay period and whose salary is insufficient to cover other legal and required deductions, no dues deduction or deposit shall be made.

C. DUES DEDUCTION CHECK

1. The deduction check covering all such deductions shall be transmitted to:

Stationary Engineers, Local 39
4644 W. Jacquelyn Ave.
~~839 North Fulton~~
Fresno, California ~~93728~~ **93722**

Should the Union elect to have the deduction check transmitted to an address other than that set forth hereinabove, the Union shall so indicate by written notice delivered to the Accounting Division, Payroll, of the Department of Finance of the City. A copy of such notice shall also be delivered by the Union to the Labor Relations Division of the City. The City shall transmit the deduction check to the address specified in the notice, provided notice is received as provided above not less than fourteen (14) days prior to a scheduled transmittal.

2. The deduction check shall be made in favor of:

Stationary Engineers, Local 39

3. A deduction check will be transmitted at least monthly.
4. The City agrees to provide the Union with an electronic file that shows the total amount authorized for deduction from each member's check.
5. The City shall deduct, as part of dues deduction for those employees who voluntarily elect such additional deduction, an amount designated for the

PEOPLE Fund and shall account for such additional deductions separately when each check is mailed to the Union.

D. DUES CHECK-OFF

Rules governing dues check-off are set forth in FMC Section ~~2-1919~~ **3-620**, as amended in accordance with Article VI, Section A, Subsection 3.

This page intentionally left blank.

ARTICLE VII

COMPENSATION AND BENEFITS

A. GENERAL

All economic benefits, provided by Council ordinance or formal Council resolution and not otherwise clearly and explicitly modified or restricted in this Agreement, shall be continued without alteration during the term of this Agreement.

B. SALARIES

Fiscal Year 2008:

~~1. Effective July 1, 2007, salaries shall be increased by three percent (3%) as reflected on Exhibit I.~~

~~a. Effective the first pay period of FY08, all classes in this Unit shall receive an employee development stipend of forty dollars (\$40.00) per month which will be prorated over twenty-six (26) pay periods during FY08. The employee development stipend is pensionable. The employee development stipend shall continue until otherwise modified as stated below.~~

Fiscal Year 2009:

~~2. Effective July 1, 2008, salaries shall be increased by three percent (3%) as reflected on Exhibit II.~~

~~a. Effective the first full pay period of FY09, all classes in this Unit shall continue to receive an employee development stipend of forty dollars (\$40.00) per month which will be prorated over twenty-six (26) pay periods during FY09, subject to the actual growth of the Total General Fund Operating Revenue reported for FY08. Total General Fund Operating Revenue are those items set forth in Attachment "A" under the category of Total Operating Revenue.~~

~~b. The forty dollar (\$40.00) stipend will be subject to a re-opener limited to discussions on the stipend in the event there is an actual unanticipated and "substantial reduction" in the Total General Fund Operating Revenues reported for FY08. For the purposes of this provision, a "substantial reduction" is defined as less than six percent (6%) actual growth in the Total General Fund Operating Revenue reported for FY08 over the FY07 Total General Operating Revenues. Employees will continue to receive the stipend until~~

such time as the meet and confer process is exhausted as outlined below:

- e. ~~The parties will meet the first week in April 2008 to review budget projections for FY 09. If the parties mutually agree that the growth in the budget will equal or exceed six percent (6%), the agreement will be reduced to writing and the stipend will be continued. If there is no mutual agreement that the growth in the General Fund budget will be equal to or above six percent (6%), the parties will promptly meet to implement the limited re-opener.~~
- d. ~~The impasse procedure in Section 2-1916 of the Fresno Municipal Code shall be modified for this limited re-opener. Either party may declare impasse. Once impasse has been declared, the parties will proceed immediately to mediation, bypassing the initial impasse meeting, and select a mediator. If there is no mutual agreement on a mediator, the California State Mediation & Conciliation Service will be asked to select a mediator and the parties will utilize the person selected. Time lines shall commence upon the first meeting with the mediator. Time lines can only be waived by mutual agreement of the parties. Mediation shall proceed in accordance with FMC 2-1916. Within ten (10) calendar days of the first mediation session, either party may move the process to fact finding. The mediator shall then act as the fact finder. Fact finding shall proceed in accordance with FMC 2-1916 except that the fact finder's report shall be delivered to the parties within ten (10) days of moving the process to fact finding unless the time line is extended by mutual agreement of the parties. Once the fact finder's report has been made public in accordance with FMC 2-1916, the meet and confer process shall be exhausted.~~

Fiscal Year 2010:

- 3. ~~Effective July 1, 2009, salaries shall be increased by three percent (3%) as reflected on Exhibit III.~~
 - a. ~~Effective the first full pay period of FY10, all Unit employees shall receive a general wage increase of one percent (1%) in lieu of the employee development stipend subject to the actual growth of the Total General Fund Operating Revenue reported for FY09. Total General Fund Operating Revenue are those items set forth in Attachment "A" under the category of Total Operating Revenue.~~
 - b. ~~In the event there is an actual unanticipated and "substantial reduction" in the Total General Fund Operating Revenues report for FY09, the one percent (1%) increase noted above will not be added~~

~~to general wages. Instead the employee development stipend during FY10 will be subject to a re-opener limited to discussions on this issue only in the event there is an actual unanticipated and "substantial reduction" in the Total General Fund Operating Revenues reported for FY09. For purposes of this provision, a "substantial reduction" is defined as less than six percent (6%) actual growth in the Total General Fund Operating Revenue reported for FY09 over the FY08 Total General Operating Revenues. Employees will continue to receive the employee development stipend until such time as the meet and confer process is exhausted as outlined in FY09, Subsection 2., above, if the growth in the General fund is less than six percent (6%). The development stipend is pensionable.~~

- ~~c. The parties will meet the first week in April 2009 to review budget projections for FY 10. If the parties mutually agree that the growth in the budget will equal or exceed six percent (6%), the agreement will be reduced to writing, the forty dollar (\$40) employee development stipend will be discontinued and the one percent (1%) general wage increase will be implemented. If there is no mutual agreement that the growth in the General Fund budget will be equal to or above six percent (6%), the parties will promptly meet to implement the limited re-opener as set forth in FY09.~~

Fiscal Year 2011:

- ~~4. Effective July 1, 2010, salaries for all classes in this Unit shall be increased by three percent (3%), as reflected on Table IV.~~
- ~~a. If the one percent (1%) is not incorporated into general wages, and/or an employee development stipend continues in FY10 as stated above in subparagraph 3. b., effective the first full pay period of FY11, all Unit employees shall receive a general wage increase of one percent (1%) in lieu of the employee development stipend subject to the actual growth of the Total General Fund Operating Revenue reported for FY10. Total General Fund Operating Revenue are those items set forth in Attachment "A" under the category of Total Operating Revenue.~~
- ~~b. In the event there is an actual unanticipated and "substantial reduction" in the Total General Fund Operating Revenues report for FY10, and a one percent (1%) general wage increase is not incorporated into general wages in FY10 or FY11, the employee development stipend will be subject to a re-opener limited to discussions on this issue only. For purposes of this provision, a "substantial reduction" is defined as less than six percent (6%) over~~

~~the FY09 Total General Operating Revenues. Employees will receive an employee development stipend of forty dollars (\$40.00) per month which will be prorated over twenty six (26) pay periods until such time as the meet and confer process is exhausted as outlined in FY09, Subsection 2., above, if the growth in the General fund is less than six percent (6%). The development stipend is pensionable.~~

~~e. The parties will meet the first week in April 2010 to review budget projections for FY11. If the parties mutually agree that the growth in the budget will equal or exceed six percent (6%), the agreement will be reduced to writing, the employee development stipend will be discontinued and the one percent (1%) general wage increase will be implemented. If there is no mutual agreement that the growth in the General Fund budget will be equal to or above six percent (6%), the parties will promptly meet to implement the limited re-opener as set forth in FY09.~~

Effective May 19, 2014, and ending December 13, 2015, employees in Unit 1 shall make an additional contribution equal to four percent (4%) of their pensionable compensation to the City of Fresno Employees Retirement System, reducing the City contribution by a corresponding amount. In accordance with Internal Revenue Code Section 414(h)(2) and related guidance, the City shall pick-up and pay the contribution by salary reduction in accordance with this provision to the City of Fresno Employees Retirement System. The employee shall have no option to receive the four percent (4%) contribution in cash. The four percent (4%) contribution paid by the employee will not be credited to an employee's accumulated contribution account, nor will it be deposited into a member's Deferred Retirement Option Program ("DROP") account.

Effective the last pay period in December 2015, starting December 14, 2015, through the last pay period in June 2016, ending June 26, 2016, employees in Unit 1 shall make an additional contribution equal to two percent (2%), as opposed to four percent (4%), of their pensionable compensation to the City of Fresno Employees Retirement System, reducing the City contribution by a corresponding amount. In accordance with Internal Revenue Code Section 414(h)(2) and related guidance, the City shall pick-up and pay the contribution by salary reduction in accordance with this provision to the City of Fresno Employees Retirement System. The employee shall have no option to receive the two percent (2%) contribution in cash. The two percent (2%) contribution paid by the employee will not be credited to an employee's accumulated contribution account, nor will it be deposited into a member's Deferred Retirement Option Program ("DROP") account.

C. BONUS PAY

The parties agree to meet and confer during the term of this MOU to discuss bonus pay for performance plans for employees of this Unit. Any implementation of a bonus plan(s) shall be by mutual agreement of the parties.

D. OVERTIME

1. All authorized actual time worked over eight (8) hours (or over ten (10) hours in the case of an employee working a 4/10 program), or over forty (40) hours in any workweek or any authorized actual time worked on a regularly scheduled day off will be compensated at the applicable overtime rate. If an employee is required to work during the employee's meal period, with the approval of the employee's supervisor, and if no alternate meal period is taken, said time shall be compensated at the applicable overtime hourly rate of pay if the time worked exceeds that of the employee's normal schedule/shift.
2. Call Back - Employees called back into work without prior notice and after they have left the assigned work area for the day, shall receive pay for a minimum of two (2) hours at the applicable overtime rate commencing from the time the employee receives the call and ending when the employee returns home, except that the employee shall be paid for a maximum of one-half (1/2) hour of travel time each way, unless such call-in precedes an employee's scheduled shift.
3. Telephone Calls – Employees who are called at home to assist with City work that must be accomplished, but are not called to a worksite, shall receive a minimum of twelve (12) minutes of pay for each such call. Calls such as attempts to locate the employee or provide information on changes in work schedules are not compensable for the purpose of this provision.
4. There shall be no pyramiding or duplication of overtime or premium rates.
5. In clarification of the above, it is the policy of the City that overtime work is to be discouraged. However, in case of emergency or whenever the public interest requires, the Chief Administrative Officer, or any department head or designee with respect to any employee in the department head's or designee's department, may require an employee to perform overtime work. No employee shall be entitled to compensation or compensating time off for overtime work unless such overtime work is approved as provided in this Agreement.

6. Excluding holidays, all employees shall be compensated for approved overtime work by additional pay as follows (refer to Article VII, Section H Subsection 1. for holiday overtime compensation):
- a. Work performed in excess of eight hours on a regular workday and work performed on a ~~Saturday which is a~~ **the employee's first regular** day off but not a holiday shall be compensated at one and one-half times the applicable hourly rate.
 - b. Work performed on a ~~Sunday which is a~~ **the employee's second** regular day off shall be compensated for at twice the applicable hourly rate.
 - ~~c. In computing an employee's entitlement to overtime pay under the foregoing rules when the employee's regularly scheduled workweek consists of working days which are other than Monday through Friday, the employee's first scheduled day off in such workweek shall be deemed the Saturday and the employee's second scheduled day off the Sunday of such workweek. The first scheduled day off in any such work week shall be deemed to be the first day in the calendar week following Sunday which is a regular day off.~~
 - c. The provisions of Subsections 6.a. through 6.b. ~~e.~~ above shall not apply to any employee who works a regularly scheduled workday of ten hours during a regularly scheduled workweek of four days.
 - d. Overtime shall not be credited ~~in~~ for units of overtime less than one-tenth of an hour, and fractional units of overtime less than one-tenth of an hour shall not accumulate.
 - e. All employees who work a regularly scheduled workday of ten hours during a regularly scheduled workweek of four days shall be compensated for approved overtime work by additional pay as follows:
 - (1) Work performed in excess of ten hours in one day or on either or both of the first two scheduled days off in a workweek shall be compensated at one and one-half times the applicable hourly rate.
 - (2) Work performed on the third scheduled day off in a workweek, shall be compensated at two times the applicable hourly rate.

- f. Employees who wish to work voluntary overtime shall submit a request in writing to their supervisor. Departments shall endeavor to distribute overtime work as equally as practicable within a work unit, with the understanding that many factors, such as expertise, job location, employee availability, etc. can and will influence overtime assignments.
- g. The City shall not adjust a regular workweek schedule during said workweek to avoid the payment of overtime.
- h. Overtime shall not be credited for units of overtime less than one-tenth of an hour, and fractional units of overtime less than one-tenth of an hour shall not accumulate.
- i. All employees who work a regularly scheduled workday of ten hours during a regularly scheduled workweek of four days shall be compensated for approved overtime work by additional pay as follows:
 - (1) Work performed in excess of ten hours in one day or on either or both of the first two scheduled days off in a workweek shall be compensated at one and one-half times the applicable hourly rate.
 - (2) Work performed on the third scheduled day off in a workweek, shall be compensated at two times the applicable hourly rate.
- j. Employees who wish to work voluntary overtime shall submit a request in writing to their supervisor. Departments shall endeavor to distribute overtime work as equally as practicable within a work unit, with the understanding that many factors, such as expertise, job location, employee availability, etc. can and will influence overtime assignments.
- k. The City shall not adjust a regular workweek schedule during said workweek to avoid the payment of overtime.
- l. These provisions may be modified for Waste Collector Leadworkers in Accordance with Article VII., R. 6.**

E. COMPENSATORY TIME OFF (CTO)

- 1. Effective with City Council approval of this MOU, an employee has the option to accrue CTO in lieu of cash payment for overtime hours worked for the first forty ~~forty~~ **twenty (20)** hours of overtime worked in a fiscal year.

At management's discretion, an employee may accrue additional CTO in lieu of cash for overtime hours worked subject to the limitations noted below. CTO may only be used for time off and may not be cashed out except upon separation from employment. However, in the last pay period of each fiscal year, any unused CTO which is not carried over to the next fiscal year pursuant to Subsection 2. below, will be cashed out by the City at the employee's base rate of pay.

2. The employee may accrue a CTO balance not to exceed ~~one hundred~~ **eighty** (400 **80**) hours. Employees may carry over a maximum of ~~sixty~~ **forty** (60 **40**) hours of their CTO balance to the next fiscal year. A request for carry over of hours, including the number of hours to be carried over, must be submitted in writing to the department/division no later than May 30 of each year.
3. Employees who have reached the maximum accrual (400 **80** hours) shall be given cash payment for additional overtime hours worked until such balance has been reduced below the maximum allowable amount of ~~one hundred~~ **eighty** (400 **80**) hours.
4. CTO shall be accumulated at the applicable straight time, time and one-half, or double time rate for the time worked.
5. The use of accumulated CTO shall be requested, and subject to approval, the same manner as is vacation.

F. PREMIUM PAY

1. P.M. Hours Premium Pay:

If one-half ($\frac{1}{2}$) or more of an employee's regularly scheduled shift hours fall between the hours of 5:00 p.m. and midnight, the night shift premium pay will be \$1.25 per hour for all actual hours worked that shift. If one-half ($\frac{1}{2}$) or more of an employee's regularly scheduled shift hours fall between the hours of midnight and 8:00 a.m., the night shift premium pay will be \$1.75 per hour for all actual hours worked that shift.

2. Height Work:

Employees on specific assignment from management, working on poles, towers other than a tower erection, or trees at a height of 50 feet or more shall receive double their base rate of pay for all actual hours worked at such heights.

3. Standby Pay:

Employees may be assigned standby duty on a rotating basis at the discretion of management. An employee assigned standby duty will be required to carry a pager or City cell phone and shall refrain from consuming alcohol or taking any substance which may impair the employee's ability to perform all required duties. Employees on standby duty are required to respond, and shall report to the work site within one hour of being paged or called. ~~Effective July 1, 2007, standby~~ **Standby** pay shall be ~~\$1.40 per hour. Effective July 1, 2008, the hourly rate for~~ standby pay shall be \$1.45 per hour.

~~Time spent on standby duty shall not be considered hours worked, and standby pay shall not be included in the calculation of an employee's regular rate of pay under the Fair Labor Standards Act. In the event an employee on standby duty is required, and does report to the work site after leaving the assigned work area for the day, the employee will be compensated as provided in Article VII, Section D., Subsection 2. of this Agreement. In the event an employee on standby duty responds to a telephone call regarding City work, but does not report to the work site, the employee shall be compensated as provided in Article VII, Section D., Subsection 3. of this Agreement.~~

4. Hazardous Confined Space Pay:

~~Effective July 1, 2007, employees~~ **Employees** specifically assigned to work in a hazardous confined space as defined by CAL-OSHA shall receive a differential of \$1.50 per hour for each hour or portion thereof while working in the space as assigned.

5. Surface Water Treatment Facility:

~~Effective July 1, 2007, employees~~ **Employees** in the class of Water System Operator III specifically assigned to work at the Surface Water Treatment Facility shall receive a monthly premium pay of five hundred dollars (\$500) per month.

6. Certificates:

Certificate premium pay is not pensionable. **unless otherwise required under the Fresno Municipal Code or under law.**

- a. Body and Fender - ~~Effective July 1, 2007, employees~~ **Employees** in the class of Body and Fender Repairer/Leadworker, who possess a valid Master Collision Repair/Refinishing Technician Certificate, issued by the National Institute for Automotive

Excellence, shall receive ~~one hundred eighty dollars (\$180)~~ per month. Effective July 1, 2008, the amount will be increased to two hundred dollars (\$200) per month.

- b. Mechanic - Effective July 1, 2007, employees **Employees** in the class of Bus Mechanic I/II/Leadworker, Fire Equipment Mechanic I/II/Leadworker, and Heavy Equipment Mechanic I/II/Leadworker, who possess a valid Master Heavy Duty Truck Technician Certificate, and Light Equipment Mechanic I/II/Leadworker, who possess a valid Master Automobile Technician Certificate, issued by the National Institute for Automotive Service Excellence (NIASE), shall receive ~~one hundred eighty dollars (\$180)~~ per month. Effective July 1, 2008, the amount will be increased to two hundred dollars (\$200) per month.

- (1) Blue Seal of Excellence Recognition - Effective July 1, 2007, employees **Employees** assigned to FAX, Fire or Fleet equipment repair facilities in the class of Equipment Service Worker II, those classes noted in 6. b., above, or any other class whose certification contributes to the receipt of the facility's ASE Blue Seal of Excellence Recognition, shall become eligible to receive five hundred dollars (\$500) per year premium pay pursuant to the following requirements:

- (a) A FAX, Fire or Fleet facility must receive ASE Blue Seal of Excellence Recognition pursuant to the Program criteria established by the NIASE;
- (b) the employee must possess at a minimum two (2) applicable ASE certificates pursuant to the Program criteria established by the NIASE; and,
- (c) the employees', with the exception of Equipment Service Worker II's, ASE certification(s) must be necessary for the facility's receipt of the ASE Blue Seal of Excellence Recognition Program.

- c. Air Conditioning Mechanic - Employees in the class of Bus Air Conditioning Mechanic/Leadworker who possess a Technician Certification in the H6 Electrical/Electronic Systems and the H7 Heating, Ventilation and A/C in the transit bus series issued by the National Institute for the Automotive Service Excellence shall receive monthly certificate pay **of seventy-five dollars (\$75)**, as follows:

- (1) ~~Fifty dollars (\$50) effective July 1, 2007~~

- (2) ~~Sixty five dollars (\$65) effective July 1, 2008~~
- (3) ~~Seventy five dollars (\$75) effective July 1, 2009~~

d. Helicopter Mechanic - ~~Effective July 1, 2007, employees~~ **Employees** in the class of Helicopter Mechanic/Helicopter Mechanic Leadworker shall receive two hundred-fifty ~~seventy-five~~ **seventy-five** dollars (~~\$250~~ **275**) per month for certification and equipment maintenance and support. The City will also provide \$250,000 in life insurance/death benefit coverage, solely for "off premises" flying to employees occupying the class of Helicopter Mechanic/Helicopter Mechanic Leadworker. ~~Effective July 1, 2008, the amount will be increased to two hundred seventy five dollars (\$275) per month.~~

e. Instrumentation Specialist - ~~Effective July 1, 2007, employees~~ **Employees** in the class of Instrumentation Specialist, who possess a valid Electrical/Instrumentation Certificate issued by the California Water Environment Association, shall receive monthly certificate pay as follows:

Grade I (Plant Maintenance Technologist)	\$50
Grade II	\$75
Grade III	\$100
Grade IV	\$150

f. Collection System Maintenance Operator II/III - ~~Effective July 1, 2007, employees~~ **Employees** in the class of Collection System Maintenance Operator II, who possess a valid Grade II Maintenance of Wastewater Collection Systems Technical Certificate issued by the California Water Environment Association, shall receive fifty dollars (\$50) per month. Employees in the class of Collection System Maintenance Operator II or III, who possess a valid Grade III Maintenance of Wastewater Collection Systems Technical Certificate shall receive seventy-five dollars (\$75) per month. Employees in the class of Collection System Maintenance Operator II or III who possess a valid Grade IV Maintenance of Wastewater Collection Systems Technical Certificate shall receive one hundred dollars (\$100) per month.

g. Traffic Maintenance - ~~Effective July 1, 2007, employees~~ **Employees** in the class of Traffic Maintenance Worker II/Traffic Maintenance Leadworker who possess a valid Level I or higher Work Zone Traffic Safety Specialist Certificate and a valid Level III or higher Signs and Markings Specialist Certificate issued by the International Municipal Signal Association shall receive ~~forty dollars (\$40) per month.~~ ~~Effective July 1, 2008, the amount will be increased to sixty dollars (\$60) per month.~~

- h. ~~Wastewater Treatment Plant Mechanical Series~~ - Effective July 1, 2007, ~~employees~~ **Employees** in the class of ~~Wastewater Mechanical Technician and Wastewater Mechanical Specialist/Senior, Treatment Plant Mechanic I/II/ Wastewater Treatment Plant Lead Mechanic,~~ who possess a valid Mechanical Technologist Certificate issued by the California Water Environment Association, shall receive monthly certificate pay as follows:

Grade I (Plant Maintenance Technologist)	\$50
Grade II	\$75
Grade III	\$100
Grade IV	\$150

In addition to the above, employees in the class of ~~Wastewater Mechanical Technician and Wastewater Mechanical Specialist/Senior, Treatment Plant Mechanic I/II/ Wastewater Treatment Plant Lead Mechanic,~~ who possess a valid Water Treatment Operator or Water Distribution Operator Certificate issued by the State of California Department of Health Services, shall receive one hundred dollars (\$100) per month effective July 1, 2007.

- i. ~~Wastewater Treatment Plant Operator I/II/Senior~~ - Effective July 1, 2007, ~~employees~~ **Employees** in the class of ~~Wastewater Treatment Plant Operator I/II/Senior Wastewater Treatment Plant Operator,~~ who possess a valid Wastewater Treatment Plant Operator Certificate issued by the Department of Water Resources, State Water Resources Control Board, shall receive monthly certificate pay as follows:

Grade I	\$50
Grade II	\$75
Grade III	\$100
Grade IV	\$150
Grade V	\$200

In addition to the above, employees in the class of ~~Wastewater Treatment Plant Operator I/II/Senior Wastewater Treatment Plant Operator,~~ who possess a valid Water Treatment Operator or Water Distribution Operator Certificate issued by the State of California Department of Health Services, shall receive one hundred dollars (\$100) per month effective July 1, 2007.

- j. Water Treatment Operator & Water Distribution Operator Certificates - It is expressly understood that positions and assignments eligible for this certificate pay will be determined solely at the discretion of management **in the applicable division noted below**. Employees in the Water Division, and employees occupying a class in the Water System Operator series allocated to a division other than the Water Division, who possess a valid Water Treatment Operator Certificate or Water Distribution Operator Certificate issued by the State of California, Department of Health Services shall receive monthly certificate pay ~~effective July 1, 2007~~, as follows:

DI	\$50
DII	\$100
DIII	\$150
DIV	\$200
TI	\$100
TII	\$200
TIII	\$250
TIV	\$300
TV	\$300

In addition to the above, employees in Water Division who possess both a valid Water Treatment Operator Certificate and Water Distribution Operator Certificate issued by the State of California, Department of Health Services shall receive one hundred dollars (\$100) per month ~~effective July 1, 2007~~.

- k. Crane Operator - ~~Effective July 1, 2007~~, employees **Employees** who are required to maintain a Crane Operator License shall receive fifty dollars (\$50) per month.
- l. Park Maintenance Leadworker - ~~Effective July 1, 2007~~, Park Maintenance Leadworkers that have a Class B drivers license and are assigned to duties that require a Class B drivers license shall receive seventy-five dollars (\$75) per month.
- m. Backflow Prevention Assembly Tester Certificate – It is expressly understood that positions and assignments eligible for this certificate pay will be determined solely at the discretion of management. ~~Employees in the Water Division~~ who possess a valid Backflow Prevention Assembly Tester Certificate issued by either the American Backflow Prevention Association or the American Water Works Association shall receive monthly certificate

pay of one hundred and fifty dollars (\$150) ~~effective the first full pay period following Council approval.~~

7. Camp Fresno Meals:

In the event an employee is assigned to work at Camp Fresno, or receives some other similar assignment, and during such assignment the City provides meals for the employee, the employee, at the employee's option, may elect to receive a cash payment of \$15.00 per day in lieu of receiving the meals. This Subsection shall not apply to employees assigned for periods in excess of one (1) week or to any employee assigned a cabin with cooking facilities.

8. Temporary Assignment To Perform Duties Of Absent Employees (Acting Pay):

a. Whenever an employee holding a permanent position is absent from duty for any cause (i.e., vacation, sick, holiday, CTO, injury leave, military leave, leave of absence without pay and training), the appointing authority shall, if possible, temporarily assign to one or more employees in the same or higher class such of the work of the absent employee as cannot be deferred until the employee's return. When such assignment is not practicable, the appointing authority of the absent employee may temporarily assign another employee in the same department or office holding a permanent position in a lower class to perform the duties of such absent employee. The employee so assigned shall be entitled to receive compensation attached to the higher position at the step closest to but not less than 3½% above the employee's current step placement, if the employee's class specifications do not require that the employee perform said duties in the absence of the regularly assigned employee and if the employee meets the conditions provided in this Section.

(1) Employees occupying the class of Waste Collector Leadworker who are temporarily assigned to perform the duties of an absent Waste Collector Supervisor shall receive the compensation attached to the "C" step for the class of Waste Collector Supervisor.

b. After any such employee has completed ~~ten (10) full working days~~ **eighty (80) hours** of service in a higher class pursuant to one or more such assignments, the employee shall thereafter be paid while so assigned to such higher class the rate of pay attached to such higher class. An employee who has held permanent status in the higher class prior to such assignment shall not be required to

complete the qualifying period of service set forth above, and shall be paid for the entire duration of the employee's assignment to the higher class at the rate of pay assigned to such higher class.

- c. **Acting List** - No assignment under this Section 8 shall be considered for qualifying service credit or any higher rate of pay unless **the employee has been placed on an Acting List of employees qualified for the position. Employees who volunteer for Acting must meet the minimum qualifications for the position. In addition, departments may consider work habits, attendance and other considerations when placing employees on the qualifying list. Qualifying lists should be reviewed, at minimum, by departments each fiscal year. Employees who no longer meet the criteria established by the department may be removed from the list at any time such statement has been filed, and approved by the Chief Administrative Officer or designee.**
- d. In the computation of qualifying service rendered, or the amount of the higher pay to which an employee may be entitled, on assignment hereunder, only full days or shifts of actual duty shall be included, and part days or shifts shall not be combined to make full days or shifts. Time on leave occurring during any assignment shall not be included in any such computation.
- e. Temporary assignments described herein shall first be offered to the most senior and qualified employee **from the Acting List noted in paragraph c. above** and each successive most senior and qualified employee working on the same shift, schedule, crew, and/or section within a division until such temporary assignment is filled. Each such additional temporary assignment opportunity shall be offered on a rotating basis by implementing the aforementioned ~~seniority/qualified criteria list~~ **Acting List from paragraph c. above.**

9. Temporary Assignment Pay:

Depending on the assignment, the temporary assignment pay prescribed herein may be prorated for the time so assigned and worked. Temporary assignment pay shall not be applied when an employee is on a leave of absence for any reason (e.g., vacation, sick, holiday, CTO, injury leave, military leave, and leave of absence without pay).

- a. Each Maintenance and Construction Worker in the Street Maintenance Division assigned to operate a street sweeper as part of a street maintenance project, and who possesses the

appropriate valid California Driver's License, shall be paid for that time at the lowest step in the Street Sweeper Operator II salary range which is at least five percent (5%) above the employee's base rate of pay as a Maintenance and Construction Worker.

Each Maintenance and Construction Worker assigned to the Street Maintenance Division, Concrete Crew milling machine and paving machine as an assistant to the operator of said machinery shall be paid five percent (5%) above the employee's base rate of pay while so assigned.

- b. Employees who perform pesticide/herbicide spray function for right-of-way, landscape maintenance, or aquatic areas shall receive an additional five percent (5%) of their base hourly rate of pay for the actual time spent applying pesticide/herbicide if they possess a valid Qualified Applicator Certificate (Category B-Landscape Maintenance) issued by the State of California, Department of Food and Agriculture. The City shall pay certificate renewal and maintenance fees.
- c. Each Parks Maintenance Worker I/II regularly assigned on a full-time, year-round basis to irrigation work shall receive an additional five (5) percent of their base hourly rate of pay for each full pay period while so assigned.
- d. Each Utility Leadworker assigned to the Patrol Division, Graffiti Enforcement, shall be paid two (2) percent above their base rate of pay while so assigned.

10. Bilingual Certification Program:

- a. The bilingual certification program consists of a City administered examination process whereby employees may apply for a bilingual examination in November, and if certified by the examiner, receive bilingual premium pay for interpreting and translating. Bilingual premium pay is not pensionable. **unless otherwise required under the Fresno Municipal Code or under law.**
- b. Bilingual certification examinations will be conducted once per year in December. During the examination noticing period, examination applications will be available at the Personnel Services Department and City department personnel units. **Effective upon approval of this MOU, in order to remain eligible to receive bilingual premium pay, employees must take and pass the certification examination once every five (5) years. The Union and the City may agree to stagger initial implementation of recertification.**

- c. In order to qualify for the examination in December, the application must be received by the Personnel Services Department during the month of November, but no later than the last regular business day of November.
- d. In the event that an employee is hired, in part, because of bilingual skills, the Personnel Services Department may conduct a special examination for the employee outside of the window noted above. The determination will be made upon request by the Department/Division and approval by the Personnel Services Director.
- e. This bilingual certification program, and application deadlines are not subject to the grievance or appeal process.
- f. **Department directors or their designees, shall annually designate those positions or assignments for which bilingual skills are desired. This may result in the loss of bilingual designation and pay for those positions or assignments not selected.**
- g. Bilingual certification examinations are conducted for Cambodian, Hmong, Laotian, Sign, Spanish and Vietnamese languages.
- h. The bilingual premium pay rate for certified permanent employees is fifty dollars (\$50) per month, regardless of how many languages for which an employee is certified.
- i. Certified employees may interpret/translate for departments/divisions they are not assigned to, provided the requesting department/division has a demonstrated customer service related need, and has obtained approval from the certified employee's supervisor.
- j. Certified employees shall not refuse to interpret/translate while on paid status. Refusal shall result in appropriate disciplinary action. Certified employees may be assigned to any incident or investigation requiring their bilingual skills, and may be required to prepare written reports related to the incident or investigation. The objective of this policy will be to utilize department resources in the most efficient way possible.
- k. Except in the event of an emergency as determined by management, bilingual employees who are not certified shall not be required to interpret/translate.

G. HEALTH AND WELFARE

~~1. Health Insurance - Local 39 Plan:~~

- ~~a. The City's sole obligation under the Health and Welfare Section shall be to pay the agreed upon dollar amount per month per employee enrolled in the Local 39 health plan in accordance with the rules for full-time employees. The Union shall provide the City with a copy of the Union health plan's annual report, including a complete breakdown of the premium distribution and summary of benefits, no later than May 31st of each year during the term of this Agreement.~~
- ~~b. The City's contribution will continue to be eighty percent (80%) of the premium established by the City's Health and Welfare Trust.~~
- ~~c. The Union shall designate its third-party administrator in writing to the Labor Relations Division and the Department of Finance, Payroll Section, and the City shall pay directly to the Union's designated third-party administrator, the amounts agreed to in Section G, Subsection 1.b., above.~~
- ~~d. In the event the premium established by the third-party administrator during the term of this MOU is greater than the City's agreed maximum contribution, the employee will be required to contribute the amount necessary to make up the difference through payroll deductions.~~
- ~~e. At any time during the term of this Agreement, the Union may exercise the option of returning to the Fresno City Employees Health and Welfare Trust, subject to the conditions established by the Trust Board. During the term of the Agreement, should the Local 39 bargaining unit exercise its option to enter into the City's Health and Welfare Trust plan as a bargaining unit, the City shall pay the cost of any surcharge imposed by the Trust.~~

1. Health Insurance - City Health Plan - Employee Options:

- a. **Employees in the City's Health and Welfare Trust Plan shall continue to be covered by the Plan. The City's sole obligation for an employee's health insurance shall be to pay the agreed upon dollar amount per month per employee on behalf of employees represented by the Union. The Effective July 1, 2014 the City shall contribute eighty percent (80%) seventy-five percent (75%) of the employee's health and welfare premium.**

After July 1, 2014, the cost of any future increases in the health and welfare premium will be shared on a fifty percent (50%) basis by the City and employees. ~~established by the City's Health and Welfare Trust plan for these employees enrolled in the Trust plan.~~

- b. **Should any other represented bargaining unit in the City negotiate a successor MOU, or extend the period of an MOU, or have terms imposed resulting in a greater contribution by the City, upon the Union's request, the City will match that benefit.**
- c. **The City will meet with Local 39 and other City bargaining units to discuss an alternative health care plan and/or to modify the Health and Welfare Trust agreement provided that no changes will be made unless all represented bargaining units agree. as of August 1, 2005. Any surcharge imposed by the Trust on Local 39 employees who are enrolled in the City's plan shall be paid by the City. The parties further agree that the Side Letter on the Trust dated February 24, 2009 has expired.**
- ~~b. Any employees hired after August 1, 2005 shall not be provided this option.~~

2. Other Insurance Contribution (Opt Out Benefit):

- a. With proof of other insurance, the City shall contribute up to two hundred **fifty** dollars (~~\$200~~ **\$250**) per month for each employee not enrolled in the ~~a~~ City's Health and Welfare Trust plan ~~as of August 1, 2005 who is~~ **if** enrolled in a health plan outside of the Local 39 plan **City**, such as a spousal plan. The City contribution shall not exceed the health premium the employee is paying.
- b. Eligible employees (i.e., with proof of other insurance) may enroll in this benefit upon:
 - (1) employment with the City;
 - (2) within thirty (30) days of a qualifying event; or,
 - (3) during the open enrollment period for the ~~Local 39~~ Health Plan.
- c. An employee receiving the opt out benefit of up to two hundred **fifty** dollars (~~\$200~~ **\$250**) will be required to submit proof of other insurance to the City on an annual basis and must notify the City if

that insurance is discontinued for any reason. Proof of insurance will be shown by a group health insurance employee benefits card.

- d. ~~Should the Local 39 bargaining unit exercise its option to enter into the City's Health and Welfare Trust plan as a bargaining unit, the opt-out benefit and its up to two hundred dollars (\$200) per month contribution to outside insurance will sunset the same month of the effective date of the City health plan.~~

H. LEAVES

1. Holidays:

- a. Except as may be modified in this Section, Holidays shall be governed by FMC Section ~~2-4543~~ **3-116**:
- January 1
 - The third Monday in January
 - The third Monday in February
 - The last Monday in May
 - July 4
 - The first Monday in September
 - November 11
 - Thanksgiving Day in November
 - The Friday after Thanksgiving Day in November
 - December 25
 - Employee's Birthday
 - ~~Two Personal Business Days (8 hrs. credited to holiday balance on July 1 and 8 hrs. credited on January 1)~~
 - Any day or part of a day declared by the Council, by ordinance or resolution, to be a holiday.
- b. If January 1st, July 4th, November 11th, or December 25th falls upon a Sunday, the Monday following will be observed as the holiday, in lieu of Sunday.
- c. All employees will receive eight hours compensation for the above holidays with the following exceptions:
- (1) For work performed on a holiday which is a scheduled work day, an employee shall receive the employee's regular salary (i.e., base pay rate) for the hours worked on that day, and will be credited with eight hours of holiday. For employees on a 4/10 work schedule, ten (10) hours work on a holiday, which is a scheduled workday, shall receive the employee's regular salary (i.e., base pay rate) for the hours

worked on that day, and will be credited with eight hours of holiday.

- (2) When a holiday falls on a regularly scheduled day off, employees will be credited with eight hours of holiday.
- (3) In addition to the holiday credit in Subsection (2), above, employees who are called in or scheduled to work a holiday, which is their regularly scheduled day off, will be compensated at time and one-half for a minimum of two hours, or for actual hours worked, whichever is higher.
- (4) Employees who are absent from duty on leave without pay or suspension without pay on the day prior to a holiday will not receive compensation for the holiday, unless they actually work the holiday. This Subsection shall not apply to employees who are on leave without pay as a result of the unavailability of work.
- (5) To be eligible for a holiday (~~including the two personal business days~~), the employee shall be on paid status at the end of the employee's shift before the recognized holiday.

- ~~e. Employees may request payment for any holiday leave balance.~~
- d. Effective May 19, 2014 employees' holiday leave balances shall be placed in a non-accruing "special holiday leave bank."**
- e. Employees may cash out up to forty-eight (48) hours of leave from the special holiday leave bank each fiscal year.**
- f. Effective the end of the first pay period upon implementation of this MOU, any regular holiday leave accrued during Fiscal Year 2014 (7/1/13 – 6/30/14) may be cashed out at any time. Any regular holiday leave balance remaining at the end of each subsequent fiscal year will be cashed out and provided on the final check of the fiscal year.**
- g. Any balances of holiday leave or in the special holiday leave bank shall be paid to the employee upon separation from City service.**
- h. Holiday leave may be taken in increments of less than 8 hours.**
- ~~f. If any employee in this Unit is required to and does work on the employee's birthday, or the employee's birthday falls on a holiday~~

~~or any regular day off, eight hours shall be credited to the employee's holiday leave balance on the first pay period following the employee's birthday.~~

- i. Employees of the Solid Waste Management Division will not be required to work on Thanksgiving, Christmas, or New Year's Day.

2. Sick Leave:

- a. Sick Leave Accrual - Employees shall accrue sick leave at the rate of eight (8) hours for each completed calendar month of employment, **up to a maximum of six hundred (600) hours total, with unlimited accumulation. Employees shall not accrue additional sick leave once their balance reaches six hundred (600) hours. Employees with balances exceeding five hundred (500) hours as of May 19, 2014 shall retain such balances in a special account. The account may be used by the employee for any purpose sick leave is normally used for, but shall not affect the accrual of regular sick leave.**
- b. Administrative Order 2-20, Sick Leave Policy, shall ~~no longer~~ **not** apply to members of this Unit. Instead, Attendance Policy, Addendum I incorporated into this MOU by reference shall apply, as well as the FMC, City administrative orders, policies, procedures, rules and regulations concerning leave usage and administration. In the event of any conflict, the provisions of Addendum I, Attendance Policy, shall apply.
- c. Sick Leave Pay Out - At service retirement, **or** at a disability retirement, or upon resignation if the employee is otherwise eligible for service retirement, employees will be credited with the number of accumulated sick leave balances in excess of two hundred forty (240) hours at the time of retirement multiplied by forty percent (40%) of the employee's then current hourly rate of pay to be used solely to pay premiums for medical insurance (including COBRA provisions), pursuant to the City's Health Reimbursement Arrangement as set forth in Section I., below.
- d. Family Sick Leave - Employees will be allowed to use up to 48 hours of accumulated sick leave per fiscal year for Family Sick Leave in accordance with the California Labor Code **Section 233** and shall be used only for those purposes defined in California Labor Code **Section 233**. ~~The Labor Code Section 233~~ **Section 233** allows an employee the time to attend to the illness of a child, parent, spouse or domestic partner of an employee. Employees are encouraged to schedule routine medical and/or dental appointments outside of

regular work hours when possible. Use of Family Sick Leave shall be authorized and recorded by a department head or designee.

3. Vacation Leave:

Employees accrue vacation leave hours for each completed calendar month of employment as reflected in the table below. Employees with less than 20 years of continuous employment are allowed to accrue 340 hours of vacation leave, and employees with 20 years or more of continuous employment are allowed to accrue 420 hours of vacation leave.

Years of Continuous Employment	Accrual Rate (hrs./mo.)
Less than 5	8
More than 5 but less than 8	10
More than 8 but less than 20	11.33
More than 20	14.66

- a. Employees are encouraged to utilize earned leave for vacation purposes on a scheduled basis.

I. STATE DISABILITY INSURANCE (Incorporated from Side Letter)

1. Employees who are members of this Unit have been enrolled in the State Disability Insurance (ADI) coverage plan pursuant to an Agreement dated by the parties on May 7, 2007
2. Employees shall file claims in the same manner as required under the SDI Plan.
3. The City shall maintain SDI through employee payroll deductions to be funded by employee contributions.
4. Eligible employees who file for SDI benefits in accordance with applicable State of California rules and procedures may combine a portion of their individual leave balances with SDI benefits.

Combining leave balances is defined as the SDI benefit and the monetary value of the employee's leave balances added together to provide a bi-weekly net income.

Combining leave balances with SDI benefits will continue only if leave balances are available and the employee remains eligible to receive SDI benefits.

5. Eligible employees may use the following accrued City leave balances in conjunction with SDI benefits:

- Sick Leave
- Vacation Leave
- Holiday
- Compensatory Time Off (CTO)

6. An employee eligible for SDI benefits shall be limited to the use of Sick Leave at thirteen (13) hours per week to be posted at the beginning of each work week. Once an employee's Sick Leave bank is depleted, the employee has the option of requesting use of Vacation Leave, Holiday or CTO. Request of and approval of Vacation Leave, Holiday or CTO will be per City policy requiring management's approval of use and the amount of hours to be used shall be posted at the beginning of each work week. If the employee chooses not to utilize Vacation Leave or has none, then the employee will be in a Leave Without Pay (LWOP) status.
7. An employee who is receiving SDI who has exhausted all other leave balances and has received donated time in accordance with City policies, may use donated time in conjunction with SDI benefits. Use of donated time will be limited to thirteen (13) hours per week.
8. Initiating the combination of the above accrued leave balances with SDI benefits shall be subject to the following conditions:
 - a. The employee contacts their department's payroll clerk to establish a date to begin use of leave. In the event that an employee is unable to notify the department, contact from the employee's spouse, parent, or other close family member will be sufficient.
 - b. Upon contacting their department, the employee must immediately file a claim for SDI benefits with EDD.
 - c. If the employee chooses not to contact their department as outlined in subsection (1) above, use of leave balances will not occur until the City receives notification of eligibility from EDD.
 - d. If the City does not receive the appropriate notification from EDD prior to the end of the employee's disability status, the City shall modify the use of any leave balances to reflect appropriate use of leave in accordance with the MOU and City policies/procedures.

- (1) When the employee's eligibility has been established, the City shall make leave payments to the employee in the usual manner in accordance with the MOU and City policies/procedures.
 - (2) Any period of absence during which an employee is receiving SDI benefits but is not receiving leave payments shall be deemed a leave of absence without pay.
 - (3) Service credits toward seniority, step increase eligibility, and probation periods shall be in accordance with the MOU and City policies/procedures.
 - (4) If an employee exhausts all available leave balances but continues receiving SDI benefits, the City's compensation shall cease.
 - (5) The City shall continue contributions toward the employee's health and welfare benefits and retirement contributions in accordance with established laws and practices during the pay periods that include leave payments by the City. The employee shall be responsible for payment of premiums required to maintain health and welfare benefits when City contributions cease in accordance with established laws, policies and practices.
 - (6) Eligible permanent part-time and permanent intermittent employees shall be included in this program on a pro-rata basis.
9. In the event the City determines that legislative, administrative or judicial determinations cause changes which in any way restricts, reduces or prohibits any provision of this Agreement, the parties shall immediately meet to discuss necessary amendments and/or modifications.

J. HEALTH REIMBURSEMENT ARRANGEMENT (HRA)

The City currently maintains a Health Reimbursement Arrangement (HRA) that qualifies as a "health reimbursement arrangement" as described in Internal Revenue Service (IRS) Notice 2002-45 and other guidance published by the IRS regarding HRA's. The City agrees to maintain the HRA such that it will continue to qualify as a health reimbursement arrangement for the term of the MOU.

At service retirement, or at a disability retirement, or upon resignation if the employee is otherwise eligible for service retirement, employees who have used eighty (80) hours or less of sick leave and/or vacation leave used for sick time

(excluding only hours used for Workers Compensation benefits and/or protected leaves such as Family & Medical Leave, and Family Sick Leave, and/or Bereavement Leave) in the 24 months preceding their date of retirement, will be credited with an account for the employee under the HRA to be used solely to pay premiums for medical insurance (including COBRA premiums). The "value" of the account shall be determined as follows:

§ The number of accumulated sick leave hours in excess of 240 hours at the time of retirement multiplied by 40% of the employee's then current hourly base rate of pay.

§ The hourly base rate of pay shall be the equivalent of the monthly salary for an employee as reflected in the salary tables, multiplied by twelve (12) months then divided by 2,080 hours.

The HRA accounts shall be book accounts only – no actual trust account shall be established for any employee. Each HRA book account shall be credited on a monthly basis with a rate of earnings equal to the yield on the City's Investment Portfolio (provided that such yield is positive).

The HRA accounts shall be used solely to pay premiums for medical insurance (including COBRA premiums) covering the participant, the participant's spouse (or surviving spouse in the event of the death of the participant), and the participant's dependents. Once a participant's account under the HRA has been reduced to \$0, no further benefits shall be payable by the HRA. If the participant, the participant's spouse, and the participant's dependents die before the participant's account under the HRA has been reduced to \$0, no death benefit shall be payable to any person by the HRA.

While this provision is in effect, employees shall not be allowed to cash out any accumulated or accrued sick leave at retirement.

K. UNIFORMS

The system for providing and maintaining uniforms for all employees in this Unit, where applicable, shall be maintained for the duration of this Agreement. The cost of the uniforms shall be shared by the City and employees as specified in Administrative Order 3-6.

L. PARKING RATES

Parking rates for employees in the downtown area will be \$15.00 per month for general parking and \$20.00 per month for an Official Vehicle Permit, as referenced in the Administrative Orders, which from time to time may be amended.

M. WORKERS' COMPENSATION

1. Notwithstanding the provisions of the FMC Section ~~2-1515~~ **3-118**, an employee who suffers or has suffered an injury in the course and scope of City employment shall receive **66.67% of average weekly earnings in the fifty-two (52) weeks prior to the injury** ~~76% of full wages or salary, excluding overtime,~~ from the City, beginning on the fourth day of such absence, unless hospitalized on the first day for at least 24 hours, or unless the absence exceeds 14 days, in which case, the employee shall receive the pay provided in this Section from the first day. Except as modified herein, the provisions of FMC Section ~~2-1515~~ **3-118** shall apply. **Should the State mandated workers' compensation rate of payment be adjusted, the City and the Union will have a limited reopener to adjust the rate accordingly.**
2. In the event City pay is not provided during the first three days of absence due to such injury, the employee may, at the employee's option, take sick leave for that period.

N. HOURS OF WORK AND SCHEDULES

1. General:
 - a. The workweek for the City begins on Monday at 12:01 a.m. and ends the following Sunday at midnight. The workday starts at 12:01 a.m., and ends 24-hours later at midnight. The standard/normal workweek work schedule is a 5/8 consisting of five-(5) days of eight-(8) hours each, excluding a meal period.
 - b. Work schedules (includes days off and meal periods) are established by individual departments/divisions, solely at management's discretion, based upon the need to provide service to the public, other City departments, and/or other operational efficiency requirements. If requested by either party, the City and the Union agree to meet and consult prior to implementation of new work schedules.
 - c. Employees shall receive a one (1) hour or a one-half (½) hour meal period, without pay, each day and a fifteen (15) minute paid rest period during the first half of the workday and a second fifteen (15) minute paid rest period during the second half of the workday. Meal periods and rest periods are scheduled by departments/divisions according to the needs of the department/division. **If an employee is required to work during the employee's meal period, with the approval of the employee's supervisor, and if no alternate meal period is taken, said time shall be compensated at the**

applicable hourly rate of pay if the time worked exceeds that of the employee's normal schedule/shift. The City retains the exclusive right to control the use of City-paid break periods, and exclusive control of the use of City vehicles at all times.

- d. Employees whose duties require it shall be allowed a reasonable amount of time for a personal clean-up period prior to the end of each work shift.
- e. With 72-hours notice to affected employees, departments/divisions may temporarily modify an employee's regular schedule to address special service needs, employee training and/or cross-training, and backlog and/or workload concerns. Said temporary modification shall not result in the loss of night shift premium pay.

2. Daylight Savings Hours:

At the Union's request the City agrees to meet and confer regarding changes in working hours during daylight savings time. Any employee regularly scheduled to work, and who does work a shift during which a change from Pacific Standard time to Pacific Daylight time, or vice versa, occurs, will be paid for actual hours worked at the applicable hourly rate.

3. Alternate Work Schedules:

- a. Department directors or designees shall be solely responsible for determining and designating divisions/units/sections/specific job classes within their respective departments that may implement variations to the standard/normal work schedule. A minimum of 30-days written notice shall be provided to affected employees, the Labor Relations Division and Local 39.
- b. Alternative work schedules may be necessary in order to provide minimum staffing, and/or based upon the service needs of the public/other City departments, and/or other operational efficiency requirements. It is expressly understood that position assignments, by classification, staffing levels, work schedules, meal periods, and days off are determined solely by management, and are subject to change based on, and including but not limited to, varying workload, the additional of authorized staffing, and department operational and service needs.
 - (1) If established, employees shall select a 5/8 or 4/10 work schedule according to department/division selection processes. Absent sufficient selections, management will

assign employees to a 5/8 or 4/10 work schedule, or combination thereof.

- (2) Except for emergencies, employees working a 4/10 schedule, or who have days off other than Saturday and Sunday, shall schedule all medically-based appointments on off duty time.
- c. The hours for employees working a 5/8 shall consist of five (5) eight hour days with two (2) consecutive days off, except for employees occupying the classes of ~~Waste Collector II~~ and Waste Collector Leadworker ~~who~~ **which** may have two (2) consecutive days off. The hours for employees working a 4/10 shall consist of four (4) ten hour days with three (3) days off, of which two (2) of the days off will be consecutive. Scheduling of days off shall be determined by management.
- d. Departments/divisions may discontinue alternative work schedules at any time if it is determined by management that they detrimentally effect operations and services. Thirty (30) days advance notice shall be given in writing to affected employees, the Labor Relations Division and Local 39. The decision to discontinue alternative work schedules is not appealable or grievable. If departments/divisions discontinue alternative work schedules established under this Subsection, employees will revert to 5/8 standard/normal work schedules as determined by management.
- e. Except as detailed in the paragraph below, applicable Unit Agreement provisions, Salary Resolution, FMC, and Administrative Orders concerning alternative work schedule (i.e., 4/10) limitations on overtime, holidays, leave accrual and usage, sick leave accrual and usage, and night shift premium pay shall govern.

An employee on a 4/10 work schedule who is off on a holiday, which is a regularly scheduled workday, shall receive eight (8) hours pay for the holiday, and may elect to take two (2) hours vacation, holiday, or CTO for a full ten (10) hours pay, or may elect to receive two (2) hours leave without pay (LWOP). Absent an employee request or election, division payroll will deduct the two (2) hours from available vacation, holiday, or CTO balances prior to any deductions for LWOP.

O. PERSONNEL MATTERS

1. Personnel Files:

- a. The Human Resources Division, under the direction of the Director of Personnel Services, shall maintain the official personnel file for each employee. Each employee may review, or authorize in writing its review by a designated representative, subject to reasonable rules and regulations, and receive a copy of all material placed in either the employee's official file or departmental file. If an employee disagrees with the content of a document placed in either file, it shall be the right of the employee to submit a response to the Director of Personnel Services to be attached to the document in question and included in the appropriate file. Personnel files are considered confidential and access is limited.
- b. Documents, including performance evaluations, retained in the employee's departmental file shall be forwarded to the employee's new department if the employee transfers, promotes, or demotes. The file should be forwarded to Human Resources when the employee leaves City service.
- c. Inquiries regarding employment references shall be administered in accordance with existing City policies.

2. Employee Performance Evaluations:

- a. Each City department shall have the right to conduct employee performance appraisals on a department-wide basis for all employees at the discretion of the appointing authority.
- b. Prior to modifying the Employee Performance Evaluation (Local 39, Unit 1), departments and Labor Relations will discuss the proposed evaluation form with the Union.
- c. An employee who disagrees with a performance evaluation may within fourteen (14) calendar days from the date of the performance evaluation:
 - (1) Write a rebuttal statement for attachment to the performance evaluation form; and/or
 - (2) Request further review with the supervisor of the reviewer, but in no case higher than the department head or designee.

- d. Requests for review of employee performance evaluations are not subject to the grievance procedure.
- e. It is understood that evaluations for non-probationary employees are not to take the place of disciplinary/corrective actions as outlined in Administrative Order 2-14.

3. Transfer Requests Within a Department:

Transfers shall be governed by appropriate provisions of the FMC, including, but not limited to, Sections 3-261, 3-262, and 3-274.

~~An employee in this Unit, who desires a transfer to another position with the same job classification within the employee's department, shall request such transfer on a form provided by the department. Transfer requests may be submitted twice a year in January and June. All such forms shall be maintained in the administrative division of the department and shall be reviewed when the filling of vacancies occurs. An employee who has requested a transfer to such a vacancy, and who meets the requirements of the vacancy, shall be considered for the transfer along with all the names from an eligible list provided by the Department of Personnel Services. If a transfer is made, then the employee must remain in the position 18 months before being considered for another lateral transfer.~~

a. ~~Definitions~~

- ~~(1) For purposes of this Section, transfers within a department shall mean the transfer of a permanent full-time City employee from one authorized position to another authorized position. Authorized positions are those positions allocated to a department in the Position Authorization Resolution.~~
- ~~(2) Whenever a vacancy is filled by a transfer of a current permanent full-time City employee within a department, and two or more employees possess and exhibit the same degree of knowledge and skill within their class and specific duties performed, as determined by the City, the transfer shall be given to the employee with the greatest seniority in the class. In the event the seniority is the same in the class, the assignment shall be given to the employee with the greatest seniority in City service.~~
- ~~(3) Seniority in the class means an employee's length of continuous service as a permanent employee in the present class.~~

- ~~(4) Transfers within a department specifically exclude provisional appointments, temporary acting assignments in a higher class or appointments to limited positions and temporary reassignments.~~
- ~~(5) More senior employees shall not bump less senior employees from positions already held.~~
- ~~(6) Continuous service shall include all time in the class except for any time spent under suspension from duty or demotion to another class.~~
- ~~(7) Knowledge and skill, for purposes of determining qualification for transfer, are an employee's overall competency in the employee's class and shall include the following factors: knowledge and skill of the duties to be performed in the assignment; ability to work effectively and harmoniously with subordinates, peers and supervisor, the employee's past performance evaluations; attendance records, safety records, and the ability to work with the public.~~

4. Flexible Staffing:

- a. For all flexibly staffed blue collar positions, ~~the Non-Competitive Qualifying Examination will no longer be required effective August 46, 1991. As of that date, certification from an employee's department that the employee is satisfactorily performing the full range of duties will allow the employee to flex to the higher position.~~
- b. The parties have discussed and agreed that Administrative Orders 2-10 and/or 2-12 may be reissued and/or a FMC change may be enacted to reflect this Agreement.
- c. Flexible staffing will be in accordance with the Administrative Orders noted above. Any contemplated addition or deletion of a flexibly staffed classification shall be discussed with the Union, in a timely manner and prior to such action by the Director of the Personnel Services Department.

5. Suspension of Competition:

In the event of the creation of a new position, or in the case of a vacancy in any position meeting the criteria specified below, competitive

examination may be suspended by the Director of Personnel Services. No such suspension shall be general in its application.

The Director of Personnel Services may only suspend competition when requested to do so by the appropriate appointing authority when the suspension of competition would permit promotion between classes in the same class series, or between other classes, in the same department. A promotion may be made at the discretion of the department head when a permanent full-time employee attains the minimum qualifications for the higher level, and in the opinion of the department head the employee is capable of meeting the performance requirements, and is able to carry out the responsibilities required by the job specification. The employee selected for promotion would be determined by the department head after posting the vacancy, and interviewing and considering the performance and qualifications of all lower level employees who have indicated an interest in promoting, and who possess the required minimum qualifications. Along with the request for suspension of competition, the department head must submit a written statement supporting the request.

6. Layoffs:

The department director, with the approval of the City Manager's Office, may reduce the number of employees in the department to address budget concerns or a decrease in the workload, by laying off employees in any job classification in which the department director determines a reduction is necessary. This Section does not apply to temporary layoffs because of inclement weather or lack of work.

a. Layoffs will occur in the following order:

- (1) Temporary Employees
- (2) Provisional Employees
- (3) Probationary Employees
- (4) Permanent Intermittent Employees
- (5) Permanent Part-Time Employees
- (6) Permanent Full-Time Employees

b. Seniority - When the layoff must be of one or more employees in the same job classification, the layoff shall be done by reverse seniority (i.e., last hired, first laid off, within that job classification).

For the purposes of layoff, seniority in job classification is defined as continuous time in service in the job classification. An employee accrues seniority from the time the employee is appointed to a position in the job class. In the event of a tie, ~~any unpaid leave of absence, with the exception of an approved leave of absence taken~~

~~under the Family Rights Act or Family Medical Leave Act may rank~~
on the City-wide employment list for the classification will be used to break the tie. In the event there is still a tie, total continuous time as a permanent City employee will be used to break the tie. In the event there is still a tie, a mutually agreed random method will be used to break the tie. If a random method is used, affected employees will be offered an opportunity to observe. If the employee cannot attend the scheduled time or refuses to attend, the tie breaker will proceed as scheduled.

c. Transfer and/or Demotion (Bumping)

- (1) An employee subject to layoff shall be transferred to a vacant position in the same job classification in another department if such a vacancy exists. In the event no vacancies in that job classification exist, an employee subject to layoff in one department who has greater seniority than one or more employees in the same job classification in another department shall be transferred to the position held by the least senior employee in such classification, and the least senior employee shall be subject to layoff ("bumped"). **This provision shall be subject to a limited reopener in the event that FMC Section 3-291 is modified in regard to department and/or City-wide layoffs.**
- (2) In the event an employee subject to layoff does not qualify for a transfer pursuant to Subsection c.(1) above, and the employee has previous service **as a permanent employee** in a lower job classification, and the employee's employment by the City has been continuous, the department director shall demote the employee subject to layoff to a position in that lower class. Layoffs that may become necessary due to demotions or transfers pursuant to this Subsection c. shall be governed by the same regulations herein. **This provision shall be subject to a limited reopener in the event that FMC Section 3-291 is modified in regard to department and/or City-wide layoffs.**
- (3) In the event an employee is demoted to a lower classification pursuant to Subsection c.(2) above, that employee **shall have all time in classification the employee is being demoted from and all time in the classification the employee is returning to counted towards seniority in the lower classification.** ~~will be considered to be the most senior employee (i.e., such employee will have super-~~

~~seniority) in the lower classification. If two or more employees are demoted pursuant to Subsection c.(2) above, seniority in the lower classification will be determined by length of service in the higher classification.~~

- (4) A permanent non-probationary employee transferred or demoted pursuant to the provisions of Subsection c. (except Subsection c.(5) below) shall not be required to serve a probationary period in the employee's new job classification. A probationary employee transferred or demoted pursuant to FMC Section ~~2-1674~~ **3-291** shall serve the probationary period, subject to the same conditions of probation, as a new employee appointed to the job classification from an eligible list.
 - (5) Any employee subject to layoff who does not qualify for a transfer pursuant to Subsections c.(1) or (2) above may submit a written request to the Director of Personnel Services to be considered for a transfer to any vacant position in a job classification for which the employee meets the minimum qualifications (as determined by the Director of Personnel Services), provided that such job classification has an equivalent or lower salary range (i.e., the E step of the pay range is not more than two percent (2%) higher than the E step of the employee's current pay range). The employee may be transferred to the vacant position with the approval of the director of the department where the vacancy exists. Employees transferred under this Subsection will be required to serve the probationary period for the new job classification. FMC Section ~~2-1642.1~~ **3-249** provides that an employee may file a written request for the review of the decision by the Director of Personnel Services that the employee does not meet the minimum qualifications of the position to which the employee has requested a transfer.
 - (6) Employees assigned to another department or division will be subject to the seniority rules of the department/division for purposes of shift, vacation and days on and off.
- d. Reinstatement List - Any employee holding an appointment in a permanent position who, for reasons of economy, lack of work, budget cuts, or departmental reorganization, has been laid off, transferred or demoted from that position, shall be entitled to be placed on a reinstatement list for the job classification from which he or she was laid off, transferred or demoted. In the event two or more employees are laid off, transferred or demoted from the same

job classification, their placement on the reinstatement list shall be determined by their comparative seniority within that job classification.

- (1) As provided in FMC 2-1643 **3-250** and 2-1645 **3-252** (a)(1), an individual on the reinstatement list shall have priority over candidates on an eligible list for vacancies in the job classification from which the employee was laid off, transferred or demoted. An individual's name will remain on the reinstatement list for a period of ~~three (3)~~ **two (2)** years following the effective date of the layoff, transfer or demotion **or two (2) refusals of a vacant position in the classification.**
 - (2) An individual, whose name has remained on a reinstatement list continuously for more than ~~three~~ **two (2)** years without reinstatement, shall no longer have priority over candidates on an eligible list, and shall no longer have any right to reinstatement in any position in the job classification for which the reinstatement list was established. ~~After three (3) years, however, such an individual shall be designated as an "optional appointee" and shall be considered, with candidates on an eligible list, for appointment to a position in the job classification for which the reinstatement list was established. An individual may be considered for appointment as an optional appointee a maximum of four times.~~
- e. Reinstatement - Upon reinstatement from a reinstatement list, as provided in Subsections d. and (1) above, an employee shall receive full credit for all of the employee's service with the City as it relates to salary and vacation accrual, and shall be credited with all unused sick leave hours the employee had at the time of separation from City service.
- (1) Any employee, who did not complete the probationary period, and achieve permanent status prior to placement on the reinstatement list, shall serve a full probationary period commencing from the date of the employee's permanent appointment from the reinstatement list.
 - (2) Upon reinstatement from a reinstatement list an employee will resume membership in the Fresno Employees' Retirement System, and receive service credit for all City service, provided that the employee was vested in the Retirement System and did not withdraw contributions to the

System at the time of the layoff, or repays previous contributions pursuant to FMC Section 2-1826 **3-534**. An employee who elects to not repay previous contributions, or who was not vested in the System at the time of the layoff, shall receive service credit for only that service subsequent to reinstatement for the purposes of retirement benefit calculations.

7. Seniority:

This seniority Subsection shall apply to work shift selection and vacation scheduling for permanent employees in the absence of clearly established departmental policies, practices, or procedures. This Subsection shall not preclude any department from establishing policies, practices, or procedures on seniority as applied to work shift and vacation scheduling. In the absence of a department policy, practice, or procedure, the following shall be used to determine seniority.

- a. Seniority shall be defined as seniority in a class based on an employee's length of continuous service as a permanent employee in their present class. Seniority shall not be applied to temporary, provisional or acting status employees. Permanent employees in temporary, provisional, or acting positions will continue to accrue seniority as if they were in their regular permanent position.
- b. Continuous service shall include all time in the employee's present class. Continuous service shall not include any time spent under suspension from duty, demotion to another class, or on any leave of absence without pay as defined in FMC Section 4505 **3-104**. A military leave of absence shall not be considered a break in service.

8. In Lieu Suspension for Disciplinary Action:

By mutual agreement between the department director or designee and the employee, an employee suspended from duty without pay may forfeit accumulated holiday, CTO, and/or vacation credits equal to the number of hours of suspension in lieu of suspension. If the suspension is reduced or reversed at the conclusion of the appeal process, the City shall reinstate the forfeited credits.

The provisions of this Subsection shall not be subject to the grievance procedure.

9. Labor-Management Committees (LMC's):

The City and Union acknowledge the importance of the development, implementation, and maintenance of LMC's in divisions throughout the City. The parties agree to foster and provide guidance for the establishment and ongoing maintenance of LMC's. The parties understand and agree that LMC's do not have the authority to "meet and confer" regarding issues that are within the mandatory scope of bargaining. The Subsections below shall serve as minimum guidelines for LMC's throughout the City.

- a. LMC's shall be responsible for determining committee composition. However, LMC's may be composed, at a minimum, of the Assistant Department Director, a representative selected by the Business Agent for Local 39, the division manager, two supervisory/management members, two Unit members, and one member to function as the LMC's secretary/record keeper. LMC's shall meet regularly, but no less than once per month. LMC members shall be given forty-eight (48) hour notice for nonemergency meetings that are not part of the regular/routine LMC meeting schedule.
 - (1) LMC's shall be responsible for establishing, publishing and communicating, including any amendments thereto, LMC procedural, committee composition, and subcommittee guidelines to their division staff. The primary purpose of LMC's is to discuss and evaluate matters and concerns pertinent to the applicable division and/or the division's employees. In addition, LMC's understand that safety issues and concerns, including topics for tailgate meetings as well as changes in work rules, will be referred to the divisional safety committee.

10. Contracting Out:

The City retains the right to contract out any services performed by members of this Unit. The City agrees to notify the Union when considering contracting out of services normally performed by members of this Unit which do not directly affect or displace members of the Unit due to growth or expansion.

- a. The City shall notify the Union of its intent to request proposals for the contracting out of City services when those services are currently being performed by employees of this Unit. This notification will occur thirty (30) business days before the request for proposals is issued. The Union agrees that the City needs to be

competitive with the private sector. Both parties acknowledge that members of the Unit have valuable experience and expertise in the provision of municipal services and in that regard are desirous of including Unit members in preparing and reviewing service delivery options and cost comparisons in an effort to enhance the City's ability to be competitive with the private sector in all areas to which Unit members are assigned. In the event the award of services to third parties results in the layoff of employees of this Unit, the parties shall meet and confer on the impact of such a decision.

- b. The City agrees that before layoffs become necessary, it will use due diligence to accommodate employees displaced as a result of Council's decision to contract out any of the services enumerated above.
- c. The City shall take all reasonable action to avoid layoff of employees providing the services to be contracted out, which action may include but is not limited to, holding vacant positions in classes to which employees might be transferred, notifying employees subject to layoff of examinations being conducted by the City for placement of employees in positions for which they are qualified and administering noncompetitive, qualifying examinations to employees for positions to which they are eligible to transfer.

11. Classification Matters:

- a. On April 16, 1997, all permanent employees occupying positions in the class of Construction Equipment Operator (CEO) in the Community Sanitation, Sewer and Water Divisions were reclassified to the Heavy Equipment Operator (HEO) class, and their salaries were y-rated at their existing base salary level. In the event two (2) HEO positions become vacant in the Water Division only, said positions will automatically convert to Water Service Operator II (WSO II) positions.
- b. Length of service for all employees reclassified/retitled under the expired March 28, 1997, side letter agreement between the City and the Union, includes an employee's continuous service in the class held prior to being reclassified/retitled.

12. Americans with Disabilities Act (ADA), Family Medical Leave Act, California Family Rights Act (CFRA), Occupational Safety and Health Act (OSHA/Cal OSHA) and Workplace Violence:

The requirements mandated by these statutes have been established in City policies (Administrative Order manual and Injury and Illness Prevention Program handbook).

P. JURY DUTY AND COURT APPEARANCES

1. Jury Duty:

An employee who is assigned to a "night shift" as that term is used in Article VII, Section F. of this Agreement, and who is required to attend any court in response to a summons for jury duty or while serving on a jury will be reassigned to an 8:00 a.m. to 5:00 p.m. shift for the required time in jury duty, and night shift premium pay shall not be discontinued during the period of reassignment. The employee will maintain the employee's usual days off during this time period. All employees shall receive their regular wages or salary during the time they are required to be absent from the duties of their position to attend any court in response to a summons for jury duty or while serving on a jury, but shall pay over to the City any fees, including mileage allowances, received for such attendance or service.

2. Court Appearances:

The following rules shall apply to court appearances.

- a. If an employee receives a departmental notice or subpoena requiring a court appearance on the employee's regularly scheduled day off, or on vacation, or on a day off on compensatory time off which has been approved prior to notice and/or the employee's receipt of a departmental notice of subpoena, the employee shall have the option of:
 - (1) standing by at home, when legally permitted, or,
 - (2) appearing at the court, with a minimum of three (3) hours pay at one and one-half (1 ½) times the base rate of pay. During this three (3) hour period, if the employee is not required to appear in court, the employee may, at the option of the department, be required to perform duties as assigned. The employee shall be released from duty when the subpoena or notice is cancelled or the court releases the employee.

- b. If an employee receives a departmental notice or subpoena requiring a court appearance on a regular day of work which falls outside of assigned work hours, the employee shall have the option of:
 - (1) standing by at home, when legally permitted, or
 - (2) appearing at the court, with a minimum of two (2) hours pay, at one and one-half (1 ½) times the rate of pay. During this two (2) hour period, if the employee is not required to appear in court, the employee may, at the option of the department, be required to perform duties as assigned.
 - (3) If the court appearance starts within one-half (½) hour immediately following assigned work hours, the employee shall receive a one (1) hour minimum. If the court appearance falls during assigned work hours and continues beyond the end of the shift, the employee shall be paid at the applicable hourly rate for the actual time spent in court.
- c. The provisions of Subsection 2., above shall apply to employees who are required to appear in any judicial or administrative proceeding as a witness pursuant to subpoena, court order, or by request of the District Attorney. Section O. of this Agreement shall apply to all judicial proceedings (civil, criminal, or administrative) and Civil Service proceedings in which an employee's presence is ordered, directed, or requested by the City because of the employee's employment.
- d. Where an employee's appearance extends beyond the applicable two (2) or three (3) hour minimum, the employee shall be paid the employee's base hourly rate of pay.
- e. Any employee regularly scheduled to a work schedule other than Monday through Friday may have their schedule changed to Monday through Friday until the employee's court appearance obligations are completed.

~~P. PARKS, RECREATION AND COMMUNITY SERVICES~~

~~An employee occupying a Non-Supervisory Blue Collar class in the Parks, Recreation and Community Services Department who desires reassignment shall request reassignment on a form provided by the department. Transfer requests may be submitted twice a year. All such forms shall be maintained in the Department office and shall be reviewed when vacancies occur. All employees who have requested transfer to such vacancies and who meet the requirements~~

of the vacancy shall be considered for reassignment. Once reassignment is made the employee must be in the position 18 months before being eligible for another transfer.

4. ~~Work Assignment:~~

~~For purposes of this Section, reassignment means a geographical change in work location (i.e., Woodward, Reeding, etc.). Whenever two or more employees shall possess and exhibit the same degree of knowledge and skills within their class and specific duties performed, as determined by the City, an assignment shall be given to the employee having the greater seniority in the class. In the event the seniority is the same in the class, the assignment shall be given to the employee with the greatest seniority in City service.~~

2. ~~Definitions:~~

- ~~a. Seniority in the class means an employee's length of continuous service as a permanent employee in the present class.~~
- ~~b. Assignment shall mean a geographical work location and specifically excludes provisional appointments, temporary acting assignments in a higher class or appointments to limited positions.~~
- ~~c. More senior employees shall not bump less senior employees from assignments already held.~~
- ~~d. Continuous service shall include all time in the class except for any time spent under suspension from duty or demotion to another class.~~
- ~~e. Determining an assignment shall included, but not be limited to, an employee's overall competency in the employee's class, knowledge and skill of the duties to be performed in the assignment, ability to work effectively and harmoniously with subordinates, peers and supervisors, past performance evaluations, attendance, safety, and the ability to work effectively with the public.~~

Q. DRIVER'S LICENSE POLICY

Upon request by the City, the Union agrees to meet and confer on a Driver's License Policy. This Opener is solely for the purpose of the development of a policy to address the issue of driver's license requirements and what is to occur in the event an employee loses his/her license. This Opener does not restrict any existing City rights or practices in handling employees who lose their driving privilege.

R. SPECIAL RULES FOR THE SOLID WASTE MANAGEMENT DIVISION

1. Special Work Week:

- a. ~~Waste Collector Leadworkers and Waste Collector II's~~ **Work is performed** by assigned routes, the actual work upon which varies **may** vary according to the amounts of **waste material** placed out for collection by the customers, and is not fully subject to work planning. The work includes such collection and varied duties including, but not limited to, the collection of special pickups, skips, disposal of the day's refuse **collected material** at disposal site, return and check-in at the dispatch office, and participation in any necessary briefing or training sessions. ~~For these reasons, the length of work days during a week is subject to variation, and it can be expected that there will be certain days on which route collections and completion of necessary activities, which are not reasonable and practical to schedule except following the completion of the collections route, are completed in less than eight hours, in which case the Collection Workers shall be excused before the completion of eight hours of work. It is agreed that for each work week, each employee shall be paid for forty hours (less allowance for days on which the employee is on a non-pay status, including, but not limited to, appointment other than at the start of the first working day of the week, termination other than at the end of the last working day of the week, leave of absence without pay, or disciplinary suspension).~~
- b. **During the week of Thanksgiving, routes for Thursday and Friday will be shifted to Friday and Saturday.**
- c. **On those weeks when Christmas Day and New Year's Day fall on a week day, routes after the holiday will be shifted by one day, to include Saturday.**

2. Routes and Quality Control:

Route perimeters shall be structured and restructured at the discretion of the City; however, the City will include division employees in the deliberations prior to implementing any changes. Both parties acknowledge that division employees have valuable experience and expertise in the provision of municipal services, and in that regard employees are expected to be active participants in preparing and reviewing service delivery options for their routes in an effort to enhance the City's ability to be competitive with the private sector. Employees affected as a result of route perimeter restructuring shall not have the right

to bump other permanently assigned employees. The City shall have the right to take necessary steps to ensure sound quality control.

3. Vacation Selection:

Selection of vacation shall be on the basis of date-of-hire seniority in the Solid Waste Management Division (SWMD).

~~4. Days Off Selection:~~

~~Selection of days off shall be on the basis of seniority, by class, in the SWMD.~~

4. Route Assignment Selection:

The following route assignment selection process applies to employees occupying the classes of ~~Waste Collector II (WC II)~~ and Waste Collector Leadworker (WCL).

a. General - All employees selecting/bidding route assignments must be qualified to drive the assigned vehicle. It is the responsibility of all employees to possess and maintain a valid California Driver's License (CDL) and Medical Certificate, and to inform SWMD of any change or incident with the potential for change to the employee's CDL status. Failure to possess and maintain a valid license or certificate shall result in the employee being placed on a leave without pay status, and subject to possible corrective action up to and including termination for failure to qualify for the position.

(1) "Floaters" are ~~WC II's and/or~~ WCL's who do not have a permanent route. Employees who have selected a permanent route assignment shall not function as floaters on their days off unless the employee does so voluntarily.

~~(2) "Helper" assignments occur on two-person routes and entail one employee functioning in a non-driving capacity.~~

(2) Overtime is not assigned until employees have completed their regular/normal work schedule (~~e.g., 8 hour or 10 hour~~). Overtime assignments shall be made on a first-come, first-served basis. In the event two or more employees are available at the same time, overtime shall be assigned based upon seniority in class.

b. Open Permanent Routes - Permanent routes are considered open for selection/bidding when new routes are added or vacancies

occur (due to movement to another permanent route, separation from City service, promotion, etc.).

(1) Selection/bidding of open permanent routes shall be on the basis of seniority, by class.

~~(2) Selection/bidding of helper assignments (i.e., two person routes) on open permanent routes shall be afforded first to WC II's on the basis of seniority in class, and then to WCL's second, on the basis of seniority in class.~~

(2) Open permanent routes that do not get selected/bid for will be assigned by management to the least senior WC II and/or WCL that is available. Once WC II's and/or WCL's are awarded their selection/bid, or are assigned by management they shall not be eligible to select/bid for six (6) months for other open permanent routes that may become available.

c. Nonpermanent Routes - Nonpermanent routes occur when a permanently assigned WC II and/or WCL is absent from duty for any reason (e.g., days off, vacation, sick, injury, leave without pay, etc.). There are two types of nonpermanent routes (i.e., short term and long term).

(1) General - The following applications apply to short term and long term selection processes.

~~(a) Whenever an employee, who is functioning in a driving capacity on a permanent basis, is absent from duty for any reason, the employee who is functioning in a permanent helper capacity shall automatically be assigned to drive during the driver's absence.~~

(a) The SWMD may assign employees to specific routes when no other qualified employee is available. If an employee so assigned is pulled from a route the employee selected/bid on and was awarded, then after the assignment is completed the employee will be allowed to go back to the route the employee was pulled from.

~~(c) Employees who are assigned and/or awarded nonpermanent routes shall maintain their own days off; however, during the days off of such employees, only nonpermanent long term routes shall be bid by floaters.~~

- (b) Employees must remain on the nonpermanent long-term route until the return of the permanently assigned employee, or until quarterly rebidding occurs on the first working day of January, April, July, and October.
- (2) Short Term Routes - This is a nonpermanent route situation of 40 hours or less, and the following assignment selection process applies to floater employees occupying the classes of WC II and/or WCL.
 - (a) Short term route assignments shall be assigned by management to the least senior WC II and/or WCL.
 - (3) Long Term Routes - This is a nonpermanent route situation of more than 40 hours, and the following assignment selection process applies to floater employees occupying the classes of WC II and/or WCL.
 - (a) Selection/bidding of long term routes shall be on the basis of seniority, by class.
 - ~~(b) Selection/bidding of helper assignments on long term routes shall be afforded first to WC II's on the basis of seniority in class, and then to WCL's second, on the basis of seniority in class.~~
 - (b) Long term routes that do not get selected/bid for will be assigned by management to the least senior WC II and/or WCL that is available.

5. Attendance in Residential Solid Waste

The parties agree that employees are expected to serve the public and that appropriate service to the public includes regular attendance. Employees are expected to take leave only for reasons that the leave is intended. Consistent with the above, the parties agree that productive time (hours actually worked less any overtime) should be increased for Waste Collector Leadworkers as a class.

In FY 13, median attendance for employees in the Waste Collector Leadworker class in Residential Solid Waste (the point where half of the Waste Collector Leadworkers are above, and half are below) was 1,688 hours. Waste Collector Leadworkers will be expected to increase actual time at work (i.e., productive time) as follows.

- May 19, 2014 – August 17, 2014: Productive time will be a median of 1,700 hours.
 - If attendance does not reach a median of 1,700 productive hours for employees in the Waste Collector Leadworker class in Residential Solid Waste as of August 17, 2014, sub-sections a. and b. below will apply effective the pay period starting September 8, 2014.
 - If attendance reaches a median of 1,700 productive hours as of August 17, 2014, the Waste Collector Leadworker class in Residential Solid Waste shall be eligible for overtime in accordance with Article VII, D.
- If the August 17, 2014 median of 1,700 productive hours is reached:

August 18, 2014 – November 16, 2014: Productive time will be a median of 1,712 hours.

- Time for the period will be extended to 26 pay periods. If attendance does not reach this median as of November 16, 2014, sub-sections a. and b. below will apply effective the pay period starting December 1, 2014.
 - If attendance reaches a median of 1,712 productive hours as of November 16, 2014, the Waste Collector Leadworker class in Residential Solid Waste shall be eligible for overtime in accordance with Article VII, D.
- If the November 16, 2014 median of 1,712 is reached:

November 17, 2014 – February 15, 2015: Productive time will be a median of 1,725 hours.

For purposes of this provision those Waste Collector Leadworkers in Residential Solid Waste eligible for holiday pay for Thanksgiving, Christmas and New Year's Days will have the time for these holidays counted as if actually worked. Time for the period under this provision will be extended to 26 pay periods.

- If attendance does not reach this median as of February 15, 2015 sub-sections a. and b. below will apply effective the pay period starting March 9, 2015.

- **If attendance reaches a median of 1,725 productive hours as of February 15, 2015, the Waste Collector Leadworker class shall be eligible for overtime in accordance with Article VII, D.**

If any of the above productive time targets are not met:

- a. **Waste Collector Leadworker positions in Residential Solid Waste shall not be eligible for overtime in accordance with Article VII, D., but shall receive overtime for all work time over forty (40) hours in a work week in accordance with the Fair Labor Standards Act.**
 - b. **The Waste Collector Leadworker class shall be eligible for holiday overtime in accordance with Article VII, H.**
6. These rules may be modified by mutual agreement of the parties during the term of the Agreement.

S. WASTEWATER MANAGEMENT DIVISION

1. Except for permanent employees occupying the classes of Wastewater Treatment Plant Operator-in-Training I/II, seniority shall be defined as seniority in a class based on an employee's length of continuous service as a permanent employee in the employee's present class.
- a. Seniority shall not be applied to temporary, provisional or acting status employees.
 - b. Continuous service shall include all time in the employee's present class. Continuous service shall not include any time spent under suspension from duty, demotion/transfer to another class, or on any leave of absence without pay as defined in applicable sections of the FMC. A military leave of absence shall not be considered a break in service.
 - c. In the event seniority is equal, seniority shall be determined based upon the employee's standing on the eligible list for that class as prepared by the Human Resources Division. In the event seniority is equal based on appointment to a journey level class (e.g., for a flexibly staffed series), seniority shall first be determined based upon the employee's appointment date to the entry level class. In the event the appointment date to the entry level class is also equal, seniority shall be determined by the employee's standing on the eligible list for the entry level class.

- d. It is expressly understood that shift assignments and staffing levels are determined by management, and are subject to change based on varying workload, the addition of authorized staffing, and operational and service needs. Such decisions shall not be appealable or grievable.
2. For permanent employees occupying the classes of Wastewater Treatment Plant Operator-in-Training/I/II, seniority shall be defined as seniority in this class series based on an employee's length of continuous service as an permanent employee in the class series (i.e., date-of-hire in the series). Wastewater Treatment Plant Operator-in-Training shall not exercise seniority rights (i.e. shift bidding) until permanent status is achieved by being promoted.
- a. Seniority shall not be applied to temporary provisional or acting status employees.
 - b. Continuous service shall include all time in the class series. Continuous service shall not include any time spent under suspension from duty, demotion/transfer to another class outside of the series, or on any leave of absence without pay as defined in applicable sections of the FMC. A military leave of absence shall not be considered a break in service.
 - c. In the event seniority is equal, seniority shall be determined based upon each employee's standing on the eligible list for initial date-of-hire into the series as prepared by the Human Resources Division.
 - d. It is expressly understood that shift position assignments by classification and staffing levels are determined by management, and are subject to change based on varying workload, the addition or reduction in authorized staffing, and operational and service needs. Management may assign any employee occupying the class of Wastewater Treatment Plant Operator-in-Training I/II to a particular shift or stall, move stalls to different shifts, and change the days off for stalls. In the event management determines fixed shift schedules detrimentally impact operational and service needs, management may discontinue fixed shift schedules with thirty (30) days advance written notice to the affected employees, and the Labor Relations Division. The decision to discontinue fixed shift schedules is not appealable or grievable.
 - (1) If management discontinues fixed shift schedules, schedules shall revert to rotation through day, swing and graveyard shifts which were in existence prior to the establishment of fixed schedules.

T. CLASS AND COMPENSATION STUDY

During FY15 (the fiscal year ending June 30, 2015), the City will conduct a classification and compensation study on select classifications in Unit 1. The classifications to be studied are to be determined at a later date through discussions between the City and the Union.

~~T. LABOR MANAGEMENT COMMITTEE~~

~~Effective July 1, 2005, a labor management committee will be established to review, consider and make recommendations to the City Manager concerning preserving City jobs and pay for performance.~~

ARTICLE VIII

FEDERAL DRUG POLICY (FEDERAL OMNIBUS TRANSPORTATION EMPLOYEE TESTING ACT)

Policy

1. A policy which summarizes the federal regulations required by the Federal Omnibus Transportation Employee Testing Act is distributed to all affected employees during training and orientation.
2. The parties have agreed that the Medical Review Officer (MRO), the SAP and the rehabilitation treatment program and facilities used for this purpose will be those designated by the respective employees health and welfare trusts and that employees referred to these services as a result of the application of this policy will be tracked separately and the charges billed directly to the City through the Risk/Safety Manager. The Risk/Safety Manager will be responsible for receiving all information related to the implementation of this policy and directing the applicable disciplinary action in coordination with the Labor Relations Manager.
3. An observer not subject to random testing under this policy, designated by one of the affected labor organizations, will be invited by the Manager of the Risk/Safety Division to be present at the time the random list is generated.
4. A Substance Dependency Advisory Committee shall be formed and meet at the request of any member to review the impact, modification or repeal of the Omnibus Transportation Employee Testing Act and make recommendations to the City Manager on all matters relevant to the implementation of this policy. Half of the members of said committee shall be appointed by the City and the other half shall be appointed by those recognized employee organizations subject either to the regulations promulgated by the Federal Transit Administration (FTA), or the Federal Highway Administration (FHWA).
5. Any disciplinary action taken by the City as a result of this policy will be subject to the applicable provisions of current MOU's, Administrative Orders, and FMC concerning representation and hearing appeals process. Among the factors to be considered in determining the appropriate disciplinary action include the level of the offense, the nature and requirements of the work, length of employment, current job performance, and history of past disciplinary action. Pursuant to the provisions of ~~FMC-4905~~ **3-605** (a)(5), the City reserves the exclusive right to determine the level of disciplinary action, utilizing the following guidelines:
 - a. An employee who registers an alcohol breath level between .02 and .039 as a result of a random test will be immediately removed from the safety sensitive position for a period of eight (8) hours (FTA) or twenty-four (24) hours (FHWA) and placed on administrative leave with pay for the duration of the affected scheduled shift. An employee thus removed, may

be subject to appropriate disciplinary action up to and including discharge for each such offense.

- b. An employee who registers an alcohol breath level of .04 or greater, or is determined to have a positive drug test as a result of reasonable suspicion, random selection, or post accident testing, may be referred to a SAP for evaluation. Any employee permitted to undergo rehabilitation treatment as a condition of continued employment, must complete the treatment modality/program recommended by the SAP prior to resuming a safety sensitive function and participate in any follow-up protocol recommended by the SAP. The period of absence to complete the rehabilitation program will be charged to any available sick leave, vacation, or leave without pay, at the employee's option. It is the employee's responsibility to authorize and direct the SAP/MRO to keep the City informed of the progress of treatment. An employee who fails to inform the City concerning the status of treatment, refuses to undergo recommended treatment, does not complete the recommended program and follow-up protocol, or refuses to return to work after being released from rehabilitation treatment, will be subject to disciplinary action up to and including discharge.
- c. An employee who registers an alcohol breath level of .04 or greater, or is determined to have a positive drug test as a result of random selection testing, may be subject to disciplinary action up to and including discharge. Employees who are members of FPOA will also be subject to the provisions of any applicable Department Standing Order, policy or procedure.
- d. An employee who registers an alcohol breath level of .02 or greater, or is determined to have a positive drug test as a result of reasonable cause, post accident testing, mandatory follow-up testing, or refuses to submit to a drug or alcohol test, may be subject to disciplinary action up to and including discharge.

Procedure for Random Testing

1. The Risk/Safety Manager selects a date and time for testing and requests the designated labor organization observer to attend. The date is usually selected 24 hours prior to the creation of the list of names for actual testing. In order to facilitate testing, the Risk/Safety Manager will notify the designated testing facility of the date and time of expected testing so that adequate staffing needs are met.
2. At the appointed time of list creation, the Risk/Safety Manager will request the designated labor organization observer to select a random number between 1-10.
3. Based upon the number selected, the computer will generate lists until that numbered list is reached. That list will be used for testing and all others will be

discarded. Both the Risk/Safety Manager and the observer will sign the selected list to verify its authenticity as being the list selected.

4. The Risk/Safety Manager will review the list and identify the physical location of all employees selected.
5. The Risk/Safety Manager contacts those departments/divisions which have effected employees and advises them that they have employees who require drug/alcohol testing.
6. The departments/divisions are responsible for notifying selected employees that they have been chosen for random testing. Selected employees for testing shall be subject to testing from the time the employee reports to work until the time he/she is relieved from work and all responsibility for performing work. Employees that are selected, but who are not reasonably expected to return to work before the next list is drawn shall not be tested.
7. Departments/divisions will notify the Risk/Safety Manager of the availability of selected employees. The Risk/Safety Manager will note this information and provide a notation in the file if an employee is bypassed.
8. The Risk/Safety Manager shall maintain a separate file for each date that testing is performed. The file shall contain the original list from which the names were used to identify employees to be tested.
9. The Risk/Safety Manager shall place a copy of the completed drug testing report into each corresponding file for that specific date of testing.
10. Upon receipt of information from the MRO that an employee has tested positive for drugs or alcohol, the Risk/Safety Manager shall advise the employee's department/divisions that the employee must be precluded from performing in a safety sensitive capacity.
11. The Risk/Safety Manager shall contact the SAP and shall advise the employee of a date and time for referral.
12. Upon receipt of the recommendation of the SAP, the Risk/Safety Manager shall confer with the employee, and the employee's representative if the employee so chooses and the department/division representative for the purpose of discussing the recommendation of the SAP, and whether a Last Chance Agreement will be considered. The purpose of the Last Chance Agreement would be to allow the employee to return to work (upon testing negative for drugs and alcohol) with the understanding that the recommendation of the SAP be completed and that any future positive test will result in termination without appeal. As required by federal law, employees who have tested positive and who have returned to work, will still be subject to random selection for testing and will be subject to six additional tests for drugs and alcohol during the subsequent year.

13. Reopener

If the City proposes to change the corresponding City-wide random drug and alcohol testing policy, the parties agree to a limited reopener on the MOU policy agreement between the City and the Union.

ARTICLE IX

HEADINGS, SAVING CLAUSE AND FULL UNDERSTANDING

A. HEADINGS

Agreement article, provision, and paragraph headings (includes exhibits, addendums, attachments, agreements and side letters) contained herein are solely for the purpose of convenience, and shall not affect the construction or interpretation of any of the language of this agreement.

B. SAVING CLAUSE

In the event any article, section, or portion of this Agreement should be held invalid and unenforceable in any court of competent jurisdiction, such decision shall apply only to the specific article, section, or portion thereof specified in the court's decision, and upon issuance of such a decision, the City and the Union agree immediately to meet and confer upon a substitute for the invalidated article, section, or portion thereof.

C. FULL UNDERSTANDING

It is intended that this Agreement sets forth the full and entire understanding of the parties, and any previous understanding or agreements by the parties, whether formal or informal, regarding any such matters are hereby superseded and terminated in their entirety. With respect to agreements, any not attached to this Agreement are hereby terminated in their entirety. Agreements attached to this Agreement shall continue in force subject to the terms contained therein, or in the absence of specified terms the agreements shall terminate upon the expiration of this Agreement. Any agreements entered into during the term of this Agreement shall continue in force subject to the terms and conditions set forth in each agreement. Further, neither party shall be bound by any promise or assurance that is not explicitly covered in this Agreement, or in an agreement signed by both parties.

ARTICLE X

TERMINATION

This Agreement shall be in full force and effect from July 1, ~~2007~~ **2012** to June 30, ~~2011~~ **2016** subject to the Sections (A., B., C. and D.) below.

- A. This Agreement shall become effective only after ratification by the members of this Unit, followed by City Council approval and the expiration of the waiting period for the Mayor's action provided in Charter Sections 605 and 609, and shall remain in full force and effect through June 30, ~~2011~~ **2016**.
- B. During the life of this Agreement, should either party desire to modify its terms or to meet and confer as to matters within the scope of representation not addressed in this Agreement, such party shall request in writing to meet and confer on the item, which item shall be specified in writing.
- C. During the life of this Agreement, either party may refuse any request to meet and confer without explanation if the item is directly considered and specifically addressed herein or if the specific item was included in a written proposal from the party making the request during the meet and confer process which led to this Agreement.
- D. If a Municipal Water District (MWD) is created, particular classes of City employees belonging to Unit 1 may be transferred to the MWD. Upon determining that the terms of this Agreement will be acknowledged by the MWD, the provisions of this MOU shall apply to those City employees transferred to the MWD during the first calendar year of MWD's official creation or June 30, ~~2011~~ **2016**, whichever comes first.

IN WITNESS WHEREOF, the parties hereto have set their hands this _____ day
of _____, 20_____.

**FOR THE INTERNATIONAL UNION OF
OPERATING ENGINEERS, STATIONARY
ENGINEERS, LOCAL 39:**

JERRY KALMAR
Manager, Secretary

TONY DEMARCO
President

MARINA MAGDALENO
Business Representative

GARY BERTSCH
Shop Steward

MARIANO CARO
Shop Steward

IRENE FRANK
Shop Steward

JOSEPH HILL
Shop Steward

JOHN MCLEESE
Shop Steward

DANIEL RUIZ
Shop Steward

MICHAEL SANCHEZ
Shop Steward

FOR THE CITY OF FRESNO:

KENNETH G. PHILLIPS
Labor Relations Manager/Chief Negotiator

LORI NAJERA,
Senior Human Resources Analyst

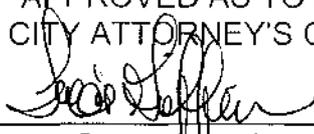
JERRY SCHUBER
Solid Waste Manager

JEFFREY BEATTY
Management Analyst III

SANDRA CHAVEZ MARTIN
Human Resources Manager

APPROVED AS TO FORM
CITY ATTORNEY'S OFFICE

BY:



Supervising Deputy

EXHIBIT I
Non-supervisory Blue Collar

Salaries Effective 7/01/11

CLASS TITLE	A	B	C	D	E
Airport Maintenance Leadworker	3393	3562	3741	3930	4123
Airports Building Maintenance Technician	3204	3365	3535	3710	3896
Airports Operations Specialist	3077	3233	3393	3562	3741
Automotive Parts Leadworker	3322	3489	3664	3847	4040
Automotive Parts Specialist	3015	3164	3322	3489	3664
Body & Fender Repairer	3854	4047	4250	4463	4685
Body & Fender Repairer Leadworker	4250	4463	4685	4920	5168
Body & Fender Repairer Trainee	3169	3329	3496	3669	3854
Brake & Front End Specialist	4250	4463	4685	4920	5168
Bus Air Conditioning Mechanic	3854	4047	4250	4463	4685
Bus Air Conditioning Mechanic Leadworker	4250	4463	4685	4920	5168
Bus Air Conditioning Mechanic Trainee	3169	3329	3496	3669	3854
Bus Equipment Attendant Leadworker	3042	3196	3358	3525	3701
Bus Mechanic I	3169	3329	3496	3669	3854
Bus Mechanic II	3854	4047	4250	4463	4685
Bus Mechanic Leadworker	4250	4463	4685	4920	5168
Collection System Maintenance Operator I	2656	2778	2905	3038	3181
Collection System Maintenance Operator II	3288	3451	3625	3804	3996
Collection System Maintenance Operator III	3625	3804	3996	4195	4407
Combination Welder II	3854	4047	4250	4463	4685
Combination Welder Leadworker	4250	4463	4685	4920	5168
Communications Technician I	3835	4026	4226	4436	4660
Communications Technician II	4226	4436	4660	4892	5138
Cross Connection Control Technician	3814	4007	4207	4419	4641
Custodian	2368	2477	2598	2716	2841
Electronic Equipment Installer	3085	3240	3402	3570	3751
Equipment Service Worker I	2459	2579	2710	2845	2985
Equipment Service Worker II	3219	3380	3549	3729	3915
Fire Equipment Mechanic I	3169	3329	3496	3669	3854
Fire Equipment Mechanic II	3854	4047	4250	4463	4685
Fire Equipment Mechanic Leadworker	4250	4463	4685	4920	5168
Heavy Equipment Mechanic I	3169	3329	3496	3669	3854
Heavy Equipment Mechanic II	3854	4047	4250	4463	4685
Heavy Equipment Mechanic Leadworker	4250	4463	4685	4920	5168
Heavy Equipment Operator	3854	4048	4252	4464	4686
Helicopter Mechanic	3854	4047	4250	4463	4685
Helicopter Mechanic Leadworker	4250	4463	4685	4920	5168

EXHIBIT I
Non-supervisory Blue Collar

Salaries Effective 7/01/11

Instrumentation Specialist	4296	4508	4734	4971	5222
Instrumentation Technician	3765	3953	4152	4359	4577
Irrigation Specialist	3317	3482	3658	3841	4033
Laborer	2656	2778	2905	3038	3181
Light Equipment Mechanic I	3169	3329	3496	3669	3854
Light Equipment Mechanic II	3854	4047	4250	4463	4685
Light Equipment Mechanic Leadworker	4250	4463	4685	4920	5168
Light Equipment Operator	3393	3562	3741	3930	4127
Locksmith	3204	3365	3535	3710	3896
Maintenance & Construction Worker	3077	3233	3393	3562	3741
Maintenance & Service Worker	2281	2395	2515	2643	2775
Maintenance Carpenter I	3526	3702	3888	4083	4288
Maintenance Carpenter II	3888	4083	4288	4503	4730
Mini Bus Operator	2508	2633	2766	2902	3046
Park Equipment Mechanic II	3496	3669	3854	4047	4250
Park Equipment Mechanic Leadworker	3854	4047	4250	4463	4685
Parking Meter Attendant I	2552	2680	2815	2954	3101
Parking Meter Attendant II	2815	2954	3101	3259	3422
Parking Meter Attendant III	3101	3259	3422	3592	3772
Parks Maintenance Worker I	2596	2727	2862	3007	3157
Parks Maintenance Worker II	3144	3301	3467	3639	3822
Parks Maintenance Leadworker	3317	3482	3658	3841	4033
Power Generation Operator/Mechanic	4180	4389	4608	4839	5082
Property Maintenance Worker I	2904	3054	3204	3365	3535
Property Maintenance Worker II	3302	3467	3641	3823	4013
Property Maintenance Leadworker	3535	3710	3896	4091	4297
Roofer	3204	3365	3535	3710	3896
Senior Communications Technician	4660	4892	5138	5396	5668
Senior Custodian	2493	2617	2747	2889	3031
Senior Heavy Equipment Operator	4743	4984	5231	5492	5769
Senior Waste Container Maintenance Worker	3454	3628	3810	4000	4202
Senior Wastewater Treatment Plant Operator	4397	4616	4848	5090	5345
Solid Waste Safety & Training Specialist	3657	3840	4034	4237	4448
Street Maintenance Leadworker	3393	3562	3741	3930	4127
Street Sweeper Lead Operator	3529	3705	3892	4085	4291
Street Sweeper Operator II	3200	3361	3529	3705	3892
Tire Maintenance & Repair Technician	3109	3264	3429	3600	3780
Tire Maintenance Worker	2847	2987	3139	3298	3462

**EXHIBIT I
Non-supervisory Blue Collar**

Salaries Effective 7/01/11

Traffic Maintenance Leadworker	3419	3590	3770	3959	4157
Traffic Maintenance Worker I	2819	2961	3108	3263	3429
Traffic Maintenance Worker II	3099	3254	3419	3590	3770
Tree Trimmer Leadworker	3562	3741	3930	4127	4333
Utility Leadworker	3082	3224	3379	3535	3701
Waste Collector II	2770	2906	3051	3205	3365
Waste Collector Leadworker	3205	3365	3534	3709	3897
Waste Container Maintenance Assistant	2711	2846	2986	3137	3297
Waste Container Maintenance Worker	3190	3348	3515	3692	3879
Wastewater Distributor	2739	2881	3023	3175	3334
Wastewater Lead Distributor	3262	3425	3596	3776	3965
Wastewater Treatment Plant Lead Mechanic	4180	4389	4608	4839	5082
Wastewater Treatment Plant Mechanic I	3097	3240	3387	3549	3720
Wastewater Treatment Plant Mechanic II	3900	4095	4300	4514	4740
Wastewater Treatment Plant Operator-In-Training	2739	2881	3023	3175	3334
Wastewater Treatment Plant Operator I	3375	3544	3722	3908	4102
Wastewater Treatment Plant Operator II	3788	3978	4180	4385	4607
Water System Operator I	3337	3505	3678	3862	4057
Water System Operator II	3701	3887	4080	4286	4501
Water System Operator III	4653	4887	5133	5388	5657

This page intentionally left blank.

Subject: Attendance Policy (Applicable to Local 39 Unit 1, FCEA Unit 3, IBEW Unit 7, FPOA Mgmt Unit 9, FAPOFA Unit 11, CFPEA Unit 13, CFMEA Unit 14, and Unrepresented)	Number: 2-19.1
	Date Issued: December 1, 2003 Date Revised:
Responsible Department: Personnel Services	Approved:

Purpose

To establish a Citywide attendance policy.¹

Policy & Procedures

²This policy is to be construed on a rolling 12-month period following the effective date. A primary requirement for continued employment is regular attendance. While the City recognizes some absences may be unavoidable, City departments and the employees have an obligation to the public that demands regular and prompt attendance.

Although it is recognized that excessive absenteeism is a proper reason for corrective/disciplinary action, up to and including termination of employment, it is the policy of the City to identify problem areas by keeping proper records, exploring avenues of available assistance, and encouraging compliance with attendance standards.

This attendance policy was developed to establish uniform guidelines to further efforts to provide service to the public, and is designed to be a no-fault program. The pervasive problems stemming from inordinate absences are the focus of this policy, not the nature of the absences.

Authorized leaves and statutorily protected leaves (e.g., Family and Medical Leave Act, California Family Rights Act, military leave, jury duty, subpoenas and court appearances, bereavement leave, vacation leave, FMC leave of absences, suspension, union business, etc.) are outside the scope of this attendance policy.

In the event of a serious illness or injury to the employee requiring the employee's absence during a future period of time, or a serious illness or injury to the employee's spouse, dependent minor children, or parents requiring the employee's absence during a future period of time, the applicable City department, the employee and applicable recognized bargaining unit may agree to a plan for the employee's absence(s) over a specified period

of time. If such plan is agreed upon, absences under such plan shall not be subject to this policy.

¹CFMEA - Unit 14 PURPOSE Reads: The purpose of this policy is to establish minimum guidelines governing an attendance policy for City employees. City department and division attendance policies that meet and/or exceed these minimum guidelines are considered to be consistent with the purpose of this policy.

²CFMEA - Unit 14 POLICY Begins: This is a Citywide policy; however, consult with applicable Memorandums of Understanding and/or department and division policies and procedures for modifications and/or exemptions to the application of this policy.

DEFINITIONS AND RULES - SECTION I:

1. Excluding the authorized and statutorily protected leaves discussed above, an absence or absenteeism is defined as any failure to show up for or remain at work as scheduled regardless of the reason. Any employee, who fails to show up for work or remain at work as scheduled, will be charged with an incident of absence under this policy.
 - (a) Approved leaves (i.e., scheduled leave time prearranged, approved, and authorized) shall not be considered an incident.
 - (b) A day or days of continuous absence due to illness shall be considered one incident.
 - (c) Employees who are absent for an indefinite period due to illness must keep their supervisor informed as to the status of their absence, including specifying any tentative return date if requested by their supervisor or designee. An employee on extended leave for any reason may be contacted by the applicable City department to schedule a return-to-work evaluation before returning to work.
2. Employees who call in advance to give notice they will be late, and report to work within one (1) hour will be charged with a tardy. However, failure to report to work within one (1) hour after their scheduled start time will result in the issuance of a second tardy. Two (2) tardies in any rolling 12-month period shall be equal to one (1) incident.
3. The City reserves the right to require an employee to report to work for the balance of the day on which tardiness occurs. Failure by the employee to report to or remain at work for the balance of the day as directed by a supervisor may be cause for disciplinary action.
4. Any employee who does not report to work in person or by telephone will be considered absent without leave, and subject to disciplinary action as provided in the applicable provisions of the Fresno Municipal Code, as the same may be amended from time-to-time.

DISCIPLINE LEVELS - SECTION II:

1. Excessive absenteeism by an employee shall subject said employee(s) to disciplinary action. Excessive absenteeism for purposes of this policy shall be defined as four (4) or more occurrences (i.e., incident) of absence within any consecutive 12-month period beginning with the effective date of this policy. The 12-month period referred to in this policy shall mean a "rolling" 12-month period.
2. The disciplinary levels under this policy are noted in the table below.

Incident	Level for FCEA Unit 3, IBEW Unit 7, FPOA Mgmt Unit 9 (Non-exempt), FAPOFA Unit 11, CFPEA Unit 13 (Non-exempt), CFMEA Unit 14 (Non-exempt), Unrepresented (Non-exempt)	Level for Local 39 Unit 1
4th	Verbal Warning	Verbal Warning
5th	Letter of Understanding	Letter of Understanding
6th	Written Reprimand	Written Reprimand
7th	\$100 Fine	2 Working Days Suspension
8th	\$300 Fine & 6 month prohibition on working overtime, if non-exempt, unless overtime is management directed	5 Working Days Suspension
9th	10 Working Days Suspension	10 Working Days Suspension
10th	Termination	Termination

The City reserves the right to deviate from this table of progressive disciplinary levels under mitigating circumstances. An example of a mitigating circumstance is a case where an employee with an otherwise exemplary prior history of good attendance (three [3] to five [5] years) experiences an unexpected problem, which causes inordinate temporary absenteeism, or whenever there is a pattern of abuse of time off.

- For every 90-calendar-day period, an employee who has perfect attendance shall have his or her number of incidents reduced by one (1). The incident to be removed shall be the oldest in the rolling 12-month review period.

EXEMPT EMPLOYEES (UNREPRESENTED AND REPRESENTED):

The application of this policy to unrepresented and represented exempt employees should be consistent with Federal Fair Labor Standards Act (FLSA) regulations and applied under the direction of the Department Director in consultation with Labor Relations.

Under the FLSA, exempt employees may not be suspended for a period of less than one week. In addition, fines are not a permissible form of discipline for exempt employees. Therefore, suspensions for exempt employees must be done in full weekly increments.

This page intentionally left blank.

MEMORANDUM OF UNDERSTANDING

BETWEEN AND FOR

THE CITY OF FRESNO

AND

**INTERNATIONAL UNION OF OPERATING ENGINEERS,
STATIONARY ENGINEERS, LOCAL 39**

(Non-Supervisory Blue Collar - Unit 1)

FISCAL YEARS

July 1, 2012 – June 30, 2016

This page intentionally left blank.

TABLE OF CONTENTS

Page

ARTICLE I – PREAMBLE 1

 A. Purpose 1

 B. Definitions..... 1

 C. Governing Laws 1

ARTICLE II - EMPLOYEE RIGHTS 2

 A. Nondiscrimination..... 2

 B. Representation Rights..... 2

ARTICLE III - CITY RIGHTS..... 3

 A. General..... 3

ARTICLE IV - RECOGNITION 4

 A. Unit Recognition 4

 B. Recognition of Unit Description 4

 C. Authorized Agents 4

 D. Recognition of Mutual Obligation..... 5

 E. Lockout and Strike..... 5

 F. Exchange of Information..... 5

 G. Union Bulletin Boards 5

 H. Notice of Request of Leave to Attend Meet and Confer Sessions..... 6

 I. Access to City Facilities..... 6

ARTICLE V - SCOPE OF REPRESENTATION AND GRIEVANCES 7

 A. General..... 7

 B. Grievances 7

 C. Use of Hearing Officer in Disciplinary Actions Initiated by City 11

ARTICLE VI - DUES DEDUCTION 12

 A. General..... 12

 B. Exceptions to Dues Deduction Authorization Card 13

 C. Dues Deduction Check..... 13

 D. Dues Check-Off..... 14

ARTICLE VII - COMPENSATION AND BENEFITS	15
A. General.....	15
B. Salaries	15
C. Bonus Pay.....	16
D. Overtime (Call Back/Telephone Calls).....	16
E. Compensatory Time Off (CTO)	18
F. Premium Pay.....	19
1. P.M. Hours Premium Pay	19
2. Height Work.....	19
3. Standby Pay	19
4. Hazardous Confined Space Pay.....	20
5. Surface Water Treatment Facility	20
6. Certificates.....	20
a. Body and Fender	20
b. Mechanic	20
(1) Blue Seal of Excellence Recognition.....	20
c. Air Conditioning Mechanic	21
d. Helicopter Mechanic	21
e. Instrumentation Specialist.....	21
f. Collection System Maintenance Operator II/III.....	22
g. Traffic Maintenance	22
h. Wastewater * * * Mechanical Series	22
i. Wastewater Treatment Plant Operator I/II/Senior	22
j. Wastewater Treatment Operator & Water Distribution Certificates.....	23
k. Crane Operator	23
l. Park Maintenance Leadworkers	24
m. Backflow Prevention Assembly Tester Certificate	24
7. Camp Fresno Meals	24
8. Temporary Assignment to Perform Duties of Absent Employees (Acting Pay)	24
9. Temporary Assignment Pay.....	26
10. Bilingual Certification Program.....	26
G. Health and Welfare.....	28
[§ deleted]	
1. Health Insurance - City Health Plan - Employee Options	28
2. Other Insurance Contribution (Opt Out Benefit)	28
H. Leaves.....	29
1. Holidays.....	29
2. Sick Leave (Accrual, Payout, Family Sick Leave).....	29
3. Vacation Leave	31
I. State Disability Insurance (SDI).....	32
J. Health Reimbursement Arrangement (HRA)	35
K. Uniforms.....	36
L. Parking Rates.....	36

M.	Workers' Compensation	36
N.	Hours of Work and Schedules.....	36
	1. General.....	36
	2. Daylight Savings Hours	37
	3. Alternate Work Schedules	37
O.	Personnel Matters	39
	1. Personnel Files.....	39
	2. Employee Performance Evaluations.....	39
	3. Transfer * * *	40
	3. Flexible Staffing	40
	4. Suspension of Competition.....	40
	5. Layoffs.....	41
	6. Seniority.....	44
	7. In Lieu Suspension for Disciplinary Action.....	45
	8. Labor-Management Committees (LMC's).....	45
	9. Contracting Out.....	46
	10. Classification Matters.....	47
	11. Americans with Disabilities Act (ADA), Family Medical Leave Act, California Family Rights ACT (CFRA), Occupational Safety and Health Act (OSHA/CalOSHA) and Workplace Violence	47
P.	Jury Duty and Court Appearances	47
	1. Jury Duty.....	47
	2. Court Appearances.....	48
	[§ deleted]	
Q.	Driver's License Policy	49
R.	Special Rules for the Solid Waste Management Division.....	49
	1. * * * Work * * *	49
	2. Routes and Quality Control.....	50
	3. Vacation Selection	50
	[§ deleted]	
	4. Route Assignment Selection.....	50
	5. Attendance in Residential Solid Waste	52
	6. Modification of Special Rules.....	54
S.	Wastewater Management Division	54
T.	Class and Compensation Study	56
	[§ deleted]	
ARTICLE VIII - FEDERAL DRUG POLICY (FEDERAL OMNIBUS TRANSPORTATION EMPLOYEE TESTING ACT)		57
ARTICLE IX - HEADINGS, SAVING CLAUSE AND FULL UNDERSTANDING		61
A.	Headings	61
B.	Saving Clause	61
C.	Full Understanding	61

ARTICLE X - TERMINATION 62

Signature Page 63

Exhibit I - Salaries 64

Addendum I - Attendance Policy..... 67

<u>LEGEND</u>	
***	= deleted old language
[\$ deleted]	= section/subsection deleted
[\$§ deleted]	= two or more sections/subsections deleted
bold type	= new language

ARTICLE I

PREAMBLE

A. PURPOSE

This Memorandum of Understanding and/or Collective Bargaining Agreement, hereinafter referred to as Agreement, entered into by and between the City of Fresno, hereinafter referred to as the City, and the International Union of Operating Engineers, Stationary Engineers Local 39, hereinafter referred to as the Union, has as its purpose: the establishment of an equitable and peaceful procedure for the resolution of differences, and the establishment of rates of pay, hours of work, and other terms and conditions of employment, and the rendering of more efficient, progressive service to the public. **Any provisions in this MOU which are new or modified from the terms of the previous MOU are effective May 19, 2014 unless otherwise stated in this MOU.**

B. DEFINITIONS

Unless the particular provision or the context otherwise requires, and, except to the extent that a particular word or phrase is otherwise specifically defined in this Agreement, the definitions and provisions contained in * * * of Chapter * * * 3, Sections * * * 3-101, * * * 3-201, 3-202, * * * 3-501, and * * * 3-601 of the Fresno Municipal Code, hereinafter FMC, shall govern the construction, meaning, and application of words and phrases used herein. The definition of each word or phrase shall constitute, to the extent applicable, the definition of each word or phrase which is derivative from it, or from which it is a derivative, as the case may be.

C. GOVERNING LAWS

The legal relationship between the City and its employees, and the City and the Union is governed by Government Code Section 3500 et seq. (commonly known as the Meyers-Milias-Brown Act), applicable Regulations of the Public Employment Relations Board (PERB) and Article * * * 6 of Chapter * * * 3 of the FMC. In the event of any conflict between said laws and this Agreement, said laws shall govern.

ARTICLE II

EMPLOYEE RIGHTS

A. NONDISCRIMINATION

The provisions of this Agreement shall apply equally to and be exercised by all employees consistent with state and federal nondiscrimination statutes and in City policies.

B. REPRESENTATION RIGHTS

The Union and the City agree that all employees in the Non-Supervisory Blue Collar Unit are guaranteed their rights as described in the Meyers-Milias-Brown Act.

ARTICLE III

CITY RIGHTS

A. GENERAL

1. It is understood and agreed that the City of Fresno reserves and retains all its inherent managerial rights, powers, functions and authorities. The exclusive rights of the City include, but are not limited to, the right to:
 - a. determine the mission of its constituent departments, divisions, commissions, and boards;
 - b. set standards of service and municipal fees and charges;
 - c. determine the procedures and standards of selection for employment, assignment, transfer, and promotion;
 - d. direct its employees;
 - e. take disciplinary action;
 - f. relieve its employees from duty because of lack of work or for other legitimate reasons;
 - g. maintain the efficiency of governmental operations;
 - h. determine the methods, means, and personnel by which government operations are to be conducted;
 - i. determine the content of job classifications;
 - j. take all necessary actions to carry out its mission in emergencies;
 - k. exercise complete control and discretion over its organization and the technology of performing its work.
2. Nothing in this Agreement shall be construed as delegating to others the authority conferred by law on the City, or in any way abridging or reducing such authority.
3. All City rights formerly or presently claimed by or vested in the City on the effective date of this Agreement, even though not specifically set forth in Section A above, are retained by the City unless clearly and explicitly modified or restricted in this Agreement; provided, that notwithstanding any provisions of this Agreement, no City right shall be deemed waived, modified, or restricted unless such waiver, modification or restriction is explicitly and specifically approved by the Council.

This page intentionally left blank.

ARTICLE IV

RECOGNITION

A. UNIT RECOGNITION

1. The City acknowledges the Union as the recognized employee organization representing the Unit, and therefore, agrees to meet and confer in good faith promptly upon request by the Union and continue for a reasonable period of time in order to exchange freely information, opinions, and proposals, and to make every reasonable effort to reach agreement on a successor Agreement at least one week prior to the last regular Council meeting at which the City budget must be adopted for the ensuing fiscal year. In order that the meet and confer process may include adequate time for full consideration of the proposals of both parties and for resolution of any impasse, the City shall accept proposals from the Union as early as * * * **October 1** of the year **prior to expiration of the MOU** * * *.
2. There shall be no more than one revocation of representation election during the term of this Agreement.

B. RECOGNITION OF UNIT DESCRIPTION

The Non-Supervisory Blue Collar Unit consists of all employees holding a permanent full-time position, as defined in FMC Section * * * **3-202** (p) (4), in one of the classes listed in Exhibit 1 of any current salary resolution, or in such other class as may be added to the Unit in the manner designated in the FMC.

C. AUTHORIZED AGENTS

For purposes of administering the terms and provisions of this Agreement:

1. The City's principal authorized agent shall be the City Manager or duly authorized representative as provided for under FMC Section * * * **3-615** (address: 2600 Fresno Street, Fresno, California 93721).
2. The Unit's principal authorized agent shall be the Business Manager of Local 39 or duly authorized representative (address: 337 Valencia Street, San Francisco, California 94103; telephone: (415) 861-1135). Local 39 recognizes FMC Section * * * **3-615** and pursuant to such, agrees to meet and confer in good faith promptly upon reasonable request by the City and to continue every reasonable effort to reach agreement on matters within the scope of representation at least one week prior to the last regular

Council meeting at which the City budget must be adopted for the ensuing fiscal year.

D. RECOGNITION OF MUTUAL OBLIGATION

The Union and the City recognize and acknowledge their mutual obligation and responsibility to effectuate the purposes set forth herein, and to adhere in good faith to the terms and conditions set forth in this Agreement.

E. LOCKOUT AND STRIKE

1. No lockout of employees shall be instituted by the City during the term of this Agreement.
2. No unlawful strikes or work stoppages by City employees, as defined in Section * * * **3-624** of the FMC, shall be caused, instigated, encouraged, condoned, participated in, or honored by the Union or its members during the term of this Agreement.

F. EXCHANGE OF INFORMATION

Union Stewards - A written list of the Officers of Union and the Union Stewards with the specific areas they represent shall be furnished to the City immediately after their designation and the Union shall notify the City promptly in writing of any changes of such Union Officers or Stewards.

City Information - On a regular basis, the City shall provide to the Union a copy of amendments to the Administrative Order manual, new and amended salary resolutions, new and amended position authorization resolutions, job bulletins for classes in this Unit, and copies of new and revised class specifications prior to promulgation, of which such class specification copies shall serve as notice to the Union relative to effects bargaining.

G. UNION BULLETIN BOARDS

The Union may use bulletin boards designated by the City to post materials related to Union business (political advertisements shall not be considered Union material). Any materials posted must be dated, initialed by the Union representative responsible for the posting, and a copy of all materials posted must be distributed to the department head or designee at the time of posting. The Union agrees that nothing libelous, obscene, defamatory, or of a partisan political nature shall be posted.

H. NOTICE FOR REQUEST OF LEAVE TO ATTEND MEET AND CONFER SESSIONS

The Union shall provide the City not less than two days prior notice when requesting leave with or without pay to attend meet and confer sessions. When two day's notice cannot be provided, notice shall be provided as soon as possible. This Section shall not be interpreted to require the City to grant any such leave, but instead is intended to provide prior notice of requests for leave, so that the City may attempt to allow such leave with a minimum of interruption of schedules and operations.

I. ACCESS TO CITY FACILITIES

Access to City facilities shall be governed by the provisions of FMC * * * **3-622**, as the same may be amended from time to time.

This page intentionally left blank.

ARTICLE V

SCOPE OF REPRESENTATION AND GRIEVANCES

A. GENERAL

1. "Scope of Representation" means all matters relating to employer-employee relations, including, but not limited to wages, hours, and other terms and conditions of employment. Employee rights, as set forth in FMC Section * * * **3-604**, and City rights, as set forth in FMC Section * * * **3-605**, are excluded from the scope of representation.
2. The Union is the exclusive representative of all employees holding a permanent position within those classes in the Unit.
3. The Union shall accord fair representation in all matters to all employees in the Unit without regard to whether the particular employee is a member of the Unit. The duty of fair representation shall include but not be limited to all matters related to collective bargaining, discipline, contract administration, and grievance processing. Employees covered by this Agreement shall have all rights specified in Government Code Section 3502.5(b).
4. Upon request by the Union, and due to extraordinary circumstances specified in such request, a department director, or such other persons whom the department director shall designate, shall allow reasonable access by Union officers or their officially designated representatives for a limited time to job sites for the purposes of processing grievances or conducting business within the scope of representation, except as access is requested for purposes which are precluded by the last sentence of FMC Section * * * **3-622**. Except as the granting of such requests shall unreasonably interfere with departmental operations or established safety or security requirements, such requests shall be granted.

B. GRIEVANCES

1. A grievance is a dispute concerning the interpretation or application of any existing City policy, practice, written rule or regulation governing personnel practices or working conditions, including this Agreement. A grievance involves the claimed misapplication or misinterpretation of a rule or regulation relating to an existing right or duty; it does not relate to the establishment or abolishment of a right or duty. This procedure shall not apply to any dispute for which there is another established resolution procedure, including but not limited to, appeal to the Civil Service Board,

Retirement Board, unfair employer-employee relations charge, fact-finding procedure, or as outlined below.

Grievances regarding probationary demotions/terminations and disciplinary actions excluded from the Civil Service Board process, shall not proceed past Step 2 of the Grievance Procedure.

2. A written grievance must set forth the rule, regulation, policy, or practice claimed to have been violated, describe the specific incident or circumstances of the alleged violation, and specify the remedy sought or it will be returned to the grievant for appropriate completion. Any dispute between the parties as to the grievability of an issue or as to whether the requirements of this procedure have been met shall be presented to the Grievance Advisory Committee (GAC), or to an arbitrator if arbitration has been elected under Step 3 below. The Committee or arbitrator shall rule on the dispute before proceeding with the hearing. The Committee or arbitrator will be bound by the agreement of the parties regarding timeliness unless the parties have mutually agreed to waive time lines.
3. Union Officers and Stewards designated under Article IV, Section F of this Agreement shall be excused without loss of compensation from their regular duties for such time as is necessary to attend and represent the grievant at grievance hearings, beginning at the first level of the procedure.
4. The procedure and sequence in filing and processing a grievance shall be as follows:

Step One - Filing the Grievance

The grievant and/or Union representative shall discuss the grievance with the grievant's immediate supervisor or designee before a written grievance may be filed.

- a. If the grievance is not settled through this discussion a written grievance may be filed with the grievant's immediate supervisor or designee. A written grievance must be filed, with a copy being sent to the Union and Labor Relations Division, within twenty-one (21) calendar days from the time the grievant becomes aware or should have become aware of the issue or incident giving rise to the problem.
- b. Upon receipt of a written grievance, the immediate supervisor or designee shall give the grievant a written reply within fourteen (14) calendar days.

Step Two - Department Head Review

Should the grievant not be satisfied with the answer received from grievant's immediate supervisor or designee, the grievant may within fourteen (14) calendar days file an appeal to the department head or designee. The department head or designee shall have twenty-one (21) calendar days after receipt of the appeal to review the matter, investigate and provide a written answer to the appeal explaining clearly the decision or proposed action and reasons thereof. The department head or designee may confer with the grievant and appropriate supervisors in an attempt to bring about a mutually acceptable solution.

Step Three - Mediation/GAC/Binding Arbitration

- a. Only the Union can move a grievance to Step Three.
- b. If the grievant is not satisfied with the decision of the department head or designee, the Union may, within fourteen (14) calendar days after receipt of the written reply, file a request for a review of the department head's or designee's decision to the Grievance Advisory Committee or through binding arbitration as outlined in Subsection e. below.
- c. The City and the Union may mutually agree to waive steps one (1) and two (2) and proceed directly to hearing by the Grievance Advisory Committee or binding arbitration when the issue is one over which the grievant's supervisor or designee, or department head or designee has no jurisdiction.
- d. The City and the Union may agree to seek resolution of the grievance through mediation using the services of the State Mediation and Conciliation Service, prior to hearing by the Grievance Advisory Committee or binding arbitration. Time limits for processing of the grievance are automatically extended for as long as mediation is in process.
- e. * * * **The** Union shall be limited to two (2) requests for binding arbitration per fiscal year on a grievance that involves a dispute concerning the interpretation or application of an existing City policy, practice, written rule or regulation. There shall be no limitation on requests for binding arbitration dealing with MOU interpretation or application. Any request for binding arbitration that does not meet the requirements of this Subsection shall not be processed, and such grievance concludes at Step One above.

The arbitrator shall hold a hearing on the issue or issues submitted, or as determined by the arbitrator if the parties have not mutually agreed upon the issues, or issues, and render a written decision and reasons for the opinion within thirty (30) calendar days following the closing of the arbitration hearing, unless the period has been mutually extended in writing by all parties. The decision shall be sent to the Labor Relations Division and to the Union. The arbitrator's decision shall be final and binding.

- f. The Grievance Advisory Committee (GAC) shall be comprised of three (3) members: one selected by the Grievant, one selected by the City and the chairperson. The GAC chairperson or arbitrator may be chosen either by mutual agreement of the Union and the City, or by the "strike" method from a list of neutrals provided by the State Mediation and Conciliation Service. If the GAC chairperson is selected by the strike method from the list of neutrals provided by the State Mediation and Conciliation Service, then the GAC shall be comprised exclusively of the selected neutral. The City and the Union shall select a chairperson or arbitrator within fourteen (14) calendar days of the receipt of a grievance requesting review by a Grievance Advisory Committee by the Labor Relations Division or upon receipt of the list of neutrals from State Mediation and Conciliation Service.

Fees and expenses of the chairperson or arbitrator shall be paid half by the City and half by the Union, provided, however, that the GAC or arbitrator may recommend that the City or the Union, pay the total of such fees and expenses should it find that, but for the unreasonableness of that party's posture, the convening of the Committee or arbitration would not have been necessary.

- g. From the date a grievance, otherwise meeting all criteria for the filing and processing of a grievance, reaches the Labor Relations Division, the Grievance Advisory Committee will attempt to convene within thirty (30) calendar days in order to hear the grievance.
- h. All time limits herein may be extended by mutual agreement of the parties. The parties agree that if a time limit for filing a grievance, grievance appeal, or response ends on a Saturday, Sunday, or holiday as listed in this Agreement, the time limits shall be extended to the next regular business day.
- i. The Grievance Advisory Committee shall talk to the employees and the supervisor involved to set forth in writing the facts of the particular situation as objectively as possible and recommend a

solution to the City Manager or designee within thirty (30) calendar days of its last meeting.

- j. If the grievance has been submitted to a GAC, the City Manager or designee shall review the decision of the department head or designee and recommendations of the Grievance Advisory Committee and shall render a written decision to the grievant within twenty-one (21) calendar days after receipt from the Grievance Advisory Committee.
- k. Failure of the grievant to file an appeal within the specified time limit for any but the first step of the procedure shall constitute an abandonment of the grievance process. Failure of the responsible supervisor or official of the City to render a decision within the specified time limit established by this procedure shall automatically move the grievance to the next higher level for action, without any further action required of the grievant.

C. USE OF HEARING OFFICER IN DISCIPLINARY ACTIONS INITIATED BY CITY

Use of a hearing officer in disciplinary actions shall be in accordance with FMC Section * * * **3-283**.

This page intentionally left blank.

ARTICLE VI

DUES DEDUCTION

A. GENERAL

1. The City shall deduct the dues or benefit premiums, or both, upon proper authorization by an employee in the Unit.
2. If an employee in the Unit desires the City to deduct dues or benefit premiums from the employee's paycheck, a deduction authorization shall be made upon a Dues Deduction Authorization Card in the form specified in FMC Section * * * **3-620**.
3. Pursuant to and in accordance with Section 3502.5 of the Government Code and all the provisions therein, the City and the Union agree that on and after the effective date of ratification of this Agreement by the Union and approval by the City Council, all employees newly hired into a position in a class in this Unit shall be required as a condition of continued employment to join the Union or pay an agency shop fee in lieu thereof in the amount of the standard initiation fee, periodic dues, and general assessments of the Union. The Union shall neither require a nonmember of the Union to make any payment to the Committee on Political Action (COPE), nor shall the Union include as a part of the agency shop fee an amount to be used for political purposes.
4. In the event an employee covered hereunder does not authorize deduction of either Union dues or an agency shop fee from the employee's paycheck and does not make such payment directly to the Union, the Union shall provide a certification, signed by the Union President, to the City of such failure. Prior to such certification, the Union shall notify the employee of its intent to provide certification to the City, and give the employee an opportunity to respond. Certification shall be on a form provided to the City. Such failure by an employee shall constitute grounds for termination by the appointing authority.
5. Exceptions to Subsections 3 and 4 above shall be as provided in Section 3502.5(c) of the Government Code. An employee claiming exemption shall provide proof satisfactory to the City of such exemption, and shall contribute an amount equal to the agency shop fee to the United Way, CHAD, or the Red Cross. Proof of such contribution shall be required monthly. These provisions may be rescinded pursuant to the procedures provided in Government Code Section 3502.5(b).

6. Any disputes regarding the interpretation of this Section shall be resolved through the grievance procedure unless another established appeal procedure exists.

B. EXCEPTIONS TO DUES DEDUCTION AUTHORIZATION CARD

The member's earnings must be sufficient after other legal and required deductions are made to cover the amount of the dues deduction authorized. When a member is in a non-pay status for an entire pay period, no dues deduction shall be made from future earnings to cover that pay period, nor may the member be required to deposit, nor may the member deposit with the City Controller, the amount which would have been deducted if the member had been in a pay status during that period. In the case of a member who is in a non-pay status during only a part of the pay period and whose salary is insufficient to cover other legal and required deductions, no dues deduction or deposit shall be made.

C. DUES DEDUCTION CHECK

1. The deduction check covering all such deductions shall be transmitted to:

Stationary Engineers, Local 39
4644 W. Jacquelyn Ave. * * *
Fresno, California * * * **93722**

Should the Union elect to have the deduction check transmitted to an address other than that set forth hereinabove, the Union shall so indicate by written notice delivered to the Accounting Division, Payroll, of the Department of Finance of the City. A copy of such notice shall also be delivered by the Union to the Labor Relations Division of the City. The City shall transmit the deduction check to the address specified in the notice, provided notice is received as provided above not less than fourteen (14) days prior to a scheduled transmittal.

2. The deduction check shall be made in favor of:

Stationary Engineers, Local 39

3. A deduction check will be transmitted at least monthly.
4. The City agrees to provide the Union with an electronic file that shows the total amount authorized for deduction from each member's check.
5. The City shall deduct, as part of dues deduction for those employees who voluntarily elect such additional deduction, an amount designated for the

PEOPLE Fund and shall account for such additional deductions separately when each check is mailed to the Union.

D. DUES CHECK-OFF

Rules governing dues check-off are set forth in FMC Section * * * **3-620**, as amended in accordance with Article VI, Section A, Subsection 3.

This page intentionally left blank.

ARTICLE VII

COMPENSATION AND BENEFITS

A. GENERAL

All economic benefits, provided by Council ordinance or formal Council resolution and not otherwise clearly and explicitly modified or restricted in this Agreement, shall be continued without alteration during the term of this Agreement.

B. SALARIES

[§§ deleted]

Effective May 19, 2014, and ending December 13, 2015, employees in Unit 1 shall make an additional contribution equal to four percent (4%) of their pensionable compensation to the City of Fresno Employees Retirement System, reducing the City contribution by a corresponding amount. In accordance with Internal Revenue Code Section 414(h)(2) and related guidance, the City shall pick-up and pay the contribution by salary reduction in accordance with this provision to the City of Fresno Employees Retirement System. The employee shall have no option to receive the four percent (4%) contribution in cash. The four percent (4%) contribution paid by the employee will not be credited to an employee's accumulated contribution account, nor will it be deposited into a member's Deferred Retirement Option Program ("DROP") account.

Effective the last pay period in December 2015, starting December 14, 2015, through the last pay period in June 2016, ending June 26, 2016, employees in Unit 1 shall make an additional contribution equal to two percent (2%), as opposed to four percent (4%), of their pensionable compensation to the City of Fresno Employees Retirement System, reducing the City contribution by a corresponding amount. In accordance with Internal Revenue Code Section 414(h)(2) and related guidance, the City shall pick-up and pay the contribution by salary reduction in accordance with this provision to the City of Fresno Employees Retirement System. The employee shall have no option to receive the two percent (2%) contribution in cash. The two percent (2%) contribution paid by the employee will not be credited to an employee's accumulated contribution account, nor will it be deposited into a member's Deferred Retirement Option Program ("DROP") account.

C. BONUS PAY

The parties agree to meet and confer during the term of this MOU to discuss bonus pay for performance plans for employees of this Unit. Any implementation of a bonus plan(s) shall be by mutual agreement of the parties.

D. OVERTIME

1. All authorized actual time worked over eight (8) hours (or over ten (10) hours in the case of an employee working a 4/10 program), or over forty (40) hours in any workweek or any authorized actual time worked on a regularly scheduled day off will be compensated at the applicable overtime rate. If an employee is required to work during the employee's meal period, with the approval of the employee's supervisor, and if no alternate meal period is taken, said time shall be compensated at the applicable overtime hourly rate of pay if the time worked exceeds that of the employee's normal schedule/shift.
2. Call Back - Employees called back into work without prior notice and after they have left the assigned work area for the day, shall receive pay for a minimum of two (2) hours at the applicable overtime rate commencing from the time the employee receives the call and ending when the employee returns home, except that the employee shall be paid for a maximum of one-half (1/2) hour of travel time each way, unless such call-in precedes an employee's scheduled shift.
3. Telephone Calls – Employees who are called at home to assist with City work that must be accomplished, but are not called to a worksite, shall receive a minimum of twelve (12) minutes of pay for each such call. Calls such as attempts to locate the employee or provide information on changes in work schedules are not compensable for the purpose of this provision.
4. There shall be no pyramiding or duplication of overtime or premium rates.
5. In clarification of the above, it is the policy of the City that overtime work is to be discouraged. However, in case of emergency or whenever the public interest requires, the Chief Administrative Officer, or any department head or designee with respect to any employee in the department head's or designee's department, may require an employee to perform overtime work. No employee shall be entitled to compensation or compensating time off for overtime work unless such overtime work is approved as provided in this Agreement.

6. Excluding holidays, all employees shall be compensated for approved overtime work by additional pay as follows (refer to Article VII, Section H Subsection 1. for holiday overtime compensation):

- a. Work performed in excess of eight hours on a regular workday and work performed on * * * **the employee's first regular** day off but not a holiday shall be compensated at one and one-half times the applicable hourly rate.
- b. Work performed on * * * **the employee's second** regular day off shall be compensated ~~for~~ at twice the applicable hourly rate.

[§ deleted]

- c. The provisions of Subsections 6.a. through 6.**b.** * * * above shall not apply to any employee who works a regularly scheduled workday of ten hours during a regularly scheduled workweek of four days.
- d. Overtime shall * * * be credited **in** * * * units of * * * one-tenth of an hour * * *.
- e. All employees who work a regularly scheduled workday of ten hours during a regularly scheduled workweek of four days shall be compensated for approved overtime work by additional pay as follows:
 - (1) Work performed in excess of ten hours in one day or on either or both of the first two scheduled days off in a workweek shall be compensated at one and one-half times the applicable hourly rate.
 - (2) Work performed on the third scheduled day off in a workweek, shall be compensated at two times the applicable hourly rate.
- f. Employees who wish to work voluntary overtime shall submit a request in writing to their supervisor. Departments shall endeavor to distribute overtime work as equally as practicable within a work unit, with the understanding that many factors, such as expertise, job location, employee availability, etc. can and will influence overtime assignments.
- g. The City shall not adjust a regular workweek schedule during said workweek to avoid the payment of overtime.

- h. Overtime shall not be credited for units of overtime less than one-tenth of an hour, and fractional units of overtime less than one-tenth of an hour shall not accumulate.
- i. All employees who work a regularly scheduled workday of ten hours during a regularly scheduled workweek of four days shall be compensated for approved overtime work by additional pay as follows:
 - (1) Work performed in excess of ten hours in one day or on either or both of the first two scheduled days off in a workweek shall be compensated at one and one-half times the applicable hourly rate.
 - (2) Work performed on the third scheduled day off in a workweek, shall be compensated at two times the applicable hourly rate.
- j. Employees who wish to work voluntary overtime shall submit a request in writing to their supervisor. Departments shall endeavor to distribute overtime work as equally as practicable within a work unit, with the understanding that many factors, such as expertise, job location, employee availability, etc. can and will influence overtime assignments.
- k. The City shall not adjust a regular workweek schedule during said workweek to avoid the payment of overtime.
- l. **These provisions may be modified for Waste Collector Leadworkers in Accordance with Article VII., R. 6.**

E. COMPENSATORY TIME OFF (CTO)

- 1. Effective with City Council approval of this MOU, an employee has the option to accrue CTO in lieu of cash payment for overtime hours worked for the first * * * **twenty (20)** hours of overtime worked in a fiscal year. At management's discretion, an employee may accrue additional CTO in lieu of cash for overtime hours worked subject to the limitations noted below. CTO may only be used for time off and may not be cashed out except upon separation from employment. However, in the last pay period of each fiscal year, any unused CTO which is not carried over to the next fiscal year pursuant to Subsection 2. below, will be cashed out by the City at the employee's base rate of pay.
- 2. The employee may accrue a CTO balance not to exceed * * * **eighty (80)** hours. Employees may carry over a maximum of * * * **forty (40)** hours of

their CTO balance to the next fiscal year. A request for carry over of hours, including the number of hours to be carried over, must be submitted in writing to the department/division no later than May 30 of each year.

3. Employees who have reached the maximum accrual (* * * **80** hours) shall be given cash payment for additional overtime hours worked until such balance has been reduced below the maximum allowable amount of * * * **eighty (80)** hours.
4. CTO shall be accumulated at the applicable straight time, time and one-half, or double time rate for the time worked.
5. The use of accumulated CTO shall be requested, and subject to approval, the same manner as is vacation.

F. PREMIUM PAY

1. P.M. Hours Premium Pay:

If one-half (½) or more of an employee's regularly scheduled shift hours fall between the hours of 5:00 p.m. and midnight, the night shift premium pay will be \$1.25 per hour for all actual hours worked that shift. If one-half (½) or more of an employee's regularly scheduled shift hours fall between the hours of midnight and 8:00 a.m., the night shift premium pay will be \$1.75 per hour for all actual hours worked that shift.

2. Height Work:

Employees on specific assignment from management, working on poles, towers other than a tower erection, or trees at a height of 50 feet or more shall receive double their base rate of pay for all actual hours worked at such heights.

3. Standby Pay:

Employees may be assigned standby duty on a rotating basis at the discretion of management. An employee assigned standby duty will be required to carry a pager or City cell phone and shall refrain from consuming alcohol or taking any substance which may impair the employee's ability to perform all required duties. Employees on standby duty are required to respond, and shall report to the work site within one hour of being paged or called. * * * **Standby** pay shall be * * * \$1.45 per hour.

Time spent on standby duty shall not be considered hours worked* * *. In the event an employee on standby duty is required, and does report to the work site after leaving the assigned work area for the day, the employee will be compensated as provided in Article VII, Section D., Subsection 2. of this Agreement. In the event an employee on standby duty responds to a telephone call regarding City work, but does not report to the work site, the employee shall be compensated as provided in Article VII, Section D., Subsection 3. of this Agreement.

4. Hazardous Confined Space Pay:

* * * **Employees** specifically assigned to work in a hazardous confined space as defined by CAL-OSHA shall receive a differential of \$1.50 per hour for each hour or portion thereof while working in the space as assigned.

5. Surface Water Treatment Facility:

* * * **Employees** in the class of Water System Operator III specifically assigned to work at the Surface Water Treatment Facility shall receive a monthly premium pay of five hundred dollars (\$500) per month.

6. Certificates:

Certificate premium pay is not pensionable **unless otherwise required under the Fresno Municipal Code or under law.**

a. Body and Fender - * * * **Employees** in the class of Body and Fender Repairer/Leadworker, who possess a valid Master Collision Repair/Refinishing Technician Certificate, issued by the National Institute for Automotive Excellence, shall receive * * * two hundred dollars (\$200) per month.

b. Mechanic - * * * **Employees** in the class of Bus Mechanic I/II/Leadworker, Fire Equipment Mechanic I/II/Leadworker, and Heavy Equipment Mechanic I/II/Leadworker, who possess a valid Master Heavy Duty Truck Technician Certificate, and Light Equipment Mechanic I/II/Leadworker, who possess a valid Master Automobile Technician Certificate, issued by the National Institute for Automotive Service Excellence (NIASE), shall receive * * * two hundred dollars (\$200) per month.

(1) Blue Seal of Excellence Recognition - * * * **Employees** assigned to FAX, Fire or Fleet equipment repair facilities in the class of Equipment Service Worker II, those classes noted in 6. b., above, or any other class whose certification

contributes to the receipt of the facility's ASE Blue Seal of Excellence Recognition, shall become eligible to receive five hundred dollars (\$500) per year premium pay pursuant to the following requirements:

- (a) A FAX, Fire or Fleet facility must receive ASE Blue Seal of Excellence Recognition pursuant to the Program criteria established by the NIASE;
- (b) the employee must possess at a minimum two (2) applicable ASE certificates pursuant to the Program criteria established by the NIASE; and,
- (c) the employees', with the exception of Equipment Service Worker II's, ASE certification(s) must be necessary for the facility's receipt of the ASE Blue Seal of Excellence Recognition Program.

- c. Air Conditioning Mechanic - Employees in the class of Bus Air Conditioning Mechanic/Leadworker who possess a Technician Certification in the H6 Electrical/Electronic Systems and the H7 Heating, Ventilation and A/C in the transit bus series issued by the National Institute for the Automotive Service Excellence shall receive monthly certificate pay of **seventy-five dollars (\$75)** * * *.

[§§ deleted]

- d. Helicopter Mechanic - * * * **Employees** in the class of Helicopter Mechanic/Helicopter Mechanic Leadworker shall receive two hundred * * * **seventy-five** dollars (**\$275**) per month for certification and equipment maintenance and support. The City will also provide \$250,000 in life insurance/death benefit coverage, solely for "off premises" flying to employees occupying the class of Helicopter Mechanic/Helicopter Mechanic Leadworker. * * *

- e. Instrumentation Specialist - * * * **Employees** in the class of Instrumentation Specialist, who possess a valid Electrical/Instrumentation Certificate issued by the California Water Environment Association, shall receive monthly certificate pay as follows:

Grade I (Plant Maintenance Technologist)	\$50
Grade II	\$75
Grade III	\$100
Grade IV	\$150

- f. Collection System Maintenance Operator II/III - * * * **Employees** in the class of Collection System Maintenance Operator II, who possess a valid Grade II Maintenance of Wastewater Collection Systems Technical Certificate issued by the California Water Environment Association, shall receive fifty dollars (\$50) per month. Employees in the class of Collection System Maintenance Operator II or III, who possess a valid Grade III Maintenance of Wastewater Collection Systems Technical Certificate shall receive seventy-five dollars (\$75) per month. Employees in the class of Collection System Maintenance Operator II or III who possess a valid Grade IV Maintenance of Wastewater Collection Systems Technical Certificate shall receive one hundred dollars (\$100) per month.
- g. Traffic Maintenance - * * * **Employees** in the class of Traffic Maintenance Worker II/Traffic Maintenance Leadworker who possess a valid Level I or higher Work Zone Traffic Safety Specialist Certificate and a valid Level III or higher Signs and Markings Specialist Certificate issued by the International Municipal Signal Association shall receive * * * sixty dollars (\$60) per month.
- h. Wastewater * * * Mechanical Series - * * * **Employees** in the class of Wastewater **Mechanical Technician and Wastewater Mechanical Specialist/Senior**, * * *, who possess a valid Mechanical Technologist Certificate issued by the California Water Environment Association, shall receive monthly certificate pay as follows:

Grade I (Plant Maintenance Technologist)	\$50
Grade II	\$75
Grade III	\$100
Grade IV	\$150

In addition to the above, employees in the class of Wastewater **Mechanical Technician and Wastewater Mechanical Specialist/Senior** * * *, who possess a valid Water Treatment Operator or Water Distribution Operator Certificate issued by the State of California Department of Health Services, shall receive one hundred dollars (\$100) per month * * *.

- i. Wastewater Treatment Plant Operator I/II/Senior - * * * **Employees** in the class of Wastewater Treatment Plant Operator I/II/Senior Wastewater Treatment Plant Operator, who possess a valid Wastewater Treatment Plant Operator Certificate issued by the Department of Water Resources, State Water Resources Control Board, shall receive monthly certificate pay as follows:

Grade I	\$50
Grade II	\$75
Grade III	\$100
Grade IV	\$150
Grade V	\$200

In addition to the above, employees in the class of Wastewater Treatment Plant Operator I/II/Senior Wastewater Treatment Plant Operator, who possess a valid Water Treatment Operator or Water Distribution Operator Certificate issued by the State of California Department of Health Services, shall receive one hundred dollars (\$100) per month * * *.

- j. Water Treatment Operator & Water Distribution Operator Certificates - It is expressly understood that positions and assignments eligible for this certificate pay will be determined solely at the discretion of management **in the applicable division noted below**. Employees in the Water Division, and employees occupying a class in the Water System Operator series allocated to a division other than the Water Division, who possess a valid Water Treatment Operator Certificate or Water Distribution Operator Certificate issued by the State of California, Department of Health Services shall receive monthly certificate pay * * * as follows:

DI	\$50
DII	\$100
DIII	\$150
DIV	\$200
TI	\$100
TII	\$200
TIII	\$250
TIV	\$300
TV	\$300

In addition to the above, employees in Water Division who possess both a valid Water Treatment Operator Certificate and Water Distribution Operator Certificate issued by the State of California, Department of Health Services shall receive one hundred dollars (\$100) per month * * *.

- k. Crane Operator - Effective * * * **Employees** who are required to maintain a Crane Operator License shall receive fifty dollars (\$50) per month.

- i. Park Maintenance Leadworker - * * * Park Maintenance Leadworkers that have a Class B drivers license and are assigned to duties that require a Class B drivers license shall receive seventy-five dollars (\$75) per month.
- m. Backflow Prevention Assembly Tester Certificate – It is expressly understood that positions and assignments eligible for this certificate pay will be determined solely at the discretion of management. Employees * * * who possess a valid Backflow Prevention Assembly Tester Certificate issued by either the American Backflow Prevention Association or the American Water Works Association shall receive monthly certificate pay of one hundred and fifty dollars (\$150) * * *.

7. Camp Fresno Meals:

In the event an employee is assigned to work at Camp Fresno, or receives some other similar assignment, and during such assignment the City provides meals for the employee, the employee, at the employee's option, may elect to receive a cash payment of \$15.00 per day in lieu of receiving the meals. This Subsection shall not apply to employees assigned for periods in excess of one (1) week or to any employee assigned a cabin with cooking facilities.

8. Temporary Assignment To Perform Duties Of Absent Employees (Acting Pay):

- a. Whenever an employee holding a permanent position is absent from duty for any cause (i.e., vacation, sick, holiday, CTO, injury leave, military leave, leave of absence without pay and training), the appointing authority shall, if possible, temporarily assign to one or more employees in the same or higher class such of the work of the absent employee as cannot be deferred until the employee's return. When such assignment is not practicable, the appointing authority of the absent employee may temporarily assign another employee in the same department or office holding a permanent position in a lower class to perform the duties of such absent employee. The employee so assigned shall be entitled to receive compensation attached to the higher position at the step closest to but not less than 3½% above the employee's current step placement, if the employee's class specifications do not require that the employee perform said duties in the absence of the regularly assigned employee and if the employee meets the conditions provided in this Section.

- (1) Employees occupying the class of Waste Collector Leadworker who are temporarily assigned to perform the duties of an absent Waste Collector Supervisor shall receive the compensation attached to the "C" step for the class of Waste Collector Supervisor.
- b. After any such employee has completed * * * **eighty (80) hours** of service in a higher class pursuant to one or more such assignments, the employee shall thereafter be paid while so assigned to such higher class the rate of pay attached to such higher class. An employee who has held permanent status in the higher class prior to such assignment shall not be required to complete the qualifying period of service set forth above, and shall be paid for the entire duration of the employee's assignment to the higher class at the rate of pay assigned to such higher class.
- c. **Acting List** - No assignment under this Section 8 shall be considered for qualifying service credit or any higher rate of pay unless **the employee has been placed on an Acting List of employees qualified for the position. Employees who volunteer for Acting must meet the minimum qualifications for the position. In addition, departments may consider work habits, attendance and other considerations when placing employees on the qualifying list. Qualifying lists should be reviewed, at minimum, by departments each fiscal year. Employees who no longer meet the criteria established by the department may be removed from the list at any time * * ***
- d. In the computation of qualifying service rendered, or the amount of the higher pay to which an employee may be entitled, on assignment hereunder, only full days or shifts of actual duty shall be included, and part days or shifts shall not be combined to make full days or shifts. Time on leave occurring during any assignment shall not be included in any such computation.
- e. Temporary assignments described herein shall first be offered to the most senior and qualified employee **from the Acting List noted in paragraph c. above** and each successive most senior and qualified employee working on the same shift, schedule, crew, and/or section within a division until such temporary assignment is filled. Each such additional temporary assignment opportunity shall be offered on a rotating basis by implementing the * * * **Acting List from paragraph c. above.**

9. Temporary Assignment Pay:

Depending on the assignment, the temporary assignment pay prescribed herein may be prorated for the time so assigned and worked. Temporary assignment pay shall not be applied when an employee is on a leave of absence for any reason (e.g., vacation, sick, holiday, CTO, injury leave, military leave, and leave of absence without pay).

- a. Each Maintenance and Construction Worker in the Street Maintenance Division assigned to operate a street sweeper as part of a street maintenance project, and who possesses the appropriate valid California Driver's License, shall be paid for that time at the lowest step in the Street Sweeper Operator II salary range which is at least five percent (5%) above the employee's base rate of pay as a Maintenance and Construction Worker.

Each Maintenance and Construction Worker assigned to the Street Maintenance Division, Concrete Crew milling machine and paving machine as an assistant to the operator of said machinery shall be paid five percent (5%) above the employee's base rate of pay while so assigned.

- b. Employees who perform pesticide/herbicide spray function for right-of-way, landscape maintenance, or aquatic areas shall receive an additional five percent (5%) of their base hourly rate of pay for the actual time spent applying pesticide/herbicide if they possess a valid Qualified Applicator Certificate (Category B-Landscape Maintenance) issued by the State of California, Department of Food and Agriculture. The City shall pay certificate renewal and maintenance fees.
- c. Each Parks Maintenance Worker I/II regularly assigned on a full-time, year-round basis to irrigation work shall receive an additional five (5) percent of their base hourly rate of pay for each full pay period while so assigned.
- d. Each Utility Leadworker assigned to the Patrol Division, Graffiti Enforcement, shall be paid two (2) percent above their base rate of pay while so assigned.

10. Bilingual Certification Program:

- a. The bilingual certification program consists of a City administered examination process whereby employees may apply for a bilingual examination in November, and if certified by the examiner, receive bilingual premium pay for interpreting and translating. Bilingual

premium pay is not pensionable **unless otherwise required under the Fresno Municipal Code or under law.**

- b. Bilingual certification examinations will be conducted once per year in December. During the examination noticing period, examination applications will be available at the Personnel Services Department and City department personnel units. **Effective upon approval of this MOU, in order to remain eligible to receive bilingual premium pay, employees must take and pass the certification examination once every five (5) years. The Union and the City may agree to stagger initial implementation of recertification.**
- c. In order to qualify for the examination in December, the application must be received by the Personnel Services Department during the month of November, but no later than the last regular business day of November.
- d. In the event that an employee is hired, in part, because of bilingual skills, the Personnel Services Department may conduct a special examination for the employee outside of the window noted above. The determination will be made upon request by the Department/Division and approval by the Personnel Services Director.
- d. This bilingual certification program, and application deadlines are not subject to the grievance or appeal process.
- e. **Department directors or their designees, shall annually designate those positions or assignments for which bilingual skills are desired. This may result in the loss of bilingual designation and pay for those positions or assignments not selected.**
- f. Bilingual certification examinations are conducted for Cambodian, Hmong, Laotian, Sign, Spanish and Vietnamese languages.
- g. The bilingual premium pay rate for certified permanent employees is fifty dollars (\$50) per month, regardless of how many languages for which an employee is certified.
- i. Certified employees may interpret/translate for departments/divisions they are not assigned to, provided the requesting department/division has a demonstrated customer service related need, and has obtained approval from the certified employee's supervisor.

- j. Certified employees shall not refuse to interpret/translate while on paid status. Refusal shall result in appropriate disciplinary action. Certified employees may be assigned to any incident or investigation requiring their bilingual skills, and may be required to prepare written reports related to the incident or investigation. The objective of this policy will be to utilize department resources in the most efficient way possible.
- k. Except in the event of an emergency as determined by management, bilingual employees who are not certified shall not be required to interpret/translate.

G. HEALTH AND WELFARE

[§§ deleted]

1. Health Insurance - City Health Plan - Employee Options:

- a. *** * * The City's sole obligation for an employee's health insurance shall be to pay the agreed upon dollar amount per month per employee on behalf of employees represented by the Union. The Effective July 1, 2014 the City shall contribute * * * seventy-five percent (75%) of the employee's health and welfare premium. After July 1, 2014, the cost of any future increases in the health and welfare premium will be shared on a fifty percent (50%) basis by the City and employees. * * *.**
- b. **Should any other represented bargaining unit in the City negotiate a successor MOU, or extend the period of an MOU, or have terms imposed resulting in a greater contribution by the City, upon the Union's request, the City will match that benefit.**
- c. **The City will meet with Local 39 and other City bargaining units to discuss an alternative health care plan and/or to modify the Health and Welfare Trust agreement, provided that no changes will be made unless all represented bargaining units agree. * * * The parties further agree that the Side Letter on the Trust dated February 24, 2009 has expired.**

[§ deleted]

2. Other Insurance Contribution (Opt Out Benefit):

- a. With proof of other insurance, the City shall contribute up to two hundred **fifty** dollars (**\$250**) per month for each employee not

enrolled in the City's Health and Welfare * * * plan * * * if enrolled in a health plan outside of the * * * **City**, such as a spousal plan. The City contribution shall not exceed the health premium the employee is paying.

- b. Eligible employees (i.e., with proof of other insurance) may enroll in this benefit upon:
- (1) employment with the City;
 - (2) within thirty (30) days of a qualifying event; or,
 - (3) during the open enrollment period for the * * * Health Plan.
- c. An employee receiving the opt out benefit of up to two hundred **fifty** dollars (**\$250**) will be required to submit proof of other insurance to the City on an annual basis and must notify the City if that insurance is discontinued for any reason. Proof of insurance will be shown by a group health insurance employee benefits card.

[§ deleted]

H. LEAVES

1. Holidays:

- a. Except as may be modified in this Section, Holidays shall be governed by FMC Section * * * 3 **3-116**:
- January 1
 - The third Monday in January
 - The third Monday in February
 - The last Monday in May
 - July 4
 - The first Monday in September
 - November 11
 - Thanksgiving Day in November
 - The Friday after Thanksgiving Day in November
 - December 25
 - Employee's Birthday
 - [§ deleted]
 - Any day or part of a day declared by the Council, by ordinance or resolution, to be a holiday.

- b. If January 1st, July 4th, November 11th, or December 25th falls upon a Sunday, the Monday following will be observed as the holiday, in lieu of Sunday.
- c. All employees will receive eight hours compensation for the above holidays with the following exceptions:
 - (1) For work performed on a holiday which is a scheduled work day, an employee shall receive the employee's regular salary (i.e., base pay rate) for the hours worked on that day, and will be credited with eight hours of holiday. For employees on a 4/10 work schedule, ten (10) hours work on a holiday, which is a scheduled workday, shall receive the employee's regular salary (i.e., base pay rate) for the hours worked on that day, and will be credited with eight hours of holiday.
 - (2) When a holiday falls on a regularly scheduled day off, employees will be credited with eight hours of holiday.
 - (3) In addition to the holiday credit in Subsection (2), above, employees who are called in or scheduled to work a holiday, which is their regularly scheduled day off, will be compensated at time and one-half for a minimum of two hours, or for actual hours worked, whichever is higher.
 - (4) Employees who are absent from duty on leave without pay or suspension without pay on the day prior to a holiday will not receive compensation for the holiday, unless they actually work the holiday. This Subsection shall not apply to employees who are on leave without pay as a result of the unavailability of work.
 - (5) To be eligible for a holiday * * * the employee shall be on paid status at the end of the employee's shift before the recognized holiday.

[§ deleted]

- d. **Effective May 19, 2014 employees' holiday leave balances shall be placed in a non-accruing "special holiday leave bank."**
- e. **Employees may cash out up to forty-eight (48) hours of leave from the special holiday leave bank each fiscal year.**

- f. **Effective the end of the first pay period upon implementation of this MOU, any regular holiday leave accrued during Fiscal Year 2014 (7/1/13 – 6/30/14) may be cashed out at any time. Any regular holiday leave balance remaining at the end of each subsequent fiscal year will be cashed out and provided on the final check of the fiscal year.**
- g. **Any balances of holiday leave or in the special holiday leave bank shall be paid to the employee upon separation from City service.**
- h. Holiday leave may be taken in increments of less than 8 hours.

[§ deleted]

- i. Employees of the Solid Waste Management Division will not be required to work on Thanksgiving, Christmas, or New Year's Day.

2. Sick Leave:

- a. Sick Leave Accrual - Employees shall accrue sick leave at the rate of eight (8) hours for each completed calendar month of employment, **up to a maximum of six hundred (600) hours total * * *. Employees shall not accrue additional sick leave once their balance reaches six hundred (600) hours. Employees with balances exceeding five hundred (500) hours as of May 19, 2014 shall retain such balances in a special account. The account may be used by the employee for any purpose sick leave is normally used for, but shall not affect the accrual of regular sick leave.**
- b. Administrative Order 2-20, Sick Leave Policy, shall * * * **not** apply to members of this Unit. Instead, Attendance Policy, Addendum I incorporated into this MOU by reference shall apply, as well as the FMC, City administrative orders, policies, procedures, rules and regulations concerning leave usage and administration. In the event of any conflict, the provisions of Addendum I, Attendance Policy, shall apply.
- c. Sick Leave Pay Out - At service retirement, **or** at a disability retirement, or upon resignation if the employee is otherwise eligible for service retirement, employees will be credited with the number of accumulated sick leave balances in excess of two hundred forty (240) hours at the time of retirement multiplied by forty percent (40%) of the employee's then current hourly rate of pay to be used solely to pay premiums for medical insurance (including COBRA

provisions), pursuant to the City's Health Reimbursement Arrangement as set forth in Section I., below.

- d. Family Sick Leave - Employees will be allowed to use up to 48 hours of accumulated sick leave per fiscal year for Family Sick Leave in accordance with * * * California Labor Code **Section 233** and shall be used only for those purposes defined in California Labor Code **Section 233**. * * * Labor Code **Section 233** allows an employee the time to attend to the illness of a child, parent, spouse or domestic partner of an employee. Employees are encouraged to schedule routine medical and/or dental appointments outside of regular work hours when possible. Use of Family Sick Leave shall be authorized and recorded by a department head or designee.

3. Vacation Leave:

Employees accrue vacation leave hours for each completed calendar month of employment as reflected in the table below. Employees with less than 20 years of continuous employment are allowed to accrue 340 hours of vacation leave, and employees with 20 years or more of continuous employment are allowed to accrue 420 hours of vacation leave.

Years of Continuous Employment	Accrual Rate (hrs./mo.)
Less than 5	8
More than 5 but less than 8	10
More than 8 but less than 20	11.33
More than 20	14.66

- a. Employees are encouraged to utilize earned leave for vacation purposes on a scheduled basis.

I. STATE DISABILITY INSURANCE (Incorporated from Side Letter)

- 1. Employees who are members of this Unit have been enrolled in the State Disability Insurance (ADI) coverage plan pursuant to an Agreement dated by the parties on May 7, 2007
- 2. Employees shall file claims in the same manner as required under the SDI Plan.

3. The City shall maintain SDI through employee payroll deductions to be funded by employee contributions.
4. Eligible employees who file for SDI benefits in accordance with applicable State of California rules and procedures may combine a portion of their individual leave balances with SDI benefits.

Combining leave balances is defined as the SDI benefit and the monetary value of the employee's leave balances added together to provide a bi-weekly net income.

Combining leave balances with SDI benefits will continue only if leave balances are available and the employee remains eligible to receive SDI benefits.

5. Eligible employees may use the following accrued City leave balances in conjunction with SDI benefits:

- Sick Leave
- Vacation Leave
- Holiday
- Compensatory Time Off (CTO)

6. An employee eligible for SDI benefits shall be limited to the use of Sick Leave at thirteen (13) hours per week to be posted at the beginning of each work week. Once an employee's Sick Leave bank is depleted, the employee has the option of requesting use of Vacation Leave, Holiday or CTO. Request of and approval of Vacation Leave, Holiday or CTO will be per City policy requiring management's approval of use and the amount of hours to be used shall be posted at the beginning of each work week. If the employee chooses not to utilize Vacation Leave or has none, then the employee will be in a Leave Without Pay (LWOP) status.
7. An employee who is receiving SDI who has exhausted all other leave balances and has received donated time in accordance with City policies, may use donated time in conjunction with SDI benefits. Use of donated time will be limited to thirteen (13) hours per week.
8. Initiating the combination of the above accrued leave balances with SDI benefits shall be subject to the following conditions:
 - a. The employee contacts their department's payroll clerk to establish a date to begin use of leave. In the event that an employee is unable to notify the department, contact from the employee's spouse, parent, or other close family member will be sufficient.

- b. Upon contacting their department, the employee must immediately file a claim for SDI benefits with EDD.
 - c. If the employee chooses not to contact their department as outlined in subsection (1) above, use of leave balances will not occur until the City receives notification of eligibility from EDD.
 - d. If the City does not receive the appropriate notification from EDD prior to the end of the employee's disability status, the City shall modify the use of any leave balances to reflect appropriate use of leave in accordance with the MOU and City policies/procedures.
 - (1) When the employee's eligibility has been established, the City shall make leave payments to the employee in the usual manner in accordance with the MOU and City policies/procedures.
 - (2) Any period of absence during which an employee is receiving SDI benefits but is not receiving leave payments shall be deemed a leave of absence without pay.
 - (3) Service credits toward seniority, step increase eligibility, and probation periods shall be in accordance with the MOU and City policies/procedures.
 - (4) If an employee exhausts all available leave balances but continues receiving SDI benefits, the City's compensation shall cease.
 - (5) The City shall continue contributions toward the employee's health and welfare benefits and retirement contributions in accordance with established laws and practices during the pay periods that include leave payments by the City. The employee shall be responsible for payment of premiums required to maintain health and welfare benefits when City contributions cease in accordance with established laws, policies and practices.
 - (6) Eligible permanent part-time and permanent intermittent employees shall be included in this program on a pro-rata basis.
9. In the event the City determines that legislative, administrative or judicial determinations cause changes which in any way restricts, reduces or prohibits any provision of this Agreement, the parties shall immediately meet to discuss necessary amendments and/or modifications.

J. HEALTH REIMBURSEMENT ARRANGEMENT (HRA)

The City currently maintains a Health Reimbursement Arrangement (HRA) that qualifies as a "health reimbursement arrangement" as described in Internal Revenue Service (IRS) Notice 2002-45 and other guidance published by the IRS regarding HRA's. The City agrees to maintain the HRA such that it will continue to qualify as a health reimbursement arrangement for the term of the MOU.

At service retirement, or at a disability retirement, or upon resignation if the employee is otherwise eligible for service retirement, employees who have used eighty (80) hours or less of sick leave and/or vacation leave used for sick time (excluding only hours used for Workers Compensation benefits and/or protected leaves such as Family & Medical Leave, and Family Sick Leave, and/or Bereavement Leave) in the 24 months preceding their date of retirement, will be credited with an account for the employee under the HRA to be used solely to pay premiums for medical insurance (including COBRA premiums). The "value" of the account shall be determined as follows:

- The number of accumulated sick leave hours in excess of 240 hours at the time of retirement multiplied by 40% of the employee's then current hourly base rate of pay.
- The hourly base rate of pay shall be the equivalent of the monthly salary for an employee as reflected in the salary tables, multiplied by twelve (12) months then divided by 2,080 hours.

The HRA accounts shall be book accounts only – no actual trust account shall be established for any employee. Each HRA book account shall be credited on a monthly basis with a rate of earnings equal to the yield on the City's Investment Portfolio (provided that such yield is positive).

The HRA accounts shall be used solely to pay premiums for medical insurance (including COBRA premiums) covering the participant, the participant's spouse (or surviving spouse in the event of the death of the participant), and the participant's dependents. Once a participant's account under the HRA has been reduced to \$0, no further benefits shall be payable by the HRA. If the participant, the participant's spouse, and the participant's dependents die before the participant's account under the HRA has been reduced to \$0, no death benefit shall be payable to any person by the HRA.

While this provision is in effect, employees shall not be allowed to cash out any accumulated or accrued sick leave at retirement.

K. UNIFORMS

The system for providing and maintaining uniforms for all employees in this Unit, where applicable, shall be maintained for the duration of this Agreement. The cost of the uniforms shall be shared by the City and employees as specified in Administrative Order 3-6.

L. PARKING RATES

Parking rates for employees in the downtown area will be \$15.00 per month for general parking and \$20.00 per month for an Official Vehicle Permit, as referenced in the Administrative Orders, which from time to time may be amended.

M. WORKERS' COMPENSATION

1. Notwithstanding the provisions of the FMC Section * * * **3-118**, an employee who suffers or has suffered an injury in the course and scope of City employment shall receive **66.67% of average weekly earnings in the fifty-two (52) weeks prior to the injury** * * * from the City, beginning on the fourth day of such absence, unless hospitalized on the first day for at least 24 hours, or unless the absence exceeds 14 days, in which case, the employee shall receive the pay provided in this Section from the first day. Except as modified herein, the provisions of FMC Section * * * **3-118** shall apply. **Should the State mandated workers' compensation rate of payment be adjusted, the City and the Union will have a limited reopener to adjust the rate accordingly.**
2. In the event City pay is not provided during the first three days of absence due to such injury, the employee may, at the employee's option, take sick leave for that period.

N. HOURS OF WORK AND SCHEDULES

1. General:
 - a. The workweek for the City begins on Monday at 12:01 a.m. and ends the following Sunday at midnight. The workday starts at 12:01 a.m., and ends 24-hours later at midnight. The standard/normal workweek work schedule is a 5/8 consisting of five-(5) days of eight-(8) hours each, excluding a meal period.
 - b. Work schedules (includes days off and meal periods) are established by individual departments/divisions, solely at management's discretion, based upon the need to provide service to the public, other City departments, and/or other operational

efficiency requirements. If requested by either party, the City and the Union agree to meet and consult prior to implementation of new work schedules.

- c. Employees shall receive a one (1) hour or a one-half ($\frac{1}{2}$) hour meal period, without pay, each day and a fifteen (15) minute paid rest period during the first half of the workday and a second fifteen (15) minute paid rest period during the second half of the workday. Meal periods and rest periods are scheduled by departments/divisions according to the needs of the department/division. **If an employee is required to work during the employee's meal period, with the approval of the employee's supervisor, and if no alternate meal period is taken, said time shall be compensated at the applicable hourly rate of pay if the time worked exceeds that of the employee's normal schedule/shift.** The City retains the exclusive right to control the use of City-paid break periods, and exclusive control of the use of City vehicles at all times.
- d. Employees whose duties require it shall be allowed a reasonable amount of time for a personal clean-up period prior to the end of each work shift.
- e. With 72-hours notice to affected employees, departments/divisions may temporarily modify an employee's regular schedule to address special service needs, employee training and/or cross-training, and backlog and/or workload concerns. Said temporary modification shall not result in the loss of night shift premium pay.

2. Daylight Savings Hours:

At the Union's request the City agrees to meet and confer regarding changes in working hours during daylight savings time. Any employee regularly scheduled to work, and who does work a shift during which a change from Pacific Standard time to Pacific Daylight time, or vice versa, occurs, will be paid for actual hours worked at the applicable hourly rate.

3. Alternate Work Schedules:

- a. Department directors or designees shall be solely responsible for determining and designating divisions/units/sections/specific job classes within their respective departments that may implement variations to the standard/normal work schedule. A minimum of 30-days written notice shall be provided to affected employees, the Labor Relations Division and Local 39.

- b. Alternative work schedules may be necessary in order to provide minimum staffing, and/or based upon the service needs of the public/other City departments, and/or other operational efficiency requirements. It is expressly understood that position assignments, by classification, staffing levels, work schedules, meal periods, and days off are determined solely by management, and are subject to change based on, and including but not limited to, varying workload, the additional of authorized staffing, and department operational and service needs.
- (1) If established, employees shall select a 5/8 or 4/10 work schedule according to department/division selection processes. Absent sufficient selections, management will assign employees to a 5/8 or 4/10 work schedule, or combination thereof.
 - (2) Except for emergencies, employees working a 4/10 schedule, or who have days off other than Saturday and Sunday, shall schedule all medically-based appointments on off duty time.
- c. The hours for employees working a 5/8 shall consist of five (5) eight hour days with two (2) consecutive days off, except for employees occupying the class* * * of * * * Waste Collector Leadworker * * * **which** may have two (2) consecutive days off. The hours for employees working a 4/10 shall consist of four (4) ten hour days with three (3) days off, of which two (2) of the days off will be consecutive. Scheduling of days off shall be determined by management.
- d. Departments/divisions may discontinue alternative work schedules at any time if it is determined by management that they detrimentally effect operations and services. Thirty (30) days advance notice shall be given in writing to affected employees, the Labor Relations Division and Local 39. The decision to discontinue alternative work schedules is not appealable or grievable. If departments/divisions discontinue alternative work schedules established under this Subsection, employees will revert to 5/8 standard/normal work schedules as determined by management.
- e. Except as detailed in the paragraph below, applicable Unit Agreement provisions, Salary Resolution, FMC, and Administrative Orders concerning alternative work schedule (i.e., 4/10) limitations on overtime, holidays, leave accrual and usage, sick leave accrual and usage, and night shift premium pay shall govern.

An employee on a 4/10 work schedule who is off on a holiday, which is a regularly scheduled workday, shall receive eight (8) hours pay for the holiday, and may elect to take two (2) hours vacation, holiday, or CTO for a full ten (10) hours pay, or may elect to receive two (2) hours leave without pay (LWOP). Absent an employee request or election, division payroll will deduct the two (2) hours from available vacation, holiday, or CTO balances prior to any deductions for LWOP.

O. PERSONNEL MATTERS

1. Personnel Files:

- a. The Human Resources Division, under the direction of the Director of Personnel Services, shall maintain the official personnel file for each employee. Each employee may review, or authorize in writing its review by a designated representative, subject to reasonable rules and regulations, and receive a copy of all material placed in either the employee's official file or departmental file. If an employee disagrees with the content of a document placed in either file, it shall be the right of the employee to submit a response to the Director of Personnel Services to be attached to the document in question and included in the appropriate file. Personnel files are considered confidential and access is limited.
- b. Documents, including performance evaluations, retained in the employee's departmental file shall be forwarded to the employee's new department if the employee transfers, promotes, or demotes. The file should be forwarded to Human Resources when the employee leaves City service.
- c. Inquiries regarding employment references shall be administered in accordance with existing City policies.

2. Employee Performance Evaluations:

- a. Each City department shall have the right to conduct employee performance appraisals on a department-wide basis for all employees at the discretion of the appointing authority.
- b. Prior to modifying the Employee Performance Evaluation (Local 39, Unit 1), departments and Labor Relations will discuss the proposed evaluation form with the Union.

- c. An employee who disagrees with a performance evaluation may within fourteen (14) calendar days from the date of the performance evaluation:
 - (1) Write a rebuttal statement for attachment to the performance evaluation form; and/or
 - (2) Request further review with the supervisor of the reviewer, but in no case higher than the department head or designee.
- d. Requests for review of employee performance evaluations are not subject to the grievance procedure.
- e. It is understood that evaluations for non-probationary employees are not to take the place of disciplinary/corrective actions as outlined in Administrative Order 2-14.

3. Transfer Requests * * *:

Transfers shall be governed by appropriate provisions of the FMC, including, but not limited to, Sections 3-261, 3-262, and 3-274.

[§§ deleted]

4. Flexible Staffing:

- a. For all flexibly staffed blue collar positions, * * * certification from an employee's department that the employee is satisfactorily performing the full range of duties will allow the employee to flex to the higher position.
- b. The parties have discussed and agreed that Administrative Orders 2-10 and/or 2-12 may be reissued and/or a FMC change may be enacted to reflect this Agreement.
- c. Flexible staffing will be in accordance with the Administrative Orders noted above. Any contemplated addition or deletion of a flexibly staffed classification shall be discussed with the Union, in a timely manner and prior to such action by the Director of the Personnel Services Department.

5. Suspension of Competition:

In the event of the creation of a new position, or in the case of a vacancy in any position meeting the criteria specified below, competitive

examination may be suspended by the Director of Personnel Services. No such suspension shall be general in its application.

The Director of Personnel Services may only suspend competition when requested to do so by the appropriate appointing authority when the suspension of competition would permit promotion between classes in the same class series, or between other classes, in the same department. A promotion may be made at the discretion of the department head when a permanent full-time employee attains the minimum qualifications for the higher level, and in the opinion of the department head the employee is capable of meeting the performance requirements, and is able to carry out the responsibilities required by the job specification. The employee selected for promotion would be determined by the department head after posting the vacancy, and interviewing and considering the performance and qualifications of all lower level employees who have indicated an interest in promoting, and who possess the required minimum qualifications. Along with the request for suspension of competition, the department head must submit a written statement supporting the request.

6. Layoffs:

The department director, with the approval of the City Manager's Office, may reduce the number of employees in the department to address budget concerns or a decrease in the workload, by laying off employees in any job classification in which the department director determines a reduction is necessary. This Section does not apply to temporary layoffs because of inclement weather or lack of work.

a. Layoffs will occur in the following order:

- (1) Temporary Employees
- (2) Provisional Employees
- (3) Probationary Employees
- (4) Permanent Intermittent Employees
- (5) Permanent Part-Time Employees
- (6) Permanent Full-Time Employees

b. Seniority - When the layoff must be of one or more employees in the same job classification, the layoff shall be done by reverse seniority (i.e., last hired, first laid off, within that job classification).

For the purposes of layoff, seniority in job classification is defined as continuous time in service in the job classification. An employee accrues seniority from the time the employee is appointed to a position in the job class. In the event of a tie, * * * **rank on the City-wide employment list for the classification will** be used to break

the tie. **In the event there is still a tie, total continuous time as a permanent City employee will be used to break the tie. In the event there is still a tie, a mutually agreed random method will be used to break the tie. If a random method is used, affected employees will be offered an opportunity to observe. If the employee cannot attend the scheduled time or refuses to attend, the tie breaker will proceed as scheduled.**

c. Transfer and/or Demotion (Bumping)

(1) An employee subject to layoff shall be transferred to a vacant position in the same job classification in another department if such a vacancy exists. In the event no vacancies in that job classification exist, an employee subject to layoff in one department who has greater seniority than one or more employees in the same job classification in another department shall be transferred to the position held by the least senior employee in such classification, and the least senior employee shall be subject to layoff ("bumped"). **This provision shall be subject to a limited reopener in the event that FMC Section 3-291 is modified in regard to department and/or City-wide layoffs.**

(2) In the event an employee subject to layoff does not qualify for a transfer pursuant to Subsection c.(1) above, and the employee has previous service **as a permanent employee** in a lower job classification, and the employee's employment by the City has been continuous, the department director shall demote the employee subject to layoff to a position in that lower class. Layoffs that may become necessary due to demotions or transfers pursuant to this Subsection c. shall be governed by the same regulations herein. **This provision shall be subject to a limited reopener in the event that FMC Section 391 is modified in regard to department and/or City-wide layoffs.**

(3) In the event an employee is demoted to a lower classification pursuant to Subsection c.(2) above, that employee **shall have all time in classification the employee is being demoted from and all time in the classification the employee is returning to counted towards seniority in the lower classification.** * * *

(4) A permanent non-probationary employee transferred or demoted pursuant to the provisions of Subsection c. (except Subsection c.(5) below) shall not be required to serve a

probationary period in the employee's new job classification. A probationary employee transferred or demoted pursuant to FMC Section * * * **3-291** shall serve the probationary period, subject to the same conditions of probation, as a new employee appointed to the job classification from an eligible list.

- (5) Any employee subject to layoff who does not qualify for a transfer pursuant to Subsections c.(1) or (2) above may submit a written request to the Director of Personnel Services to be considered for a transfer to any vacant position in a job classification for which the employee meets the minimum qualifications (as determined by the Director of Personnel Services), provided that such job classification has an equivalent or lower salary range (i.e., the E step of the pay range is not more than two percent (2%) higher than the E step of the employee's current pay range). The employee may be transferred to the vacant position with the approval of the director of the department where the vacancy exists. Employees transferred under this Subsection will be required to serve the probationary period for the new job classification. FMC Section * * * **3-249** provides that an employee may file a written request for the review of the decision by the Director of Personnel Services that the employee does not meet the minimum qualifications of the position to which the employee has requested a transfer.
 - (6) Employees assigned to another department or division will be subject to the seniority rules of the department/division for purposes of shift, vacation and days on and off.
- d. Reinstatement List - Any employee holding an appointment in a permanent position who, for reasons of economy, lack of work, budget cuts, or departmental reorganization, has been laid off, transferred or demoted from that position, shall be entitled to be placed on a reinstatement list for the job classification from which he or she was laid off, transferred or demoted. In the event two or more employees are laid off, transferred or demoted from the same job classification, their placement on the reinstatement list shall be determined by their comparative seniority within that job classification.
- (1) As provided in FMC * * * **3-250** and * * * **3-252** (a)(1), an individual on the reinstatement list shall have priority over candidates on an eligible list for vacancies in the job classification from which the employee was laid off,

transferred or demoted. An individual's name will remain on the reinstatement list for a period of * * * **two (2)** years following the effective date of the layoff, transfer or demotion **or two (2) refusals of a vacant position in the classification.**

- (2) An individual, whose name has remained on a reinstatement list continuously for more than * * * **two (2)** years without reinstatement, shall no longer have priority over candidates on an eligible list, and shall no longer have any right to reinstatement in any position in the job classification for which the reinstatement list was established. * * *
- e. Reinstatement - Upon reinstatement from a reinstatement list, as provided in Subsections d. and (1) above, an employee shall receive full credit for all of the employee's service with the City as it relates to salary and vacation accrual, and shall be credited with all unused sick leave hours the employee had at the time of separation from City service.
- (1) Any employee, who did not complete the probationary period, and achieve permanent status prior to placement on the reinstatement list, shall serve a full probationary period commencing from the date of the employee's permanent appointment from the reinstatement list.
 - (2) Upon reinstatement from a reinstatement list an employee will resume membership in the Fresno Employees' Retirement System, and receive service credit for all City service, provided that the employee was vested in the Retirement System and did not withdraw contributions to the System at the time of the layoff, or repays previous contributions pursuant to FMC Section * * * **3-534**. An employee who elects to not repay previous contributions, or who was not vested in the System at the time of the layoff, shall receive service credit for only that service subsequent to reinstatement for the purposes of retirement benefit calculations.

7. Seniority:

This seniority Subsection shall apply to work shift selection and vacation scheduling for permanent employees in the absence of clearly established departmental policies, practices, or procedures. This Subsection shall not preclude any department from establishing policies, practices, or procedures on seniority as applied to work shift and vacation scheduling.

In the absence of a department policy, practice, or procedure, the following shall be used to determine seniority.

- a. Seniority shall be defined as seniority in a class based on an employee's length of continuous service as a permanent employee in their present class. Seniority shall not be applied to temporary, provisional or acting status employees. Permanent employees in temporary, provisional, or acting positions will continue to accrue seniority as if they were in their regular permanent position.
- b. Continuous service shall include all time in the employee's present class. Continuous service shall not include any time spent under suspension from duty, demotion to another class, or on any leave of absence without pay as defined in FMC Section * * * **3-104**. A military leave of absence shall not be considered a break in service.

8. In Lieu Suspension for Disciplinary Action:

By mutual agreement between the department director or designee and the employee, an employee suspended from duty without pay may forfeit accumulated holiday, CTO, and/or vacation credits equal to the number of hours of suspension in lieu of suspension. If the suspension is reduced or reversed at the conclusion of the appeal process, the City shall reinstate the forfeited credits.

The provisions of this Subsection shall not be subject to the grievance procedure.

9. Labor-Management Committees (LMC's):

The City and Union acknowledge the importance of the development, implementation, and maintenance of LMC's in divisions throughout the City. The parties agree to foster and provide guidance for the establishment and ongoing maintenance of LMC's. The parties understand and agree that LMC's do not have the authority to "meet and confer" regarding issues that are within the mandatory scope of bargaining. The Subsections below shall serve as minimum guidelines for LMC's throughout the City.

- a. LMC's shall be responsible for determining committee composition. However, LMC's may be composed, at a minimum, of the Assistant Department Director, a representative selected by the Business Agent for Local 39, the division manager, two supervisory/management members, two Unit members, and one member to function as the LMC's secretary/record keeper. LMC's shall meet regularly, but no less than once per month. LMC

members shall be given forty-eight (48) hour notice for nonemergency meetings that are not part of the regular/routine LMC meeting schedule.

- (1) LMC's shall be responsible for establishing, publishing and communicating, including any amendments thereto, LMC procedural, committee composition, and subcommittee guidelines to their division staff. The primary purpose of LMC's is to discuss and evaluate matters and concerns pertinent to the applicable division and/or the division's employees. In addition, LMC's understand that safety issues and concerns, including topics for tailgate meetings as well as changes in work rules, will be referred to the divisional safety committee.

10. Contracting Out:

The City retains the right to contract out any services performed by members of this Unit. The City agrees to notify the Union when considering contracting out of services normally performed by members of this Unit which do not directly affect or displace members of the Unit due to growth or expansion.

- a. The City shall notify the Union of its intent to request proposals for the contracting out of City services when those services are currently being performed by employees of this Unit. This notification will occur thirty (30) business days before the request for proposals is issued. The Union agrees that the City needs to be competitive with the private sector. Both parties acknowledge that members of the Unit have valuable experience and expertise in the provision of municipal services and in that regard are desirous of including Unit members in preparing and reviewing service delivery options and cost comparisons in an effort to enhance the City's ability to be competitive with the private sector in all areas to which Unit members are assigned. In the event the award of services to third parties results in the layoff of employees of this Unit, the parties shall meet and confer on the impact of such a decision.
- b. The City agrees that before layoffs become necessary, it will use due diligence to accommodate employees displaced as a result of Council's decision to contract out any of the services enumerated above.
- c. The City shall take all reasonable action to avoid layoff of employees providing the services to be contracted out, which action may include but is not limited to, holding vacant positions in classes

to which employees might be transferred, notifying employees subject to layoff of examinations being conducted by the City for placement of employees in positions for which they are qualified and administering noncompetitive, qualifying examinations to employees for positions to which they are eligible to transfer.

11. Classification Matters:

- a. On April 16, 1997, all permanent employees occupying positions in the class of Construction Equipment Operator (CEO) in the Community Sanitation, Sewer and Water Divisions were reclassified to the Heavy Equipment Operator (HEO) class, and their salaries were y-rated at their existing base salary level. In the event two (2) HEO positions become vacant in the Water Division only, said positions will automatically convert to Water Service Operator II (WSO II) positions.
- a. Length of service for all employees reclassified/reclassified under the expired March 28, 1997, side letter agreement between the City and the Union, includes an employee's continuous service in the class held prior to being reclassified/reclassified.

12. Americans with Disabilities Act (ADA), Family Medical Leave Act, California Family Rights Act (CFRA), Occupational Safety and Health Act (OSHA/Cal OSHA) and Workplace Violence:

The requirements mandated by these statutes have been established in City policies (Administrative Order manual and Injury and Illness Prevention Program handbook).

P. JURY DUTY AND COURT APPEARANCES

1. Jury Duty:

An employee who is assigned to a "night shift" as that term is used in Article VII, Section F. of this Agreement, and who is required to attend any court in response to a summons for jury duty or while serving on a jury will be reassigned to an 8:00 a.m. to 5:00 p.m. shift for the required time in jury duty, and night shift premium pay shall not be discontinued during the period of reassignment. The employee will maintain the employee's usual days off during this time period. All employees shall receive their regular wages or salary during the time they are required to be absent from the duties of their position to attend any court in response to a summons for jury duty or while serving on a jury, but shall pay over to the City any fees, including mileage allowances, received for such attendance or service.

2. Court Appearances:

The following rules shall apply to court appearances.

- a. If an employee receives a departmental notice or subpoena requiring a court appearance on the employee's regularly scheduled day off, or on vacation, or on a day off on compensatory time off which has been approved prior to notice and/or the employee's receipt of a departmental notice of subpoena, the employee shall have the option of:
 - (1) standing by at home, when legally permitted, or,
 - (2) appearing at the court, with a minimum of three (3) hours pay at one and one-half (1 ½) times the base rate of pay. During this three (3) hour period, if the employee is not required to appear in court, the employee may, at the option of the department, be required to perform duties as assigned. The employee shall be released from duty when the subpoena or notice is cancelled or the court releases the employee.

- b. If an employee receives a departmental notice or subpoena requiring a court appearance on a regular day of work which falls outside of assigned work hours, the employee shall have the option of:
 - (1) standing by at home, when legally permitted, or
 - (2) appearing at the court, with a minimum of two (2) hours pay, at one and one-half (1 ½) times the rate of pay. During this two (2) hour period, if the employee is not required to appear in court, the employee may, at the option of the department, be required to perform duties as assigned.
 - (3) If the court appearance starts within one-half (½) hour immediately following assigned work hours, the employee shall receive a one (1) hour minimum. If the court appearance falls during assigned work hours and continues beyond the end of the shift, the employee shall be paid at the applicable hourly rate for the actual time spent in court.

- c. The provisions of Subsection 2., above shall apply to employees who are required to appear in any judicial or administrative proceeding as a witness pursuant to subpoena, court order, or by request of the District Attorney. Section O. of this Agreement shall

apply to all judicial proceedings (civil, criminal, or administrative) and Civil Service proceedings in which an employee's presence is ordered, directed, or requested by the City because of the employee's employment.

- d. Where an employee's appearance extends beyond the applicable two (2) or three (3) hour minimum, the employee shall be paid the employee's base hourly rate of pay.
- e. Any employee regularly scheduled to a work schedule other than Monday through Friday may have their schedule changed to Monday through Friday until the employee's court appearance obligations are completed.

[§§ deleted]

Q. DRIVER'S LICENSE POLICY

Upon request by the City, the Union agrees to meet and confer on a Driver's License Policy. This Opener is solely for the purpose of the development of a policy to address the issue of driver's license requirements and what is to occur in the event an employee loses his/her license. This Opener does not restrict any existing City rights or practices in handling employees who lose their driving privilege.

R. SPECIAL RULES FOR THE SOLID WASTE MANAGEMENT DIVISION

1. *** Work ***:

- a. ***** Work is performed** by assigned routes, the actual work upon which ***** may** vary according to the amounts of ***** material** placed out for collection by the customers, and is not fully subject to work planning. The work includes such collection and varied duties including, but not limited to, the collection of special pickups, skips, disposal of the day's ***** collected material** at disposal site, return and check-in at the dispatch office, and participation in any necessary briefing or training sessions. *******
- b. **During the week of Thanksgiving, routes for Thursday and Friday will be shifted to Friday and Saturday.**
- c. **On those weeks when Christmas Day and New Year's Day fall on a week day, routes after the holiday will be shifted by one day, to include Saturday.**

2. Routes and Quality Control:

Route perimeters shall be structured and restructured at the discretion of the City; however, the City will include division employees in the deliberations prior to implementing any changes. Both parties acknowledge that division employees have valuable experience and expertise in the provision of municipal services, and in that regard employees are expected to be active participants in preparing and reviewing service delivery options for their routes in an effort to enhance the City's ability to be competitive with the private sector. Employees affected as a result of route perimeter restructuring shall not have the right to bump other permanently assigned employees. The City shall have the right to take necessary steps to ensure sound quality control.

3. Vacation Selection:

Selection of vacation shall be on the basis of date-of-hire seniority in the Solid Waste Management Division (SWMD).

[§ deleted]

4. Route Assignment Selection:

The following route assignment selection process applies to employees occupying the classes of Waste * * * Waste Collector Leadworker (WCL).

a. General - All employees selecting/bidding route assignments must be qualified to drive the assigned vehicle. It is the responsibility of all employees to possess and maintain a valid California Driver's License (CDL) and Medical Certificate, and to inform SWMD of any change or incident with the potential for change to the employee's CDL status. Failure to possess and maintain a valid license or certificate shall result in the employee being placed on a leave without pay status, and subject to possible corrective action up to and including termination for failure to qualify for the position.

(1) "Floaters" are * * * WCL's who do not have a permanent route. Employees who have selected a permanent route assignment shall not function as floaters on their days off unless the employee does so voluntarily.

[§ deleted]

(2) Overtime is not assigned until employees have completed their regular/normal work schedule * * *. Overtime assignments shall be made on a first-come, first-served

basis. In the event two or more employees are available at the same time, overtime shall be assigned based upon seniority in class.

- b. Open Permanent Routes - Permanent routes are considered open for selection/bidding when new routes are added or vacancies occur (due to movement to another permanent route, separation from City service, promotion, etc.).

- (1) Selection/bidding of open permanent routes shall be on the basis of seniority, by class.

[§ deleted]

- (2) Open permanent routes that do not get selected/bid for will be assigned by management to the least senior * * * WCL that is available. Once * * * WCL's are awarded their selection/bid, or are assigned by management they shall not be eligible to select/bid for six (6) months for other open permanent routes that may become available.

- c. Nonpermanent Routes - Nonpermanent routes occur when a permanently assigned * * * WCL is absent from duty for any reason (e.g., days off, vacation, sick, injury, leave without pay, etc.). There are two types of nonpermanent routes (i.e., short term and long term).

- (1) General - The following applications apply to short term and long term selection processes.

[§ deleted]

- (a) The SWMD may assign employees to specific routes when no other qualified employee is available. If an employee so assigned is pulled from a route the employee selected/bid on and was awarded, then after the assignment is completed the employee will be allowed to go back to the route the employee was pulled from.

[§ deleted]

- (b) Employees must remain on the nonpermanent long-term route until the return of the permanently assigned employee, or until quarterly rebidding occurs

on the first working day of January, April, July, and October.

- (2) Short Term Routes - This is a nonpermanent route situation of 40 hours or less, and the following assignment selection process applies to floater employees occupying the class * * * WCL.
 - (a) Short term route assignments shall be assigned by management to the least senior * * * WCL.
- (3) Long Term Routes - This is a nonpermanent route situation of more than 40 hours, and the following assignment selection process applies to floater employees * * * .
 - (a) Selection/bidding of long term routes shall be on the basis of seniority, by class.

[§ deleted]

- (b) Long term routes that do not get selected/bid for will be assigned by management to the least senior * * * WCL that is available.

5. Attendance in Residential Solid Waste

The parties agree that employees are expected to serve the public and that appropriate service to the public includes regular attendance. Employees are expected to take leave only for reasons that the leave is intended. Consistent with the above, the parties agree that productive time (hours actually worked less any overtime) should be increased for Waste Collector Leadworkers as a class.

In FY 13, median attendance for employees in the Waste Collector Leadworker class in Residential Solid Waste (the point where half of the Waste Collector Leadworkers are above, and half are below) was 1,688 hours. Waste Collector Leadworkers will be expected to increase actual time at work (i.e., productive time) as follows.

- May 19, 2014 – August 17, 2014: Productive time will be a median of 1,700 hours.
 - If attendance does not reach a median of 1,700 productive hours for employees in the Waste Collector Leadworker class in Residential Solid Waste as of August 17, 2014, sub-sections a. and b. below will apply effective the pay period starting September 8, 2014.

- If attendance reaches a median of 1,700 productive hours as of August 17, 2014, the Waste Collector Leadworker class in Residential Solid Waste shall be eligible for overtime in accordance with Article VII, D.
- If the August 17, 2014 median of 1,700 productive hours is reached:

August 18, 2014 – November 16, 2014: Productive time will be a median of 1,712 hours.

- Time for the period will be extended to 26 pay periods. If attendance does not reach this median as of November 16, 2014, sub-sections a. and b. below will apply effective the pay period starting December 1, 2014.
- If attendance reaches a median of 1,712 productive hours as of November 16, 2014, the Waste Collector Leadworker class in Residential Solid Waste shall be eligible for overtime in accordance with Article VII, D.
- If the November 16, 2014 median of 1,712 is reached:

November 17, 2014 – February 15, 2015: Productive time will be a median of 1,725 hours.

For purposes of this provision those Waste Collector Leadworkers in Residential Solid Waste eligible for holiday pay for Thanksgiving, Christmas and New Year's Days will have the time for these holidays counted as if actually worked. Time for the period under this provision will be extended to 26 pay periods.

- If attendance does not reach this median as of February 15, 2015 sub-sections a. and b. below will apply effective the pay period starting March 9, 2015.
- If attendance reaches a median of 1,725 productive hours as of February 15, 2015, the Waste Collector Leadworker class shall be eligible for overtime in accordance with Article VII, D.

If any of the above productive time targets are not met:

- a. **Waste Collector Leadworker positions in Residential Solid Waste shall not be eligible for overtime in accordance with Article VII, D., but shall receive overtime for all work time over forty (40) hours in a work week in accordance with the Fair Labor Standards Act.**
 - b. **The Waste Collector Leadworker class shall be eligible for holiday overtime in accordance with Article VII, H.**
6. These rules may be modified by mutual agreement of the parties during the term of the Agreement.

S. WASTEWATER MANAGEMENT DIVISION

1. Except for permanent employees occupying the classes of Wastewater Treatment Plant Operator-in-Training I/II, seniority shall be defined as seniority in a class based on an employee's length of continuous service as a permanent employee in the employee's present class.
 - a. Seniority shall not be applied to temporary, provisional or acting status employees.
 - b. Continuous service shall include all time in the employee's present class. Continuous service shall not include any time spent under suspension from duty, demotion/transfer to another class, or on any leave of absence without pay as defined in applicable sections of the FMC. A military leave of absence shall not be considered a break in service.
 - c. In the event seniority is equal, seniority shall be determined based upon the employee's standing on the eligible list for that class as prepared by the Human Resources Division. In the event seniority is equal based on appointment to a journey level class (e.g., for a flexibly staffed series), seniority shall first be determined based upon the employee's appointment date to the entry level class. In the event the appointment date to the entry level class is also equal, seniority shall be determined by the employee's standing on the eligible list for the entry level class.
 - d. It is expressly understood that shift assignments and staffing levels are determined by management, and are subject to change based on varying workload, the addition of authorized staffing, and operational and service needs. Such decisions shall not be appealable or grievable.

2. For permanent employees occupying the classes of Wastewater Treatment Plant Operator-in-Training/I/II, seniority shall be defined as seniority in this class series based on an employee's length of continuous service as an * * * employee in the class series (i.e., date-of-hire in the series). Wastewater Treatment Plant Operator-in-Training shall not exercise seniority rights (i.e. shift bidding) until permanent status is achieved by being promoted.
 - a. Seniority shall not be applied to temporary provisional or acting status employees.
 - b. Continuous service shall include all time in the class series. Continuous service shall not include any time spent under suspension from duty, demotion/transfer to another class outside of the series, or on any leave of absence without pay as defined in applicable sections of the FMC. A military leave of absence shall not be considered a break in service.
 - c. In the event seniority is equal, seniority shall be determined based upon each employee's standing on the eligible list for initial date-of-hire into the series as prepared by the Human Resources Division.
 - d. It is expressly understood that shift position assignments by classification and staffing levels are determined by management, and are subject to change based on varying workload, the addition or reduction in authorized staffing, and operational and service needs. Management may assign any employee occupying the class of Wastewater Treatment Plant Operator-in-Training I/II to a particular shift or stall, move stalls to different shifts, and change the days off for stalls. In the event management determines fixed shift schedules detrimentally impact operational and service needs, management may discontinue fixed shift schedules with thirty (30) days advance written notice to the affected employees, and the Labor Relations Division. The decision to discontinue fixed shift schedules is not appealable or grievable.
 - (1) If management discontinues fixed shift schedules, schedules shall revert to rotation through day, swing and graveyard shifts which were in existence prior to the establishment of fixed schedules.

T. CLASS AND COMPENSATION STUDY

During FY15 (the fiscal year ending June 30, 2015), the City will conduct a classification and compensation study on select classifications in Unit 1. The classifications to be studied are to be determined at a later date through discussions between the City and the Union.

[§§ deleted]

ARTICLE VIII

FEDERAL DRUG POLICY (FEDERAL OMNIBUS TRANSPORTATION EMPLOYEE TESTING ACT)

Policy

1. A policy which summarizes the federal regulations required by the Federal Omnibus Transportation Employee Testing Act is distributed to all affected employees during training and orientation.
2. The parties have agreed that the Medical Review Officer (MRO), the SAP and the rehabilitation treatment program and facilities used for this purpose will be those designated by the respective employees health and welfare trusts and that employees referred to these services as a result of the application of this policy will be tracked separately and the charges billed directly to the City through the Risk/Safety Manager. The Risk/Safety Manager will be responsible for receiving all information related to the implementation of this policy and directing the applicable disciplinary action in coordination with the Labor Relations Manager.
3. An observer not subject to random testing under this policy, designated by one of the affected labor organizations, will be invited by the Manager of the Risk/Safety Division to be present at the time the random list is generated.
4. A Substance Dependency Advisory Committee shall be formed and meet at the request of any member to review the impact, modification or repeal of the Omnibus Transportation Employee Testing Act and make recommendations to the City Manager on all matters relevant to the implementation of this policy. Half of the members of said committee shall be appointed by the City and the other half shall be appointed by those recognized employee organizations subject either to the regulations promulgated by the Federal Transit Administration (FTA), or the Federal Highway Administration (FHWA).
5. Any disciplinary action taken by the City as a result of this policy will be subject to the applicable provisions of current MOU's, Administrative Orders, and FMC concerning representation and hearing appeals process. Among the factors to be considered in determining the appropriate disciplinary action include the level of the offense, the nature and requirements of the work, length of employment, current job performance, and history of past disciplinary action. Pursuant to the provisions of FMC- * * * **3-605** (a)(5), the City reserves the exclusive right to determine the level of disciplinary action, utilizing the following guidelines:
 - a. An employee who registers an alcohol breath level between .02 and .039 as a result of a random test will be immediately removed from the safety sensitive position for a period of eight (8) hours (FTA) or twenty-four (24) hours (FHWA) and placed on administrative leave with pay for the duration of the affected scheduled shift. An employee thus removed, may

be subject to appropriate disciplinary action up to and including discharge for each such offense.

- b. An employee who registers an alcohol breath level of .04 or greater, or is determined to have a positive drug test as a result of reasonable suspicion, random selection, or post accident testing, may be referred to a SAP for evaluation. Any employee permitted to undergo rehabilitation treatment as a condition of continued employment, must complete the treatment modality/program recommended by the SAP prior to resuming a safety sensitive function and participate in any follow-up protocol recommended by the SAP. The period of absence to complete the rehabilitation program will be charged to any available sick leave, vacation, or leave without pay, at the employee's option. It is the employee's responsibility to authorize and direct the SAP/MRO to keep the City informed of the progress of treatment. An employee who fails to inform the City concerning the status of treatment, refuses to undergo recommended treatment, does not complete the recommended program and follow-up protocol, or refuses to return to work after being released from rehabilitation treatment, will be subject to disciplinary action up to and including discharge.
- c. An employee who registers an alcohol breath level of .04 or greater, or is determined to have a positive drug test as a result of random selection testing, may be subject to disciplinary action up to and including discharge. Employees who are members of FPOA will also be subject to the provisions of any applicable Department Standing Order, policy or procedure.
- d. An employee who registers an alcohol breath level of .02 or greater, or is determined to have a positive drug test as a result of reasonable cause, post accident testing, mandatory follow-up testing, or refuses to submit to a drug or alcohol test, may be subject to disciplinary action up to and including discharge.

Procedure for Random Testing

1. The Risk/Safety Manager selects a date and time for testing and requests the designated labor organization observer to attend. The date is usually selected 24 hours prior to the creation of the list of names for actual testing. In order to facilitate testing, the Risk/Safety Manager will notify the designated testing facility of the date and time of expected testing so that adequate staffing needs are met.
2. At the appointed time of list creation, the Risk/Safety Manager will request the designated labor organization observer to select a random number between 1-10.
3. Based upon the number selected, the computer will generate lists until that numbered list is reached. That list will be used for testing and all others will be

discarded. Both the Risk/Safety Manager and the observer will sign the selected list to verify its authenticity as being the list selected.

4. The Risk/Safety Manager will review the list and identify the physical location of all employees selected.
5. The Risk/Safety Manager contacts those departments/divisions which have effected employees and advises them that they have employees who require drug/alcohol testing.
6. The departments/divisions are responsible for notifying selected employees that they have been chosen for random testing. Selected employees for testing shall be subject to testing from the time the employee reports to work until the time he/she is relieved from work and all responsibility for performing work. Employees that are selected, but who are not reasonably expected to return to work before the next list is drawn shall not be tested.
7. Departments/divisions will notify the Risk/Safety Manager of the availability of selected employees. The Risk/Safety Manager will note this information and provide a notation in the file if an employee is bypassed.
8. The Risk/Safety Manager shall maintain a separate file for each date that testing is performed. The file shall contain the original list from which the names were used to identify employees to be tested.
9. The Risk/Safety Manager shall place a copy of the completed drug testing report into each corresponding file for that specific date of testing.
10. Upon receipt of information from the MRO that an employee has tested positive for drugs or alcohol, the Risk/Safety Manager shall advise the employee's department/divisions that the employee must be precluded from performing in a safety sensitive capacity.
11. The Risk/Safety Manager shall contact the SAP and shall advise the employee of a date and time for referral.
12. Upon receipt of the recommendation of the SAP, the Risk/Safety Manager shall confer with the employee, and the employee's representative if the employee so chooses and the department/division representative for the purpose of discussing the recommendation of the SAP, and whether a Last Chance Agreement will be considered. The purpose of the Last Chance Agreement would be to allow the employee to return to work (upon testing negative for drugs and alcohol) with the understanding that the recommendation of the SAP be completed and that any future positive test will result in termination without appeal. As required by federal law, employees who have tested positive and who have returned to work, will still be subject to random selection for testing and will be subject to six additional tests for drugs and alcohol during the subsequent year.

13. Reopener

If the City proposes to change the corresponding City-wide random drug and alcohol testing policy, the parties agree to a limited reopener on the MOU policy agreement between the City and the Union.

ARTICLE IX

HEADINGS, SAVING CLAUSE AND FULL UNDERSTANDING

A. HEADINGS

Agreement article, provision, and paragraph headings (includes exhibits, addendums, attachments, agreements and side letters) contained herein are solely for the purpose of convenience, and shall not affect the construction or interpretation of any of the language of this agreement.

B. SAVING CLAUSE

In the event any article, section, or portion of this Agreement should be held invalid and unenforceable in any court of competent jurisdiction, such decision shall apply only to the specific article, section, or portion thereof specified in the court's decision, and upon issuance of such a decision, the City and the Union agree immediately to meet and confer upon a substitute for the invalidated article, section, or portion thereof.

C. FULL UNDERSTANDING

It is intended that this Agreement sets forth the full and entire understanding of the parties, and any previous understanding or agreements by the parties, whether formal or informal, regarding any such matters are hereby superseded and terminated in their entirety. With respect to agreements, any not attached to this Agreement are hereby terminated in their entirety. Agreements attached to this Agreement shall continue in force subject to the terms contained therein, or in the absence of specified terms the agreements shall terminate upon the expiration of this Agreement. Any agreements entered into during the term of this Agreement shall continue in force subject to the terms and conditions set forth in each agreement. Further, neither party shall be bound by any promise or assurance that is not explicitly covered in this Agreement, or in an agreement signed by both parties.

This page intentionally left blank.

ARTICLE X

TERMINATION

This Agreement shall be in full force and effect from July 1, **2012** * * * to June 30, **2016** * * * subject to the Sections (A., B., C. and D.) below.

- A. This Agreement shall become effective only after ratification by the members of this Unit, followed by City Council approval and the expiration of the waiting period for the Mayor's action provided in Charter Sections 605 and 609, and shall remain in full force and effect through June 30, **2016** * * *.
- B. During the life of this Agreement, should either party desire to modify its terms or to meet and confer as to matters within the scope of representation not addressed in this Agreement, such party shall request in writing to meet and confer on the item, which item shall be specified in writing.
- C. During the life of this Agreement, either party may refuse any request to meet and confer without explanation if the item is directly considered and specifically addressed herein or if the specific item was included in a written proposal from the party making the request during the meet and confer process which led to this Agreement.
- D. If a Municipal Water District (MWD) is created, particular classes of City employees belonging to Unit 1 may be transferred to the MWD. Upon determining that the terms of this Agreement will be acknowledged by the MWD, the provisions of this MOU shall apply to those City employees transferred to the MWD during the first calendar year of MWD's official creation or June 30, 2011 **2016** * * *, whichever comes first.

IN WITNESS WHEREOF, the parties hereto have set their hands this _____ day
of _____, 20_____.

**FOR THE INTERNATIONAL UNION OF
OPERATING ENGINEERS, STATIONARY
ENGINEERS, LOCAL 39:**

JERRY KALMAR
Manager, Secretary

TONY DEMARCO
President

MARINA MAGDALENO
Business Representative

GARY BERTSCH
Shop Steward

MARIANO CARO
Shop Steward

IRENE FRANK
Shop Steward

JOSEPH HILL
Shop Steward

JOHN MCLEESE
Shop Steward

DANIEL RUIZ
Shop Steward

MICHAEL SANCHEZ
Shop Steward

FOR THE CITY OF FRESNO:

KENNETH G. PHILLIPS
Labor Relations Manager/Chief Negotiator

LORI NAJERA,
Senior Human Resources Analyst

JERRY SCHUBER
Solid Waste Manager

JEFFREY BEATTY
Management Analyst III

SANDRA CHAVEZ MARTIN
Human Resources Manager

APPROVED AS TO FORM
CITY ATTORNEY'S OFFICE

BY: 
Supervising Deputy

**EXHIBIT I
Non-supervisory Blue Collar**

Salaries Effective 7/01/11

CLASS TITLE	A	B	C	D	E
Airport Maintenance Leadworker	3393	3562	3741	3930	4123
Airports Building Maintenance Technician	3204	3365	3535	3710	3896
Airports Operations Specialist	3077	3233	3393	3562	3741
Automotive Parts Leadworker	3322	3489	3664	3847	4040
Automotive Parts Specialist	3015	3164	3322	3489	3664
Body & Fender Repairer	3854	4047	4250	4463	4685
Body & Fender Repairer Leadworker	4250	4463	4685	4920	5168
Body & Fender Repairer Trainee	3169	3329	3496	3669	3854
Brake & Front End Specialist	4250	4463	4685	4920	5168
Bus Air Conditioning Mechanic	3854	4047	4250	4463	4685
Bus Air Conditioning Mechanic Leadworker	4250	4463	4685	4920	5168
Bus Air Conditioning Mechanic Trainee	3169	3329	3496	3669	3854
Bus Equipment Attendant Leadworker	3042	3196	3358	3525	3701
Bus Mechanic I	3169	3329	3496	3669	3854
Bus Mechanic II	3854	4047	4250	4463	4685
Bus Mechanic Leadworker	4250	4463	4685	4920	5168
Collection System Maintenance Operator I	2656	2778	2905	3038	3181
Collection System Maintenance Operator II	3288	3451	3625	3804	3996
Collection System Maintenance Operator III	3625	3804	3996	4195	4407
Combination Welder II	3854	4047	4250	4463	4685
Combination Welder Leadworker	4250	4463	4685	4920	5168
Communications Technician I	3835	4026	4226	4436	4660
Communications Technician II	4226	4436	4660	4892	5138
Cross Connection Control Technician	3814	4007	4207	4419	4641
Custodian	2368	2477	2598	2716	2841
Electronic Equipment Installer	3085	3240	3402	3570	3751
Equipment Service Worker I	2459	2579	2710	2845	2985
Equipment Service Worker II	3219	3380	3549	3729	3915
Fire Equipment Mechanic I	3169	3329	3496	3669	3854
Fire Equipment Mechanic II	3854	4047	4250	4463	4685
Fire Equipment Mechanic Leadworker	4250	4463	4685	4920	5168
Heavy Equipment Mechanic I	3169	3329	3496	3669	3854
Heavy Equipment Mechanic II	3854	4047	4250	4463	4685
Heavy Equipment Mechanic Leadworker	4250	4463	4685	4920	5168
Heavy Equipment Operator	3854	4048	4252	4464	4686
Helicopter Mechanic	3854	4047	4250	4463	4685
Helicopter Mechanic Leadworker	4250	4463	4685	4920	5168

**EXHIBIT I
Non-supervisory Blue Collar**

Salaries Effective 7/01/11

Instrumentation Specialist	4296	4508	4734	4971	5222
Instrumentation Technician	3765	3953	4152	4359	4577
Irrigation Specialist	3317	3482	3658	3841	4033
Laborer	2656	2778	2905	3038	3181
Light Equipment Mechanic I	3169	3329	3496	3669	3854
Light Equipment Mechanic II	3854	4047	4250	4463	4685
Light Equipment Mechanic Leadworker	4250	4463	4685	4920	5168
Light Equipment Operator	3393	3562	3741	3930	4127
Locksmith	3204	3365	3535	3710	3896
Maintenance & Construction Worker	3077	3233	3393	3562	3741
Maintenance & Service Worker	2281	2395	2515	2643	2775
Maintenance Carpenter I	3526	3702	3888	4083	4288
Maintenance Carpenter II	3888	4083	4288	4503	4730
Mini Bus Operator	2508	2633	2766	2902	3046
Park Equipment Mechanic II	3496	3669	3854	4047	4250
Park Equipment Mechanic Leadworker	3854	4047	4250	4463	4685
Parking Meter Attendant I	2552	2680	2815	2954	3101
Parking Meter Attendant II	2815	2954	3101	3259	3422
Parking Meter Attendant III	3101	3259	3422	3592	3772
Parks Maintenance Worker I	2596	2727	2862	3007	3157
Parks Maintenance Worker II	3144	3301	3467	3639	3822
Parks Maintenance Leadworker	3317	3482	3658	3841	4033
Power Generation Operator/Mechanic	4180	4389	4608	4839	5082
Property Maintenance Worker I	2904	3054	3204	3365	3535
Property Maintenance Worker II	3302	3467	3641	3823	4013
Property Maintenance Leadworker	3535	3710	3896	4091	4297
Roofer	3204	3365	3535	3710	3896
Senior Communications Technician	4660	4892	5138	5396	5668
Senior Custodian	2493	2617	2747	2889	3031
Senior Heavy Equipment Operator	4743	4984	5231	5492	5769
Senior Waste Container Maintenance Worker	3454	3628	3810	4000	4202
Senior Wastewater Treatment Plant Operator	4397	4616	4848	5090	5345
Solid Waste Safety & Training Specialist	3657	3840	4034	4237	4448
Street Maintenance Leadworker	3393	3562	3741	3930	4127
Street Sweeper Lead Operator	3529	3705	3892	4085	4291
Street Sweeper Operator II	3200	3361	3529	3705	3892
Tire Maintenance & Repair Technician	3109	3264	3429	3600	3780
Tire Maintenance Worker	2847	2987	3139	3298	3462

EXHIBIT I
Non-supervisory Blue Collar

Salaries Effective 7/01/11

Traffic Maintenance Leadworker	3419	3590	3770	3959	4157
Traffic Maintenance Worker I	2819	2961	3108	3263	3429
Traffic Maintenance Worker II	3099	3254	3419	3590	3770
Tree Trimmer Leadworker	3562	3741	3930	4127	4333
Utility Leadworker	3082	3224	3379	3535	3701
Waste Collector II	2770	2906	3051	3205	3365
Waste Collector Leadworker	3205	3365	3534	3709	3897
Waste Container Maintenance Assistant	2711	2846	2986	3137	3297
Waste Container Maintenance Worker	3190	3348	3515	3692	3879
Wastewater Distributor	2739	2881	3023	3175	3334
Wastewater Lead Distributor	3262	3425	3596	3776	3965
Wastewater Treatment Plant Lead Mechanic	4180	4389	4608	4839	5082
Wastewater Treatment Plant Mechanic I	3097	3240	3387	3549	3720
Wastewater Treatment Plant Mechanic II	3900	4095	4300	4514	4740
Wastewater Treatment Plant Operator-In-Training	2739	2881	3023	3175	3334
Wastewater Treatment Plant Operator I	3375	3544	3722	3908	4102
Wastewater Treatment Plant Operator II	3788	3978	4180	4385	4607
Water System Operator I	3337	3505	3678	3862	4057
Water System Operator II	3701	3887	4080	4286	4501
Water System Operator III	4653	4887	5133	5388	5657

This page intentionally left blank.

Subject: Attendance Policy (Applicable to Local 39 Unit 1, FCEA Unit 3, IBEW Unit 7, FPOA Mgmt Unit 9, FAPOFA Unit 11, CFPEA Unit 13, CFMEA Unit 14, and Unrepresented)	Number: 2-19.1
	Date Issued: December 1, 2003 Date Revised:
Responsible Department: Personnel Services	Approved:

Purpose

To establish a Citywide attendance policy.¹

Policy & Procedures

²This policy is to be construed on a rolling 12-month period following the effective date. A primary requirement for continued employment is regular attendance. While the City recognizes some absences may be unavoidable, City departments and the employees have an obligation to the public that demands regular and prompt attendance.

Although it is recognized that excessive absenteeism is a proper reason for corrective/disciplinary action, up to and including termination of employment, it is the policy of the City to identify problem areas by keeping proper records, exploring avenues of available assistance, and encouraging compliance with attendance standards.

This attendance policy was developed to establish uniform guidelines to further efforts to provide service to the public, and is designed to be a no-fault program. The pervasive problems stemming from inordinate absences are the focus of this policy, not the nature of the absences.

Authorized leaves and statutorily protected leaves (e.g., Family and Medical Leave Act, California Family Rights Act, military leave, jury duty, subpoenas and court appearances, bereavement leave, vacation leave, FMC leave of absences, suspension, union business, etc.) are outside the scope of this attendance policy.

In the event of a serious illness or injury to the employee requiring the employee's absence during a future period of time, or a serious illness or injury to the employee's spouse, dependent minor children, or parents requiring the employee's absence during a future period of time, the applicable City department, the employee and applicable recognized bargaining unit may agree to a plan for the employee's absence(s) over a specified period

of time. If such plan is agreed upon, absences under such plan shall not be subject to this policy.

¹CFMEA - Unit 14 PURPOSE Reads: The purpose of this policy is to establish minimum guidelines governing an attendance policy for City employees. City department and division attendance policies that meet and/or exceed these minimum guidelines are considered to be consistent with the purpose of this policy.

²CFMEA - Unit 14 POLICY Begins: This is a Citywide policy; however, consult with applicable Memorandums of Understanding and/or department and division policies and procedures for modifications and/or exemptions to the application of this policy.

DEFINITIONS AND RULES - SECTION I:

1. Excluding the authorized and statutorily protected leaves discussed above, an absence or absenteeism is defined as any failure to show up for or remain at work as scheduled regardless of the reason. Any employee, who fails to show up for work or remain at work as scheduled, will be charged with an incident of absence under this policy.
 - (a) Approved leaves (i.e., scheduled leave time prearranged, approved, and authorized) shall not be considered an incident.
 - (b) A day or days of continuous absence due to illness shall be considered one incident.
 - (c) Employees who are absent for an indefinite period due to illness must keep their supervisor informed as to the status of their absence, including specifying any tentative return date if requested by their supervisor or designee. An employee on extended leave for any reason may be contacted by the applicable City department to schedule a return-to-work evaluation before returning to work.
2. Employees who call in advance to give notice they will be late, and report to work within one (1) hour will be charged with a tardy. However, failure to report to work within one (1) hour after their scheduled start time will result in the issuance of a second tardy. Two (2) tardies in any rolling 12-month period shall be equal to one (1) incident.
3. The City reserves the right to require an employee to report to work for the balance of the day on which tardiness occurs. Failure by the employee to report to or remain at work for the balance of the day as directed by a supervisor may be cause for disciplinary action.
4. Any employee who does not report to work in person or by telephone will be considered absent without leave, and subject to disciplinary action as provided in the applicable provisions of the Fresno Municipal Code, as the same may be amended from time-to-time.

DISCIPLINE LEVELS - SECTION II:

1. Excessive absenteeism by an employee shall subject said employee(s) to disciplinary action. Excessive absenteeism for purposes of this policy shall be defined as four (4) or more occurrences (i.e., incident) of absence within any consecutive 12-month period beginning with the effective date of this policy. The 12-month period referred to in this policy shall mean a "rolling" 12-month period.
2. The disciplinary levels under this policy are noted in the table below.

Incident	Level for FCEA Unit 3, IBEW Unit 7, FPOA Mgmt Unit 9 (Non-exempt), FAPOFA Unit 11, CFPEA Unit 13 (Non-exempt), CFMEA Unit 14 (Non-exempt), Unrepresented (Non-exempt)	Level for Local 39 Unit 1
4th	Verbal Warning	Verbal Warning
5th	Letter of Understanding	Letter of Understanding
6th	Written Reprimand	Written Reprimand
7th	\$100 Fine	2 Working Days Suspension
8th	\$300 Fine & 6 month prohibition on working overtime, if non-exempt, unless overtime is management directed	5 Working Days Suspension
9th	10 Working Days Suspension	10 Working Days Suspension
10th	Termination	Termination

The City reserves the right to deviate from this table of progressive disciplinary levels under mitigating circumstances. An example of a mitigating circumstance is a case where an employee with an otherwise exemplary prior history of good attendance (three [3] to five [5] years) experiences an unexpected problem, which causes inordinate temporary absenteeism, or whenever there is a pattern of abuse of time off.

- For every 90-calendar-day period, an employee who has perfect attendance shall have his or her number of incidents reduced by one (1). The incident to be removed shall be the oldest in the rolling 12-month review period.

EXEMPT EMPLOYEES (UNREPRESENTED AND REPRESENTED):

The application of this policy to unrepresented and represented exempt employees should be consistent with Federal Fair Labor Standards Act (FLSA) regulations and applied under the direction of the Department Director in consultation with Labor Relations.

Under the FLSA, exempt employees may not be suspended for a period of less than one week. In addition, fines are not a permissible form of discipline for exempt employees. Therefore, suspensions for exempt employees must be done in full weekly increments.

This page intentionally left blank.

**Agreement Between
City of Fresno
and
IUOE, Stationary Engineers, Local 39
Retirement/Pension Meet and Confer**

The City of Fresno (City) and the International Union of Operating Engineers, Stationary Engineers, Local 39 (Union) agree to meet and confer on pension benefits for new employees. To the extent possible, meetings shall include representatives of all employee organizations representing non-safety City employees; however, the absence of other employee organizations' participation in the meetings shall not be cause for failure to proceed with the meet and confer process between the City and the Union.

**FOR THE INTERNATIONAL UNION
OF OPERATING ENGINEERS,
STATIONARY ENGINEERS, LOCAL 39:**

FOR THE CITY OF FRESNO:

MARINA MAGDALENO
Business Representative

KENNETH G. PHILLIPS
Labor Relations Manager

Date _____

APPROVED AS TO FORM
CITY ATTORNEY'S OFFICE
BY: *K. Phillips*
Supervising Deputy

City of Fresno
 Local 39 Proposal Year 1
 4/11/14

<u>Summary of Negotiated Term Deal:</u>	<u>Annual Local 39 Savings - All Funds</u>	<u>Annual Local 39 Savings - General Fund</u>
4% Employee Pension Contribution ¹	1,199,252	87,521
	<u>1,199,252</u>	<u>87,521</u>
Health and Welfare Contribution: Cap City Contribution at 75%	428,976	31,234
	<u>428,976</u>	<u>31,234</u>
Holiday Accruals Reduced by 2 Days ²	168,481	16,831
	<u>168,481</u>	<u>16,831</u>
Vacation Leave	0	0
	<u>0</u>	<u>0</u>
Sick Leave	0	0
	<u>0</u>	<u>0</u>
Compensatory Time Off	0	0
	<u>0</u>	<u>0</u>
Total Annual Savings	<u><u>1,796,709</u></u>	<u><u>135,586</u></u>

Total Salary and Benefit Savings 4.21% 4.40%

¹ Employee Pension savings is calculated based on a post salary reduction

² Holiday and Supplemental Admin Leave savings assume leave cash-out amounts

³ Limitation of cash out will not produce savings rather it will increase future city liability

This page intentionally left blank.

AGENDA ITEM NO. 2B
COUNCIL MEETING: 05/15/14
APPROVED BY _____


DEPARTMENT DIRECTOR

CITY MANAGER

Date: May 15, 2014

FROM: KAREN M. BRADLEY, Assistant Controller
Finance Department 

BY: KAREN M. BRADLEY, Assistant Controller
Finance Department 

SUBJECT: Submission and acceptance of City of Fresno Comprehensive Annual Financial Report (CAFR) and Single Audit for Fiscal Year 2013.

RECOMMENDATION

Staff recommends that the City Council receive and accept the Comprehensive Annual Financial Report (CAFR) and the Single Audit for the fiscal year ended June 30, 2013.

EXECUTIVE SUMMARY

The City Council, prior to issuance, was provided a draft copy of the City's 2013 Comprehensive Annual Financial Report (CAFR) as well as the final copy of the City's 2013 CAFR complete with the auditor's opinion. The CAFR is prepared in conformity with accounting principles generally accepted in the United States of America, including the provisions of Governmental Accounting Standards Board (GASB) Statements No. 34 and 54. The CAFR reflects the ending balances and results of operations of the City's governmental and business-type activities for each fund for the fiscal year ended June 30, 2013. Fund Balances for governmental activities are presented using classifications that are based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds.

The Auditor's Opinion on the CAFR, while unmodified, contained a Going-Concern paragraph. GASB 56 requires that financial statement preparers (the City) as well as its auditors have a responsibility to evaluate whether there is substantial doubt about the governments' ability to continue as a going concern for at least twelve months beyond the financial date. Moreover, if there is information known to the government that may raise substantial doubt shortly thereafter (for example within an additional three months), this should also be considered. Both City Management and the City's Auditors concurred on the necessity of the Going-Concern paragraph and disclosures in Note 1 of the Notes to the Financial Statements.

Accompanying this staff report is a reconciliation/overview reflecting the General Fund, as presented in the budget documents, and as well as how the General Fund must be presented in the CAFR. In

In addition you have been provided a copy of the Single Audit, Management Letter and a CAFR Overview handout all of which are provided to assist you in understanding the City's financial position.

BACKGROUND

The Comprehensive Annual Financial Report (CAFR) of the City of Fresno, for the fiscal year ended June 30, 2013, is hereby formally submitted. This report is certified as the official publication of the City's financial position at June 30, 2013, showing the results of operations for the fiscal year for all City activities and funds. These operational results contributed to the opening balances of fiscal year 2014.

The City prepared its CAFR using GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Once again, the City of Fresno has met all reporting deadlines associated with the CAFR as well as the Single Audit for Federal and State governments as well as those related to our reporting and disclosure requirements related to EMMA* (the Electronic Municipal Market Access system, or EMMA®, is the official repository for information on virtually all municipal bonds) and the City's various Bond covenants. In addition, the filing deadline for the Government Finance Officers Association (GFOA) was met in order to participate in their Certificate of Achievement in Excellence in Financial Reporting Program.

The CAFR reflects that in Fiscal Year 2013, the City planned and built its budget on conservative estimates, however Fresno continues to feel the effects of and be impacted by the fiscal challenges of the economy. Although Total Assets of the City exceeded its Liabilities at the close of June 30, 2013 by nearly \$1.67 billion, Government-wide (reported as Total Net Assets of the City, pg. 59 of the CAFR), which compares to \$1.63 billion at the end of June 2012, Governmental Activities actually drew down citywide Net Assets by \$1.4 million. Business-type Activities contributed nearly \$47.3 million in Net Assets. It can be seen that the Governmental activities continue to spend more than they take in. Of even greater concern to both City Management and the Auditors are cash flows and the lack of reserves in the General Fund.

The Total CAFR General Fund Balance at June 30, 2013 declined to \$6.8 million from \$15.0 million at the end of June 30, 2012. Much of the decrease is the result of the General Fund borrowing \$14.1 million from Water and Commercial Solid Waste to eliminate the Parking Fund's negative cash. In addition the General Fund absorbed the assets and liabilities of six former Internal Service functions and two Enterprise Operations. The merged functions were City Attorney/Legal Services, Personnel, Finance, Budget, Purchasing and Central Printing. The merged Enterprise operations were Parking and Development Services. Overall, while the General Fund at June 30, 2013 reflects a positive \$6.7 million fund balance, this a net figure made up of \$12.7 million which is nonspendable reflective of such items as inventories, prepaid expenses and long-term receivables; \$435,369 is restricted, meaning that there are constraints on its use imposed externally by creditors, grantors, laws or regu-

**EMMA provides free public access to official disclosures, trade data, credit ratings and educational materials and other information about the municipal securities market.*

REPORT TO THE CITY COUNCIL

Acceptance of CAFR and Single Audit for FY 2013

May 15, 2014

Page 3

lations; \$1.9 million which is committed and represents the Emergency Reserve which includes \$400,000 set aside for the 27th pay period; and \$1.1 million which identified as assigned which represents monies set aside by budgetary action. The remaining \$9.4 million is negative and is unassigned. Were this balance positive, it would represent the unassigned amounts available to be used for any purpose.

What this means is that the General Fund currently has more liabilities than it has assets that could be quickly and immediately converted into cash. The "Emergency Reserve" identified as Committed remains at a meager \$1,481,011, up from \$1,443,686 due to interest earnings only.

GASB 56 requires Management and Auditors to consider and evaluate indicators that there may be substantial doubt about a governmental entity's ability to continue as a going concern.

These indicators include:

- ✓ **Negative trends** – recurring periods in which expenses/expenditures significantly exceed revenues, recurring unsubsidized as well as subsidized operating losses in business-type activities, consistent working capital deficiencies and negative operating cash flows or adverse key financial ratios. *Subsidized debt service for both the Convention Center and Stadium.*
- ✓ **Other indications of possible financial difficulties** – default on bonds, loans or similar agreements, proximity to debt and tax limitations, denial of usual trade credit from suppliers, restructuring of debt, noncompliance with statutory, capital or reserve requirements, or the need to seek new sources or methods of financing or the need to dispose of substantial assets. *Inability to obtain master lease agreement which requires more expense acquisition of long lived assets or deferring acquisition of some assets all together; police cars, computers, etc.; ongoing and frequent reviews by credit rating agencies resulting in downgrades, inability to set aside funds for reserves and ongoing General Fund internal borrowings throughout the year.*
- ✓ **Internal matters** – labor difficulties, substantial dependence upon the success of a particular program, project or revenue stream; burdensome labor contracts and open-ended funding of benefits or the need to significantly revise operations and insufficient reserves. *Inability to obtain labor concessions, unsustainable benefit programs, extreme reliance of public safety on property tax and sales tax revenues leaving minimal amounts for other governmental operations. Significant reduction in service in the area of Parks, Police and Public Works; material reduction in infrastructure repairs; move to on-line crime reporting, smaller deficit recovery)*
- ✓ **External matters** – legal proceedings, legislation, or other similar matters that might jeopardize governmental revenues and the fiscal sustainability. *Increasing delays in obtaining federal and State grant reimbursements greatly impacting cash flow.*

All of these factors together, along with guidance in GASB 56, provide a framework to assist management, audit committees and finance teams in determining whether it is appropriate to adopt the going concern basis for preparing financial statements and in making balanced, proportionate and clear disclosures.

As required by the City Charter, the amounts reflected in the 2013 CAFR have been audited by an independent certified public accounting firm. The unqualified opinion of Macias Gini & O'Connell, LLP is included in the CAFR report. (Behind the Financial Section Tab in the CAFR)

Last year's CAFR, as well as the financial statements for the previous twenty years, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA). The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its staff. This year's report has again been submitted to the award program for consideration.

Attached is the auditor's letter to management which is intended to provide general guidance to management to enhance internal controls and promote management stewardship.

In order to plan and conduct their audit, auditors must obtain an understanding of the City's internal control system. As a result of obtaining that understanding and as a result of performing tests of internal controls, an auditor may note reportable conditions, material weaknesses and/or opportunities for strengthening internal controls. The letter to management reflects the items noted during the performance of the City's audit.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act Guidelines Section 15378 this item does not qualify as a "project" and is therefore exempt from the California Environmental Quality Act requirements.

LOCAL PREFERENCE

Local preference was not a factor due to the fact that there is no bid involved nor is there State or federal money involved with this item.

FISCAL IMPACT

This report relates to the submission of informational financial accounting reports only and calls for no approval for spending or acceptance of receipts. Failure on the part of the City to have these reports audited and submitted to the various reporting agencies could result in loss of citywide funding and default on various bond and financing instruments. The City of Fresno has met all reporting deadlines associated with the CAFR as well as the Single Audit for Federal and State governments as well as those related to our reporting and disclosure requirements related to EMMA.

REPORT TO THE CITY COUNCIL

Acceptance of CAFR and Single Audit for FY 2013

May 15, 2014

Page 5

A complete copy of the CAFR for the fiscal year ended June 30, 2013 may be viewed upon request at the City Clerk's Office. The CAFR and Single Audit in their entirety will be published on the City of Fresno Website under the Financial Reports section on the Finance Department page along with the Letters to Management upon acceptance by Council.

Attachments:

City of Fresno Comprehensive Annual Financial Report

Single Audit

Letter to Management

CAFR Overview Handout

This page intentionally left blank.

Date: May 15, 2014

FROM: KAREN M. BRADLEY, Assistant Controller
Finance Department

BY: KAREN M. BRADLEY, Assistant Controller
Finance Department

SUBJECT: Submission and acceptance of City of Fresno Comprehensive Annual Financial Report (CAFR) and Single Audit for Fiscal Year 2013.

RECOMMENDATION

Staff recommends that the City Council receive and accept the Comprehensive Annual Financial Report (CAFR) and the Single Audit for the fiscal year ended June 30, 2013.

EXECUTIVE SUMMARY

Provided to you prior to issuance, was a draft copy of the City's 2013 Comprehensive Annual Financial Report (CAFR) as well as the final copy of the City's 2013 CAFR complete with the auditor's opinion. The CAFR is prepared in conformity with accounting principles generally accepted in the United States of America, including the provisions of Governmental Accounting Standards Board (GASB) Statements No. 34 and 54. The CAFR reflects the ending balances and results of operations of the City's governmental and business-type activities for each fund for the fiscal year ended June 30, 2013. Fund Balances for governmental activities are presented using classifications that are based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds.

The Auditor's Opinion on the CAFR, while unmodified, contained a Going-Concern paragraph. GASB 56 requires that financial statement preparers (the City) as well as its auditors have a responsibility to evaluate whether there is substantial doubt about the governments' ability to continue as a going concern for at least twelve months beyond the financial date. Moreover, if there is information known to the government that may raise substantial doubt shortly thereafter (for example within an additional three months), this should also be considered. Both City Management and the City's Auditors concurred on the necessity of the Going-Concern paragraph and disclosures in Note 1 of the Notes to the Financial Statements.

Accompanying this staff report is a reconciliation/overview reflecting the General Fund, as presented in the budget documents, and as well as how the General Fund must be presented in the CAFR. In

AGENDA ITEM NO.
<u>COUNCIL MEETING:</u> 05/15/14
APPROVED BY _____
DEPARTMENT DIRECTOR _____
CITY MANAGER _____

addition you have been provided a copy of the Single Audit, Management Letter and a CAFR Overview handout all of which are provide to assist you in understanding the City's financial position.

BACKGROUND

The Comprehensive Annual Financial Report (CAFR) of the City of Fresno, for the fiscal year ended June 30, 2013, is hereby formally submitted. This report is certified as the official publication of the City's financial position at June 30, 2013, showing the results of operations for the fiscal year for all City activities and funds. These operational results contributed to the opening balances of fiscal year 2014.

The City prepared its CAFR using GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Once again, the City of Fresno has met all reporting deadlines associated with the CAFR as well as the Single Audit for Federal and State governments as well as those related to our reporting and disclosure requirements related to EMMA* (the Electronic Municipal Market Access system, or EMMA®, is the official repository for information on virtually all municipal bonds) and the City's various Bond covenants. In addition, the filing deadline for the Government Finance Officers Association (GFOA) was met in order to participate in their Certificate of Achievement in Excellence in Financial Reporting Program.

The CAFR reflects that in Fiscal Year 2013, the City planned and built its budget on conservative estimates, however Fresno continues to feel the effects of and be impacted by the fiscal challenges of the economy. Although Total Assets of the City exceeded its Liabilities at the close of June 30, 2013 by nearly \$1.67 billion, Government-wide (reported as Total Net Assets of the City, pg. 59 of the CAFR), which compares to \$1.63 billion at the end of June 2012, Governmental Activities actually drew down citywide Net Assets by \$1.4 million. Business-type Activities contributed nearly \$47.3 million in Net Assets. It can be seen that the Governmental activities continue to spend more than they take in. Of even greater concern to both City Management and the Auditors are cash flows and the lack of reserves in the General Fund.

The Total CAFR General Fund Balance at June 30, 2013 declined to \$6.8 million from \$15.0 million at the end of June 30, 2012. Much of the decrease is the result of the General Fund borrowing \$14.1 million from Water and Commercial Solid Waste to eliminate the Parking Fund's negative cash. In addition the General Fund absorbed the assets and liabilities of six former Internal Service functions and two Enterprise Operations. The merged functions were City Attorney/Legal Services, Personnel, Finance, Budget, Purchasing and Central Printing. The merged Enterprise operations were Parking and Development Services. Overall, while the General Fund at June 30, 2013 reflects a positive \$6.7 million fund balance, this a net figure made up of \$12.7 million which is nonspendable reflective of such items as inventories, prepaid expenses and long-term receivables; \$435,369 is restricted, meaning that there are constraints on its use imposed externally by creditors, grantors, laws or regulations; \$1.9 million which is committed and represents the Emergency Reserve which includes \$400,000 set aside for the 27th pay period; and \$1.1 million which identified as assigned which represents monies set aside by budgetary action. The remaining \$9.4 million is negative and is unassigned. Were this balance positive, it would represent the unassigned amounts available to be used for any purpose.

*EMMA provides free public access to official disclosures, trade data, credit ratings and educational materials and other information about the municipal securities market.

REPORT TO THE CITY COUNCIL

Acceptance of CAFR and Single Audit for FY 2013

May 15, 2014

Page 3

What this means is that the General Fund currently has more liabilities than it has assets that could be quickly and immediately converted into cash. The "Emergency Reserve" identified as Committed remains at a meager \$1,481,011, up from \$1,443,686 due to interest earnings only.

GASB 56 requires Management and Auditors to consider and evaluate indicators that there may be substantial doubt about a governmental entity's ability to continue as a going concern.

These indicators include:

- ✓ **Negative trends** – recurring periods in which expenses/expenditures significantly exceed revenues, recurring unsubsidized as well as subsidized operating losses in business-type activities, consistent working capital deficiencies and negative operating cash flows or adverse key financial ratios. *Subsidized debt service for both the Convention Center and Stadium.*
- ✓ **Other indications of possible financial difficulties** – default on bonds, loans or similar agreements, proximity to debt and tax limitations, denial of usual trade credit from suppliers, restructuring of debt, noncompliance with statutory, capital or reserve requirements, or the need to seek new sources or methods of financing or the need to dispose of substantial assets. *Inability to obtain master lease agreement which requires more expense acquisition of long lived assets or deferring acquisition of some assets all together; police cars, computers, etc.; ongoing and frequent reviews by credit rating agencies resulting in downgrades, inability to set aside funds for reserves and ongoing General Fund internal borrowings throughout the year.*
- ✓ **Internal matters** – labor difficulties, substantial dependence upon the success of a particular program, project or revenue stream; burdensome labor contracts and open-ended funding of benefits or the need to significantly revise operations and insufficient reserves. *Inability to obtain labor concessions, unsustainable benefit programs, extreme reliance of public safety on property tax and sales tax revenues leaving minimal amounts for other governmental operations. Significant reduction in service in the area of Parks, Police and Public Works; material reduction in infrastructure repairs; move to on-line crime reporting, smaller deficit recovery)*
- ✓ **External matters** – legal proceedings, legislation, or other similar matters that might jeopardize governmental revenues and the fiscal sustainability. *Increasing delays in obtaining federal and State grant reimbursements greatly impacting cash flow.*

All of these factors together, along with guidance in GASB 56, provide a framework to assist management, audit committees and finance teams in determining whether it is appropriate to adopt the going concern basis for preparing financial statements and in making balanced, proportionate and clear disclosures.

As required by the City Charter, the amounts reflected in the 2013 CAFR have been audited by an independent certified public accounting firm. The unqualified opinion of Macias Gini & O'Connell, LLP is included in the CAFR report. (Behind the Financial Section Tab in the CAFR)

Last year's CAFR, as well as the financial statements for the previous twenty years, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA). The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its staff. This year's report has again been submitted to the award program for consideration.

Attached is the auditor's letter to management which is intended to provide general guidance to management to enhance internal controls and promote management stewardship.

In order to plan and conduct their audit, auditors must obtain an understanding of the City's internal control system. As a result of obtaining that understanding and as a result of performing tests of internal controls, an auditor may note reportable conditions, material weaknesses and/or opportunities for strengthening internal controls. The letter to management reflects the items noted during the performance of the City's audit.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act Guidelines Section 15378 this item does not qualify as a "project" and is therefore exempt from the California Environmental Quality Act requirements.

LOCAL PREFERENCE

Local preference was not a factor due to the fact that there is no bid involved nor is there State or federal money involved with this item.

FISCAL IMPACT

This report relates to the submission of informational financial accounting reports only and calls for no approval for spending or acceptance of receipts. Failure on the part of the City to have these reports audited and submitted to the various reporting agencies could result in loss of citywide funding and default on various bond and financing instruments. The City of Fresno has met all reporting deadlines associated with the CAFR as well as the Single Audit for Federal and State governments as well as those related to our reporting and disclosure requirements related to EMMA*.

A complete copy of the CAFR for the fiscal year ended June 30, 2013 may be viewed upon request at the City Clerk's Office. The CAFR and Single Audit in their entirety will be published on the City of Fresno Website under the Financial Reports section on the Finance Department page along with the Letters to Management upon acceptance by Council.

Attachments:

- City of Fresno Comprehensive Annual Financial Report
- Single Audit
- Letter to Management
- CAFR Overview Handout

CITY OF FRESNO
Single Audit Report and
Other Compliance Reports
For the Year Ended June 30, 2013

CITY OF FRESNO
Single Audit Report and Other Compliance Reports
For the Year Ended June 30, 2013

Table of Contents

	<i>Page</i>
 <i>Federal Compliance Section</i>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor’s Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Federal and Nonfederal Awards.....	3
Schedule of Expenditures of Federal and Nonfederal Awards.....	7
Notes to the Schedule of Expenditures of Federal and Nonfederal Awards.....	15
Schedule of Findings and Questioned Costs.....	19
Status of Prior Audit Findings and Questioned Costs.....	27
 <i>Airport Compliance Section</i>	
Passenger Facility Charge Program:	
Independent Auditor’s Report on Supplementary Information	29
Independent Auditor’s Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control over Compliance.....	31
Schedule of Passenger Facility Charge (PFC) Collections and Expenditures	33
Notes to the Schedule of Passenger Facility Charge (PFC) Collections and Expenditures	35
Passenger Facility Charge Schedule of Findings and Questioned Costs	36
Passenger Facility Charge Status of Prior Year Findings and Questioned Costs	37

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

The Honorable City Council
of the City of Fresno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fresno, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 27, 2014. Our report includes references to other auditors who audited the financial statements of the City of Fresno Cultural Arts Properties (discretely presented component unit), City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement Systems pension trust funds, as described in our report on the City’s financial statements. This report does not include the results of the other auditor’s testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the City of Fresno Cultural Arts Properties Corporation were not audited in accordance with *Government Auditing Standards*. Our report also includes an emphasis of a matter paragraph about the City’s ability to continue as a going concern.

Internal Control Over Financial Reporting

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

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

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

consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs as item 2013-002 to be a significant deficiency.

Compliance and Other Matters

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

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Macias Fini & O'Connell LLP

Newport Beach, California
March 27, 2014

**Independent Auditor’s Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule
of Expenditures of Federal and Nonfederal Awards**

To the Honorable City Council
of Fresno, California

Report on Compliance for Each Major Federal Program

We have audited the City of Fresno, California’s (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2013. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-003. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-003 that we consider to be a significant deficiency.

The City's response to internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and Nonfederal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information for the City as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 27, 2014, which contained an unmodified opinion on those financial statements. Other auditors audited the financial statements of the City of Fresno Cultural Arts Properties (discretely presented component unit), the City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System (pension trust funds), as described in our report to the City's financial statements. Our report also included an emphasis of matter paragraph about the City's ability to continue as a going concern. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and nonfederal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements (expenditures of federal awards is required by OMB Circular A-133). Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and nonfederal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Fini & O'Connell LLP

Newport Beach, California
March 27, 2014

This page left blank intentionally.

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2013

Federal Grantor/Program and/or Project Title	CFDA Number	Pass-through Grantor	Grant Number	Total Federal Expenditures
U.S. Department of Commerce:				
Economic Development Administration (EDA) - Direct Program				
<i>Economic Development Cluster</i>				
Economic Adjustment Assistance Revolving Loan Fund	11.307		07-39-02434	\$ 805,860
		<u>Total Direct EDA Program</u>		<u>805,860</u>
		<u>Total Economic Development Cluster</u>		<u>805,860</u>
TOTAL U.S. DEPARTMENT OF COMMERCE				805,860
U.S. Department of Defense:				
National Guard Bureau (NGB) - Pass-through Program				
ARRA: Military Construction Cooperative Agreement (MCCA) Grant Program	12.400	CA National Guard Bureau	W912LA-13-2-2103	176,188
		<u>Total Pass-through NGB Program</u>		<u>176,188</u>
TOTAL U.S. DEPARTMENT OF DEFENSE				176,188
U.S. Department of Housing and Urban Development:				
<i>Entitlement Grants Cluster</i>				
Community Development Block Grants (CDBG) / Entitlement Grants - Direct Program				
FY13 Community Development Block Grant	14.218		B-12-MC-06-001	5,451,433
FY12 Community Development Block Grant	14.218		B-11-MC-06-001	182,560
FY11 Community Development Block Grant	14.218		B-10-MC-06-001	24,465
2012 Neighborhood Stabilization Program 3	14.218		B-11-MN-06-0003	1,663,224
2010 Neighborhood Stabilization Program 1	14.218		B-08-MN-06-0003	1,043,703
		<u>Total Direct CDBG/NSP Program</u>		<u>8,365,385</u>
Community Development Block Grants ARRA Entitlement Grants (CDBG-R) - Direct Program				
ARRA: FY10 Community Development Block Grant - Recovery	14.253		B-09-MY-060001	128,000
		<u>Total Direct CDBG-R Program</u>		<u>128,000</u>
		<u>Total Entitlement Grants Cluster</u>		<u>8,493,385</u>
Emergency Solutions Grant Program (ESG) - Direct Program				
FY13 Emergency Solutions Grant	14.231		E-12-MC-06-0001	10,804
FY12 Emergency Solutions Grant	14.231		E-11-MC-06-0001	76,831
FY11 Emergency Solutions Grant	14.231		S-10-MC-06-0001	87,043
		<u>Total Direct ESG Program</u>		<u>174,678</u>
Home Investment Partnerships Program (HOME) - Direct Program				
FY13 HOME	14.239		M-12-MC-06-0204	820,936
FY12 HOME	14.239		M-11-MC-06-0204	1,437,731
FY10 HOME	14.239		M-09-MC-06-0204	150,000
		<u>Total Direct HOME Program</u>		<u>2,408,667</u>
Homeless Prevention & Rapid Re-Housing - Direct Program				
ARRA: Homeless Prevention & Rapid Re-Housing Program (ARRA - HPRP)	14.257		S-09-MY-06-0001	223,380
		<u>Total Direct ARRA - HPRP Program</u>		<u>223,380</u>
Office of Sustainable Housing and Community - Pass-through Program				
Sustainable Communities Regional Planning Grant - Smart Valley Places	14.703	CA State University - Fresno Foundation	SC360080-11-08	26,030
		<u>Total Pass-through SCRPG Program</u>		<u>26,030</u>
Office of Administration - Direct Program				
2011 Lead-Based Paint Control in Privately-Owned Housing	14.900		CALHB0492-11	831,577
		<u>Total Direct OHHLHC</u>		<u>831,577</u>
TOTAL U.S. DEPT. OF HOUSING AND URBAN DEVELOPMENT				12,157,717

(Continued)

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards (Continued)
For the Year Ended June 30, 2013

Federal Grantor/Program and/or Project Title	CFDA Number	Pass-through Grantor	Grant Number	Total Federal Expenditures
U.S. Department of Justice:				
Equitable Revenue Sharing Program - Direct Program				
Joint Law Enforcement Operations (JLEO)	16.111		2011	703,187
		<u>Total Direct DOJ Program</u>		<u>703,187</u>
Office of Justice Programs / Bureau of Justice Assistance (OJP - BJA) - Direct Program				
Bulletproof Vest Partnership Program FY11	16.607		FY11	19,025
		<u>Total Direct OJP - BJA Program</u>		<u>19,025</u>
Office of Community Oriented Policing Services (COPS) - Direct Program				
ARRA - Public Safety Partnership and Community Policing Grants - COPS Hiring Recovery Grant (CHRP)	16.710		2009RJWX0010	706,362
		<u>Total Direct ARRA COPS - CHRP Program</u>		<u>706,362</u>
2011 Public Safety Partnership and Community Policing Grants - COPS Child Sexual Predator Program (CSPP)	16.710		2011CSWX0003	220,426
		<u>Total Direct COPS - CSPP Program</u>		<u>220,426</u>
		<u>Total Direct and ARRA Direct PSCPCG Program</u>		<u>926,788</u>
Office of Justice Programs / Office of Juvenile Justice and Delinquency Prevention (OJP - JDP) - Pass-through Program				
Enforcing Underage Drinking Laws Program (ABC FY13)	16.727	CA Dept of Alcoholic Beverage Control	12G-LA15	100,000
		<u>Total Pass-through OJP - JDP Program</u>		<u>100,000</u>
JAG Program Cluster				
Office of Justice Programs / Bureau of Justice Assistance (OJP - BJA) - Direct Program				
Edward Byrne Memorial Justice Assistance Grant Program '12	16.738		2012-DJ-BX-0291	16,570
Edward Byrne Memorial Justice Assistance Grant Program '11	16.738		2011-DJ-BX-3397	80,408
Edward Byrne Memorial Justice Assistance Grant Program '10	16.738		2010-DJ-BX-0838	5,373
Edward Byrne Memorial Justice Assistance Grant Program '09	16.738		2009-DJ-BX-0171	553
		<u>Total Direct OJP - BJA Program</u>		<u>102,904</u>
Office of Justice Programs / Bureau of Justice Assistance (OJP - BJA) - Direct Program				
ARRA: Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	16.804		2009-SB-B9-0686	35,566
		<u>Total Direct ARRA OJP - BJA Program</u>		<u>35,566</u>
Office of Justice Programs / Bureau of Justice Assistance (OJP - BJA) - Pass-through Program				
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program: Anti-Human Trafficking Task Force Recovery Act Program	16.804	CA Emergency Management Agency	ZH09016675	104,487
		<u>Total Pass-through ARRA OJP - BJA Program</u>		<u>104,487</u>
Office of Justice Programs / Bureau of Justice Assistance (OJP - BJA) - Direct Program				
JAG Program - Anti-Human Trafficking Task Force	16.804	CA Emergency Management Agency	HF12016675	117,127
		<u>Total Direct OJP - BJA Program</u>		<u>117,127</u>
		Total JAG Program Cluster		360,084
TOTAL U.S. DEPARTMENT OF JUSTICE				2,109,084

(Continued)

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards (Continued)
For the Year Ended June 30, 2013

Federal Grantor/Program and/or Project Title	CFDA Number	Pass-through Grantor	Grant Number	Total Federal Expenditures
U.S. Department of Transportation:				
Federal Aviation Administration (FAA) - Direct Program				
Airport Improvement Program				
AIP-71 FF13	20.106		3-06-0087-71	9,936,131
AIP-70 FF12	20.106		3-06-0087-70	1,389
AIP-69 FF12	20.106		3-06-0087-69	126,662
AIP-68 FF11	20.106		3-06-0087-68	7,239,081
AIP-67 FF11	20.106		3-06-0087-67	87,684
AIP-66 FF11	20.106		3-06-0087-66	65,072
AIP-65 FF11	20.106		3-06-0087-65	639,409
AIP-64 FF11	20.106		3-06-0087-64	229,393
AIP-63 FF11	20.106		3-06-0087-63	66,697
AIP-62 FF10	20.106		3-06-0087-62	10,283
AIP-61 FF10	20.106		3-06-0087-61	61,275
AIP-60 FF10	20.106		3-06-0087-60	2,217,883
AIP-58 FF09	20.106		3-06-0087-58	524,194
AIP-18 FF11	20.106		3-06-0087-18	5
AIP-17 FF10	20.106		3-06-0088-17	38,148
<u>Total Direct FAA Program</u>				<u>17,243,306</u>
Highway Planning and Construction Cluster				
Federal Highway Administration (FHWA) - Pass-through Program				
Highway Research, Planning and Construction Program	20.205	CA State Department of Transportation	Master Agreement 06-5060	9,256,047
<u>Total Pass-through FHWA Program</u>				<u>9,256,047</u>
Total Highway Planning and Construction Cluster				9,256,047
Federal Transit Cluster				
Federal Transit - Capital Investment Grants (FTA) - Direct Program				
2012 5309: BRT - Very Small Starts	20.500		CA-03-0821-00	2,069,946
FY09 Federal Transit Capital Investment Grant - Fresno Bus Program	20.500		CA-04-0137-00	219
FY04 Federal Transit Capital Investment Grant - (Construct CNG Station)	20.500		CA-03-0693-00	2,239
<u>Total Direct FTA Program</u>				<u>2,072,404</u>
Federal Transit Administration (FTA) - Direct Program				
Federal Transit - Formula Grants				
ARRA: FY09 Federal Formula Transit Grant	20.507		CA-96-X011	242,884
<u>Total Direct ARRA FTA Program</u>				<u>242,884</u>
Federal Transit Administration (FTA) Transit Formula Grants - Direct Program				
Federal Transit - Formula Grants:				
FY13 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Z023-00	7,212,222
FY12 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y947-00	1,245,077
FY11 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y843-00	140,095
FY10 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y794-00	53,169
FY09 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y699-00	2,832
FY08 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y622-00	9,607
FY04 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y309-00	66,392
FY11 Urban Mass Transportation Capital, CMAQ	20.507		CA-95-X181	91
FY05 Urban Mass Transportation Capital, CMAQ	20.507		CA-95-X676	4199
<u>Total Direct FTA Program</u>				<u>8,733,684</u>
Total Federal Transit Cluster				11,048,972

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards (Continued)
For the Year Ended June 30, 2013

Federal Grantor/Program and/or Project Title	CFDA Number	Pass-through Grantor	Grant Number	Total Federal Expenditures
U.S. Department of Transportation (cont):				
<i>Transit Services Programs Cluster</i>				
Federal Transit Administration (FTA) - Pass-Through Program				
Job Access Reverse Commute (JARC)	20.516	Fresno Council of Governments	CA-37-X129	65,796
Job Access Reverse Commute (JARC)	20.516	Fresno Council of Governments	CA-37-X102-00	40,849
New Freedom Program	20.521	Fresno Council of Governments	CA-57-X054	244
New Freedom Program	20.521	Fresno Council of Governments	CA-57-X029-00	1,103
		<u>Total Pass-through FTA Program</u>		<u>107,992</u>
		Total Transit Services Programs Cluster		107,992
Clean Fuels - Direct Program				
FY10 Electric Cicularator (5308 - Clean Fuels)	20.519		CA-58-0007-00	12,358
		<u>Total Direct FTA Clean Fuels Program</u>		<u>12,358</u>
National Highway Traffic Safety Administration (NHTSA) - Pass-through Program				
<i>Highway Safety Cluster</i>				
State and Community Highway Safety - UC Sobriety				
Checkpoint (FY12)	20.600	CA Office of Traffic Safety	SC13151	276,989
Selective Traffic Enforcement Program FY2013	20.600	CA Office of Traffic Safety	PT1339	162,502
Selective Traffic Enforcement Program FY2012	20.600	CA Office of Traffic Safety	20587	297,812
		<u>Total Pass-through NHTSA Program</u>		<u>737,303</u>
		Total Highway Safety Cluster		737,303
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				38,405,978
U.S. Environmental Protection Agency (EPA):				
Office of Water - Pass through Program				
Capitalization Grants for Drinking Water State Loan - Residential Meter Project				
	66.468	State of CA Dept of Public Health	SRF11CX104	21,874,570
		<u>Total Pass-through Safe Drinking Water Program</u>		<u>21,874,570</u>
Office of Solid Waste and Emergency Response - Direct Program				
ARRA: Brownfields Assessment Cooperative Agreement				
	66.818		BF-00T71101-1	92,107
		<u>Total Direct Brownfields</u>		<u>92,107</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY				21,966,677
U.S. Department of Energy:				
Direct Program				
ARRA: Energy Efficiency and Conservation Block Grant Program (EECBG)				
	81.128		DE-EE0000863	579,864
		<u>Total Direct ARRA EECBG Program</u>		<u>579,864</u>
TOTAL U.S. DEPARTMENT OF ENERGY				579,864
U.S. Department of Health and Human Services:				
Administration for Community Living (ACL) - Pass-through Program				
<i>Aging Cluster</i>				
Special Programs for the Aging Nutrition Services: Senior Hot Meals 2012				
	93.045	Fresno Madera Area Agency on Aging	13-0310	48,007
		<u>Total Pass-through ACL Program</u>		<u>48,007</u>
		Total Aging Cluster		48,007
Administration for Children and Families (ACF) - Pass-through Program				
Children's Justice Grants to States - Children Exposed to Domestic Violence FY2012				
	93.643	Office of Emergency Services	EV12056675	131,101
Children's Justice Grants to States - Children Exposed to Domestic Violence FY2011	93.643	Office of Emergency Services	EV110426675	60,057
		<u>Total Pass-through ACF Program</u>		<u>191,158</u>
TOTAL U.S. DEPT OF HEALTH AND HUMAN SERVICES				239,165

(Continued)

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards (Continued)
For the Year Ended June 30, 2013

Federal Grantor/Program and/or Project Title	CFDA Number	Pass-through Grantor	Grant Number	Total Federal Expenditures
U.S. Department of Homeland Security:				
State Domestic Preparedness Equipment Support Program (SDPES) - Pass-through Program				
FY2011 Homeland Security Grant Program	97.004	CA Office of Emergency Services and Fresno County	2010-0008	121,772
FY2010 Homeland Security Grant Program	97.004	CA Office of Emergency Services and Fresno County	2010-0006	11,901
FY11 Homeland Security Grant Program	97.067	Fresno County / CA Homeland Security	HSGP-2010-0019	84,777
FY10 Homeland Security Grant Program	97.067	Fresno County / CA Homeland Security	HSGP-2009-0019	95,074
		<u>Total Pass-through SDPES Program</u>		<u>313,524</u>
Assistance to Firefighters Grant (AFG) - Direct Program				
FY11 Assistance to Firefighters (Fire Prevention and Safety)	97.044		EMW-2011-FR-00178	80,896
FY11 Assistance to Firefighters (Fire Prevention and Safety)	97.044		EMW-2011-FR-02529	132,000
FY11 Assistance to Firefighters (Fire Prevention and Safety)	97.044		EMW-2011-FP-01138	424,360
FY10 Assistance to Firefighters (Fire Prevention and Safety)	97.044		EMW-2010-FR-00402	82,737
FY11 Staffing for Adequate Fire and Emergency Response (SAFER)	97.044		EMW-2011-FH-00940	906,720
		<u>Total Direct AFG Program</u>		<u>1,626,713</u>
Interoperable Emergency Communications - Pass-through Program				
2010 Interoperable Emergency Communications Grant Program	97.055	CA Emergency Management Agency	2010-IP-T0-0016	405,663
		<u>Total Pass-through IECGP Program</u>		<u>405,663</u>
Metropolitan Medical Response System (MMRS) - Direct Program				
FY11 Metropolitan Medical Response System	97.071		MMRS11	41,327
FY10 Metropolitan Medical Response System	97.071		MMRS10	93,567
		<u>Total Direct MMRS Program</u>		<u>134,894</u>
Rail and Transit Security Grant Program (RTS) - Direct Program				
FY08 Transit Security Grant Program	97.075		2009-RA-TR-0058	76,423
		<u>Total Direct Rail and Transit Security Program</u>		<u>76,423</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				2,557,217
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 78,997,750

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards (Continued)
For the Year Ended June 30, 2013

State or Local Grantor/Program and/or Project Title	State Agency	Pass-through Grantor	Grant Number	Total State/Local Expenditures
CA State Department of Conservation:				
Division of Recycling, Community Outreach Branch - Direct Program				
FY11 Recycling Program	DOC		2010/2014	59,771
		<u>Total Direct RCO Program</u>		<u>59,771</u>
Division of Land Resource Protection - Direct Program				
Prop 84 - Sustainable Communities Planning Grant Program	DOC		3010-513	188,833
		<u>Total Direct LRP Program</u>		<u>188,833</u>
TOTAL CA DEPARTMENT OF CONSERVATION				248,604
CA State Environmental Protection Agency:				
CA Integrated Waste Management Board - Direct Program				
FY13 CalRecycle Oil Payment Program	CIWMB		OPP3	544
FY12 CalRecycle Oil Payment Program	CIWMB		OPP2	143,039
FY11 CalRecycle Oil Payment Program	CIWMB		FY11 OPP & OPP1A	6,087
2012/2013 Waste Tire Cleanup Grant	CIWMB		TCU14-12-33	85,310
2011/2012 Waste Tire Enforcement Grants	CIWMB		TEA19-11-34	172,933
		<u>Total Direct CIWMB Program</u>		<u>407,913</u>
TOTAL CA ENVIRONMENTAL PROTECTION AGENCY				407,913
CA State Department of Finance:				
Direct Program				
2013 CA Supplemental Law Enforcement Services Program	DOF		FY13	43,597
2012 CA Supplemental Law Enforcement Services Program	DOF		FY12	524,557
Prop 1B - Public Works	DOF		Prop 1B	1,309,380
Prop 1B - FAX	DOF		Prop 1B	2,372,874
		<u>Total Direct DOF Program</u>		<u>4,250,408</u>
TOTAL CA DEPARTMENT OF FINANCE				4,250,408
CA State Department of Fish and Game:				
Wildlife Conservation Board - Direct Program				
San Joaquin River Parkway Riverwest	WCB		CSJR0716	7,266
		<u>Total Direct WCB Program</u>		<u>7,266</u>
TOTAL CA DEPARTMENT OF FISH AND GAME				7,266
CA State Department of Housing and Community Development:				
Direct Program				
CalHome Rehab Mortgage 2008	HCD		08-CALHOME-4910	75,296
Dickey Park Improvements	HCD		11-HRPP-7865	494,067
Ted C Wills Improvements	HCD		11-HRPP-7865	26,470
		<u>Total Direct HCD Program</u>		<u>595,833</u>
TOTAL CA DEPT OF HOUSING AND COMMUNITY DEVELOPMENT				595,833
CA State Department of Parks and Recreation:				
Office of Grants and Local Services (OGALS)				
Martin Ray Reily (MRR) Park	OGALS		SW-10-004	63,005
Habitat Conservation Grant	OGALS		C9763009	17,372
Cultural Arts District (CAD) Parks	OGALS		SW-10-002	968,042
		<u>Total Direct TRA Program</u>		<u>1,048,419</u>
TOTAL CA DEPARTMENT OF PARKS AND RECREATION				1,048,419
CA State Emergency Management Agency:				
Public Safety and Victim Services - Direct Programs				
FY13 CA Gang Reduction, Intervention, and Prevention Program (CalGrip)	CalEMA		GR10056675	5,034
FY12 CA Gang Reduction, Intervention, and Prevention Program (CalGrip)	CalEMA		GR11046675	135,311
10/11 CA Gang Reduction, Intervention, and Prevention Program (CalGrip)	CalEMA		GR10036675	189,733
		<u>Total CalEMA Program</u>		<u>330,078</u>
TOTAL CA EMERGENCY MANAGEMENT AGENCY				330,078

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards (Continued)
For the Year Ended June 30, 2013

State or Local Grantor/Program and/or Project Title	State Agency	Pass-through Grantor	Grant Number	Total State/Local Expenditures
CA State Department of Transportation:				
Direct Program				
Romain Park Improvements Grant	CA DOT		EEM-2011-0612000271	73,212
		<u>Total DOT Program</u>		<u>73,212</u>
Aeronautics Program of the CA Transportation Commission - Direct Program				
AIP - State Match to Fed Proj #3-06-0088-17	CTC		Fre-2-10-1-Mat	954
		<u>Total Direct CTC Program</u>		<u>954</u>
Division of Local Transportation Assistance - Direct Program				
Highway Research, Planning & Construction Program			Master Agreement 06-5060	794,029
		<u>Total Direct DOT Program</u>		<u>794,029</u>
Division of Planning - Pass-through Program				
Community-based Transportation Planning Grant (Old Fig Land Use & Transportation Planning Study)	DOT	County of Fresno	11-513	88,229
		<u>Total Pass-through DOT Program</u>		<u>88,229</u>
TOTAL CA DEPARTMENT OF TRANSPORTATION				956,424
Fresno County Department of Public Health:				
Childhood Lead Poisoning Prevention Program (CLPPP) 2012	CLPPP		2012	18,354
		<u>Total Direct CLPPP</u>		<u>18,354</u>
TOTAL FRESNO COUNTY DEPARTMENT OF PUBLIC HEALTH				18,354
(Continued)				
San Joaquin River Conservancy				
FY12 Environmental Science Program	CSJR		CSJR1121	15,000
		<u>Total CSJR Program</u>		<u>15,000</u>
TOTAL SJ RIVER CONSERVANCY				15,000
San Joaquin Valley Air Pollution Control District				
REMOVE II Grant Program	SJVAPCD		C-15970-A & C-18203-A	15,000
		<u>Total SJVAPCD Program</u>		<u>15,000</u>
TOTAL SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT				15,000
Fresno Regional Foundation (FRF)				
Youth Liaison Officer Grant	FRF		FY13-14	83,065
		<u>Total Direct FRF Program</u>		<u>83,065</u>
TOTAL FRESNO REGIONAL FOUNDATION				83,065
TOTAL EXPENDITURES OF NONFEDERAL AWARDS				\$ 7,976,364

This page left blank intentionally.

CITY OF FRESNO
Notes to the Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2013

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and Nonfederal Awards (Schedule) presents the activity of all federal and nonfederal award programs of the City of Fresno, California (City). The Schedule includes federal awards received directly from federal agencies, federal awards passed through other agencies, and nonfederal awards. The City's reporting entity is defined in Note 1 to the City's basic financial statements.

The accompanying Schedule is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Expenditures of federal and nonfederal awards are primarily reported in the City's basic financial statements in the general fund, grants special revenue fund, transit enterprise fund and airport enterprise fund

Note 2: Subrecipients

Of the federal expenditures presented in the Schedule, the City provided federal awards to its subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
Community Development Block Grants/Entitlement Grants Program	14.218	\$ 10,000
Emergency Solutions Grant Program	14.231	87,635
Neighborhood Stabilization Program	14.218	318,094

Note 3: Section 108 Loans

The City has three (3) Section 108 loans outstanding at June 30, 2013. Semi-annual payments on these Section 108 loans are made from interest earned on the restricted loan investments and from Community Development Block Grant Entitlement funds and are included in the federal expenditures for the Community Development Block Grants/Entitlement Grants Program on the Schedule. Principal and interest payments on all three (3) loans totaled \$443,825 for the year ended June 30, 2013, of which \$443,825 was paid from Community Development Block Grant funds.

CITY OF FRESNO
Notes to the Schedule of Expenditures of Federal and Nonfederal Awards (Continued)
For the Year Ended June 30, 2013

A summary of Section 108 loans outstanding as of June 30, 2013 is as follows:

<u>Grant Loan Program</u>	Unspent Loan Proceed as of June 30, 2013	Outstanding Loan Balances as of June 30, 2013
Section 108 Note - Regional Medical Center	\$ -	\$ 1,185,000
Section 108 Note - Fresno-Madera Area Agency on Aging	-	745,000
Section 108 Note – Neighborhood Streets/Parks	-	985,000
	<u>\$ -</u>	<u>\$ 2,915,000</u>

Note 4: State Revolving Loan Funds

Beginning in fiscal year 2007, the City received Federal Cross-cut revolving grant funds from the State in the form of loans, from the U.S. Environmental Protection Agency, Office of Water, passed through the California State Water Resources, Control Board and the California Department of Public Health, under Capitalization Grants for Clean Water State Revolving Funds (CFDA # 66.458) and Capitalization Grants for Safe Drinking Water State Revolving Funds (CFDA # 66.468). The purpose of the grant/loans is to assist in financing the contraction of projects that will enable the City to comply with statutory clean and safe drinking standards. The City can receive funds under five grant/loans. The terms of the grant/loans and the outstanding balances as June 30, 2013, are as follows:

Grant Fiscal Year	Agreement Number	Description	Project Number	Not to Exceed	Interest Rate & Term	Outstanding Loan Balances as of June 30, 2013
2007	SRF06CX150	Wellsite Chlorination Project	10100007-004	\$ 2,210,000	2.2923% / 20 yrs*	\$ 1,841,462
2009	SRF08SWX101	Enterprise/Jefferson Canal Project Herndon Town and Cortland /	10100007-011	1,968,136	2.2923% / 20 yrs*	1,170,478
2010	09-313-550	Fountain Way Sewer System	C-06-5379-110	884,125	0.0000% / na**	-
2010	AR09FP31	Herndon Town Water Project	1000048-002	619,978	0.0000% / na**	-
2011	SFR11CX104	Residential Meter Project	10100007-026C	51,405,432	0.0000% / 20 yrs*	51,405,432
						<u>\$ 54,417,372</u>

* Term begins at completion of project

** Loan will be 100% forgiven; therefore, there is no interest rate, term or balance outstanding

CITY OF FRESNO
Notes to the Schedule of Expenditures of Federal and Nonfederal Awards (Continued)
For the Year Ended June 30, 2013

These loans are not considered to have continuing compliance requirements under OMB Circular A-133, and, therefore, are only reported on the Schedule in the year in which funds are expended and drawn. The City expended \$21,874,570 under the loans during fiscal year 2013 and has reported this amount on the Schedule, as follows:

CFDA Number	Description	Non-ARRA Amount	ARRA Amount	Total Amount
66.458	Residential Water Meters	\$ 21,874,570	\$ -	\$ 21,874,570

Note 5: Pre-Award Authority Spending

The City incurred costs totaling \$2,804,233 under the Airport Improvement Program during the year ended June 30, 2013, prior to receiving the grant award. Under the U.S. Department of Transportation Federal Aviation Administration, Order 3100.38C, project costs incurred prior to the execution of a grant agreement may be reimbursed for costs incurred after September 1996 for funds apportioned to a sponsor as entitlements. As there are no executed grant agreements in place, these costs were not included as part of the Airport Improvement Program expenditures under the Schedule for the year ended June 30, 2013.

Note 6: Economic Development Assistance RFL Grant Calculation

The amount reported on the Schedule for expenditures related to the Economic Development Assistance RFL Grant (CFDA #11.307) is calculated using various criteria as define by OMB Circular A-133. The calculation for the year ended June 30, 2013 is as follows:

Balance of RLF Loans outstanding at June 30, 2013	\$410,213
Cash and investment balance at June 30, 2013	378,286
Administrative expenses paid out	17,362
Unpaid Principal of all loans written off	-
Subtotal	<u>\$805,861</u>
Federal share	100%
Total expenditures reported at June 30, 2013	<u><u>\$805,861</u></u>

This page left blank intentionally.

CITY OF FRESNO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I – Summary of Auditor’s Results

Financial statements:

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness (es) identified?	Yes
• Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weakness (es) identified?	No
• Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

Identification of major programs

CFDA No. 11.307
CFDA No. 14.239

Economic Adjustment Assistance
HOME Investment Partnership Program
JAG Program Cluster:

CFDA No. 16.738

Edward Byrne Memorial Justice Assistance Grant Program

CFDA No. 16.804

Recovery Act – Edward Bryne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Governments

CFDA No. 66.468

Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$2,369,932
Auditee qualified as a low-risk auditee?	Yes

CITY OF FRESNO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II - Financial Statement Findings

2013-001 GRANTS RECIEVABLES, REVENUES, AND DEFERRED REVENUES
(Material Weakness)

Criteria

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are “susceptible to accrual”, that is when they are both measurable and available to finance expenditures of the fiscal period. As disclosed in Note 2 (b) to the City’s basic financial statements, it is the City’s policy to recognize revenues when available, which is defined as collected within 60 days after year-end. Under generally accepted accounting principles (GAAP), “available” means collectible within the current period or soon enough thereafter to be used to pay the City’s liabilities of the current period. Application of “susceptibility to accrual” criterion requires judgment, consideration of the materiality of the item in question, and due regard to practicality of accrual, as well as consistency in application.

Condition

During our audit of the City’s Grants special revenue fund receivables, revenues and deferred revenues, we noted that the City incorrectly recorded the following transactions:

- ***Period of Availability.***
 - The City collected receivables recorded at June 30, 2013, within the City’s 60 day availability policy, but did not record related revenue in the amount of \$1,943,786.
 - The City recorded revenues of \$95,922 related to receivables that were collected subsequent to the City’s 60 day availability policy.
 - The City recorded \$603,200 as revenue in FY 2013, but should have reported this amount as revenue in FY 2012, as the related receivable was received within the City’s 60 day availability policy subsequent to June 30, 2012.
- ***Unearned Monies:*** The City recorded receivables and revenues or deferred revenues in FY 2013 for monies both earned and collected in FY 2014. These monies totaled \$921,712 in receivables of which, \$860,936 was recorded as deferred revenues and \$60,776 was recorded as revenue.
- ***Unrecorded Amounts:*** The City incurred expenses in FY 2013 for a reimbursable grant, and a receivable and revenue was not recorded for the amount of \$1,724,000, which was collected within the City’s 60 day availability policy.

CITY OF FRESNO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2013

Cause

The City's various departments are responsible for informing the City's Finance department of receivables outstanding at year end and collected within the City's 60 day availability policy. The Development and Resource Management Department did not provide accurate information to the Finance Department for proper evaluation and reporting of grant revenues.

Effect

The table below summarizes the effect of the adjustments identified on fund balance for the Grants Special Revenue Fund and current year revenues:

	Effect on Beginning Fund Balance	Effect on Current Year Revenues	Total Net Effect on Fund Balance
Period of Availability	\$ (603,200)	\$ 603,200	\$ -
Unearned Monies	-	60,776	60,776
Unrecorded Amounts	-	(1,724,000)	(1,724,000)
Effect of Adjustments Identified	<u>\$ (603,200)</u>	<u>\$ (1,060,024)</u>	<u>\$ (1,663,224)</u>

The table below summarized the effect of the adjustments identified on net position for the Governmental Activities.

	Effect on Beginning Net Position	Effect on Current Year Revenues	Total Net Effect on Net Position
Period of Availability	\$ (603,200)	\$ 699,122	\$ 95,922
Unearned Monies	-	921,712	921,712
Unrecorded Amounts	-	(1,724,000)	(1,724,000)
Effect of Adjustments Identified	<u>\$ (603,200)</u>	<u>\$ (103,166)</u>	<u>\$ (706,366)</u>

CITY OF FRESNO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2013

Recommendation for Corrective Action

We recommend that the City evaluate and revise procedures, as appropriate, related to the year-end evaluation of grant revenue recognition. In addition, the Finance Department should provide additional training to departments to ensure department staff understand their responsibility in evaluating activities related to grant revenue recognition.

Views of Responsible Officials

The City is decentralized when it comes to cash receipts and has no overall electronic system when it comes to recording Accounts Receivable, particularly at year end. While the PeopleSoft system has a Billing Module, it has not been implemented by the City for very sound and specific reasons. The Module increases Revenue when an Account Receivable is recorded. The complication that this creates for the City is that PeopleSoft queries are run quite frequently to measure and compare cash receipts with Budgeted expectations. PeopleSoft Revenue currently only reflects actual cash receipts. Were Revenue to include Accounts Receivable, it is very likely and probable that appropriations and Budget expenditure estimates would be increased based upon future cash collections, which may or may not materialize rather than actual cash receipts. Methods available to keep Revenues purely on the cash basis in PeopleSoft using the Billing Module are extremely labor intensive and subject to error. Therefore implementation the Billing Module on a citywide basis is not a solution.

Finance however will be scheduling meetings with every Department receiving grant monies; particularly Housing which encountered and created the most material audit errors in order to educate / re-educate staff as to how the Grant Spreadsheets must be completed. In addition, Finance will be providing citywide staff with standardized PeopleSoft queries to enable them to identify the collection of receipts subsequent to year end that must be included on the Spreadsheets. The Grant Spreadsheets prepared for the 2013 audit will also be reviewed with staff and the necessary audit corrections will be pointed out and gone over in extensive detail in an effort to avoid the same mistakes that occurred. The CAFR team will also discuss other possible techniques that may assist in avoiding these issues on a go forward basis. The CAFR team itself will also look for better communication techniques between members of the team who work on separate areas of the audit which ultimately impact one another.

Loss of staff due to budget cuts on a citywide basis is also seen as a cause for the errors as fewer people are doing more work, dealing with competing priorities, with less time to review the work being performed prior to submission. This has resulted in an increase in errors. Housing lost several key positions and has been utilizing staff that are not that familiar with grants. The Department is currently engaged in the process of recruiting for a Housing Manager. The CAFR team itself in Finance only consists of two full time positions and four intermittent part time positions which for a City the size of Fresno is extremely lean.

CITY OF FRESNO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2013

2013-002 CAPITAL ASSETS
(Significant Deficiency)

Criteria

Generally accepted accounting principles require that a governmental entity report capital assets if the entity has ownership of the property; or in cases where ownership cannot be determined, the governmental entity would report the capital asset if it has the responsibility for managing and/or maintaining the asset.

Generally accepted accounting principles require that capital assets, including accumulated depreciation be transferred at the effective date of a fund's merger, with all subsequent events recorded in the receiving fund.

Generally accepted accounting principles require that assets be considered depreciable when placed into service.

Condition

During our audit of the capital asset balances for the Governmental and Business-type Activities, we noted the following:

- ***Decreases in Capital Assets.*** In the City's Business-type activities, capital asset improvements with a net book value of \$1,932,360 were incorrectly recorded as a disposition when the City still held title to such improvements.
- ***Transfers of Assets.*** The City merged various funds and activities, including the Parking enterprise fund and various internal service activities within General Services internal service fund into the General fund at July 1, 2012. Certain capital assets in the General Services internal service fund did not transfer on July 1, 2012, thus those activities were not completely closed out. In addition, certain capital assets in the Parking enterprise fund were sold subsequent to July 1, 2012, and the loss was recorded in the Parking enterprise fund rather than the in Governmental Activities which amounted to \$580,926.
- ***Construction in Progress Disclosure.*** In the City's Business-type Activities, the City netted increases and decreases in construction in progress (CIP) for projects placed into service during FY 2013 rather than classifying the activity as increases and decreases in CIP in the capital asset note disclosure to the basic financial statements. These increases and decreases were \$21,826,351.
- ***Completion of Capital Projects.*** In the City's Business-type Activities, capital assets were placed into service in May 2012; however, these assets were not transferred in the accounting records to a depreciable asset category in FY 2012. This resulted in an understatement of depreciation expense in the amount of \$448,515 for FY 2013.

CITY OF FRESNO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2013

Cause

The cause for the conditions noted above is due to the communication issues between the department managing the capital asset and the Finance Department's capital asset accountant as well as limited review of the capital asset journal entries and schedules prepared by the Finance Department.

Effect

The table below summarizes the effect of the adjustments identified on beginning net position for Governmental Activities and Business-type Activities and current year expenses:

	Governmental Activities Current year Expenses	Business-type Activities Current year Expenses	Total Net Effect on Net Position
Decreases in Capital Assets	\$ -	(1,932,360)	\$ (1,932,360)
Transfer of Assets	(580,926)	580,926	-
Completion of Capital Projects	-	448,515	448,515
Effect of Adjustments Identified	<u>\$ (580,926)</u>	<u>(902,919)</u>	<u>\$ (1,483,845)</u>

Recommendation for Corrective Action

We recommend that the City review and evaluate its current policies and procedures related to capital asset accounting and implement revisions as appropriate, to ensure that capital assets are timely captured in the appropriate category (depreciable and non-depreciable) and depreciation is reported in the correct period. In addition, training should be provided to the individuals holding capital assets to ensure compliance with policies and procedures and accurate reporting of capital assets. A review process should be formalized for capital asset schedules and journal entries prepared by the Finance Department staff.

View of Responsible Officials

The loss of staff citywide once again took its toll and resulted in communication and accounting / audit errors. In many cases throughout the City, staff responsible for overseeing Capital Assets, Budget and grant schedule preparation and CAFR involvement is one in the same. In addition they are also responsible for special projects. Complicating the process even more is that Finance has only one position available and assigned to keep track of and maintain the data base associated with the numerous assets built or purchased by the City, donated to the City, or sold, lost or destroyed. Again for a City the size of Fresno, this is extremely lean. Finance must rely heavily upon the various City departments that have control over the assets to inform Finance of any additions or deletions. Finance runs various PeopleSoft reports and searches all Council agendas in an effort to capture all changes in City Capital assets, a monumental task for one position.

CITY OF FRESNO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2013

As part of the planned meetings with each department, Finance will also re-emphasize the importance of communication. It is also hoped that the new Asset Management Act, written by Council Member Brand and passed by Council on March 6, 2014 will aid the City and Finance in keeping track of land and improvements (excluding right of way and utility easements). The Act proposes engagement by the City of a property brokerage services firm and real estate consultant to provide comprehensive management of the City's real property assets.

The CAFR team will also discuss other possible techniques and methods that may assist in avoiding these issues on a go forward basis. The CAFR team itself will also look for better communication techniques between members of the team who work on separate areas of the audit which ultimately impact one another.

Section III - Federal Award Findings and Questioned Costs

2013-003 Reporting

Federal Grantor: Department of Housing and Urban Development
Program: Home Investment Partnerships Program (HOME)
CFDA No.: 14.239

Criteria or Specific Requirement

The reporting compliance requirement in accordance with 24 CFR Section 135, requires that the prime recipient must submit Form HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons*, for each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction. For recipients of HUD Community Planning and Development funding, the Form HUD 60002 is due at the same time as annual performance (e.g., CAPERS) reports, which is within 90 days after the reporting period.

Condition

During our audit of the reporting requirements, we noted that the HUD 60002 form for the HOME program was not submitted during the year. The HUD 60002 form for period ended June 30, 2013, was not submitted. The City department responsible for this report is the Development and Resources Management Department.

Cause

The Development and Resources Management Department was focused on completing the Consolidated Annual Performance Evaluation Report, and did not have the resources to complete the HUD 60002 form for the HOME program.

CITY OF FRESNO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2013

Effect

These programs were not in compliance with the timeliness submission of the HUD 60002 form, thus not providing HUD with necessary information to monitor housing rehabilitation, housing construction, and other public construction activities.

Questioned Costs

Not applicable.

Recommendation

We recommend the City develop procedures to ensure timely submission of required reports and to identify all reporting requirements for grants received.

Views of Responsible Officials

Management Agrees

Section 3 of the Housing and Urban Development Act of 1968, as amended by the Housing and Community Development Act of 1992, requires that recipients of financial assistance provided by the U.S. Department of Housing & Urban Development (“HUD”), to the greatest extent feasible, provide training and employment opportunities for low income area residents and contract opportunities for performance of work by local business owned by and/or employing low income residents.

Under HUD Section 3, recipients are required to collect information on every Sponsor, Contractor, Sub-Contractor, etc. for each federal funded grant in excess of \$200,000 that involves housing rehabilitation, housing construction or other public construction, to ensure compliance with Section 3 regulations. The HOME program falls under Section 3 requirements. Recipients are required to submit Summary Report, HUD Form 60002, and annual report showing the recipients’ Section 3 effectiveness.

The City of Fresno currently does not have a Section 3 Program in place. This program requires that the recipient comply with the following:

1. Notify Section 3 residents of employment and contracting opportunities
2. Facilitate employment and training of residents
3. Incorporate Section 3 clause
4. Inform contractors of requirements
5. Assist contractors with compliance
6. Document compliance actions

Staff worked with the Purchasing Division in FY2013 to draft a Section 3 Plan. The Division’s Management Analyst III is currently vetting, preparing the presentation of the Plan to HUD as well as for Council’s approval. The Plan is scheduled to be approved by Council along with the City’s Annual Action Plan in June and will be transmitted to HUD with the Annual Action Plan.

CITY OF FRESNO
Status of Prior Year Findings and Questioned Costs
Year Ended June 30, 2012

None reported.

This page left blank intentionally.

Independent Auditor's Report on Supplementary Information

The Honorable City Council
of the City of Fresno, California

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Fresno, California (City), as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 27, 2014, which expressed an unmodified opinion on those financial statements. Our report includes references to other auditors who audited the financial statements of the City of Fresno Cultural Arts Properties (discretely presented component unit), City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement Systems pension trust funds, as described in our report on the City's financial statements. Our report also includes an emphasis of matter paragraph about the City's ability to continue as a going concern.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying schedule of passenger facility charge collections and expenditures is presented for purposes of additional analysis, as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of City Council, management, others within the City, and the Federal Aviation Administration and is not intended to be, and should not be, used by anyone other than these specified parties.



Newport Beach, California
March 27, 2014

This page left blank intentionally.

**Independent Auditor’s Report on Compliance with Requirements
Applicable to the Passenger Facility Charge Program and on
Internal Control over Compliance**

The Honorable City Council
of the City of Fresno, California

Report on Compliance for the Passenger Facility Charge Program

We have audited the City of Fresno, California’s (City), compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration, applicable to the Airport’s passenger facility charge program for the year ended June 30, 2013.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the City’s compliance with those requirements.

Opinion

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to the passenger facility charge program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City’s internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the Guide. Accordingly, this report is not suitable for any other purpose.

Macias Jini & O'Connell LLP

Newport Beach, California
March 27, 2014

CITY OF FRESNO

Schedule of Passenger Facility Charge (PFC) Collections and Expenditures

Year Ended June 30, 2013 and for Each Quarter during the Year Ended June 30, 2013

Description	Beginning	PFC	Interest	Expenditures		Ending
	Balance			Revenues ¹	Application #2	
	Unliquidated		Earned ³			Unliquidated
	PFC ²					PFC ²
Cash receipts and disbursements quarter ended September 30, 2012	\$ 3,375,830	\$ 672,717	\$ 6,412	\$ 165,200	\$ 165,200	\$ 3,889,759
Cash receipts and disbursements quarter ended December 31, 2012	3,889,759	786,985	5,136	1,418,600	1,418,600	3,263,280
Cash receipts and disbursements quarter ended March 31, 2013	3,263,280	652,201	7,871	-	-	3,923,352
Cash receipts and disbursements quarter ended June 30, 2013	3,923,352	657,690	6,258	16,200	16,200	4,571,100
		<u>\$ 2,769,593</u>	<u>\$ 25,677</u>	<u>\$ 1,600,000</u>	<u>\$ 1,600,000</u>	

¹ PFC revenues are reported when the cash is received.

² Unliquidated PFC collections have not been applied to approved PFC projects.

³ Interest revenue is reported when earned (accrued).

See Note to Schedule of Passenger Facility Charge (PFC) Collections and Expenditures.

This page left blank intentionally.

CITY OF FRESNO
Notes to Schedule of Passenger Facility Charge (PFC)
Collections and Expenditures
Year Ended June 30, 2013

Note 1. Basis of Presentation

The accompanying schedule of passenger facility charge collections and expenditures includes the PFC activity of the City of Fresno. Interest income is earned on deposit balances of PFC receipts. Passenger facility charge collection revenue and expenditures are presented on the cash basis of accounting, and the interest income is presented on the accrual basis of accounting. The information in this schedule is presented for purposes of additional analysis, as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

PFC expenditures may consist of direct project costs, administrative costs, debt service costs and bond financing costs, if requested in the application. Eligible expenditures not requested or approved in the application are not applied against PFC collections. The accompanying schedule of PFC collections and expenditures includes the eligible expenditures that have been applied against PFC collections through June 30, 2013.

CITY OF FRESNO
Passenger Facility Charge
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

None noted.

CITY OF FRESNO
Passenger Facility Charge
Status of Prior Year Findings and Questioned Costs
Year Ended June 30, 2012

None reported.

This page left blank intentionally.

Sacramento

Walnut Creek

Oakland

LA/Century City

San Diego

Seattle

To the Audit Committee and
Management of the
City of Fresno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fresno, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 27, 2014. Our report includes a reference to other auditors who audited the financial statements of the City of Fresno Cultural Arts Properties, the City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System, as described in our report on the City's financial statements. This letter does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated March 27, 2014, contains our report on significant deficiencies in the City's internal control. This letter does not affect our report dated March 27, 2014, on the financial statements of the City. We have also included in this letter a status of the prior year recommendations.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The City's written responses to these other control deficiencies identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

This communication is intended solely for the information and use of management, the Audit Committee, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Maciar Jini & O'Connell LLP

Newport Beach, California

March 27, 2014

CITY OF FRESNO, CALIFORNIA
Current Year Recommendations
June 30, 2013

2013-A: COMPREHENSIVE RISK ASSESSMENT

Criteria

In 1992 the Committee on Sponsoring Organizations of the Treadway Commission (COSO) established a nationally recognized framework for internal control in its *Internal Control – Integrated Framework and its related Guidance for Smaller Public Companies: Reporting on Internal Controls over Financial Reporting*. The COSO framework establishes five elements of internal control: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring. These elements provide a common framework against which internal control systems can be assessed and improved. Risk Assessment is an integral part of internal control and management should periodically evaluate the risks and monitor the changes facing the City. This process involves evaluating both previously identified risks and potential new risks and providing assurance that (1) controls are designed properly to address significant risks and (2) controls are operating effectively.

Condition

During our audit of the City and discussion with the City's Internal Auditor, we noted the City has not performed a formal update to its risk assessment conducted in fiscal year 2011. Through the economic downturn, and layoffs, various other factors have caused potential changes in the areas of risk.

Cause

The City has had reduction in staff, which included a reduction in the Internal Audit Department. The Internal Audit Department performs various compliance audits, however not a comprehensive City-wide risk assessment.

Effect

With the various changes to the City, which include staff reduction, the City may be exposed to risks not identified during the last comprehensive risk assessment as conditions have changed.

Recommendation

We recommend that the City evaluate and perform a City-wide risk assessment, either through the utilization of the Internal Audit Department, or through a third party.

Views of Responsible Officials

The City's Principal Internal Auditor will attempt to complete a comprehensive citywide risk assessment during fiscal year 2015; however, this type of comprehensive and time consuming citywide risk assessment project by one person will take place as time is available so that the Principal Internal Auditor can continue to conduct limited scope audits as directed by the City Manager's Office, and/or as requested by City Management as they arise throughout the City organization.

CITY OF FRESNO, CALIFORNIA
Status of Prior Year Recommendations
June 30, 2013

2012-1 COMPENSATED ABSENCES

Observation

During our audit of compensated absences, we performed procedures to test the accuracy of accrued leave obligation at June 30, 2012. We noted that the query used by management to generate the report supporting the obligation at June 30, 2012 was not correct and employees who retired between June 30, 2012, and the date the report was run, were excluded. This resulted in an understatement of the compensated absence balance of \$592,107 for the City as a whole as of June 30, 2012.

Recommendation

We recommend the City ensure reports used to prepare year end financial statement balances be reviewed for completeness and accuracy to properly determine the compensated absences balance at year end.

Status

Implemented.

2011-1: FUND BALANCE RESERVES

Observation (revised)

Effective July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The provisions of this statement revised the classifications of fund balances for governmental funds. As a result, the City Council established the Unappropriated Reserve Fund by adopting Resolution No. 2004-27, creating the General Fund Emergency Reserve Fund (Reserve Fund) at 5% of General Fund annual expenditures. This is reported as committed fund balance in the General Fund.

In November 2010, in accordance with Resolution No. 2004-27, the Mayor declared a fiscal emergency which was unanimously approved by the City Council in Resolution No. 2010-260, thereby reducing the Reserve Fund balance from \$10.6M at July 1, 2010, to \$1.4M at June 30, 2011. At June 30, 2013, the Reserve Fund balance was \$1.9M, and was reported as committed fund balance in the General Fund.

Based upon the City's interpretation of the reserve policy, 5% of the 2013 Adopted General Fund Appropriation of \$236.2M is \$11.8M. According to the reserve policy, the Reserve Fund was underfunded by \$9.9M at June 30, 2013, after considering the existing balance at fiscal year-end.

Recommendation

We recommend that the City review its current Reserve Fund policy and current financial position and develop and document a plan to be approved by City Council on how the Reserve Fund will be replenished to comply with the policy. In addition, the City Council should consider amending section 1212 of the Municipal Code to address how the Reserve Fund should be replenished.

Status

The City's ongoing fiscal situation has been caused by a variety of factors, including the economic downturn, unsuccessful local investment decisions, and an increase in indebtedness burdening the General Fund related to underperforming assets. In addition, the adoption of unaffordable future commitments to labor groups and others has exasperated the situation.

Beginning in February 2009, the City working with its employees and the public, has undertaken numerous rounds of budget reductions to address what has been well over a cumulative \$100 million in operating revenue shortfalls since that time. City-wide the workforce has been reduced by attrition and lay-offs from 4,171 employees in January 2009 down to 2,909 (30.3%) as of June 30, 2013. Non-essential City services have been

CITY OF FRESNO, CALIFORNIA
Status of Prior Year Recommendations
June 30, 2013

2011-1: FUND BALANCE RESERVES (Continued)

eliminated or severely curtailed, maintenance has been deferred, community centers are now operated by volunteer community-based organizations or staffing and hours have significantly reduced. Public Works and Parks have been particularly hard hit in the area of service impacts as have Police services. Various bargaining units have agreed to wage concessions or compensation deferrals and anticipated deficit fund recovery plans were required to be deferred as the ongoing economic depression persisted.

The City of Fresno, like other California cities, is limited in its ability to enhance existing revenue resources or its ability to create new ones. The City's top three revenue generators, Property Tax, Sales Tax and Charges for Services were pummeled and are just beginning to show small signs of recovery. All the while the revenues were declining, labor costs were and continue to increase. Long-term employment contracts or Memoranda's of Understanding (MOUs), entered into when the economy was growing, have prevented a full realignment of expenditures with available resources. Personnel costs, which include salaries and fringe, retirement contributions and the pension obligation bonds, encompassed 73% of the General Fund in Fiscal Year 2012. It is estimated that these costs will continue to increase in the near term until such time as MOUs can be renegotiated. At this time it is estimated that in 2014 these costs will take up 78% of the General Fund.

The City also sought opportunities on the revenue side, including adoption of Commercial Solid Waste and Commercial Recycling franchises which aided the General Fund. The City also negotiated an increase in the PG&E gas service franchise fee, increased the Building Permit fee, and engaged in an aggressive Business License Tax audit program.

In March 2012, the Mayor and City Manager presented a Fiscal Sustainability Policy (FSP) to the City Council which clearly established a policy framework to enable the City to accomplish four outcomes: 1) to set a course to restore the City's overall financial health and credit rating; 2) to achieve spending and minimum financial reserve targets; 3) to adopt employee compensation policy changes to be negotiated as employee contracts are opened for negotiations, and 4) to direct immediate actions seeking to match expenditures to revenues and to identify options for savings in employee compensation and other operating costs. The City Council unanimously adopted the Policy which set forth a ten-year path for the City to regain fiscal health.

Under the Policy, budgets are being built to not only balance the annual budget but to also allocate funding to eliminate negative funds and to also restore at least minimum reserve levels. Analysis was performed which acknowledged that the City needed a minimum of \$10 to \$12 million per year in additional cost cuts or revenue increases, continued over a ten-year period, to structurally balance the City's operations and fiscal health, even while operating at lower service levels.

The focus and reality of obtaining structural balance for the City is to address structural changes in employee compensation particularly in the areas of unsustainable employee health care costs, unsustainable paid leave balances, establishing rational and reasonable compensation plans consistent with community standards and local labor markets, simplification of MOUs, limitations on "premium pay", to negotiate with active employees and not retirees and to avoid long-term agreements and unpredictable salary formulas. The ten year plan has been developed to "leave no stone unturned" as the City works to restructure its operations to match expenditures to available revenues; to restore not only General Fund reserves but reserves in other funds and to eliminate negative fund balances. Solutions developed must be structural and long-term as opposed to merely deferring costs or debt. The ten year plan continues to be adhered to and progress has been made toward eliminating or reducing negative funds and paying down the interfund loans made by Water and Commercial Solid Waste Funds to the General Fund. The City has every intention of developing citywide reserves over the course of the ten year plan. It is simply going to take time and ongoing improvement in the economy as well as continued reductions in costs.

CITY OF FRESNO, CALIFORNIA
Status of Prior Year Recommendations
June 30, 2013

2011-2: UTILITY BILLING RECEIPTS

Observation

During our consideration of internal controls over the utility billing system, we noted that the HTE (SunGard), the City's utility billing subsidiary ledger, does not interface with PeopleSoft, the City's general ledger system. The Finance Department until January 2012 (transferred to the Utilities Department subsequent to January 2012) prepares a manual entry as a result of a cumbersome reconciliation process.

Recommendation

We recommend that the City consider developing an automatic interface between the HTE and PeopleSoft systems to ensure utility revenue is accurately captured and reported in the financial statements reducing the risk of a misstatement occurring during the manual reconciliation process.

Status

The City continues to agree with this recommendation and ultimately intends to make this a reality.

It is true that a manual journal entry is still required to record the Utility receipts on the PeopleSoft books. Part of the contract with the outside consultant assisting the City in its conversion over to water meters was to build the interface necessary for the HTE system to post daily into PeopleSoft. The plan for the interface had always been that it would be built toward the end of the project as the City first had to complete the conversion of the HTE system from bimonthly billing to monthly billing – which it did; fully capture all reads from the newly installed water meters and complete the presentment of bills reflecting charges based upon actual usage rather than a flat rate, which it has done as well. Installation of the residential meters was completed by the end of December 2012 and transition to charges based upon actual usage was also completed prior to the end of Fiscal Year 2013. Initial discussion meetings were held to begin the process of revisiting just what remained to be done with respect to completing the interface between the HTE system and PeopleSoft. The consultant who was engaged in the conversion was also requested to provide an overview of what remained to be done in order to complete the HTE to PeopleSoft interface.

Just as the City was reestablishing the timing and plan to build the interface, two events occurred which impeded progress; Utilities, Billing and Collection (UB&C) experienced a devastating loss due to the death of a valued staff member who had expended hundreds of hours becoming familiar with the HTE System and the data that would need to be transmitted electronically to the PeopleSoft System through the interface. Shortly thereafter, the City also lost the Information Services HTE lead who was heading up the team to build the bridge as she returned home to Canada. The UB&C position has only recently been filled within the last month and this individual must begin the process of becoming familiar with the HTE System which, will take some time. The HTE lead position has yet to be filled but recruitment is underway. This bridge program, upon completion, will enable the direct posting of utility payments into the PeopleSoft system on a daily basis, however, at this time, it is not expected that the interface will be completed by June 30, 2014. It is hoped that the project will be completed in calendar year 2015. Until that time, the manual posting will continue along with the reconciliation procedures necessary to ensure that the amounts journaled into PeopleSoft from HTE reports are accurate.

CITY OF FRESNO, CALIFORNIA
Status of Prior Year Recommendations
June 30, 2013

2011-4 INFORMATION TECHNOLOGY: User Account Management

Observation

During our audit we considered the general controls over information systems, including user rights to the network and applications. We tested the City's controls over employee terminations and noted the user accounts were still active subsequent to the termination dates for 2 of 25 terminated employees selected for testing. During our audit for fiscal year 2010, we noted a similar finding where 5 of 25 terminated employees still had active user accounts subsequent to the termination dates.

Recommendation

Though the condition has slightly improved, we recommend the City evaluate and revise its current procedures related to employee terminations. Procedures should include a method of communication between the Human Resources Department and the Information Services Department, to ensure user access is terminated timely to safeguard the City's data.

Status

Implemented.

CAFR

Comprehensive Annual Financial Report **2013**

For the fiscal year ended June 30, 2013

2013 CAFR Overview

CITY OF FRESNO, CALIFORNIA

This page intentionally left blank.

***Comprehensive Annual
Financial Report 2013***

For the fiscal year ended June 30, 2013

AN OVERVIEW

Prepared by

The City of Fresno Finance Department

Financial Reporting Staff

Karen M. Bradley, CPA, Assistant Controller

S. Kim Jackson, Management Analyst III

Margaret Bell, CPA, Principal Accountant

Mike Getty, CPA, Principal Accountant

Greg Wiles, CPA, Treasury Officer

Phillip Hardcastle, Principal Accountant

Anita Villarreal, Management Analyst II

Gilbert Elizondo, Senior Accountant-Auditor

Corrina Barbarite, Senior Accountant-Auditor

Mary Boyajian, Accountant-Auditor II

Special Thanks to

Renona Sawatzky, Accountant-Auditor II

Janice Denman, Accountant Auditor II

CAFR, Single Audit and Fixed Asset Leads in all City
Departments throughout the City

This page intentionally left blank.

Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013

CAFR – Financial Audit

○ **Unmodified Opinion with going concern paragraph**

- Historically auditor's role was restricted to an assessment of fair presentation of financial position and results of operations.
- Management's responsibility was to report on financial position and results of operations.
- Auditor was to evaluate management's assertions and issue a report on the fairness of the financial statements
- Over the years the Auditor's role, as perceived by the public, is somewhat larger in context and encompasses an assessment of the entity's viability.
- Absent clear evidence to the contrary, auditors assume that the entity will continue to exist.
- Faced with various pressures, the Accounting Standards Board issued SAS No. 59 which **requires the management of the entity** being audited as well as the auditor to evaluate whether there is substantial doubt about a entity's ability to continue as a going concern for a reasonable period of time, not to exceed one year and shortly thereafter.

○ **Evaluation of Entity's Going Concern Status**

- Management and Auditor's must evaluate conditions or events that raise doubt about the entity's ability to continue in existence.
 - ✓ **Negative trends** – recurring periods in which expenses/expenditures significantly exceed revenues; recurring unsubsidized as well as subsidized losses in business-type activities , consistent working capital deficiencies and negative operating cash flows or adverse key financial ratios. *Subsidized debt service for both the Convention Center and the Stadium.*
 - ✓ **Other indications of possible financial difficulties** – default on bonds, loans or similar agreements, proximity to debt and tax limitations, denial of usual trade credit from suppliers, restructuring of debt, noncompliance with statutory, capital or reserve requirements, or the need to seek new sources or methods of financing or the need to dispose of substantial assets. *Inability to obtain a master lease agreement, ongoing and frequent reviews by credit rating agencies resulting in downgrades, inability to set aside funds for reserves, ongoing General Fund internal borrowings.*
 - ✓ **Internal matters** – labor difficulties, substantial dependence upon the success of a particular program, project or revenue stream; burdensome labor contracts and open-ended funding of benefits. *Inability to obtain labor concessions, unsustainable benefit programs, public safety extreme reliance on property and sales tax revenues.*
 - ✓ **External matters** – legal proceedings, legislation or other similar matters that might jeopardize governmental revenues and fiscal sustainability. *Increasing delays in obtaining federal and State grant reimbursements.*

Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013

CAFR – Financial Audit **Going Concern - continued**

- GASB 56 also expects entities to do self-assessments of their going-concern risk taking greater responsibility for the going-concern risk assessment process.
- In all cases, the effect of the governmental environment should be considered when evaluating the indicators. For example, the taxing power and borrowing capabilities of the government together with the demand for public services and the cost of providing those services which may diminish the possibility that a government would be able to continue as a going concern

○ **Disclosures Related to Going Concern Status**

- If it is determined that there is substantial doubt about a governmental entity's ability to continue as a going concern for a reasonable period of time, the notes to the financial statements should include the following disclosures, as appropriate:
 - ✓ Pertinent conditions and events giving rise to the assessment of substantial doubt about the government's ability to continue for a reasonable period of time,
 - ✓ The possible effects of such conditions and events,
 - ✓ Government officials' evaluation of the significance of those conditions and events and any mitigating factors,
 - ✓ Possible discontinuance of operations
 - ✓ Government officials' plans
 - ✓ Information about the recoverability or classification of record asset amounts or the amounts or classification of liabilities, if appropriate.
- The Going Concern discussions appears not only in the Auditor's Opinion as a paragraph of emphasis (page 2, immediately following the Controller's Transmittal), but also in the Controller's Transmittal (page VI), and the Notes to the Financial Statements (Note 1 Beginning on Page 87).

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
Financial Report 2013**
For the fiscal year ended June 30, 2013

CAFR – Financial Audit
Going Concern - continued

- In reaching the conclusion about whether or not an entity is a going concern, an extremely key factor that must be taken into consideration is the availability of adequate liquidity
 - ✓ In the past, the City would participate in TRANS, Tax Revenue Anticipation Notes. These could be likened to a line of credit secured by the City's Property Tax Revenues. The City would borrow funds to tide itself over until its Property Tax revenues came in February/March and May/June. For years it was an advantage for the City to borrow externally as it was cost effective in that the City could obtain a borrowing interest rate lower than what it was receiving on its invested cash pool.
 - ✓ As the economy tanked, interest rates dropped and the City's credit ratings declined, it became cost prohibitive to borrow externally.
 - ✓ The City, and the General Fund in particular, now borrows internally from the Cash Pool throughout the year.
 - ✓ Where the General Fund used to be the Fund that others borrowed from, in FY 2010, 2011 and 2012 the General Fund was the Fund doing the borrowing.

- At the end of each Fiscal Year, all funds with negative cash balances must go through a true up by borrowing from unrestricted funds that are suitable to borrow from. In recent years, the negative cash balances have become more and more difficult to true up for several reasons:
 - ✓ As departments have become more reliant upon federal and State grants to fund numerous projects, the federal and State governments have become slower and slower with their grant reimbursements.
 - Nearly all grants are reimbursable grants; this means the City must spend its own money and then request reimbursement.
 - With their own fiscal monetary crisis, the federal and State governments have become slower in making reimbursement payments, particularly near the City's fiscal year end.
 - At 6/30/2012 the City had to cover nearly \$6.1 million in Grant expenditures awaiting reimbursement as well as \$3.1 million to cover negative cash in the General Fund.
 - At 6/30/2013, negative grant funding grew to \$12.8 million. Even the Airports Department was impacted by delayed FAA grant reimbursements to the tune of nearly \$2.2 million.
 - These delays in reimbursement increase the City's liquidity risk.

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
Financial Report 2013**
For the fiscal year ended June 30, 2013

CAFR – Financial Audit
Going Concern - continued

- Where does the City borrow from at Fiscal Year End? The only places that it can:
 - ✓ The City's Risk Management Fund
 - ✓ The City's ISD replacement and maintenance funds
 - ✓ What is left of the Fleet replacement fund
 - ✓ The General Fund when possible

- What happens as these funds are depleted?
 - ✓ The City may not be able to close its books at year end without borrowing restricted or inappropriate funds resulting in violation of various bond, contract, agreement, etc. covenants.
 - ✓ This could ultimately result in a modified auditor opinion (adverse or disclaimer) and could even result in the auditor withdrawing from the engagement.

- Currently with no reserves set aside for the delay in these grant reimbursements, it is becoming more and more difficult to close the City's books at year end
 - ✓ The City has no control over the timing of the reimbursements
 - ✓ The City can only attempt to curtail grant spending at year end which is not always a possibility depending upon the grant funded project.

- What would the "Perfect Storm" look like for the City?
 - ✓ Greater and great delays in grant reimbursements at year end
 - ✓ A pay period hitting on the last day of the fiscal year end (these run approximately \$7 million per pay period for the General Fund and approximately \$12 million citywide)
 - ✓ A legal settlement requiring payment on the last day of the fiscal year end out of the Risk Fund
 - ✓ A sudden and unanticipated large expenditure at year end out of General Fund or the Risk Fund

- Could the City borrow funds externally if it had to?
 - ✓ Extremely difficult for the General Fund due to current ratings, which make potential interest rates cost prohibitive
 - ✓ In addition there are no "essential" assets left to pledge

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
Financial Report 2013**
For the fiscal year ended June 30, 2013

Definitions

Under GASB 54, implemented in FY 2011, fund balance classifications were dramatically revised. The hierarchy created is based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The statement provides for identifying non-spendable amounts and provides for additional classifications such as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how amounts can be spent.

- A **Nonspendable** fund balance includes amounts that are either 1) not in a spendable form or 2) are legally or contractually required to be maintained intact. Not in spendable form includes items that are not expected to be converted to cash such as inventories, prepaid items and certain long-term receivables. This is the category in which the RDA advances once fell before the allowance.
- A **Restricted** fund balance includes amounts which have constraints placed on the use of the resources. The constraints are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law or enabling legislation of the government itself and which are legally enforceable. This category would include Bond proceeds.
- A **Committed** fund balance includes amounts that can only be used for specific purposes pursuant to a formal action of the City's highest level of decision-making authority, resolution or ordinance passed by the City Council and signed by the Mayor. Commitments may be removed or changed only by the City taking the same formal action which imposed the constraint. This is the category in which the Emergency Reserve resides.
- An **Assigned** fund balance includes amounts that are not classified as non-spendable, restricted or committed but which are intended by the City to be used for specific purposes. Intent may be expressed by legislation or action of the government body itself or the authority to assign amounts for specific purposes may be delegated. This would include monies that have been set aside by budgetary action but have no other legal constraints from items such as bonds, grants or legal settlements the use of which are spelled out in the settlement documents.
- An **Unassigned** fund balance is the residual classification for the General Fund and includes all amounts not reported as nonspendable, restricted, committed or assigned. The General Fund may report either positive or negative unassigned fund balance and unassigned amounts are available for any purpose.

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
Financial Report 2013**
For the fiscal year ended June 30, 2013

Fiscal Year 2013 CAFR General Fund Overview

Balance Sheet Focus

- During Fiscal Year 2013, the City adhered to the plans adopted by the City Council on how funds were to be spent consistent with the budget.
- The City's General Fund had a balance, or equity at June 30, 2013 of \$6.8 million as compared to equity at June 30, 2012 of \$15.04 million. This compares to an equity balance at June 30, 2011 when it was \$18.2 million and June 30 2010 when this same balance was \$40.2 million. A large portion of the decrease between 2010 and 2011 was the result of the City expanding its Allowance for Doubtful Accounts as it related to Advances Due from the Redevelopment Agency (\$15 million). This was in response to the State Legislation which dissolved redevelopment agencies. At June 30, 2013 much of the decrease between 2012 and 2013 was the result of the General Fund borrowing \$14.1 million* from Water and Commercial Solid Waste to eliminate the Parking Fund's negative cash. In addition the General Fund absorbed the assets and liabilities of six former Internal Service functions and two Enterprise operations.
- **Nonspendable** fund balance at June 30, 2013 and 2012 was \$12.69 million as compared to June 30, 2011 when it was \$16.8 million. At June 30, 2010 it was \$31.8 million. \$14.2 million of the decrease between 2010 and 2011 was the result of the impacts of the dissolution of the RDA.
- The **Committed** fund balance increased slightly from \$1.4 million at the end of 2011 to \$1.48 million at the end of 2012. By the end of 2013 this balance had grown to \$1.90 million which was the result of interest earnings of \$21,765 and \$400,000 being set aside for the 27th pay period. At the end of 2010, the balance had been reported as \$10.6 million but was dramatically reduced to address budgetary issues as well as negative cash balances that had been long unattended to. During the fiscal crises it was recognized that these funds had no potential for resolving these negative balances on their own. This balance has previously been identified as the Emergency Reserve,
 - In 2010, the Mayor proposed and Council agreed to use a portion of the Emergency Reserve to pay for one-time costs related to contracting the organization. Council agreed and funds were used to pay for the Employee Retirement Incentive (ERI).
 - As part of the 2011 mid-year budget evaluation additional use of the Emergency Reserve was earmarked and used to address negative funds.
 - No funds have been transferred out of the Emergency Reserve since 2011. The only increases have been interest earnings and the \$400,000 for the 27th pay period.

* The loans to the General Fund from Water and Solid Waste, as of March 31, 2014 stand at a total of roughly \$5.9 million.

CITY OF FRESNO, CALIFORNIA
*Comprehensive Annual
Financial Report 2013*
For the fiscal year ended June 30, 2013

Fiscal Year 2013 CAFR General Fund Overview
Balance Sheet Focus - continued

- The **Unassigned** fund balance at June 30, 2012 was 483,340 whereas at June 30, 2013 the unassigned fund balance was a deficit (\$9,355,244).
 - At the beginning of fiscal year 2013, City management made the decision to merge various Internal Service Funds functions and two underperforming Enterprise operations into the General Fund. City Attorney/Legal Services, Personnel, Finance, Budget, Purchasing and Central Printing were merged into the General Fund so as to be more consistent with and comparable to similar sized cities. In addition Parking and Development operations were merged into the General Fund to more appropriately acknowledge their substantial support from the General Fund. City Management felt the inclusion of Parking and Development in the General Fund was a more transparent presentation of the use of General Fund resources.
 - The impact of the merger is reflected in Transfers In and Transfers Out on the Statement of Revenues, Expenditures and Changes in Fund Balance of the General Fund for net Transfers of roughly \$15,490,292 which impacts the Unassigned fund balance.

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
 Financial Report 2013**
 For the fiscal year ended June 30, 2013

2012- 2013 Adopted Budget

(in millions)	FY 2012			
General Fund	FY 2011 Actual	FY 2012 Adopted	Estimate as of 05/09	FY 2013 Adopted
RESOURCES				
One-Time Resources				
Carryover	177	0	683	(737)
Prior Period Adjustments	6	0	11	0
	177	0	694	(737)
Operating Revenues				
Sales Tax	60,480	66,393	68,325	69,081
Prop 172 Sales Tax	2,328	2,216	2,216	2,260
Property Tax ⁽¹⁾	67,075	69,075	65,978	99,413
Property Tax in-Lieu of MVLF ⁽¹⁾			33,435	0
Motor Vehicle In-Lieu	36,339	36,473	0	0
Business Tax	14,915	16,162	16,162	16,485
Franchise Tax	7,126	10,022	9,889	12,397
Room Tax	8,485	8,845	8,845	9,022
Real Estate Transfer Tax	630	832	832	849
Card Room Receipts	1,449	1,400	1,400	1,428
Charges for Current Services ⁽²⁾	13,762	14,275	14,079	30,237
Intergovernmental Revenues	2,515	2,330	3,054	3,881
Intragovernmental Revenues ⁽²⁾	6,549	7,345	6,577	13,312
All Other	2,804	1,484	1,891	3,131
Total Operating Revenue	224,457	236,852	232,683	261,496
TOTAL RESOURCES	224,634	236,852	233,377	260,759
EXPENDITURES				
Employee Services ⁽²⁾	134,625	137,496	137,808	158,982
Retirement Contribution	19,384	23,979	23,709	21,368
Pension Obligation Bonds	12,585	12,046	12,045	12,530
Personnel Expense Reduction	0	0	0	(4,700)
Operations & Maintenance ⁽²⁾	14,071	15,671	14,090	21,247
Interdepartmental Charges ⁽²⁾	23,098	23,431	22,945	24,343
Minor Capital	2,169	2,152	2,165	2,090
Contingencies				358
TOTAL EXPENDITURES	205,932	214,775	212,762	236,218
Subtotal Total Operating Resources	18,702	22,077	20,615	24,541
TRANSFERS IN/OUT				
Debt Service Transfers	(14,600)	(17,349)	(17,349)	(19,552)
Transfers between Funds	(3,449)	(3,562)	(3,626)	(3,811)
Deficit Recovery Transfers	0	(800)	0	(1,055)
Fuel Contingency	0	(727)	(377)	(123)
TOTAL TRANSFERS	(18,049)	(22,438)	(21,352)	(24,541)
Total Resources Less Expenditures and Transfers	653	(361)	(737)	0



⁽¹⁾ Since the passage of SB89 on July 1, 2011 the City no longer receives MVLF. In prior years, Property Tax in-Lieu of MVLF revenue was shown under the category Motor Vehicle in-Lieu, for FY 2013 it is shown under Property Tax.

⁽²⁾ The large increases in these categories are due to the Departmental accounting changes that are taking place in FY 2013. See the General Fund overview for details.

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
 Financial Report 2013**
 For the fiscal year ended June 30, 2013

CITY OF FRESNO, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013



	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 212,806,359	\$ -	\$ 25,149,543	\$ 237,955,902
Licenses and Permits	5,096,783	-	-	5,096,783
Intergovernmental	3,565,070	31,192,231	2,274,759	37,032,060
Charges for Services	23,302,578	2,493,397	24,199,176	49,995,151
Fines	4,192,516	-	-	4,192,516
Use of Money and Property	1,768,886	31,970	738,067	2,538,923
Miscellaneous	2,210,823	2,463,725	1,471,778	6,146,326
Total Revenues	252,943,015	36,181,323	53,833,323	342,957,661
Expenditures				
Current:				
General Government	11,623,475	58,818	1,356,264	13,038,557
Public Protection	172,473,119	6,838,919	7,877,299	187,189,337
Public Ways and Facilities	1,982,216	3,896,518	27,453,649	33,332,383
Culture and Recreation	10,755,869	1,439,077	982,014	13,176,960
Community Development	15,246,656	8,882,606	1,555,710	25,684,972
Capital Outlay	706,192	13,643,681	5,568,843	19,918,716
Debt Service:				
Principal	1,713,423	-	15,770,410	17,483,833
Interest	412,019	-	20,721,991	21,134,010
Total Expenditures	214,912,969	34,759,619	81,286,180	330,958,768
Excess (Deficiency) of Revenue Over (Under) Expenditures	38,030,046	1,421,704	(27,452,857)	11,998,893
Other Financing Sources (Uses)				
Transfers In	5,824,569	638,872	40,363,856	46,827,297
Transfers Out	(54,564,589)	(1,564,321)	(10,504,110)	(66,633,020)
Capital Lease Financing	1,087,583	-	-	1,087,583
Sale of Capital Assets	1,345,926	-	-	1,345,926
Total Other Financing Sources (Uses)	(46,306,511)	(925,449)	29,859,746	(17,372,214)
Net Changes in Fund Balances	(8,276,465)	496,255	2,406,889	(5,373,321)
Fund Balances - Beginning	15,044,714	32,405,002	105,219,199	152,668,915
Fund Balances - Ending	\$ 6,768,249	\$ 32,901,257	\$ 107,626,088	\$ 147,295,594

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
 Financial Report 2013**
 For the fiscal year ended June 30, 2013

CITY OF FRESNO, CALIFORNIA
 BUDGET AND ACTUAL GENERAL FUND
 YEAR ENDED JUNE 30, 2013

	Adopted Budget Fund 10101	Final Budget Fund 10101	Actual Fund 10101	Actual Funds 10201, 10202, 10401, 21501, 21502, 21503, 23001, 46501, 46502, 48001, 63527 & 63537	CAFR Adjustments	Total CAFR
One-Time Resources						
Carryover	(737,100.00)	(620,200.00)	855,939.47	(752,636.69)	(103,302.78)	0.00
Revenues						
Taxes	210,935,400.00	210,935,400.00	214,104,958.05	1,166.05	(1,299,764.72)	212,805,359.38
Licenses and Permits	4,857,400.00	4,857,400.00	5,831,248.03	0.00	(734,465.53)	5,096,782.50
Intergovernmental	2,224,500.00	3,155,100.00	3,498,038.01	2,500.00	64,532.00	3,565,070.01
Charges for Services	22,428,300.00	22,488,300.00	23,033,270.95	1,049,570.53	(780,263.50)	23,302,577.98
Fines and Violations	4,972,000.00	4,972,000.00	3,626,508.83	0.00	566,007.00	4,192,515.83
Use of Money and Property	122,000.00	122,000.00	1,562,778.45	318,392.47	(112,285.00)	1,768,885.92
Miscellaneous Revenue	14,442,700.00	14,522,600.00	13,989,834.02	1,581,274.24	(13,360,285.40)	2,210,822.86
Suspense Revenue	1,513,800.00	1,513,800.00	1,675,021.75	123,536.51	(1,798,558.00)	0.26
Total Revenues	261,496,100.00	262,566,600.00	267,321,658.09	3,076,439.80	(17,455,083.15)	252,943,014.74
Expenditures						
Current:						
General Government	18,023,900.00	18,765,600.00	20,245,178.47	474,186.54	(9,095,889.29)	11,623,475.72
Public Protection	168,292,200.00	169,276,700.00	169,735,604.72	1,020,024.55	1,717,489.29	172,473,118.56
Public Ways and Facilities	6,165,400.00	6,184,400.00	5,451,310.38	1,024,339.28	(4,493,433.52)	1,982,216.14
Culture and Recreation	10,896,600.00	10,894,300.00	10,633,673.33	0.00	122,195.64	10,755,868.97
Community Development	15,699,800.00	15,699,800.00	15,207,139.39	0.00	39,516.72	15,246,656.11
Miscellaneous Expense	14,691,400.00	14,538,900.00	14,510,732.18	10,784.64	(14,521,517.00)	(0.18)
Capital Outlay	2,090,200.00	2,030,700.00	2,207,096.78	1,601.00	(1,502,506.15)	705,191.63
Debt Service:						
Principal	0.00	0.00	0.00	305,944.18	1,407,479.00	1,713,423.18
Interest	0.00	0.00	0.00	0.00	412,019.00	412,019.00
Contingency	358,500.00	15,000.00	0.00	(0.00)	0.00	(0.00)
Total Expenditures	236,218,000.00	237,405,400.00	237,990,735.25	2,836,880.19	(25,914,646.31)	214,912,969.13
Other Financing Sources (Uses)						
Transfers In	238,500.00	748,500.00	16,190,124.67	1,071,116.01	(11,436,672.12)	5,824,568.56
Transfers Out	(24,779,500.00)	(25,289,500.00)	(41,844,345.28)	(702,587.27)	(12,017,654.53)	(54,564,587.08)
Loan Proceeds	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligation	0.00	0.00	0.00	0.00	1,087,583.00	1,087,583.00
Sale of Capital Assets	0.00	0.00	2,517,793.90	585,433.38	(1,757,302.14)	1,345,925.14
Total Other Financing Sources	(24,541,000.00)	(24,541,000.00)	(23,136,426.71)	953,962.12	(24,124,045.79)	(46,306,510.38)
Total Resources	236,218,000.00	237,405,400.00	246,041,170.85	3,277,765.24	(41,682,431.72)	206,638,904.36
Total Expenditures	236,218,000.00	237,405,400.00	237,990,735.25	2,836,880.19	(25,914,646.31)	214,912,969.13
Change in Fund Balance	0.00	0.00	8,050,435.60	440,885.05	(18,768,485.77)	(8,276,464.77)

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
 Financial Report 2013**
 For the fiscal year ended June 30, 2013

CITY OF FRESNO, CALIFORNIA

**BALANCE SHEET
 GOVERNMENTAL FUNDS**

June 30, 2013

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Investments	\$ 1,034,497	\$ 4,198,289	\$ 74,531,217	\$ 79,764,003
Receivables, Net	14,256,150	-	483,785	14,739,935
Grants Receivable	455,104	14,285,025	15,000	14,755,129
Intergovernmental Receivables	26,790,259	-	2,784,852	29,575,111
Due From Other Funds	2,422,899	-	363,758	2,786,657
Advances to Other Funds, Net	12,690,500	-	44,992	12,735,492
Property Held for Resale	-	-	10,555,051	10,555,051
Restricted Cash	1,902,776	-	10,755,552	12,658,328
Loans, Notes, Leases, Other Receivables, Net	-	38,191,397	24,430,901	62,622,298
Total Assets	\$ 59,552,185	\$ 56,674,711	\$ 123,965,108	\$ 240,192,004
Liabilities and Fund Balances				
Liabilities:				
Accrued Liabilities	\$ 10,285,849	\$ 1,962,147	\$ 3,331,320	\$ 15,579,316
Deferred Revenue	27,320,536	8,995,942	15,000	36,331,478
Due to Other Funds	851,507	12,815,305	253,208	13,920,140
Advances From Other Funds	14,316,057	-	12,735,492	27,051,549
Deposits From Others	9,927	-	4,000	13,927
Total Liabilities	52,783,936	23,773,454	16,339,020	92,896,410
Fund Balances (Deficit):				
Nonspendable	12,690,500	-	-	12,690,500
Restricted	435,369	37,829,844	90,269,868	128,535,081
Committed	1,902,776	-	-	1,902,776
Assigned	1,094,848	-	17,624,081	18,718,929
Unassigned	(9,355,244)	(4,928,587)	(267,861)	(14,551,692)
Total Fund Balances	6,768,249	32,901,257	107,626,088	147,295,594
Total Liabilities and Fund Balances	\$ 59,552,185	\$ 56,674,711	\$ 123,965,108	\$ 240,192,004



Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013

Where Do I Find.....?

• Primary Statements

Page 59 Statement of Net Position

- Cash and Investments
- Receivables, Net
- Restricted Cash
- Loans, Notes, Leases
- Capital Assets
- Long-term Liabilities

Page 64 Balance Sheet

\$1,902,776 – Committed
Designated for Emergency Reserve and
27th pay period

Page 66 Statement of Revenues

Expenditures and Changes in Fund
Balances

Footnotes of Interest

- Effect of Accounting Changes – Merger
- Going Concern
- Fund Equity/Deficit
- General Fund 5 – Year Forecast
- Interfund Activity
- OPEB
- Commitments and Contingencies
- Subsequent Events

• Detailed Information

Footnotes

- Note 3 Page 112
- Note 5 Page 128
- Note 3 Page 126
- Note 5 Page 128
- Note 6 Page 129
- Note 7 Page 135

➤ Pages 206 & 207

➤ Pages VI, 6, 85 , 93 & 109

➤ Pages 208 & 209

Footnotes

- Note 1 Page 86
- Note 1 Page 87
- Note 2 Page 94
- Note 2 Page 96
- Note 8 Page 151
- Note 11 Page 168
- Note 13 Page 174
- Note 16 Page 190

Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013

Additional Helpful Page References

- Proprietary Statements

Pages 70 thru 71

Statement of Net Position

Proprietary Funds

Nonmajor Enterprise Funds

Internal Service Funds

- Detailed Information

- Page 220

- Page 226

Pages 72 thru 73

**Statement of Revenues, Expenses
and Changes in Fund Net Assets**

Proprietary Funds

Nonmajor Enterprise Funds

Internal Service Funds

- Page 221

- Page 228

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
Financial Report 2013**
For the fiscal year ended June 30, 2013

SAS 115 - Communicating Internal Control Related Matters

Definitions (SAS 115)

Material Weakness (1)

Significant Deficiency (1)

Control Deficiency (3)

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
Financial Report 2013**
For the fiscal year ended June 30, 2013

Management Letter - Definitions

- ✓ **Material Weakness** – A deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

- ✓ **Significant Deficiency** *(previously known as Reportable Condition)* – A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

- ✓ **Control Deficiency** *(previously known as Management Letter Comment)* – Exists when the **design** or **operation** of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
Financial Report 2013**
For the fiscal year ended June 30, 2013

Management Letter Comments - Overview

CURRENT YEAR RECOMMENDATIONS

2013-A COMPREHENSIVE RISK ASSESSMENT *(Control Deficiency)*

Criteria

In 1992 the Committee on Sponsoring Organizations of the Treadway Commission (COSO) established a nationally recognized framework for internal control in its Internal Control – Integrated Framework and its related Guidance for Smaller Public Companies: Reporting on Internal Controls over Financial Reporting. The COSO framework establishes five elements of internal control: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring. These elements provide a common framework against which internal control systems can be assessed and improved. Risk Assessment is an integral part of internal control and management should periodically evaluate the risks and monitor the changes facing the City. This process involves evaluating both previously identified risks and potential new risks and providing assurance that (1) controls are designed properly to address significant risks and (2) controls are operating effectively.

Condition

During our audit of the City and discussion with the City's Internal Auditor, we noted the City has not performed a risk assessment update as of their last review in FY 2011. Through the economic downturn, and layoffs, various factors have caused potential changes in the areas of risk.

Cause

The City has had reduction in staff, which included a reduction in the Internal Audit Section. The Internal Audit Department performs various compliance audits, however not a comprehensive City-wide risk assessment.

Effect

With the various changes to the City, which included staff reduction, the City may be exposed to various risks not identified during the last comprehensive risk assessment as conditions have changed.

Recommendation for Corrective Action

We recommend that the City evaluate and perform a City-wide risk assessment, either through the utilization of the Internal Audit Section, or through a third party.

Views of Responsible Officials

The City's Principal Internal Auditor will attempt to complete a comprehensive citywide risk assessment during FY2015; however, this type of comprehensive and time consuming citywide risk assessment project by one person will take place as time is available so that the Principal Internal Auditor can continue to conduct limited scope audits as directed by the City Manager's Office, and/or as requested by City Management as they arise throughout the City organization .

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
Financial Report 2013**
For the fiscal year ended June 30, 2013

2011-1 FUND BALANCE RESERVES - prior year comment
(Control Deficiency)

Observation (revised)

Effective July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The provisions of this statement revised the classifications of fund balances for governmental funds. As a result, the City Council established the Unappropriated Reserve Fund by adopting Resolution No. 2004-27, creating the General Fund Emergency Reserve Fund (Reserve Fund) at 5% of General Fund annual expenditures. This is reported as committed fund balance in the General Fund.

In November 2010, in accordance with Resolution No. 2004-27, the Mayor declared a fiscal emergency which was unanimously approved by the City Council in Resolution No. 2010-260, thereby reducing the Reserve Fund balance from \$10.6M at July 1, 2010, to \$1.9M at June 30, 2013.

Based upon the City's interpretation of the reserve policy, 5% of the 2013 Adopted General Fund Appropriation of \$236.2 million is \$11.8 million. According to the reserve policy, the Reserve Fund was underfunded by \$9.9 million at June 30, 2013, after considering the existing balance at fiscal year-end.

Recommendation

We recommend that the City review its current Reserve Fund policy and current financial position and develop and document a plan to be approved by City Council on how the Reserve Fund will be replenished to comply with the policy. In addition, the City Council should consider amending section 1212 of the Municipal Code to address how the Reserve Fund should be replenished.

Views of Responsible Officials

The City's ongoing fiscal situation has been caused by a variety of factors, including the economic downturn, unsuccessful local investment decisions, and an increase in indebtedness burdening the General Fund related to underperforming assets. In addition, the adoption of unaffordable future commitments to labor groups and others has exasperated the situation.

Beginning in February 2009, the City working with its employees and the public, has undertaken numerous rounds of budget reductions to address what has been well over an cumulative \$100 million in operating revenue shortfalls since that time. City-wide the workforce has been reduced by attrition and lay-offs from 4,171 employees in January 2009 down to 2,909 (30.3%) as of June 30, 2013. Non-essential City services have been eliminated or severely curtailed, maintenance has been deferred, community centers are now operated by volunteer community-based organizations or have staffing and hours significantly reduced. Public Works and Parks have been particularly hard hit in the area of service impacts as have Police services. Various bargaining units have agreed to wage concessions or compensation deferrals and anticipated deficit fund recovery plans were required to be deferred as the ongoing economic depression persisted.

continued

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
Financial Report 2013**
For the fiscal year ended June 30, 2013

2011-1 FUND BALANCE RESERVES – prior year comment continued
(Control Deficiency)

The City of Fresno, like other California cities, is limited in its ability to enhance existing revenue resources or its ability to create new ones. The City's top three revenue generators, Property Tax, Sales Tax and Charges for Services pummeled and are just beginning to show small signs of recovery. All the while the revenues were declining, labor costs were and continue to increase. Long-term employment contracts or Memoranda's of Understanding (MOUs), entered into when the economy was growing, have prevented a full realignment of expenditures with available resources. Personnel costs, which include salaries and fringe, retirement contributions and the pension obligation bonds, encompassed 73% of the General Fund in Fiscal Year 2012. It is estimated that these costs will continue to increase in the near term until such time as MOUs can be renegotiated. At this time it is estimated that in 2014 these costs will take up 78% of the General Fund.

The City also sought opportunities on the revenue side, including adoption of Commercial Solid Waste and Commercial Recycling franchises which aided the General Fund. The City also negotiated an increase in the PG&E gas service franchise fee, increased the Building Permit fee, and engaged in an aggressive Business License Tax audit program.

In March 2012, the Mayor and City Manager presented a Fiscal Sustainability Policy (FSP) to the City Council which clearly established a policy framework to enable the City to accomplish four outcomes: 1) to set a course to restore the City's overall financial health and credit rating; 2) to achieve spending and minimum financial reserve targets; 3) to adopt employee compensation policy changes to be negotiated as employee contracts are opened for negotiations, and 4) to direct immediate actions seeking to match expenditures to revenues and to identify options for savings in employee compensation and other operating costs. The City Council unanimously adopted the Policy which set forth a ten-year path for the City to regain fiscal health.

Under the Policy, budgets are being built to not only balance the annual budget but to also allocate funding to eliminate negative funds and to also restore at least minimum reserve levels. Analysis was performed which acknowledged that the City needed a minimum of \$10 to \$12 million per year in additional cost cuts or revenue increases, continued over a ten-year period, to structurally balance the City's operations and fiscal health, even while operating at lower service levels.

The focus and reality of obtaining structural balance for the City is to address structural changes in employee compensation particularly in the areas of unsustainable employee health care costs, unsustainable paid leave balances, establishing rational and reasonable compensation plans consistent with community standards and local labor markets, simplification of MOUs, limitations on "premium pay", to negotiate with active employees and not retirees and to avoid long-term agreements and unpredictable salary formulas. The ten year plan has been developed to "leave no stone unturned" as the City works to restructure its operations to match expenditures to available revenues; to restore not only General Fund reserves but reserves in other funds and to eliminate negative fund balances. Solutions developed must be structural and long-term as oppose to merely deferring costs or debt. The ten year plan continues to be adhered to and progress has been made toward eliminating or reducing negative funds and paying down the interfund loans made by Water and Commercial Solid Waste Funds to the General Fund. The City has every intention of developing citywide reserves over the course of the ten year plan. It is simply going to take time and ongoing improvement in the economy as well as continued reductions in costs.

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
Financial Report 2013**
For the fiscal year ended June 30, 2013

2011-2 UTILITY BILLING RECEIPTS – prior year comment
(Control Deficiency)

Criteria

In 1992 the Committee on Sponsoring Organizations of the Treadway Commission (COSO) established a nationally recognized framework for internal control in its Internal Control – Integrated Framework and its related Guidance for Smaller Public Companies: Reporting on Internal Controls over Financial Reporting. The COSO framework establishes five elements of internal control: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring. These elements provide a common framework against which internal control systems can be assessed and improved. Control activities are an integral part of internal control and management should periodically evaluate the risks and monitor the changes facing the City. This process involves evaluating both previously identified risks and potential new risks and providing assurance that (1) controls are designed properly to address significant risks and (2) controls are operating effectively.

Condition

During our consideration of internal controls over the utility billing system, we noted that the HTE (SunGard), the City's utility billing subsidiary ledger, does not interface with PeopleSoft, the City's general ledger system. The Finance Department until January 2012 (transferred to the Utilities Department subsequent to January 2012) prepares a manual entry as a result of a cumbersome reconciliation process.

Cause

The systems are not built to directly interface, thus both the City's ISD department as well as Utilities Department are working together to build this interface between the City's utility billing subsidiary ledger, and the City's general ledger system.

Effect

This manual process exposes the City to potential human error when preparing the manual entry, which may misstate utility billing information as presented on the City's Financial Statements.

Recommendation

We recommend that the City consider developing an automatic interface between the HTE and PeopleSoft systems to ensure utility revenue is accurately captured and reported in the financial statements reducing the risk of a misstatement occurring during the manual reconciliation process.

continued

CITY OF FRESNO, CALIFORNIA
***Comprehensive Annual
Financial Report 2013***
For the fiscal year ended June 30, 2013

**2011-2 UTILITY BILLING RECEIPTS – prior year comment continued
(Control Deficiency)**

Views of Responsible Officials

The City continues to agree with this recommendation and ultimately intends to make this a reality.

It is true that a manual journal entry is still required to record the Utility receipts on the PeopleSoft books. Part of the contract with the outside consultant assisting the City in its conversion over to water meters was to build the interface necessary for the HTE system to post daily into PeopleSoft. The plan for the interface had always been that it would be built toward the end of the project as the City first had to complete the conversion of the HTE system from bimonthly billing to monthly billing – which it did; fully capture all reads from the newly installed water meters and complete the presentment of bills reflecting charges based upon actual usage rather than a flat rate, which it has done as well. Installation of the residential meters was completed by the end of December 2012 and transition to charges based upon actual usage was also completed prior to the end of Fiscal Year 2013. Initial discussion meetings were held to begin the process of revisiting just what remained to be done with respect to completing the interface between the HTE system and PeopleSoft. The consultant who was engaged in the conversion was also requested to provide an overview of what remained to be done in order to complete the HTE to PeopleSoft interface.

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
 Financial Report 2013**
 For the fiscal year ended June 30, 2013

Management Letter Comments - Overview

CURRENT YEAR RECOMMENDATIONS - Single Audit Letter

2013-001 GRANTS RECEIVABLES, REVENUES, AND DEFERRED REVENUES (Material Weakness)

Criteria

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are “susceptible to accrual”, that is when they are both measurable and available to finance expenditures of the fiscal period. As disclosed in Note 2 (b) to the City’s basic financial statements, it is the City’s policy to recognize revenues when available, which is defined as collected within 60 days after year-end. Under generally accepted accounting principles (GAAP), “available” means collectible within the current period or soon enough thereafter to be used to pay the City’s liabilities of the current period. Application of “susceptibility to accrual” criterion requires judgment, consideration of the materiality of the item in question, and due regard to practicality of accrual, as well a consistency in application.

Condition

During our audit of the City’s Grants Special Revenue Fund receivables, revenues and deferred revenues, were recorded incorrectly.

Cause

The City’s various departments are responsible for informing the Finance department of receivables outstanding at year end and collected within the City’s 60 day availability policy. The Development and Resource Management Department did not provide accurate information to the Finance Department for proper evaluation and reporting of grant revenues.

Effect

The table below summarizes the effect of the adjustments identified on beginning fund balance for the Grants Special Revenue Fund and current year revenues:

	Effect on Beginning Fund Balance	Effect on Current Year Revenues	Total Net Effect on Fund Balance
Period of Availability	\$ (603,200)	\$ 603,200	\$ -
Unearned Monies	-	60,776	60,776
Unrecorded Amounts	-	(1,724,000)	(1,724,000)
Effect of Adjustments Identified	<u>\$ (603,200)</u>	<u>\$ (1,060,024)</u>	<u>\$ (1,663,224)</u>

continued

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
Financial Report 2013**
For the fiscal year ended June 30, 2013

2013-001 GRANTS RECEIVABLES, REVENUES, AND DEFERRED REVENUES - continued
(Material Weakness)

Recommendation for Corrective Action

We recommend that the City evaluate and revise procedures. As appropriate, related to the year-end evaluation of grant revenue recognition. In addition, the Finance Department should provide additional training to departments to ensure department staff understand their responsibility in evaluating activities related to grant revenue recognition.

Views of Responsible Officials

The City is decentralized when it comes to cash receipts and has no overall electronic system when it comes to recording Accounts Receivable, particularly at year end. While the PeopleSoft system has a Billing Module, it has not been implemented by the City for very sound and specific reasons. The Module increases Revenue when an Account Receivable is recorded. The complication that this creates for the City is that PeopleSoft queries are run quite frequently to measure and compare cash receipts with Budgeted expectations. PeopleSoft Revenue currently only reflects actual cash receipts. Were Revenue to include Accounts Receivable, it is very likely and probable that appropriations and Budget expenditure estimates would be increased based upon future cash collections, which may or may not materialize rather than actual cash receipts. Methods available to keep Revenues purely on the cash basis in PeopleSoft using the Billing Module are extremely labor intensive and subject to error. Therefore implementation of the Billing Module on a citywide basis is not a solution.

Finance however will be scheduling meetings with every Department receiving grant monies; particularly Housing which encountered and created the most material audit errors in order to educate / re-educate staff as to how the Grant Spreadsheets must be completed. In addition, Finance will be providing citywide Staff with standardized PeopleSoft queries to enable them to identify the collection of receipts subsequent to year end that must be included on the Spreadsheets. The Grant Spreadsheets prepared for the 2013 audit will also be reviewed with Staff and the necessary audit corrections will be pointed out and gone over in extensive detail in an effort to avoid the same mistakes that occurred. The CAFR team will also discuss other possible techniques that may assist in avoiding these issues on a go forward basis. The CAFR team itself will also look for better communication techniques between members of the team who work on separate areas of the audit which ultimately impact one another.

Loss of staff due to budget cuts on a citywide basis is also seen as a cause for the errors as fewer people are doing more work, dealing with competing priorities, with less time to review the work being performed prior to submission. This has resulted in an increase in errors. Housing lost several key positions and has been utilizing staff that are not that familiar with grants. The Department is currently engaged in the process of recruiting for a Housing Manager. The CAFR team itself in Finance only consists of two full time positions and four intermittent part time positions which for a City the size of Fresno is extremely lean.

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
Financial Report 2013**
For the fiscal year ended June 30, 2013

**2013-002 CAPITAL ASSETS
(Significant Deficiency)**

Criteria

Generally accepted accounting principles require that a governmental entity report capital assets if the entity has ownership of the property; or in cases where ownership cannot be determined, the governmental entity would report the capital asset if it has the responsibility for managing and/or maintaining the asset.

Generally accepted accounting principles require that capital assets, including accumulated depreciation be transferred at the effective date of a fund's merger, with all subsequent events recorded in the receiving fund.

Generally accepted accounting principles require that assets be considered depreciable when placed into service.

Condition

During our audit of the capital asset balances for the Governmental and Business-type Activities, we noted the following:

Decreases in Capital Assets. In the City's Business-type activities, we noted fixed asset improvements with a net book value of \$1,932,360 were inappropriately removed as a disposition when the City still held title to such improvements.

Transfers of Assets. The City merged various funds including the Parking fund and various departments within the General Services to the General fund at July 1, 2012. Certain assets in the General Services Fund did not transfer on July 1, 2012, causing a timing difference of depreciation expense totaling \$29,510. In addition, certain assets in the Parking fund were sold subsequent to July 1, 2012 and the loss was recorded in the Parking fund rather than the in Governmental Activities which amounts to \$580,926.

Construction in Progress Disclosure. In the City's Business-type Activities, we noted the City netted increases and decreases in CIP for projects placed into service during FY 2013 rather than categorizing them as gross increases and decreases in construction in progress. This increases and decreases were \$21,826,351.

Completion of Capital Projects. In the City's Business-type Activities, we noted an asset was placed into service in May 2012 of the prior fiscal year; however, these were not transferred in the accounting records to a depreciable asset category in the year placed into service. This resulted in a depreciation expense adjustment of \$448,515 not recorded for FY 2013.

Cause

The cause for the conditions noted above is due to the communication issues between the department managing the asset and the Finance Department's fixed asset oversight employee as well as lack of supervision of the capital asset journal entries and schedules prepared by the Finance Department.

continued

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
 Financial Report 2013**
 For the fiscal year ended June 30, 2013

**2013-002 CAPITAL ASSETS - continued
 (Significant Deficiency)**

Effect

The table below summarizes the effect of the adjustments identified on beginning net position for Governmental Activities & Business-type Activities and current year expenses:

	Governmental Activities Current year Expenses	Business-type Activities Current year Expenses	Total Net Effect on Net Position
Decreases in Capital Assets	\$ -	(1,932,360)	\$ (1,932,360)
Transfer of Assets	(580,926)	580,926	-
Construction in Progress Disclosure	-	-	-
Completion of Capital Projects	-	448,515	448,515
Effect of Adjustments Identified	<u>\$ (580,926)</u>	<u>(902,919)</u>	<u>\$ (1,483,845)</u>

Recommendation for Corrective Action

We recommend that the City review and evaluate its current policies and procedures related to capital asset accounting and implement revisions as appropriate, to ensure that capital assets are timely captured in the appropriate category (depreciable and non-depreciable) and depreciation is reported in the correct period. In addition, training should be provided to the individuals holding capital assets to ensure compliance with policies and procedures and accurate reporting of capital assets. A review process should be formalized for capital asset schedules and journal entries prepared by the Finance Department's staff.

View of Responsible Officials

The loss of Staff citywide took its toll and resulted in communication and accounting / audit errors. In many cases throughout the City, Staff responsible for overseeing Capital Assets, Budget preparation and CAFR involvement is one in the same. In addition they are also responsible for special projects. Complicating the process even more is that Finance has only one position available and assigned to keep track of and maintain the data base associated with the numerous assets built or purchased by the City, donated to the City, or sold, lost or destroyed. Again for a City the size of Fresno, this is extremely lean. Finance must rely heavily upon the various City departments that have control over the assets to inform Finance of any additions or deletions. Finance runs various PeopleSoft reports and searches all Council agendas in an effort to capture all changes in City Capital assets, a monumental task for one position.

As part of the planned meetings with each department, Finance will also re-emphasize the importance of communication. It is also hoped that the new Asset Management Act, written by Council Member Brand and passed by Council on March 6, 2014 will aid the City and Finance in keeping track of land and improvements (excluding right of way and utility easements). The Act proposes engagement by the City of a property brokerage services firm and real estate consultant to provide comprehensive management of the City's real property assets.

The CAFR team will also discuss other possible techniques and methods that may assist in avoiding these issues on a go forward basis. The CAFR team itself will also look for better communication techniques between members of the team who work on separate areas of the audit which ultimately impact one another.

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
Financial Report 2013**
For the fiscal year ended June 30, 2013

***Federal Award Findings and Questioned Costs – Single Audit
2013-003 Reporting***

***Federal Grantor: Department of Housing and Urban Development
Program: Home Investment Partnerships Program (HOME)***

Criteria or Specific Requirement

The reporting compliance requirement in accordance with 24 CFR Section 135, requires that the prime recipient must submit Form HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low-and Very Low-Income Persons*, for each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction. For recipients of HUD Community Planning and Development funding, the Form HUD 60002 is due the at the same time as annual performance (e.g., reports, which is within 90 days after the reporting period).

Condition

During our audit of the reporting requirements, we noted that the HUD 60002 form for the HOME program was not submitted during the year. The HUD 60002 form for the period ended June 30, 2013, was not submitted. The City Department responsible for this report is the Development and Resources Management Department.

Cause

The Development and Resources Management Department was focused on completing the Consolidated Annual Performance Evaluation Report, and did not have the resources to complete the HUD 60002 form for the HOME program.

Effect

These programs were not in compliance with the timeliness submission of the HUD 60002 form, thus not providing HUD with necessary information to monitor housing rehabilitation, housing construction, and other public construction activities.

Recommendation

We recommend the City develop procedures to ensure timely submission of required reports and to identify all reporting requirements for grants received.

Views of Responsible Officials

Section 3 of Housing and Urban Development Act of 1968, as amended by the Housing and Community Development Act of 1992, requires that recipients of financial assistance provided by the U.S. Department of Housing & Urban Development (“HUD”), to the greatest extent feasible, provide training and employment opportunities for low income area residents and contract opportunities for performance work by local businesses owned by and /or employing low income residents.

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
Financial Report 2013**
For the fiscal year ended June 30, 2013

***Federal Award Findings and Questioned Costs – Single Audit - continued
2013-003 Reporting***

Under HUD Section 3, recipients are required to collect information on every Sponsor, Contractor, Sub-Contractor, etc. for each federal funded grant in excess of \$200,000 that involves housing rehabilitation, housing construction or other public construction, to ensure compliance with Section 3 regulations. The HOME program falls under Section 3 requirements. Recipients are required to submit Summary Report, HUD Form 60002, an annual report showing the recipients' Section 3 effectiveness.

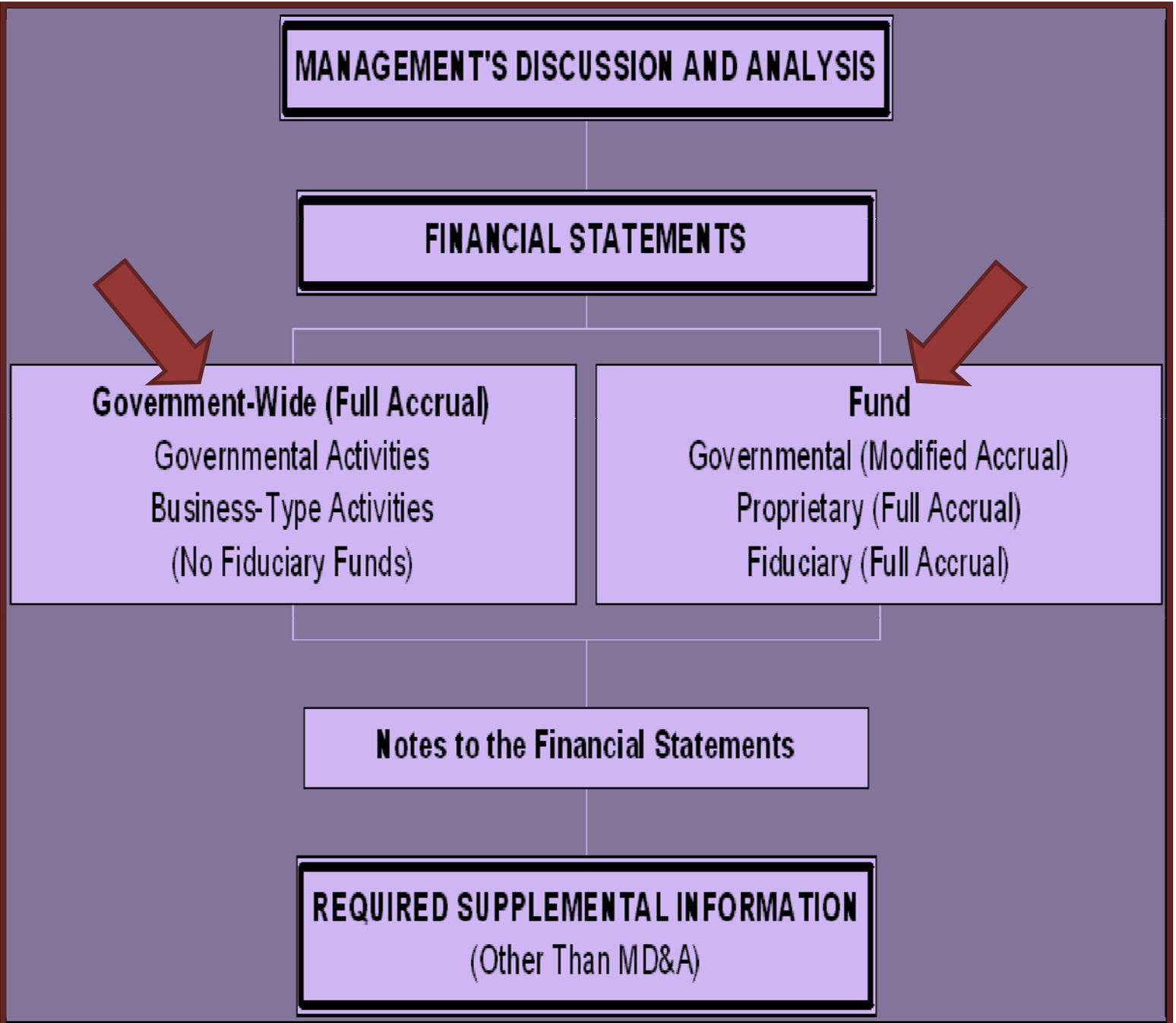
The City of Fresno currently does not have a Section 3 Program in place. This program requires that the recipient comply with the following:

1. Notify Section 3 residents of employment and contracting opportunities
2. Facilitate employment and training of residents
3. Incorporate Section 3 clause
4. Inform contractors of requirements
5. Assist contractors with compliance
6. Document compliance actions

Staff worked with the Purchasing Division in Fiscal Year 2013 to draft a Section 3 Plan. The Division's Management Analyst III is currently vetting, preparing the presentation of the Plan to HUD as well as for Council's approval. The Plan is scheduled to be approved along with the City's Annual Action Plan in June and will be transmitted to HUD with the Annual Action Plan.

Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013



Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013

CAFR Fund Grouping Structure

Governmental Activities

- * General Fund – Police, Fire, Public Works, Housing, Mayor, City Council, City Attorney, City Clerk, City Manager, General City Purpose, Finance, Budget, Purchasing, Central Printing, Personnel, Development and Parking
- * Grants Fund
- High Speed Rail
- Fresno Revitalization Corporation
- Special Gas Tax
- Measure C
- Community Services
- UGM Impact Fees
- Low and Moderate Income Housing
- Special Assessments
- City Debt
- Financing Authorities and Corporations
- City Combined



Business-Type Activities

- * Airports
- * Convention Center
- Public Utilities – *Water, *Sewer, *Solid Waste, Community Sanitation
- * Transportation/FAX
- * Stadium
- Parks and Recreation
- Internal Service Funds - General Services which includes Fees, Facilities, Information Services, Utility Billings & Collections, as well as Risk Management, Health and Welfare Funds – Employees, Retirees and Blue Collar

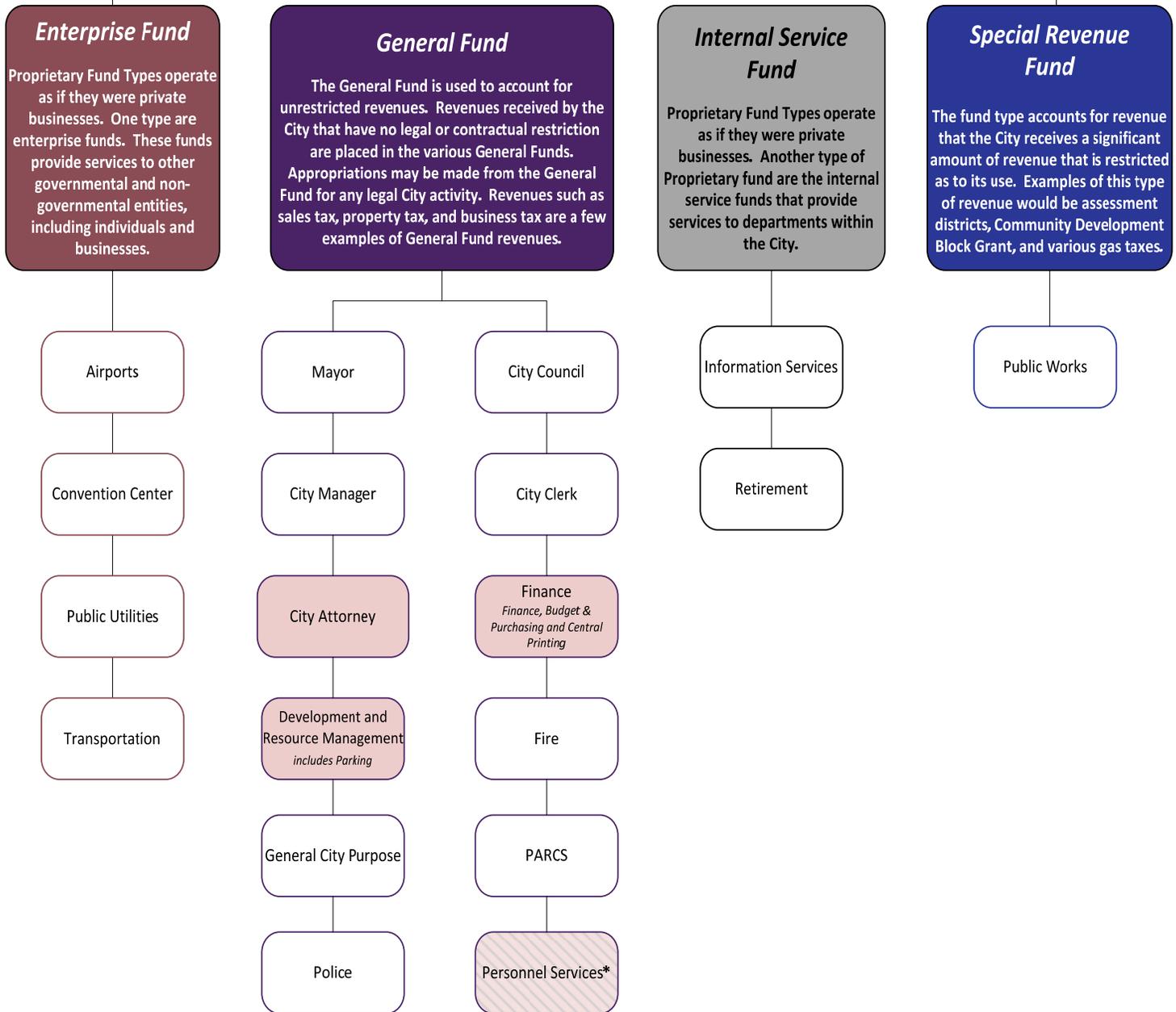


*Represents Major Funds

Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013

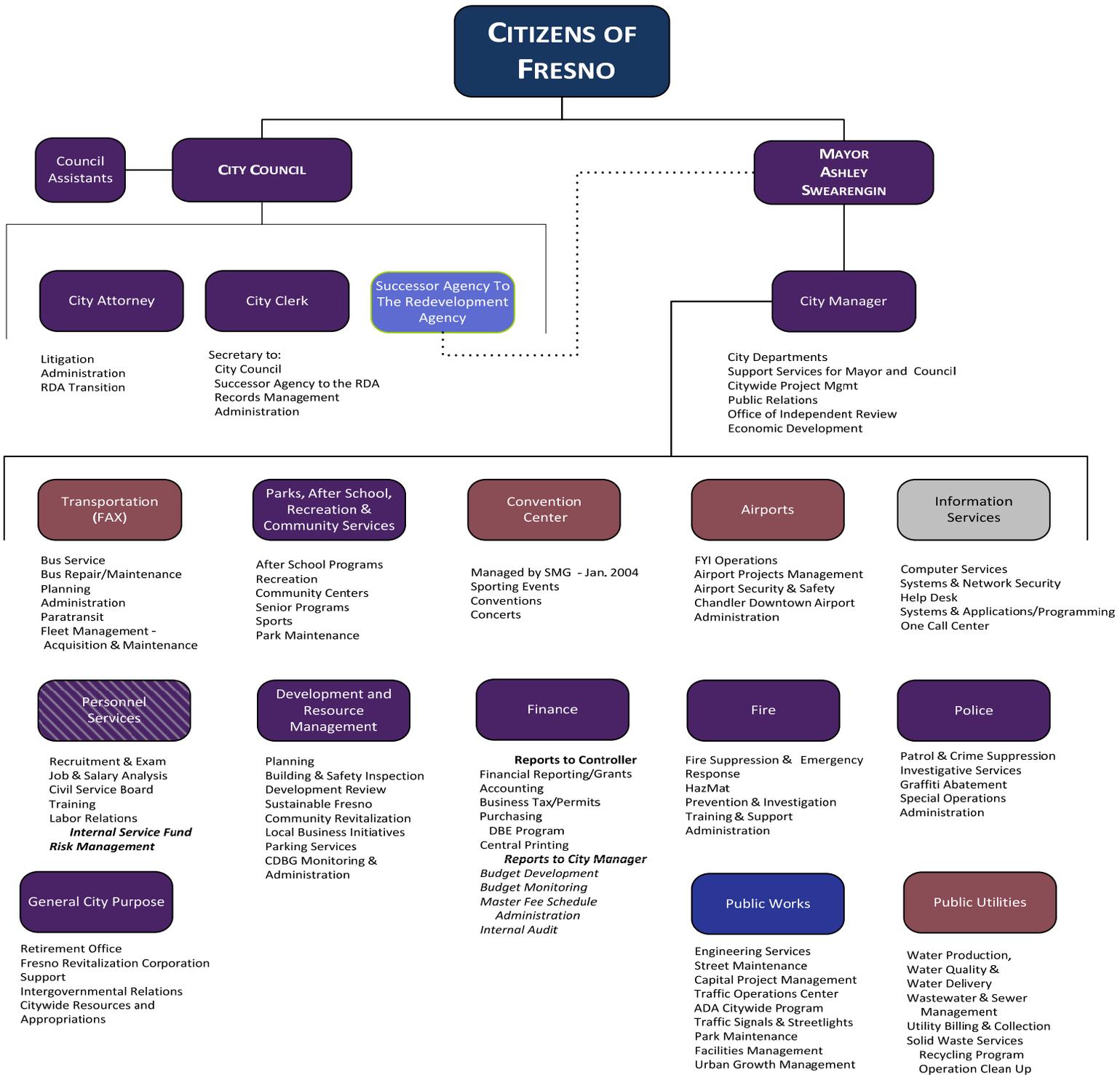
City of Fresno



*Risk Management within the Personnel Services Department remains an Internal Service Fund.

Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013



Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013

CAFR – GASB’s Implemented

- Financial position, changes in financial position presented fairly
 - Accurate
 - Reliable
 - Meets standards for auditing certification, including proper disclosures

- **GASB’s Implemented**
 - **GASB 60 – Accounting and Financial Reporting for Service Concession Arrangements.** The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements which is an arrangement between a transferor (a government) and an operator. An example would be the arrangement between the City and SCA (Golf Course). Transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset such as a facility in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The requirements of this Statement were effective for the City for Fiscal Year 2013 and were implemented with no material effect on the City’s financial statements.

 - **GASB 61 – The Financial Reporting Entity: Omnibus – and amendment of GASB Statements No. 14 and No. 34.** This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. It also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. The provisions of this Statement were effective for the City for Fiscal Year 2013 and were implemented with no effect on the City’s financial statements.

 - **GASB 62 – Codification of Accounting and Financial Reporting Guidance Contain in Pre-November 30, 1989 FASB and AICPA Pronouncements.** The objective of this Statement is to incorporate in the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB Statements and Interpretations; Accounting Principles Board Opinions; and Accounting Institute Research Bulletins of the AICPA Committee on Accounting Procedure. The requirements of this Statement were effective for the City for Fiscal Year 2013 with no effect on the City’s financial statements other than some wording modification in the Notes to the Financial Statements.

Comprehensive Annual Financial Report **2013**

For the fiscal year ended June 30, 2013

CAFR – GASB’s Implemented continued

- **GASB’s Implemented - continued**
 - **GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.** This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred Outflows are defined as a consumption of net assets by the government that is applicable to a future reporting period, a Deferred Inflow is the acquisition of net assets by the government that is applicable to a future reporting period. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. This Statement amends Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position rather than net assets. The provisions of this Statement were effective for the City’s financial statements for the Fiscal Year ended June 30, 2013 which resulted in modifications to the City’s financial statements in the form of captions and labels.

CAFR

Comprehensive Annual Financial Report **2013**

For the fiscal year ended June 30, 2013



CITY OF FRESNO, CALIFORNIA

CITY OF FRESNO, CALIFORNIA

Comprehensive Annual Financial Report **2013**

For the fiscal year ended June 30, 2013

Prepared by The City of Fresno Finance Department

Financial Reporting Staff

Karen M. Bradley, CPA, Assistant Controller
S. Kim Jackson, Management Analyst III
Margaret Bell, CPA, Principal Accountant
Mike Getty, CPA, Principal Accountant
Greg Wiles, CPA, Treasury Officer
Phillip Hardcastle, Principal Accountant
Anita Villarreal, Management Analyst II
Gilbert Elizondo, Senior Accountant-Auditor
Corrina Barbarite, Senior Accountant-Auditor
Mary Boyajian, Accountant-Auditor II

Special Thanks to

Renona Sawatzky, Accountant-Auditor II
Janice Denman, Accountant-Auditor II
CAFR, Single Audit and Fixed Asset Leads in all
City Departments throughout the City

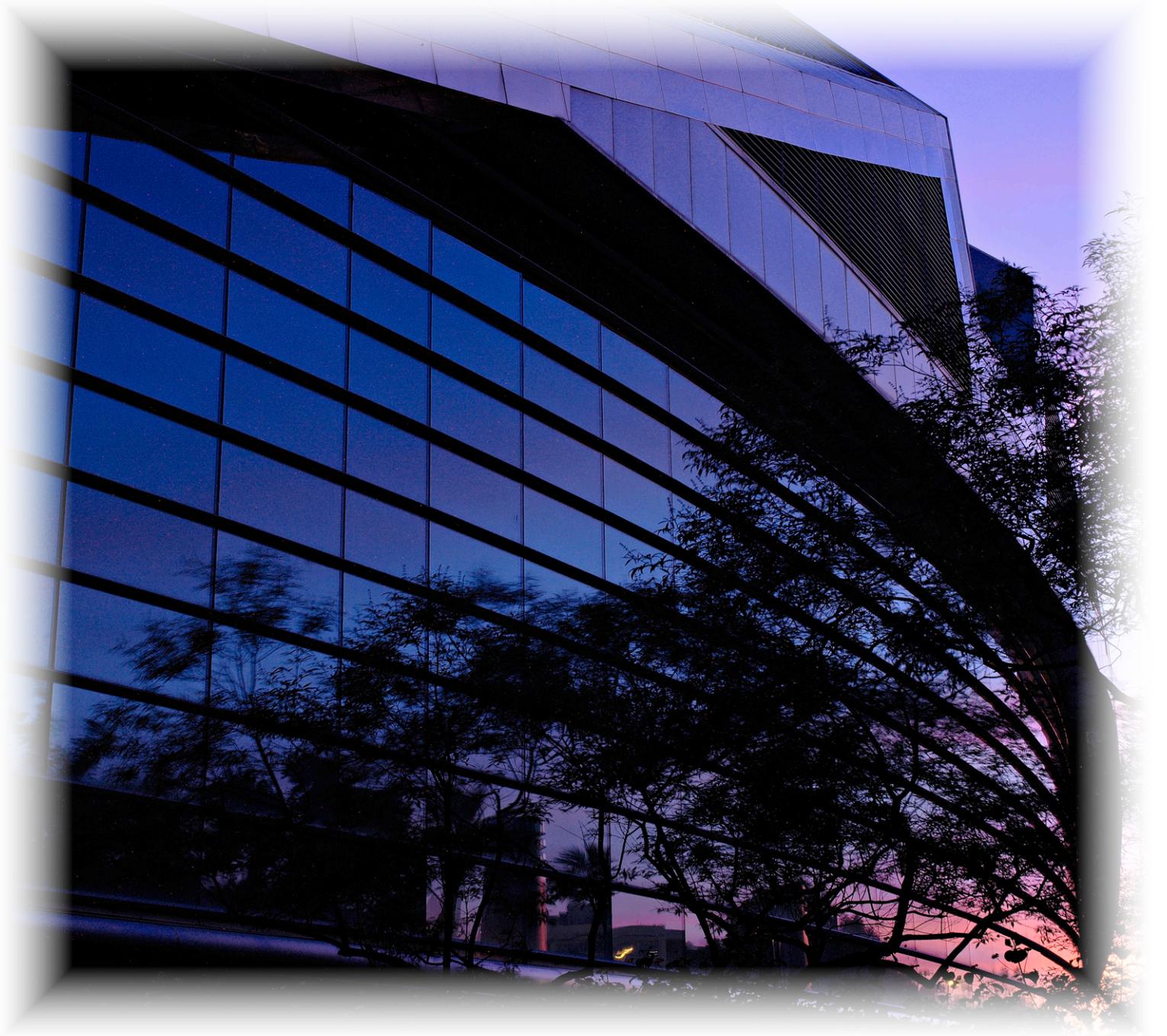
This page intentionally left blank.

CITY OF FRESNO, CALIFORNIA

Comprehensive Annual Financial Report **2013**

For the fiscal year ended June 30, 2013

Introductory Section



www.fresno.gov

This page intentionally left blank.

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
 Financial Report 2013**
 For the fiscal year ended June 30, 2013

Table of Contents

	<u>PAGE</u>
 <i>INTRODUCTORY SECTION</i>	
Controller’s Transmittal Letter.....	I
City Operating Fund Structure	XXIX
City Organizational Chart	XXX
Directory of City Officials	XXXI
Certificate of Achievement – Government Finance Officers Association	XXXIII
 <i>FINANCIAL SECTION</i>	
Independent Auditor’s Report	1
Management’s Discussion and Analysis	6
 <i>BASIC FINANCIAL STATEMENTS</i>	
<u>Government-wide Financial Statements:</u>	
Statement of Net Position	59
Statement of Activities	60
 <u>Fund Financial Statements:</u>	
Balance Sheet – Governmental Funds	64
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	65
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	66
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	67
Statement of Net Position – Proprietary Funds.....	68
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	72
Statement of Cash Flows – Proprietary Funds	74
Statement of Fiduciary Net Position – Fiduciary Funds – Trust and Agency Funds.....	78
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – Trust Funds	79

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
 Financial Report 2013**
 For the fiscal year ended June 30, 2013

Table of Contents - continued

	<u>PAGE</u>
<u>Notes to Financial Statements:</u>	
Note 1 Definition of Reporting Entity	82
Note 2 Summary of Significant Accounting Policies	89
Note 3 Cash and Investments	111
Note 4 Property Taxes	126
Note 5 Receivables	127
Note 6 Property, Plant and Equipment – Capital Assets	129
Note 7 Long-Term Liabilities	135
Note 8 Interfund Activity	151
Note 9 Defeasance and Refunding of Long-Term Debt	158
Note 10 Risk Management Fund	159
Note 11 Employee Benefit Programs	161
Note 12 No-Commitment Debt	173
Note 13 Commitments and Contingencies	174
Note 14 Securities Lending	188
Note 15 Other Information	190
Note 16 Subsequent Events	190
 <i>REQUIRED SUPPLEMENTARY INFORMATION</i>	
Schedule of Revenues and Expenditures – Budget and Actual (Non GAAP Budgetary Basis)	
General Fund	194
Grants Special Revenue Fund	196
Notes to the Required Supplementary Information	198
Schedules of Funding Progress	202

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
 Financial Report 2013**
 For the fiscal year ended June 30, 2013

Table of Contents - continued

	<u>PAGE</u>
<i>OTHER SUPPLEMENTARY INFORMATION:</i>	
<i>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:</i>	
<u>Nonmajor Governmental Funds:</u>	
Combining Balance Sheet – Nonmajor Governmental Funds.....	206
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	208
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis)	
High Speed Rail.....	210
Special Gas Tax.....	211
Measure C.....	212
Community Services	213
UGM Impact Fees	214
Low and Moderate Income Housing.....	215
Special Assessments.....	216
City Combined	217
 Proprietary Fund Types:	
<u>Nonmajor Enterprise Funds:</u>	
Combining Statement of Net Position	220
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	221
Combining Statement of Cash Flows.....	222
 <u>Internal Service Funds:</u>	
Combining Statement of Net Position	226
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	228
Combining Statement of Cash Flows.....	230

Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013

Table of Contents - continued

	<u>PAGE</u>
<u>Fiduciary Funds:</u>	
Combining Statement of Fiduciary Net Position – Fiduciary Funds – Trust Funds.....	236
Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds – Trust Funds.....	237
Combining Statement of Changes in Assets and Liabilities – Agency Funds	238
<u>Discretely Presented Component Unit:</u>	
Statement of Net Position	242
Statement of Revenues, Expenses and Changes in Net Position.....	243
Statement of Cash Flows	244
 <i>STATISTICAL SECTION</i>	
Net Position by Component – Last Ten Fiscal Years.....	249
Change in Net Position – Last Ten Fiscal Years	250
Fund Balance, Governmental Funds – Last Ten Fiscal Years	252
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years.....	253
Gross Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	254
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years.....	255
Principal Property Taxpayers – Current Year and Nine Years Ago	256
Property Tax Levies and Collections – Last Ten Fiscal Years	257
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	258
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years.....	260
Direct and Overlapping Governmental Activities Debt – As of December 19, 2012	261
Pledged Revenue Coverage – Last Ten Fiscal Years	262
Legal Debt Margin Information – Last Ten Fiscal Years	264
Demographic and Economic Statistics – Last Ten Calendar Years	265
Principal Employers – Current Year and Nine Years Ago.....	266
Full Time Equivalent City Government Employees by Function/Program – Last Ten Fiscal Years	267
Operating Indicators by Function/Program – Last Ten Fiscal Years.....	268
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years.....	270

CITY OF FRESNO, CALIFORNIA

*Comprehensive Annual
Financial Report* **2013**

For the fiscal year ended June 30, 2013

Controller's Transmittal Letter



www.fresno.gov

This page intentionally left blank.

Mayor Ashley Swearingin



City Manager Bruce Rudd

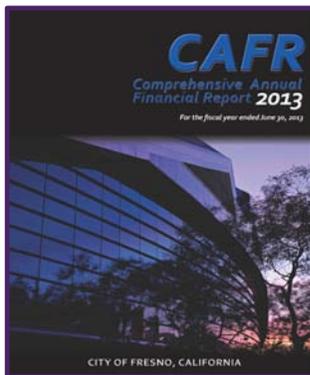
2600 Fresno Street, Suite 2156 - Fresno, California 93721-3622

March 27, 2014

The Honorable Mayor Ashley Swearingin
The Honorable Members of the City Council
Distinguished Citizens of the City of Fresno

Fresno, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF FRESNO



We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Fresno, California (City) for the fiscal year ended June 30, 2013 (FY 2012-2013), with the Independent Auditors' Report, submitted in compliance with City Charter Section 804(c) and Section 1216. The CAFR has been prepared by the Controller's Office in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material respects, that its presentation fairly shows the financial position and the results of the City's operations as measured by the financial activity of its various funds and, that the included disclosures will provide the reader with an understanding of the City's financial affairs.

2013

FINANCIAL REPORTING AND FORMATS

The City has prepared its CAFR in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). The existing comprehensive structure of internal accounting controls in the City provides reasonable assurance that the financial statements are free of any material misstatements. Since the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe that the reported data is



City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

accurate in all material respects and that its presentation fairly depicts the City's financial position and changes in its financial position as measured by the financial activity of its various funds. We are confident that the included disclosures provide the reader with an understanding of the City's financial affairs.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

INDEPENDENT AUDIT

The City's Charter Section 1216 requires an annual audit of the City's financial records, transactions and reports by an Independent Certified Public Accounting (CPA) firm. These records, summarized in the Comprehensive Annual Financial Report, have been audited by a nationally recognized CPA firm, Macias Gini & O'Connell LLP. The Successor Agency to the Redevelopment Agency was audited by Macias Gini & O'Connell LLP as well. Various other component units of the City, consisting of, the Pension Trust Fund and a discretely presented component unit, the City of Fresno Cultural Arts Properties, have been separately audited by other CPA firms. The Independent Auditor's Report on our current financial statements is presented in the Financial Section.



In addition to this report, the City is required to undergo an annual "Single Audit" in conformity with the provisions of the Federal Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations and Government Auditing Standards*, issued by the Comptroller General of the United States. Information related to the Single Audit is included in a separate report.

KEY FINANCIAL REPORT SECTIONS

Our CAFR is divided into the following sections:

The Introductory Section includes information about the organizational structure of the City, the City's economy, major initiatives, status of City services, and cash management.



The Financial Section is prepared in accordance with GASB Statement No. 34 requirements by including the MD&A, the Basic Financial Statements including notes, and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that report on all City financial operations, and also include fund financial statements that present information for all City funds. Also included in this section is the Independent Auditors' Report on the Basic Financial Statements and schedules.

City of Fresno, California Controller's Transmittal Letter

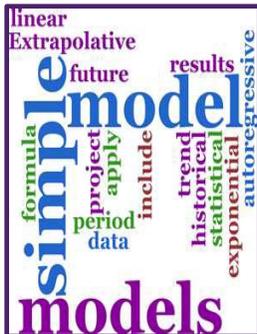
For the Fiscal year Ended June 30, 2013

The financial statements of several enterprise activities and all component units of government, as well as one discretely presented component unit, are included in this CAFR. Some component units' financial information is blended with the City's, such as the Fresno Joint Powers Financing Authority, the City of Fresno Fire and Police Retirement System, the City of Fresno Employees Retirement System, The City of Fresno Health and Welfare Trusts and the Fresno Revitalization Corporation and FRC Canyon Crest, LLC. The reason for this is that these component units have substantially the same governing boards as the City or because they provide services exclusively or almost exclusively for the benefit of the City even though they do not provide services directly to the City.



A fiduciary component unit, The Successor Agency to the Redevelopment Agency of the City of Fresno is also presented. It was created to serve as custodian for assets and to wind down the affairs of the former Redevelopment Agency. The Board of the Successor Agency consists of the Fresno City Council. The Successor Agency is a separate legal entity and is reported as a private purpose trust in the City's financial statements.

The discretely presented component unit (City of Fresno Cultural Arts Properties) is a legally separate entity for which the City is financially accountable through the appointment of the corporation's board and the ability to approve the corporation's budget; however, it does not provide services exclusively or almost exclusively to the City of Fresno. Through its charitable purpose of owning and managing properties, it provides ongoing services to the citizens of the community.



The Statistical Section includes up to ten years of historical financial data, debt statistics, and miscellaneous social and economic data of the City that is of interest to potential bond investors and other readers. Its presentation conforms to GASB Statement No. 44.

THE REPORTING ENTITY AND ITS SERVICES

The City of Fresno (City) was incorporated in 1885, and is located in the Central San Joaquin Valley of California. The City's powers are exercised under the Strong-Mayor form of government. Under this system, the Mayor serves as the City's Chief Executive Officer, and is responsible for appointing and overseeing the City Manager, recommending legislation, and presenting the annual budget to the City Council. The Mayor does not sit on the City Council nor participate in their deliberations, except by exercising veto power. The City Council serves as the legislative authority, and the Mayor serves as the executive authority. The City Council is represented by seven elected council members, one of whom is elected President by the Council for a term of one year. The President is the presiding officer of the Council. The City provides the full range of services, as specified in the City Charter. These include public protection (police and fire), construction and maintenance



City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

of public facilities (public works), parks and recreation, public utility systems (water, sewer, community sanitation and solid waste utilities), development and planning, tax collection, transportation, and many others.

This CAFR covers the financial activities of the primary government, which encompasses several enterprise activities, as well as all of its component units, its fiduciary component unit and its one discretely presented component unit. Component units include legally separate entities for which the primary government is financially accountable and that have substantially the same governing board as the City or provide services entirely to the City. For reporting purposes, the activities of the Joint Powers Financing Authority are blended with the City.

The dissolution of Redevelopment Agencies through AB1x26 resulted in the establishment of Successor Agencies to the Redevelopment Agencies. The City adopted a resolution declaring its intent to serve as the Successor Agency to the RDA (Successor Agency) and also designated the City to serve as the Housing Successor Agency. (For additional information on the former Redevelopment Agency and the Successor Agency to the Fresno Redevelopment Agency, please refer to Note 1 page 85).



The City of Fresno Cultural Arts Properties is discretely presented since it does not provide services exclusively or almost exclusively to the City. For reporting purposes, its operations are presented as a separate column on the government-wide financial statements.

FRESNO'S GOVERNMENT, ECONOMY AND OUTLOOK

Fresno is the county seat of Fresno County, California and is the economic and cultural hub of the fertile Central San Joaquin Valley, a metropolitan region with more than 508,453 residents in the City proper, and over 1 million in Fresno County. As of the most recent data in 2013, the population estimate continues to reflect Fresno as the fifth largest city in California, the largest inland city in California and the 34th largest in the nation. Fresno is located in the center of the wide San Joaquin Valley of Central California, approximately 200 miles north of Los Angeles and 170 miles south of the state capitol, Sacramento. The



city is part of the Fresno-Clovis metropolitan area, which, with a population of approximately 1.1 million, is the second largest metropolitan area in the Central Valley after Sacramento.

The economic base of Fresno County is predominantly agriculturally oriented. Fresno County is the number one agriculture-producing county in the United States. Grapes, cotton, cattle and calves, milk, tomatoes, plums, turkeys, oranges, peaches and nectarines, and alfalfa hay are among the largest income-producers and helped produce a gross farm income of over \$6.5 billion in 2012. Industry related to agriculture, wholesale distribution, recreation, and tourism are the other components of the Fresno economy. Industries related to agriculture include processing of fresh fruit, nuts and citrus;

City of Fresno, California Controller's Transmittal Letter

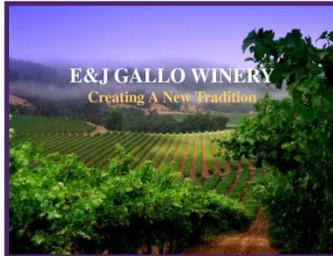
For the Fiscal year Ended June 30, 2013

manufacturing of farm machinery products, implements, and irrigation pumps, along with the production of wine, fertilizers, insecticides, and sheet and bottle glass.

The City of Fresno currently has a land area of 113.13 square miles. Fresno County encompasses approximately 6,017 square miles. The population of the County has grown by approximately 16.4% in the past ten years, and boasts more than 90 different nationalities that speak over 75 different languages. Over half of all county residents live in the City of Fresno, making it the largest city in the county. Fresno and its closest neighboring city of Clovis account for 63% of the County population growth. The 2010 Federal census showed that racial and ethnic diversity continues to be robust in the City, with all minority groups combined, representing nearly a majority of the City's population.



Fresno County's economy is led by Fresno's position as the hub for education, healthcare, government and professional services for the Central Valley. Construction employment rapidly expanded for many years until the downturn in the housing market and the economy. Food processing has led the manufacturing sector with such notable companies as Conagra Foods, Lyons-Magnus, Del Monte, Wawona Foods, E & J Gallo Winery, Kraft Foods, Foster Farms, Harris Ranch and others. Distribution has many centers in the City, led by the 80 acre site of the Gap Pacific Distribution Center. Companies specializing in machinery manufacturing, medical devices and water technology are also present. Public sector employment is also a major contribution to the City's economy.



Fresno's location, very near the geographical centre of California, places the city in a close proximity to several major recreation areas and urban centers in the state. Fresno is just 60 miles south of Yosemite National Park, and is the nearest major city to the park. Likewise, Kings Canyon National Park is 60 miles and Sequoia National Park is just 75 miles away.



The climate in the Fresno area is considered to be mild, ranging from a yearly average minimum of 49.9 degrees to an average maximum of 76.2 degrees; however, summers can range from 80 to 110 degrees. Average annual precipitation is 9.86 inches, which comes principally in the months of November through April. Winters are generally mild with prevailing sunny weather. Snow is a rarity; the heaviest snowfall was 2.2 inches on January 21, 1962.

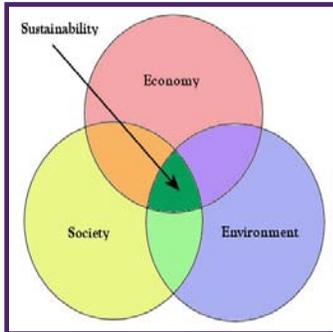
Fiscal Year 2013 Economic Conditions, 2014 Budgetary Impact and Budgetary Adjustments

The City has aggressively worked to address its structural imbalance over the past four years. It has reduced its workforce by more than 1,200 employees, which represents 25% of the workforce across City departments and 33% of all employees in General Fund departments. The frequency of maintenance and replacement of equipment has been reduced or eliminated. The City has increased its reliance on volunteers for parks maintenance, the operation of community centers, and for various functions within the Police Department. Public Safety

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

staffing levels have also been dramatically reduced. In 2010, the City of Fresno employed 807 police officers. At the end of June 2013, that number was 714 due to attrition and retirements. Fire Department staffing levels have decreased as well to approximately 67 firefighters per shift, which represents 1955 staffing levels. In spite of these reductions, at the end of May 2013, when the 2014 Proposed Budget was taken to Council, the city was facing an approximate budgetary shortfall of \$6 million going into 2014. The plan presented to Council was consistent with strategies established in the Fiscal Sustainability Policy.



In March 2012, the Mayor and City Manager presented a Fiscal Sustainability Policy (FSP) to the City Council and after public hearings the City Council overwhelmingly adopted the Policy. The FSP set a 10-year path for the City to accomplish several goals:

- Set a course to restore the City's fiscal health and credit ratings,
- Achieve spending and minimum financial reserve targets,
- Adopt policy frameworks for future fiscal management and labor relations decisions,
- Assign tasks to identify options for savings in employee compensation and other operating costs.

The City's weak financial condition and especially the ongoing General Fund cashflow challenge were again highlighted in the 2014 budget as were the fiscal dangers identified in fiscal year 2012. Specifically, the Mayor and City Manager revisited the fiscal dangers associated with the following:

- Lack of General Fund Operating or Emergency Reserves
- Existing Negative Fund Balances
- No Cushion for Operating Deficits
- Heavy Debt Service Loads (often tied to underperforming assets, Parking in particular)
- Increasing Compensated Absence Liability (accumulated employee paid leave time)
- Increasing Other Post-Employment Benefit (OPEB) Liability
- A Potentially Underfunded Risk/Liability Fund
- Uncertainty of Future Redevelopment Agency Funding
- Overall Credit Rating Risk



As a result of the City's economic challenges, the City's Comprehensive Annual Financial Report (CAFR) for fiscal year 2012, received an unmodified opinion, however it also included a going-concern paragraph.



Going concern is a term which means that an entity will continue to operate in the near future which is generally more than the next 12 months, so long as it generates or obtains enough resources to operate. If the auditee is not a going concern, it means that the entity might not be able to sustain itself within the next twelve months. Management must evaluate its ability to continue. Auditors are also required to consider the going concern of an auditee before issuing a report. If the

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

auditee is a going concern, the auditor does not modify his/her report in any way. However, if the auditor considers that the auditee is not a going concern, or will not be a going concern in the near future, then the auditor is required to include an explanatory paragraph in the audit report explaining the situation, which is commonly referred to as the **going concern disclosure**. Such an opinion is called an "unmodified opinion" with a matter of emphasis.

The Going Concern paragraph does not predict further financial trouble however; it cautions interested parties that the auditee's (City's) financial condition should be watched closely.

While the City is seeing signs of improvement, most of the concerns noted above still exist and will continue particularly until new employee contracts can be adopted. Progress however has been made in some areas and strategies exist to address all. For instance:

- The City has made some progress in reducing the size of deficit fund balances. In addition, an internal loan was made to properly account for negative cash balances that were more than temporary in nature with a plan to repay the loan, with interest, within five years, if not sooner.
- Compensated absence totals have grown and the OPEB liability has risen, but because more contracts are expiring the City is seeking relief in ongoing employee negotiations.
- Redevelopment Agencies have been eliminated by action of the State, thus the City is beginning to receive redistribution tax increment payments. Very gradually, the uncertainty of this situation is being addressed.
- Beginning in Year 2 of the City's 5-year budget projections, the City will be able to start restoring equipment replacement, building maintenance and risk management reserves.
- Regrettably, City credit ratings have fallen to the lowest level yet, due to overall concern that the Central California economy is not rebounding as quickly as other regions, existence of the deficit fund balances and lack of reserves, a lack of confidence that the City will continue making the hard financial choices and particularly the resolve to negotiate reductions in various employee compensation programs.



For these reasons, City Management has determined that once again it is prudent and appropriate for the accompanying financial statements of the City to be prepared assuming that the City will continue as a **going concern**. (See Note 1 pages 87-89.) The City will continue to follow the policies included in the Fiscal Sustainability Policy (FSP), which established a specific 10-year program for balancing revenues and expenditures, curing deficit fund balances, and reinstating at least minimally acceptable financial reserves. The FSP is structured into two policy sections:

- Fiscal Management Policy Framework
- Labor Relations Policy Framework

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

In adopting the **Fiscal Management Policy Framework**, the Mayor and City Council pledged to adhere to the following:

1. Recognize that Fiscal Sustainability over a 10-year period will require (a) funding core services, (b) eliminating negative fund balances, and (c) restoring at least minimal emergency and maintenance/replacement reserves.
2. Continue to follow Council-adopted fiscal policies: the Debt Management Act, the Better Business Act, the Labor-Management Act, and the Reserve Management Act.
3. Adopt fee increases that fully cover costs for fee-based services.
4. Provide budget allocations for basic maintenance and replacement of equipment and property.
5. Require notice by the City Manager and Controller if cashflow projections indicate a likely end-of-year shortfall, and provide prompt discussion of possible solutions.



The **Labor Relations Policy Framework** calls for the following:

1. Bargain in good faith in accordance with State law.
2. Increase public transparency and eliminate hidden costs.
3. Establish rational and reasonable compensation that matches labor market and community standards.
4. Seek appropriate and affordable work rules.
5. Simplify language in labor agreements (MOU's)
6. Avoid long-term agreements or unpredictable salary formulas.
7. Negotiate with Active employees, not Retired employees.
8. Limit Premium Pay provisions.

Cashflow Concerns



As has been noted in previous financial overviews, the City of Fresno's financial challenges are much more related to short-term cashflow matters rather than on longer term liabilities that other large California cities are suffering. For example, the City of Fresno has a very well-funded pension system and relatively limited liability for retiree medical benefits. However, Fresno's cashflow challenges are significant due to the complete exhaustion of all reserves that can be easily used to back-up the General Fund in cases of

emergency or shortfall.

Credit Rating Risk

As noted last year by the three rating agencies, each viewed the City's weak financial position and uncertainties as being imbedded in the City's limited options for managing continuing financial pressures from General Fund budgetary issues and the slow to recover local economic weaknesses particularly given the City's lack of financial



City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

reserves. They noted the City's high fixed cost labor burden and the City's past policy of increasing General Fund subsidy for underperforming enterprise assets further constraining its flexibility. The agencies all referenced the City's need to achieve budgetary balance through reductions in public employee compensation but also recognized how this is a significant challenge for the City, given that the largest existing contract (Police) offers raises and job protection through 2015 with no formal re-openers.

A downgraded credit rating costs a city money due to higher interest costs when they seek to issue additional debt. Although the City has no plans to issue additional revenue bonds or GO bond debt in the near future, the latest round of ratings reviews and the further downgrade of the 2010 Subordinate Water Bonds to A+ from AA-, and the ongoing Negative Outlook on both the Wastewater and Water bonds will cost the City additional interest if and when the Utilities go out for additional bonds to fund major capital projects. Thus, it is fully recognized that it is even more critical that the Administration and City Council continue making the hard decisions to adopt realistic achievable budgets which include rebuilding the reserves which help to reflect a sustainable organization. It is also recognized that it is critical that the City make steady progress in addressing the weaknesses that have resulted in negative fund balances and depletion of fund reserves, reducing debt loads and accelerating maintenance that has been deferred.



An overview of the past several years of bond ratings is presented below:

Rating Agency	Previous Rating	Previous Outlook	Eff Date	2012 Rating	2012 Outlook	Eff Date	2012 New Rating	2012 New Outlook	Eff Date	2014 New Rating	2013 New Outlook
Lease Revenue Bonds											
Fitch	A-	Stable	7/2012	BBB+	Negative	11/2012	BBB/BBB-Essential/Non-Essential	Negative	11/2013	BBB/BBB-	Negative
Standard & Poor's	A-	Negative				8/2012	BBB-	Negative	12/2013	BB+	Stable
Moody's	Baa1	Negative	7/2012	Baa2	Negative	1/2013	Ba1/Ba2	Negative	1/2014	Ba2/Ba3	Stable
General Obligation (GO)											
Fitch	A	Stable	7/2012	A-	Negative	11/2012	BBB+	Negative	11/2013	BBB+	Negative
Standard & Poor's	A	Negative				8/2012	BBB	Negative	12/2013	BBB-	Stable
Moody's	A2	Negative	7/2012	A3	Negative	1/2013	A3	Negative	1/2014	Baa1	Stable

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

Restoring the City's financial health will depend on the City's ability to continue to eliminate deficit fund balances, restore a long-term operating balance in the General Fund, and rebuild the emergency reserve in the General Fund as well as in other Funds. Without continued genuine ongoing reform, there continues to be doubt that the City will be able to achieve fiscal sustainability. (See Note 1 pages 87-89, Going Concern.)

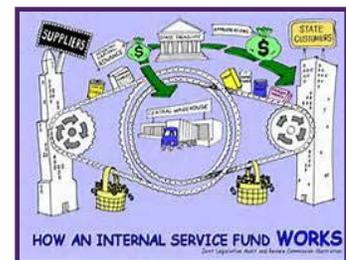
Accounting Changes in Fiscal Year 2013

As was noted in the Controller's Transmittal for fiscal year 2012, no significant presentation changes were made to the CAFR or Budget in 2012, however the City merged six of its numerous Internal Service functions (City Attorney/Legal Services, Personnel, Finance, Budget, Purchasing and Central Printing) into the General Fund beginning in fiscal year 2013 and also merged two underperforming Enterprise operations (Parking and Development Services) into the General Fund.



Internal Service Funds account for and report any activity that provides goods or services to other funds, departments or agencies of the primary government and its component units or to other governments, on a cost-reimbursement basis. While some consider Internal Service Funds to be a valuable management tool others disagree, and as such their use is optional. The City evaluated its use of Internal Service Funds and found that most cities operate with far fewer such funds and that the additional accounting effort being required of the City of Fresno did not offset the little to no management benefits being derived. The City Management also felt that the functions were not fully understood and were resulting in poor management decisions being made which resulted in improperly priced internal services.

When evaluating and comparing the City of Fresno with similar sized cities, comparisons tended to be skewed due to the relatively small size of the City's General Fund due to so many typically General Fund functions being accounted for in separate Internal Service functions. For these reasons the City chose at July 1, 2012 to merge the City Attorney/Legal Services, Personnel, Finance, Budget, Purchasing and Central Printing functions into the General Fund.



The two Enterprise operations (Parking and Development Services) have run chronic deficits that were already being covered by the General Fund. With no immediate prospect that these operations would be able to cover their own costs in the near term, they too were moved into the General Fund. Development Services as an Enterprise operation was found to be an anomaly among cities; this too was seen as making the City of Fresno not comparable to other like cities.

The intent of these changes, as outlined above, was to assist in providing useful management information particularly in fully consolidating the services that are being funded fully or significantly by the General Fund. The impact of merger is reflected in Transfers In and Transfers Out on the Statement of Revenues, Expenditures and Changes in Fund Balance of the General Fund for net Transfers of \$15,490,292 which is described in more detail in Note 1 of the Notes to Financial Statements on pages 86-87.

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

Significant Economic Outcomes

As previously noted, the City continues to struggle with a weak financial position and severely limited flexibility in the near to medium term. The City's general fund has minimal reserves and deficit spending during the year is due primarily to the timing of the receipt of grant and property tax revenues. The need for internal borrowing during the year acknowledges and is a sign of budgetary stress.

At the time the 2014 Budget was adopted, the City's internal long-term financial forecast, based upon currently known factors at that time, indicated that the General Fund would return to balanced operations in fiscal year 2014 provided that budgeted improvements in sales and property tax revenues occurred and the modest economic recovery in the region continued. While the forecasts were built upon conservative estimates, it was also acknowledged that any revenue shortfall would likely yield further deficit spending.



City Management has developed a clear plan to withstand the current period stress while working to restore the long-term structural budgetary balance. While the City instituted furloughs, layoffs, demotions, salary concessions, and service cuts in addition to innovations, operational efficiencies, increased workloads and debt refinancing, it continues the hard work of making changes to its cost structure in order to rebuild the City's financial health.

Although the local economy has been hard hit by the housing downturn and recession, and the local unemployment continues to be high, job growth has resumed and housing construction and housing prices have begun to recover. The local economy has been showing signs of recovery including an estimated four percent increase in assessed valuations for fiscal year 2014.

The real estate market is in the early stages of a recovery. For the first time in approximately seven years, Fresno homeowners looking to sell now have the upper hand. The primary reason appears to be low inventory. Low inventory, low interest rates and high demand are driving prices up which translates into higher assessed valuations. Property tax receipts for fiscal year 2013 were \$100 million and when the 2014 budget was built, it was anticipated that property tax receipts would increase over fiscal year 2013 by 4.8 percent. This was due to the anticipated increase in assessed valuation and the increased receipts of former Redevelopment Agency tax increment following the dissolution of RDAs in California. For the first six months of fiscal year 2014 property taxes are coming in as anticipated with expectations that 2015 will see a 2 percent annual increase based on the modest recovery in property values.

Sales Tax receipts in fiscal year 2013 were \$74.7 million (\$56.5 million shared revenues and \$18.2 million in-lieu) 2014 budget estimates were cautiously optimistic that the upward trend would continue. The first six months of fiscal year 2014 are bearing out this optimism with a year over year increase of almost 2 percent. The increase is driven by gasoline prices and higher than expected car sales in the first half of the year.

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

Sources of Revenue Overview

The limit of any government's activities is set by the availability of resources. In the General Fund these include Sales Tax, Property Tax, Business Tax, Room Tax (Transient Occupancy Tax or TOT) and Charges for Services among others. The General Fund's top three revenue generators are Property Tax, Sales Tax and Charges for services; together they represent 75% of operating revenue.

Property Tax: The property tax is an ad valorem (value-based) tax imposed on real property and tangible personal property. (State law provides a variety of exemptions to the property tax, including most government-owned property; nonprofit, education, religious, hospital, charitable and cemetery properties; the first \$7,000 of an owner-occupied home; business inventories; household furnishings and personal effects; timber, motor vehicles, freight and passenger vessels, and crops and orchards for the first four years). California Constitution Article XIII A (Prop. 13) limits the property tax to a maximum one percent of assessed value, not including voter-approved rates to fund debt. The assessed value of property is capped at the 1975-76 base year plus inflation - or two percent per year. Property that declines in value may be reassessed at the lower market value.



Property is reassessed to current full value upon change in ownership (with certain exceptions). Under Proposition 57, beginning in fiscal year 2004-05, the local (city) sales tax rate was reduced by 0.25% and the state rate increased by 0.25% to repay state fiscal recovery bonds. Cities and counties are reimbursed dollar for dollar with additional property tax. This arrangement, known as the "triple flip" will last approximately 10 years until the bonds are repaid.

The total amount of ongoing Property Tax revenue is projected to be \$105.2 million in fiscal year 2014, making this the largest single General Fund resource. This amount includes additional increment revenues that will be received due to the dissolution of the Fresno Redevelopment Agency (RDA) and ongoing revenues from the change in the Property Tax Administration Fee (PTAF) calculation. The change in the PTAF calculation is estimated to result in ongoing savings of approximately \$400,000 per year. This ongoing revenue projection represents a 4.8% increase over fiscal year 2013 revenues. Total Property Tax for fiscal year 2014 is estimated to be \$108.5 million or 39.6 percent of all revenues when \$3.3 million of one-time revenues resulting from the County's repayment of prior years' PTAF overcharges are included.



The category of Property Tax actually encompasses several different types of property taxes including real secured, unsecured, delinquent taxes, penalties and supplemental taxes. Only real secured is impacted by changes in the Assessed Valuations (AV) of secured properties. Declines in the AV have caused secured property revenue to decline in prior years. The drop in market value of homes impacts supplemental property tax revenue which has declined from a high of \$4.8 million in fiscal year 2007 to the fiscal year 2014 estimate of \$474,000. Unsecured property tax revenues have remained fairly stable in recent years

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

Sales and Use Tax: The *sales tax* an individual pays on a purchase is collected by the State Board of Equalization and includes a state sales tax, the locally levied Bradley-Burns sales tax and several other components. The sales tax is imposed on the total retail price of any tangible personal property.



A *use tax* is imposed on the purchaser for transactions in which the sales tax is not collected. Sales and use tax revenue received by Fresno is general purpose revenue and is deposited into the City's General Fund. Cities and counties may impose additional transaction and use taxes in increments of 0.25% with a two-thirds City Council approval and majority voter approval. The combined rate of the City and County transaction and use taxes may not exceed 2%. The County of Fresno imposes three special purpose taxes in addition to the Bradley-Burns rate of 8.25%. These include: (1) Public Library (FCPL) 0.125%; (2) Measure C (FCTA) 0.50%, and (3) Zoo (FCZA) 0.10%. Of these special purpose taxes, the City of Fresno receives a direct benefit from the Measure C tax, which is captured in its own fund, separate from the General Fund.



Sales and Use Taxes are the second largest revenue source for the General Fund. Historical trends and the health of the local economy are primary measures for projecting this revenue. The City employs an outside firm, Muni Services, LLC to verify that the City receives all of the sales tax revenue that it is entitled, as well as provides an independent resource for forecasting. According to the latest data, the three largest revenue producing economic segments for the City are department stores, service stations and restaurants. Out of the

29 segments tracked by Muni Services, these three made up 35.1 percent of total City Sales Tax revenues.

Sales Tax revenue for fiscal year 2014 is estimated at \$73.2 million; reflecting a growth assumption of 2% over fiscal year 2013 estimates and a 5.4% increase over Fiscal 2012 actual. The estimate for fiscal year 2014 is consistent with the projection from Muni Services for the same time period. Actual receipts for fiscal year 2013 were better than anticipated at \$74.7 million (\$56.5 million shared revenues and \$18.2 million in-lieu).

Property Tax in Lieu of Sales Tax: Under Proposition 57, beginning in fiscal year 2004 – 2005, the local (city) sales tax rate was reduced by 0.25% and the state rate increased by 0.25% to repay state fiscal recovery bonds. Cities and counties are reimbursed dollar for dollar with additional property tax. This arrangement, known as the "triple flip" will last about 10 years until the bonds are repaid which will be in fiscal year 2017. The growth of this revenue, in contrast to the MVLFF "swap" described above, is tied to the year-to-year growth in the city's sales and use taxes the city would have otherwise received. This revenue is included as part of the total Sales Tax number for budgetary purposes.



City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

Charges for Current Services: At \$23.3 million this is the second largest revenue source collected by the General Fund. These include permit fees, gate fees at the parks, inspection fees, citation revenue, building inspection fees, planning fees and parking, revenues. For fiscal year 2013 Budgetary and Financial Reporting purposes, Development and Resource Management along with Parking functions were merged into the General Fund resulting in the significant increase in Charges for Services when compared to prior years. One item within this category for fiscal year 2014, the Vehicle Fines have been reduced by \$1.2 million due to the issuance of fewer citations and a change in the allocation of funds between the City and County. Charges for Current Services in 2014 will represent 11.1 percent of total resources.

Other Revenue

Business Tax: Most cities in California levy a Business Tax. Rates are determined by each city which collects the fees. For the City of Fresno, the maximum fee is specified in the Master Fee Schedule for Retail and Wholesale Business Tax and in the Municipal Code 7-1202B. On average, the business tax provides about 6.1% of the City's General Fund Revenue. For fiscal year 2014, this revenue is projected to be \$16.8 million, which reflects a modest two percent growth over fiscal year 2012 projections and 3.7% over 2013 actual receipts of \$16.2 million. Beginning in fiscal year 2014, the frequency of certain tax renewal payments will be changed from a quarterly to semi-annual basis. The renewals will be effective in October and April.

Transient Occupancy Tax (TOT): Like the business tax, a Transient Occupancy Tax (TOT) may be levied by a city under the regulatory powers granted to cities in the State Constitution. More than 380 cities in California impose TOT on people staying for 30 days or less in a hotel, inn or other lodging facility. Rates range from 4 to 15 percent of the lodging cost. The City of Fresno's rate is 12%. Due to the modest recovery in the local economy, the 2013 budget assumed a 2% growth in this area for a total estimate of \$9.2 million whereas actual receipts were \$9.4 million. This revenue is recovering from a low of \$8.5 million in fiscal year 2011. This revenue started trending downward in fiscal year 2009 due to declining travel and convention markets as a result of the economy and continued to decline through fiscal year 2011. Another factor was the number of local hotel/motels struggling to stay in business and failing to submit TOT collected to the City.



Franchise Fees: This category is comprised of revenues from several different sources. Franchise Fees are collected from Comcast, AT&T and PG&E in lieu of rent for use of the streets and rights of way in the City. The fees collected from these companies are subject to commodity and usage and will total \$8 million in fiscal year 2014. The City renegotiated the PG&E franchise fee in fiscal year 2011 doubling the amount on the gas franchise from 1 to 2 percent, which is expected to result in an increase in revenue of at least \$1 million annually.

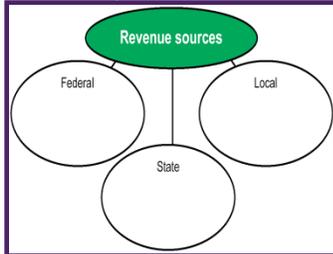


In fiscal year 2012, the City began collecting a franchise fee for roll-off trash bin services and Commercial Solid Waste (CSW) operations. The 2014 Budget estimate for both of these Franchise fees is \$3.7 million. Actual receipts for fiscal year 2013 came in better than expected at \$3.9 million.

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

As part of the initial Budget build for fiscal year 2014, the Franchise Fees line item included 11 months of revenue from the franchising of residential solid waste (\$4.2 million) and a one-time signing bonus from the vendor of \$1.5 million. Measure G, the residential trash outsourcing referendum was narrowly defeated on June 4, 2013 with 50.7% of the voters saying “no” to outsourcing and 49.2% saying “yes”. With the defeat of Measure G, on June 12, 2013 the Mayor came out with her fiscal year 2014 revised budget which outlined how the budget shortfall resulting from the loss of Franchise Fees would be balanced. These budget balancing measures included revenues coming from early receipt of former RDA tax increment, the one-time suspension of Parks capital projects, the use of unspent Convention Center bond proceeds

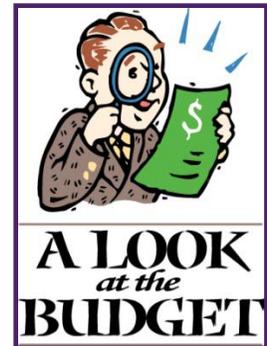


to pay debt service, the elimination of consultant contracts, Public Safety attrition occurring faster than had been anticipated, the elimination of one Code Enforcement team and the proceeds from the sale of excess City assets closing sooner than had been anticipated. In addition Property Tax and Sales Tax revenues were trending better than had been initially projected and expenditures were less than had been budgeted.

Inter-and-Intra-Governmental Revenues: The intergovernmental category represents revenues received by the City from other government entities. Examples include Federal and State grants, SB90 Mandate reimbursements and reimbursements from school districts for the City's after school programs. Intragovernmental revenues are received by the General Fund for services provided to other City Departments such as cost allocation charges from the General Funds central service providers such as Finance and the City Attorney's Office to the enterprise funds, internal service funds and reimbursements for work done on capital projects. For fiscal year 2014 the slight change in the total revenue for these categories over the fiscal year 2013 receipts reflect an increase in reimbursements from departments for services from the General Fund and the receipt of an Assistance to Firefighter (AFG) Grant by the Fire Department.

City's 2013-2014 Budget

The following page provides a graphic illustration of the City of Fresno's originally adopted 2013-2014 fiscal year budget, prior to mid-year budget adjustments.



City's 2013-14 Budget

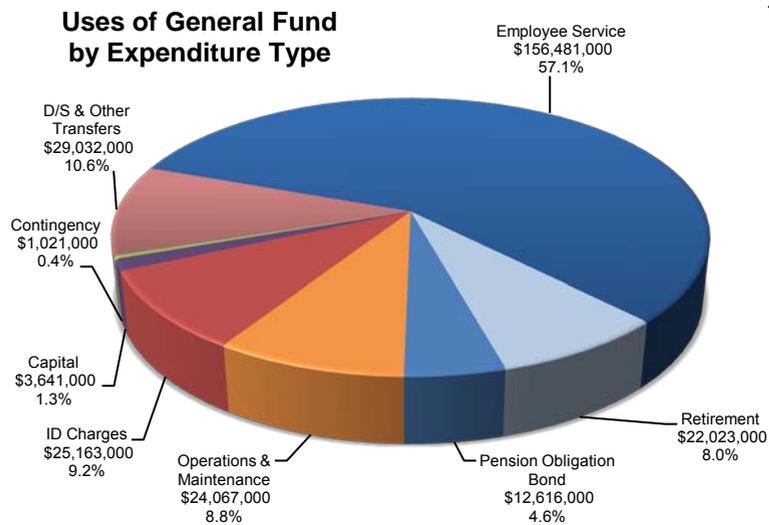
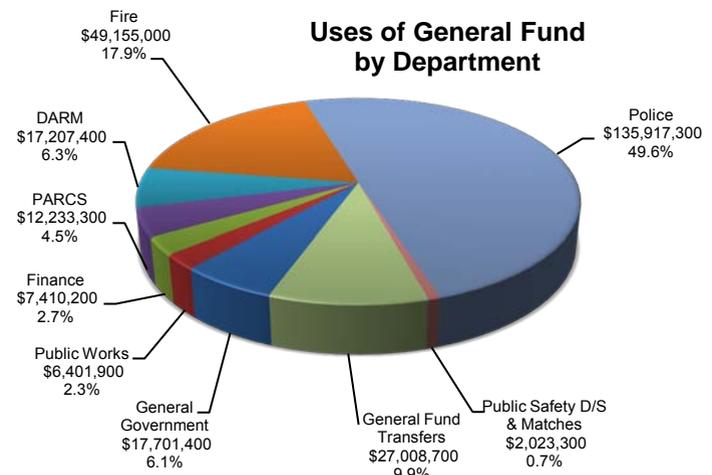
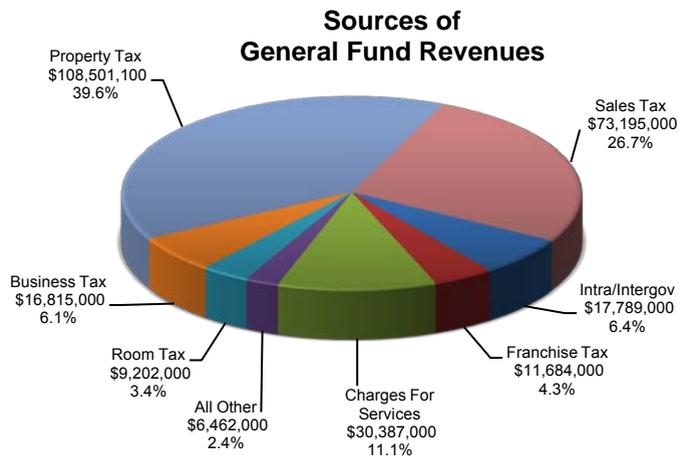
Highly focused and pro-active budget strategy

Mayoral budget priorities:

- **Creation of Fiscal Sustainability Policy**
 5-year budget plan to accomplish several goals:
 - Prevent further reduction in the number of police officers and firefighters
 - Allow for return to hiring of police officers and firefighters within next 2 years
 - Prevent further reductions in service levels
 - Identify and engage in options for savings in employee compensation and other operating costs

- **Address Rating Agency Concerns**
 - Begin rebuilding of General Fund and other discretionary reserves and payoff of internal loans
 - Address lack of confidence that the City will continue to make hard financial choices with respect to employee compensation programs and other expenditures
 - Look for ways to develop a stronger economic base for the City
 - Work diligently to address issues that cause the City to be labeled as a going-concern

Balanced General Fund Sources & Uses Structure



City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

GRAPHIC OVERVIEW

The next several pages provide a graphic illustration of the City of Fresno's regional perspective, economic overview, and historic reserves and fund balances. Additional graphic financial illustrations can be found in the Management Discussion & Analysis section immediately following the report of the independent auditors.

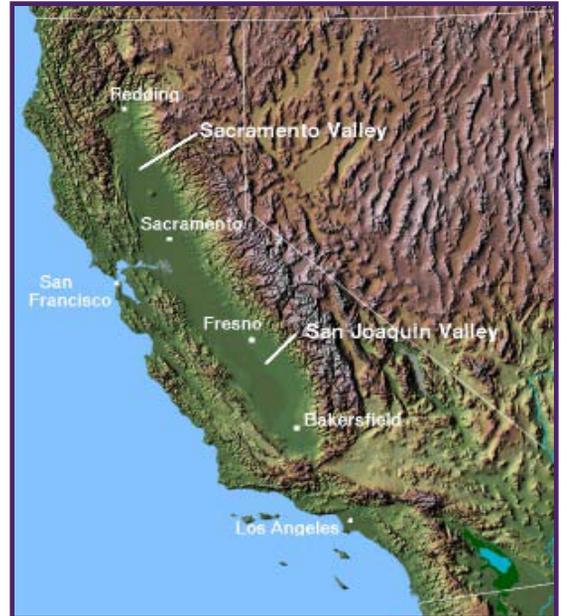
Regional Perspective

Economic Overview

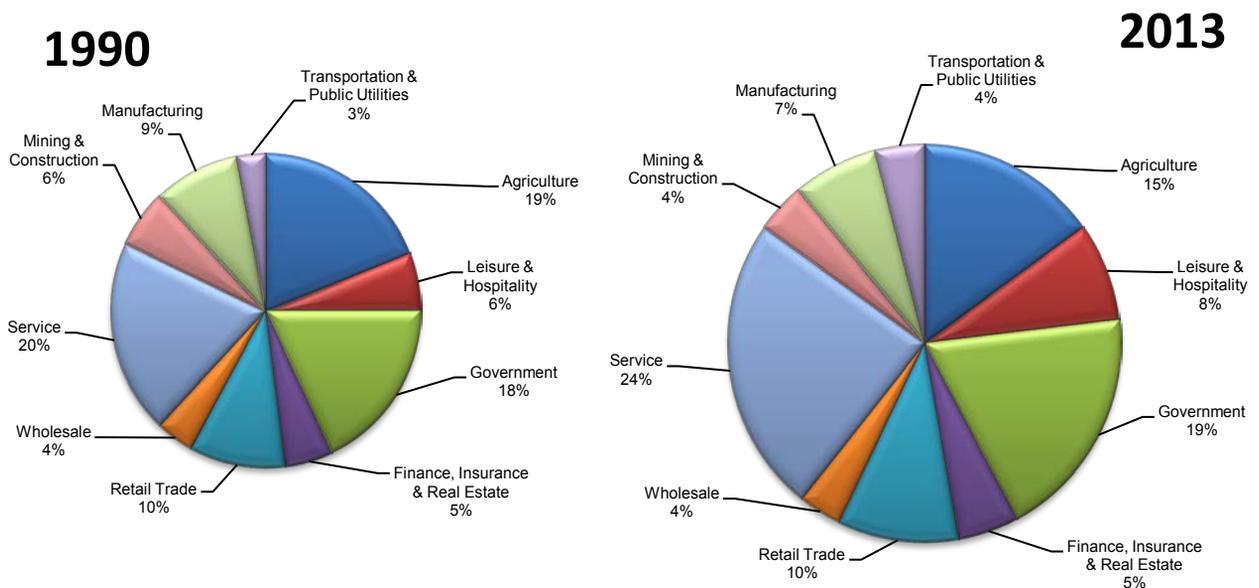
City serves as the economic and cultural center for the San Joaquin Valley

- The City of Fresno is strategically located in the center of California with nearly half a million residents (508,453) as of January 1, 2013
- While agriculture remains the primary industry (14.75% of jobs), Fresno's economy continues to diversify, reflecting its advantageous location and attractive cost of living
- City has land area of 113.14 square miles
- Fresno is the 5th largest city in California by population and 34th largest in the nation
- Fresno is approximately 200 miles north of Los Angeles and 170 miles south of the state capital, Sacramento and is the second largest metropolitan area in the Central Valley after Sacramento
- Home to many internationally known business incubators
- Approximately 60 miles south of Yosemite National Park, Fresno also serves as gateway to Sequoia National Park (75 miles), Sierra National Forest (40 miles) and Kings Canyon National Park (75 miles)

Fresno is at the Center of California



1990 vs. 2013 Estimated Number of Workers by Industry



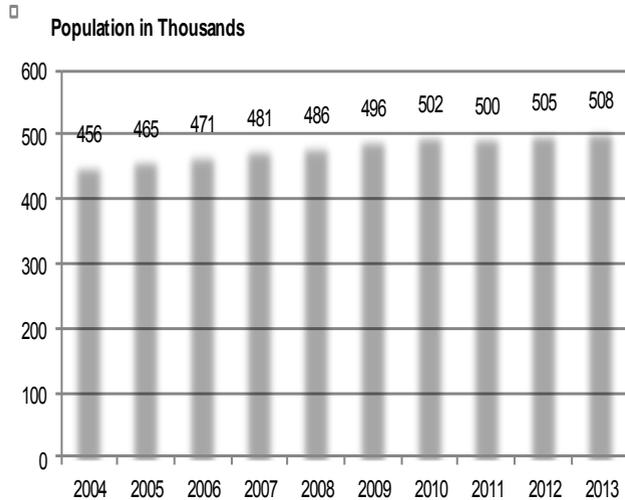
Source: CA Employment Development Department

City Economic Overview

Economic Overview

City is poised for steady, manageable long-term growth

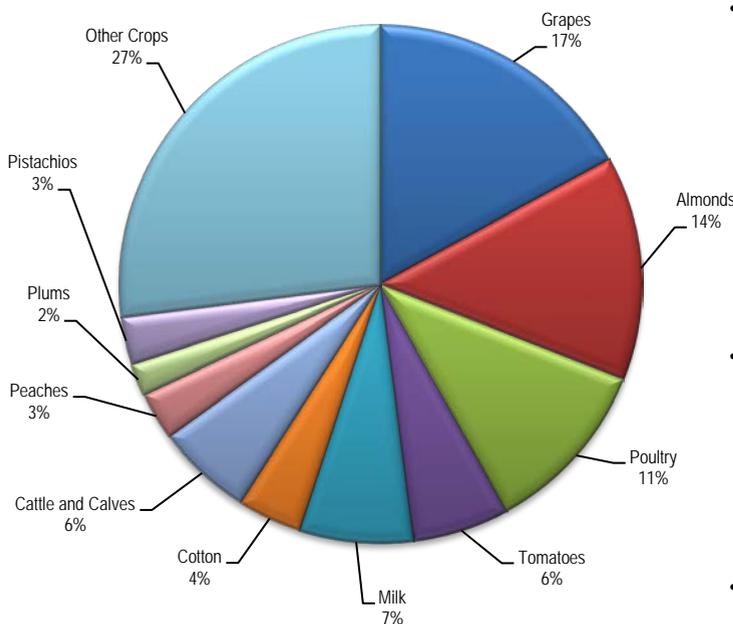
Population Growth



Principal Employers (Private Sector)

Employer	Industry	Employees
Community Medical Centers	Healthcare	4,979
Ruiz Foods, Inc.	Frozen, Prepared Foods	2,500
Saint Agnes Medical Center	Hospital/Health Care	2,745
Children's Hospital	Pediatric Hospital	2,267
Kaiser Permanente	Medical/Health Care	1,934
Adventist Health	Hospital/Health Care	1,821
Pelco	Video Security Systems	1,200
Lyons Magnus	Fruit & Juice Processing	600
Guarantee Real Estate	Real Estate Sales	504
Harris Ranch Inn & Restaurant	Restaurant & Lodging	407

Diversified Agricultural Base



Summary

- Agriculture remains one of the backbones of the Fresno area and continues to be robust; Fresno County's agricultural strength rests with its diversity with more than 350 commercial crops providing gross production of just over \$6.5 billion in 2012, a decrease of 3.29% from 2011; California produces most of the grapes grown in the United States with 99% of raisins coming from Fresno County; Many specialty crops are almost solely produced in California – almonds, kiwi fruit, nectarines, olives and pistachios; Growers continue to expand into more lucrative products
- Fresno is marketing itself as an ideal location for manufacturing and distribution due to strategic location, low business costs and affordable housing
 - Within one day's drive of nearly 39 million people there is the expectation of continued commercial and industrial development over the long-term
- Government, services and trade industries, as well as, leisure and hospitality are also important economic sectors in the Fresno area

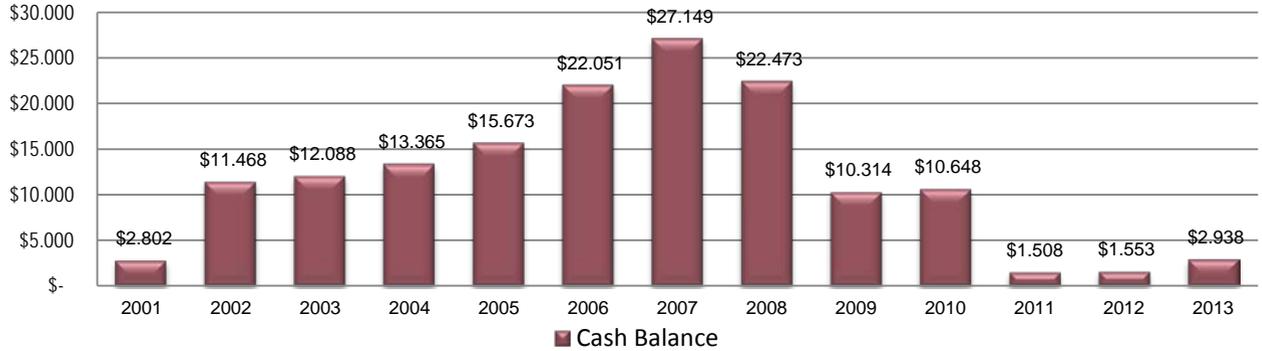
Historical Reserves & Fund Balances

City's Cash Balances

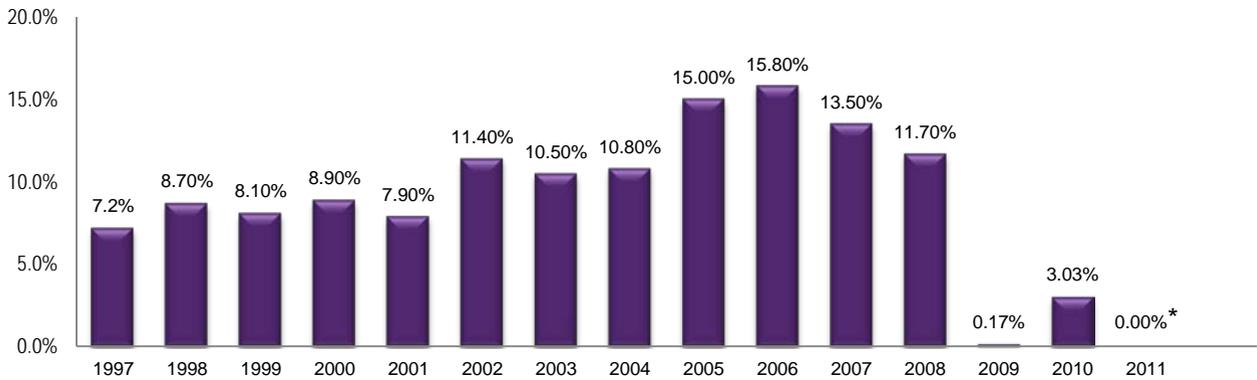
Financial Operations

Historical General Fund Cash Balances

\$ in millions



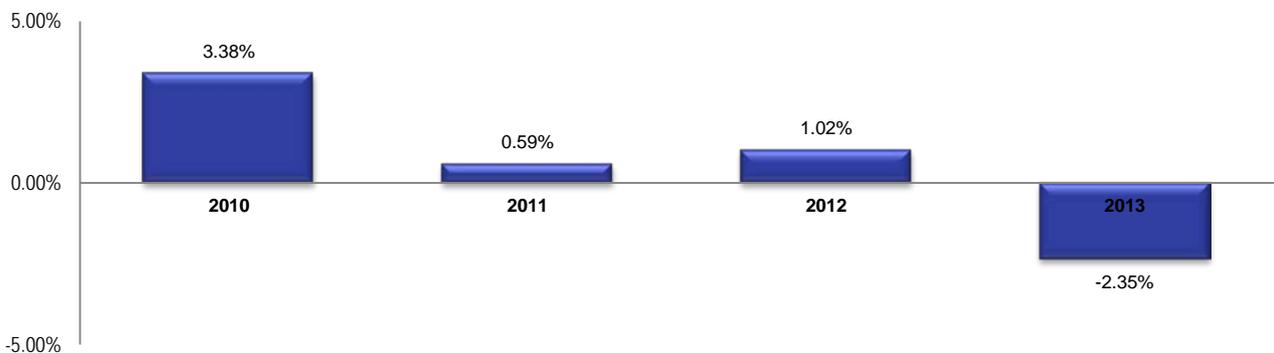
Historical Unreserved Fund Balances through FY 2011⁽¹⁾



1. Unreserved Fund Balance and Emergency Reserve as a % of General Fund Expenditures & Transfers Out.

* The CAFR for 6/30/2011 and subsequent reflects no Unreserved Fund Balances due to the change in presentation to GASB 54 – see below.

Committed, Assigned and Unassigned Fund Balances - GASB 54 presentation⁽²⁾



2. Committed, Assigned and Unassigned Fund Balances as a % of General Fund Expenditures and Transfers Out

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

General Fund Mid-Year status

- The fiscal year 2013 General Fund carryover was \$6.8 million. This consisted of \$3.3 million of one-time savings from vacant positions. These positions were by and large due to the potential outsourcing of residential solid waste and the necessity of having positions available for employees to move to should the need arise. These positions are now being filled. The remaining amounts were due to prepaid revenues from DARM and Public Works for inspections, etc. that will be performed in fiscal year 2014; and an increase in on-going revenues.
- As of January, 2014 major General Fund revenues are coming in as budgeted or slightly ahead of estimated amounts with no significant shortfalls anticipated at this time. The PTAF settlement, a \$3.7 million one-time revenue budgeted for fiscal year 2014, was received in February, 2014 in the amount of \$3.774 million.
- Expenditures during this same time period are also coming in at budgeted levels with no significant variances anticipated at this time. Some budgeted MOU contract savings have been achieved and budgeted debt service and loan repayments are on schedule and being made in accordance with underlying agreements as required.



OTHER FINANCIAL INFORMATION

Internal Controls

In developing and evaluating the City's accounting system, consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and, (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and, (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.



City of Fresno, California Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

Budgetary Process/Control

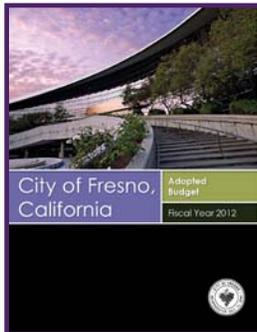
The City operates under the strong-Mayor form of government. Under the strong-Mayor form of government, the Mayor serves as the City's Chief Executive Officer, appointing and overseeing the City Manager, recommending legislation, and presenting the annual budget to the City Council.



The budget of the City of Fresno, within the meaning and context of Section No. 1205 of the City's Charter, must be adopted by resolution by the City Council by June 30th of a given year. As provided by Section 1206 of the Charter, any adjustments in the amounts appropriated for the purposes indicated at the department/fund level shall be made only upon a motion to amend the resolution adopted by the affirmative votes of at least five Council members.

Administrative changes within the department/fund level may be made without approval of Council within written guidelines established by the City Manager. For accounting and auditing convenience, accounts may be established to receive transfers of appropriations from department appropriations for capital improvements in two or more different funds for the same capital project. Department appropriations in Internal Service Funds (ISF) may be administratively adjusted, provided no amendment to the resolution is required to adjust the appropriation in the department receiving the service from the ISF.

The funds allocated to the respective accounting object classes comprising the total appropriation for each division or department, are for purposes of budgeting consideration and are not intended to constitute separate appropriations. Funds allocated to an object class may be expended for the purpose of any other object class if such expenditures are within the written guidelines established by the City Manager.



The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Special Revenue Funds, and certain Debt Service Funds are included in the annual appropriated budget. Project-length financial plans are adopted for certain capital project funds. The level of budgetary controls (the level at which expenditures cannot legally exceed the appropriated amount) is maintained or centralized at the department level by major expenditure category through an encumbrance system prior to the release of purchase orders to vendors. Purchase orders that result in an overrun of department-level balances by object are not released until additional appropriations are made available. A budget is in balance when the amount of budgeted expenditures is equal to the amount of budgeted revenues plus other available resources.

Fund Structure

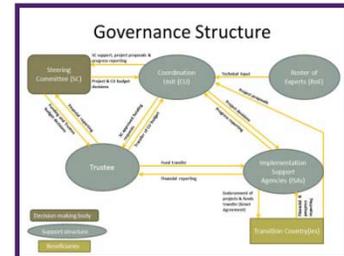
The City, like other state and local governments, uses fund accounting to ensure that various revenue sources are used for the purpose for which they were intended. The budget document is organized to reflect this fund structure of the City's finances. Fund revenues and expenditures

City of Fresno, California Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

are rolled up to the various object levels by division and department for presentation of information to the public. Budget adoption and subsequent administration is carried out on a fund basis.

A five-year capital budget is required from all departments who work on capital projects. The purpose is to give the Mayor and Council a tool to plan for the future, as well as to more realistically reflect the timing of many capital projects that take more than one year to complete. All capital budgets are built in compliance with the City's decision to use project costing to track the cost of doing business and associated revenues in either more detail, or in different categories than what a General Ledger-only accounting system would provide. Project Costing uses structural elements that focus on activities including project types, activity types, and resource types. Project costing is available to track cost and revenue detail by Business Unit defined activities and categories, and augments and expands General Ledger information; however it does not replace it. Appropriation controls remain at the fund/organization level. The information provided by Project Costing is intended as a management tool to provide more timely, detailed, and accurate information to the Mayor, City Manager, Council, and the public.



Budget Administration

The City's Budget establishes appropriations and expenditure levels. Expenditures may be below budgeted amounts at year end, due to unanticipated savings realized from Department operations. The existence of a particular appropriation in the budget does not automatically mean funds are expended. Due to the time span between preparing the budget, subsequent adoption by the governing body, as well as rapidly changing economic factors, all expenditures are reviewed prior to any disbursement. These expenditure review procedures assure compliance with City requirements, and provide some degree of flexibility for modifying programs to meet the changing needs and priorities of the public, therefore, Fresno City's fiscal year 2013 budget was a forward-looking policy document which reflected a snapshot in time of the City's strategies to best serve the public.

Amending the Budget

The Annual Appropriation Resolution (AAR) adopted each year by Council is the legal document that establishes spending authority to each City Department within funds. During the fiscal year, numerous circumstances arose which made adjusting the adopted budget desirable or necessary. This can arise when the Mayor or Council establishes new policy or revises an old one, when a new source of funding for a project is obtained, when a department finds a need for something not included in the adopted budget, or some other event is planned for. In general, an AAR amendment is required when an appropriation in any line of the AAR needs to be changed.

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

Council approval (five affirmative votes) is required for the following proposed amendments to the AAR: 1) Transfer of an appropriation from one fund to another fund; 2) Increases or decreases in appropriations within a Department; or 3) Any new appropriation.

Certain year-end encumbrances that fulfill a spending commitment are carried forward and become part of the following year's budget.

Cash Management

The City's pooled temporary idle funds and deposits are invested pursuant to the City's Investment Policy (the Policy) and the California Government Code (GC) by the City Treasurer and Treasury Officer. The Policy seeks the preservation of capital, safety, liquidity and yield, in the order of priority. The Policy addresses soundness of financial institutions holding the City's assets and the types of investments permitted by the GC. The City seeks to minimize credit and market risk, while maintaining a competitive yield on its portfolio. Accordingly, the Policy permits investments in certificates of deposit, obligations of the U.S. Treasury and U.S. Government sponsored corporations and agencies, commercial paper, corporate bonds, medium-term notes, bankers acceptances, repurchase and reverse purchase agreements, mutual funds invested in U.S. Government and Treasury obligations, and State Treasurer's Investment Pool. The City invests in no derivatives other than structured (step-up) notes, and floored floater notes, which guarantee coupon payments. These are minimal risk investments.

Pension Trust Fund Operations

The City maintains two retirement systems for its employees. One covers all firefighters and police officers (Fire and Police System), while the other covers all remaining permanent employees (Employees' System). The systems are single-employer defined benefit pension plans administered by the City of Fresno Retirement Boards. For CAFR purposes, the actuarial assumptions used to compute contribution requirements and to determine funding status are always based upon the prior year's valuation, which for the fiscal year 2013 is the actuarial valuation performed as of June 30, 2012. As of June 30, 2012 the ratio of the valuation of assets to accrued liabilities for the Police and Fire System was 105.4% and for the Employees' System it was 102.2%. Plan Trustees also requested a preliminary evaluation as of June 30, 2013. This evaluation estimates that the plans as of June 30, 2013 have a valuation value of assets to accrued liabilities of 106.4% for the Police and Fire System and 99.9% for the Employees' System. If measured using the market value of assets instead of the valuation value of assets these same figures would be 102.1% and 108.5% for fiscal years 2012 and 2013 respectively for Police and Fire and 102.2% and 99.9% for fiscal years 2012 and 2013 respectively for Employees.

Pension Funding Status

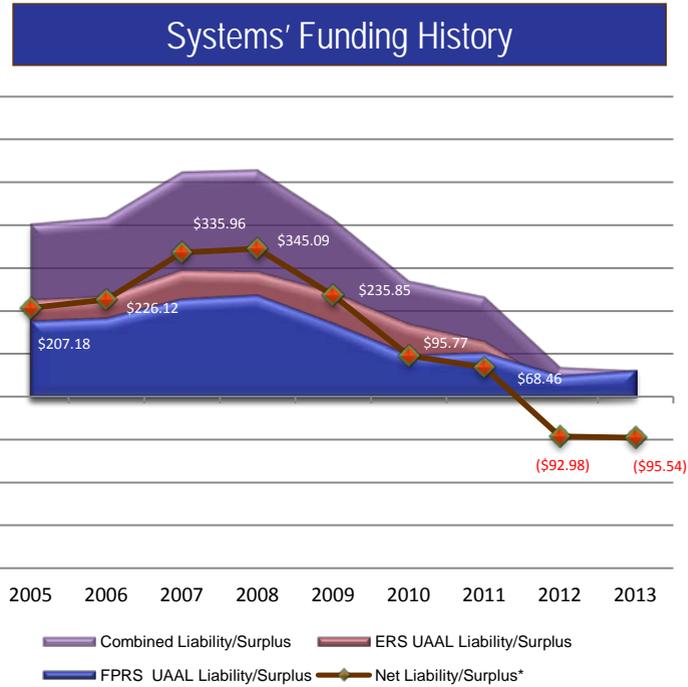
The following page provides a graphic illustration of the City of Fresno's pension funding status for the City's Fire and Police Retirement System and the Employees Retirement System.

Pension Funding Status

City's Pension Systems are Well-Funded

Financial Operations

- City maintains two retirement systems for its employees which are administered by the City of Fresno Retirement Boards
 - Fire & Police Retirement System ("FPRS") has 2,043 members (2 tiers)
 - Employees Retirement System has 3,782 members
- City issued POBs in 1993-94, which were restructured in 2002
 - City cash contribution of \$18,724,714 and use of \$675,639 from prefunded actuarial liability for the Fire & Police Retirement System
 - City cash contribution of \$13,329,655 with no offset that previously resulted from a prefunded actuarial accrued liability for the Employees Retirement System; includes \$1,333,324 contribution as a result of a prior year COLA shortfall
- City levies taxes in the amount of \$0.032438 per \$100 of assessed valuation to fund pension obligations
 - Tax override validated in 1983 & meets requirement of Huntington Beach decision



*(Pension Prefunded AAL minus POBs, excluding Tax Override)

Fire and Police Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	(Prefunded) Unfunded AAL (b-a)	Funded Ratio (a/b)
6/30/2005	846,718	670,101	(176,617)	126.4
6/30/2006	906,223	722,722	(183,501)	125.4
6/30/2007	1,000,961	773,236	(227,725)	129.5
6/30/2008	1,066,778	830,036	(236,742)	128.5
6/30/2009	1,045,774	874,355	(171,419)	119.6
6/30/2010	1,018,605	919,286	(99,319)	110.8
6/30/2011	1,022,996	917,941	(105,055)	111.4
6/30/2012	1,003,929	952,866	(51,063)	105.4
6/30/2013	1,061,399	997,836	(63,563)	106.4

Employees Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Prefunded) (b-a)	Funded Ratio (a/b)
6/30/2005	790,858	565,550	(225,308)	139.8
6/30/2006	847,516	613,913	(233,603)	138.1
6/30/2007	926,525	631,913	(295,220)	146.8
6/30/2008	980,961	689,833	(291,128)	142.2
6/30/2009	958,032	715,250	(242,782)	133.9
6/30/2010	926,370	756,258	(170,112)	122.5
6/30/2011	920,217	791,105	(129,112)	116.8
6/30/2012	891,366	871,958	(19,408)	102.2
6/30/2013	933,722	934,947	1,225	99.9

* Source: Actuarial Valuation Reports dated June 30, 2013 prepared by The Segal Company.

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

CERTIFICATE OF ACHIEVEMENT



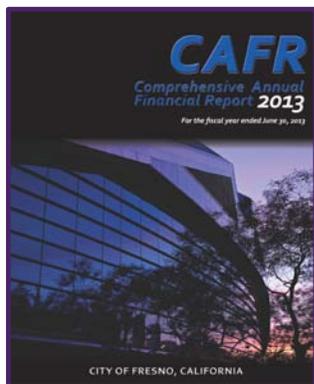
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2012. This was the twentieth consecutive year that the City has achieved this prestigious national award. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA has also presented a Distinguished Budget Presentation Award to the City of Fresno for its annual budget for the fiscal year beginning July 1, 2012 through June 30, 2013. This award is also valid for a period of one year only. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, operations guide, financial plan, and as a communications device. This is the tenth consecutive year that the City's Budget has received this award. The City of Fresno continues to prepare its budgets in conformity to program requirements, and submitted its budget for 2013-2014 to GFOA to determine eligibility for another award.



ACKNOWLEDGMENTS



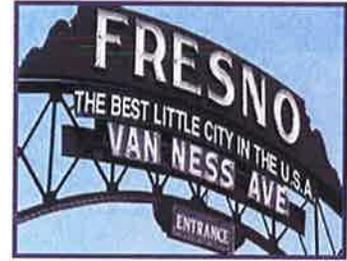
The 2013 Comprehensive Annual Financial Statement most certainly reflects the ongoing depth of the impacts of the national and State economic recession on the City of Fresno. There is no doubt that Fresno like many cities continues to experience some very difficult and extraordinary times, which call for unrelenting perseverance, stewardship and resolve. As the City continues to focus on making very difficult and prudent decisions, it does so in an effort to serve our citizens well, but to also continue to build the stable and self-sustaining fiscal foundation for many years to come. The CAFR and the Budget documents most certainly illustrate the proactive steps being taken by the City to mitigate those impacts but cannot begin to truly reflect both the sacrifices and contributions being made by all

City staff. The City of Fresno will not stop making the hard decisions necessary in order to continue the City's steady path toward fiscal stability.

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

The City continues to restructure its operations to match expenditures to available revenues and has plans in place to restore General Fund reserves and reduce negative fund balances. The City exists to provide core services to its public. Solutions must be structural and long-term as opposed to merely deferring costs or debt.



It is adherence to our continuing prudent fiscal policies that has helped the City maintain its service commitment to our citizens and to the programs and policies established by the Mayor and City Council. We continue to be resolute in the financial discipline that has allowed us to manage through these current economic challenges. This continued course of action and the City's managerial leadership will continue to guide us through the challenges that lie ahead.

We would like to express our appreciation to the entire staff of the Finance Department, but especially the core Finance CAFR team and their families for their months of concerted group effort, and whose professionalism, dedication and perseverance are responsible for the preparation of this report. Thank you to: Margaret Bell, Gilbert Elizondo, Anita Villarreal, Mary Boyajian, Kim Jackson, Phillip Hardcastle, and Susan Nelson.



We would be amiss if we did not also thank the CAFR contacts in each department throughout the City for working with us and whose invaluable contributions made the preparation of this report possible.

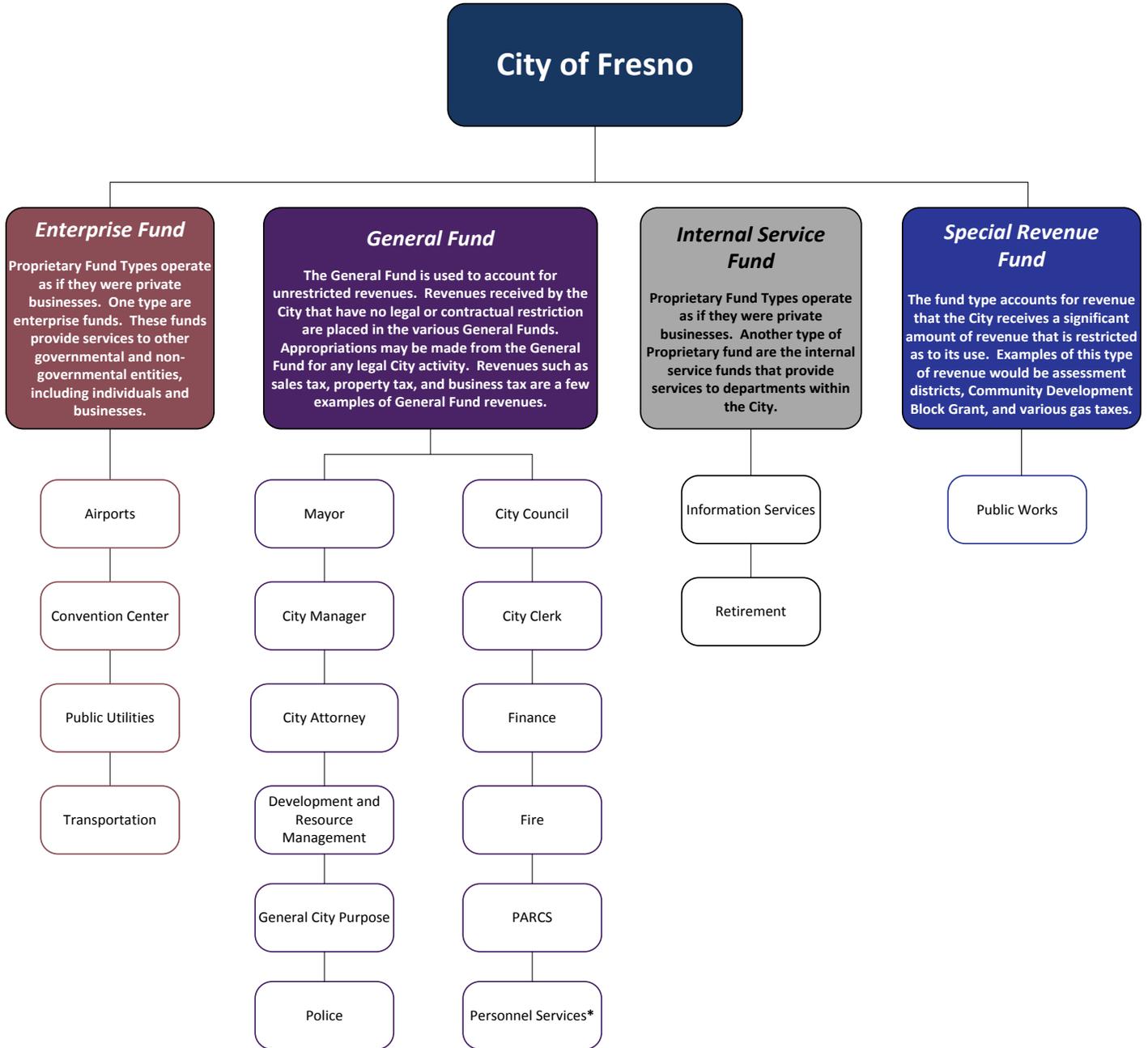
We wish to also extend our sincere thanks to the staff in all City departments for their cooperative efforts in responding to the many questions and requests for detailed information that accompanies each annual audit. In addition, we would like to acknowledge the role of Macias Gini & O'Connell, LLP, for their professional support in the preparation of the CAFR. Finally, we want to thank the Mayor, the City Council members, and the members of the City Managers' Office for their continued leadership and support in planning and conducting the City's financial operations.

Respectfully submitted,

Bruce Rudd
City Manager

Karen M. Bradley, CPA
Assistant Controller

City Operating Fund Structure

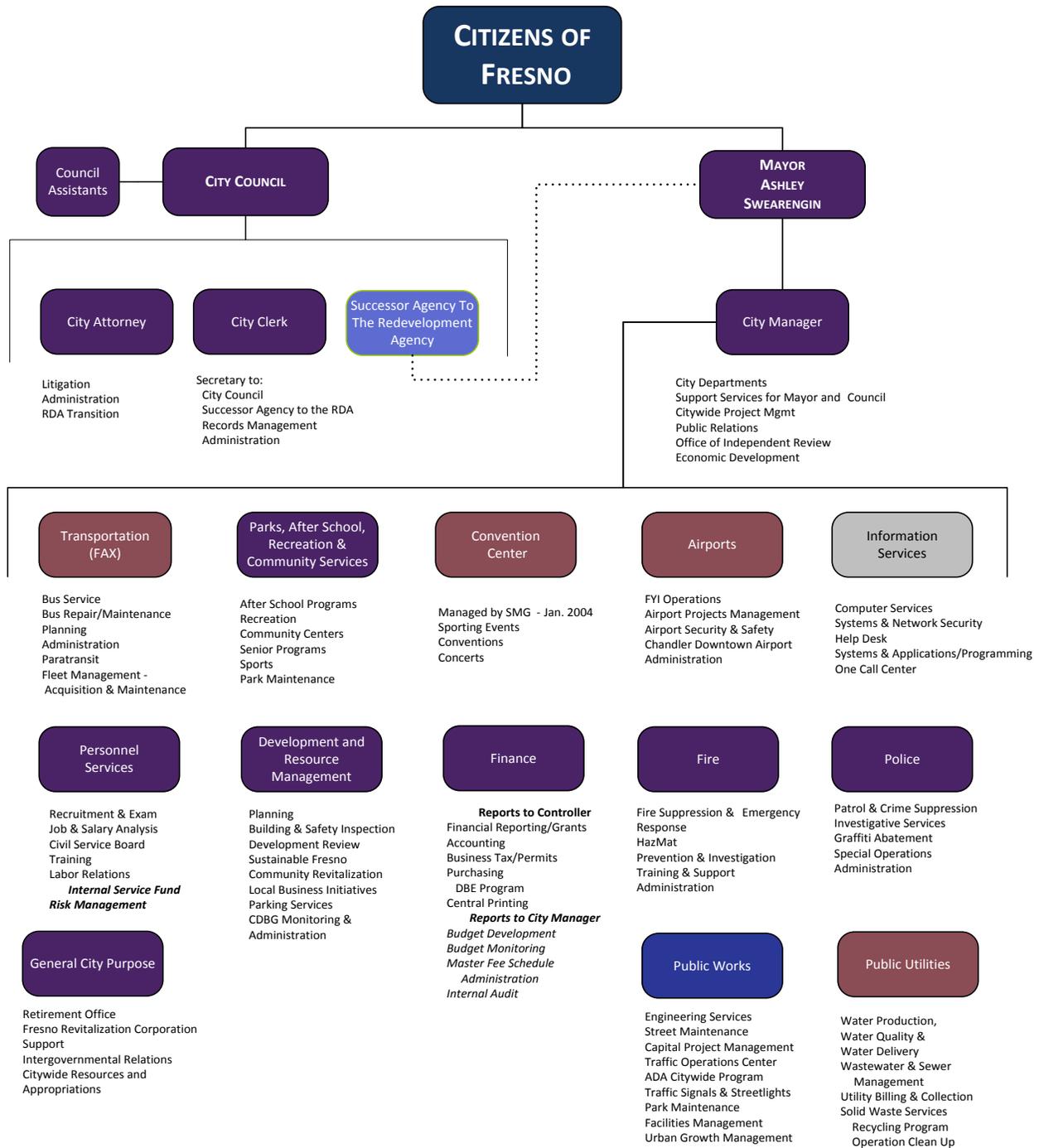


*Risk Management within the Personnel Services Department remains an Internal Service Fund.

City of Fresno, California Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2013

City Organizational Chart



General Fund / Enterprise Funds / Internal Service Funds / Special Revenue Fund / Successor Redevelopment Agency

CITY OF FRESNO DIRECTORY OF CITY OFFICIALS

<u>Member</u>	<u>Term Expires</u>
MAYOR	
Ashley Swearengin	January 2016
COUNCIL MEMBERS	
Blong Xiong, District 1	January 2015
Steve Brandau, District 2	January 2016
Oliver L. Baines III, District 3	January 2015
Paul Caprioglio, District 4	January 2016
Sal Quintero, District 5	January 2015
Lee Brand, District 6	January 2016
Clint Oliver, District 7	January 2015

CITY OFFICIALS

Mark Scott, City Manager
(Resigned subsequent to June 30)

Bruce Rudd, City Manager
(Named as City Manager subsequent to June 30)

Douglas Sloan, City Attorney

Yvonne Spence, City Clerk

Karen M. Bradley, CPA, Assistant Finance Director/City Controller

City officials as of June 30, 2013.

This page intentionally left blank.



Government Finance Officers Association

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

Presented to

**City of Fresno
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

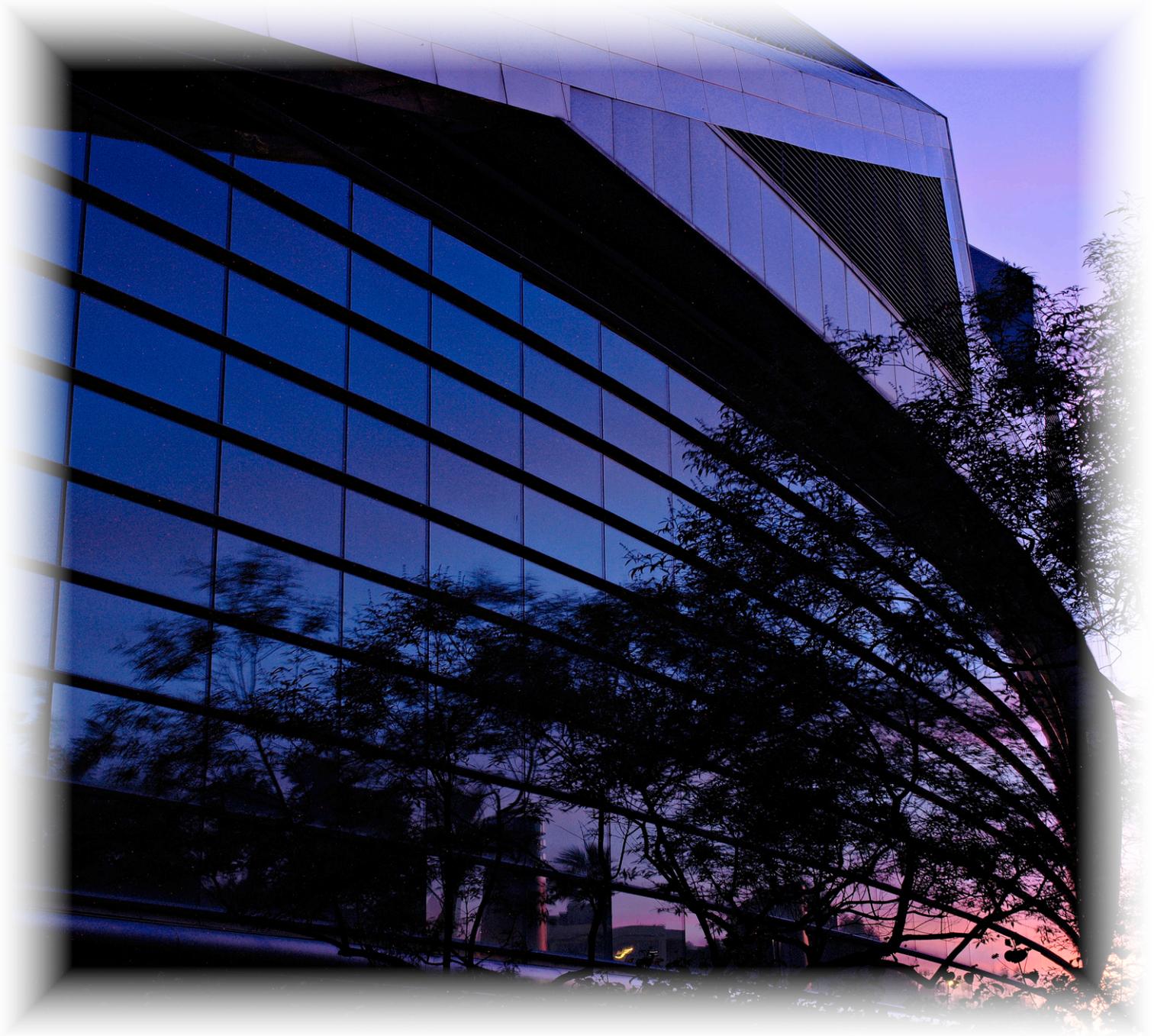
This page intentionally left blank.

CITY OF FRESNO, CALIFORNIA

*Comprehensive Annual
Financial Report* **2013**

For the fiscal year ended June 30, 2013

Financial Section



www.fresno.gov

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

To the City Council Members
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Fresno, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Fresno Cultural Arts Properties (COFCAP), which represent 100% of the assets, net position, and revenues of the discretely presented component unit. Also, we did not audit the City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System (Systems) pension trust funds, which represent 91.1%, 95.7% and 61.8%, respectively, of the assets, net position/fund balances and revenues of the aggregate remaining fund information as of and for the year ended June 30, 2013. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for COFCAP and the Systems, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of COFCAP were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 1 to the financial statements, the City continues to experience depleted emergency reserves, deficit fund balances, slow recovery in revenues, and increasing employment costs. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and budgetary comparison information for the General Fund and Grants Special Revenue Fund on pages 6-55 and 194-203 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor funds financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the combining and individual nonmajor funds financial

statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Report Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Macias Jini & O'Connell LLP

Newport Beach, California
March 27, 2014

This page intentionally left blank.

CITY OF FRESNO, CALIFORNIA

*Comprehensive Annual
Financial Report* **2013**

For the fiscal year ended June 30, 2013

Management's Discussion and Analysis



www.fresno.gov

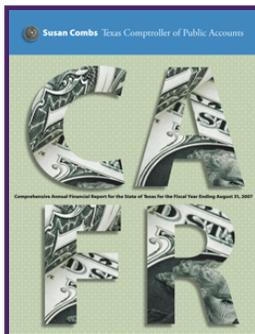


MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

For the Fiscal Year Ended June 30, 2013

CITY OF FRESNO, CALIFORNIA



This section of the City of Fresno's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section, and the additional information that is furnished in our letter of transmittal at the front of this report. This discussion and analysis provides comparisons primarily for the previous two years, but in some instances may include more extensive comparisons.

FINANCIAL HIGHLIGHTS

- ✓ The assets of the City of Fresno exceeded its liabilities at the close of the most recent fiscal year by \$1,673,258,189 (reported as **net position**). Of this amount, \$1,563,416,926 relates to the City's net investment in capital assets and \$125,617,431 represents restricted net position. This is offset by a deficit of (\$15,776,168) in unrestricted net position which represents a shortfall with respect to meeting the government's ongoing obligations to its citizens and creditors. The total net position includes all major infrastructure networks.
- ✓ As of June 30, 2013 and 2012 respectively, the City's governmental funds reported combined ending fund balances of \$147,295,594 and \$152,668,915. Of these amounts for each respective year, \$12,690,500 was **nonspendable**, \$128,535,081 and \$125,247,801 were **restricted**, \$1,902,776 and \$1,481,011 were **committed**, and \$18,718,929 and \$20,286,413 were **assigned**. The committed funds represent amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority – the Fresno City Council. In years prior to 2011 this amount was referred to as the Emergency Reserve or Reserve for Economic Uncertainty. A deficit of (\$14,551,692) and (\$7,036,810) as of June 30, 2013 and 2012, respectively, made up the balance in the **unassigned** fund balance. Were it not for the amount owed by the General Fund to the Commercial Solid Waste and Water Funds at June 30, 2013 which was \$11,713,157, the **unassigned** fund balance would have been a deficit (\$2,838,536). These loans were the result of Water and Solid Waste advancing cash to the General Fund which in turn loaned the monies to the Parking Fund to eliminate its deficit balance. Parking was then merged into the General Fund. The General Fund is repaying

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Water and Solid Waste over a period not to exceed five years and as of March 27, 2013, the balance outstanding is \$5,888,230. (See Note 8(b) pages 152-153.)

- ✓ Effective February 1, 2012, the Redevelopment Agency of the City of Fresno was dissolved in accordance with Assembly Bill 1X 26. This Bill, signed by the Governor on June 29, 2011, required that each California redevelopment agency suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the dissolution of the agencies. The provisions became effective February 1, 2012.



- ✓ For CAFR presentation purposes, activities for the former Redevelopment Agency of the City of Fresno (RDA) are presented as the Successor Agency. Dissolution law provided that the Successor Agencies would pay all “enforceable obligations” of the former Redevelopment Agencies. The Successor Agency is considered a separate legal entity under AB 1484. The Successor Agency is reported as a Private Purpose Trust Fund. This means that the Successor Agency’s assets are considered to be held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.

Num	Description	Source	JE Category
1	BV-SNA	cgg	cu
2	BV-SA	cgg	test

All housing assets from the RDA were transferred to the housing successor. The challenge by the state with respect to the transfer of these assets has been resolved in January 2014. (See Note 13(g) pages 184-185.)

- ✓ Governmental activities for the current fiscal year decreased net position by \$(1,396,382). In 2012, net position decreased by \$(43,285,021) which included an extraordinary loss on the transfer of Redevelopment Agency Assets Distributed to the Successor Agency.
- ✓ The continuing impacts of the slow to recover housing market resulted in less property tax in 2012 than that received in 2011 however the decline was less severe than in prior years. By late 2013 the real estate market was in the early stages of a recovery. Property tax receipts in fiscal year 2013 were \$100 million and when the fiscal year 2014 budget was built, it was anticipated that property tax receipts would increase over fiscal year 2013 by 4.8 percent. This was due to the anticipated increase in assessed valuation and the increased receipts from the former RDA tax increment following the dissolution of California RDAs. Consumer spending (sales tax receipts) increased in 2012 over 2011 and continued to increase in 2013 coming in at \$74.7 million (\$56.5 million in shared revenues and \$18.2 million in in-lieu) as compared to \$71.1 million in fiscal year 2012, however operating expenditures in 2012 were fairly consistent with 2011 with the exception of public protection which continued to increase as a result of escalating salary costs due to closed contracts. Public safety, especially in Police also experienced higher levels of retirement and leave payouts than had been anticipated. Operating expenditures in 2013 were somewhat less than anticipated in the Budget due to ongoing retirements and attrition in Police greater than what had been anticipated. Total revenue from governmental activities was \$372,415,606 and \$352,031,838 for 2013 and 2012, respectively.



City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Business-type activities increased the City's net position in 2013 by \$47,258,384 and increased net position by \$61,858,175 in 2012. The increase in Governmental revenues and the decrease in Business-Type revenues in fiscal year 2013 as compared to 2012 is also reflective of the merger of six former Internal Service Fund functions and two former Enterprise operations (Business-Type Activities) into the General Fund (Governmental Activities).

At the end of the current fiscal year, the City had total long-term bond obligations, notes, and leases payable outstanding of \$922,960,154. Of this amount, \$160,285,000 is obligation bonds, backed by the full faith and credit of the City and \$569,396,888 is revenue bonds and notes of the City's business enterprises. The remaining \$193,278,266 includes lease revenue bonds, notes and capital leases for general governmental projects.

During fiscal year 2013, the City's total bonded debt decreased by \$32,067,592. This decrease was from normal debt service payments.

OVERVIEW OF FISCAL YEAR 2013 FINANCIAL STATEMENTS



This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, which consist of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements and (3) **Notes** to the financial statements. This report also contains other **Supplementary Information** in addition to the basic financial statements.

Government-wide financial statements are designed to provide both long-term and short-term information about the City's overall financial status in a manner similar to a private-sector business.

- The **Statement of Net Position** presents information on all assets and liabilities and reports the difference between the two as net position. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the City's financial position is improving or deteriorating.
- The **Statement of Activities** presents information showing how the net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods. Examples include revenues pertaining to uncollected taxes and fees and expenses pertaining to earned but unused vacation and sick leave.

Fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. They are used to maintain control over resources that have been segregated for specific activities or objectives and to ensure and demonstrate compliance with finance-related legal requirements. They can be divided into three categories:



City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

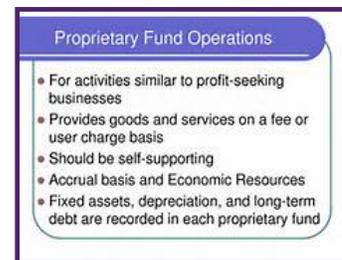
- ✓ **Governmental funds statements** tell how general government services such as police, fire, and public works were financed in the short term as well as what remains for future spending. The focus is on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

The City follows Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The fund balance classifications are comprised of a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made is **nonspendable**, such as fund balance associated with inventories. The remaining classifications are **restricted**, **committed**, **assigned**, and **unassigned** and are based on the relative strength of the constraints that control how specific amounts can be spent. The **restricted** fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The **committed** fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the **assigned** fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

- ✓ **Proprietary fund statements** offer short and long-term financial information about the activities the City operates like businesses, such as utility services, i.e., services charged to external or internal customers through fees.



- ✓ **Fiduciary fund statements** provide information about the financial relationships – such as the retirement plan for the City's employees – in which the City acts solely as trustee or agent for the benefit of others, to whom the resources belong.

These financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The Pension Plan's Schedules of Funding Progress are included in the Notes to the Financial Statements and in the Required Supplementary Information. In addition to these vital elements are combining statements that provide details about non-major governmental funds, non-major enterprise funds, internal service funds and agency funds, each of which is presented in a column in the basic financial statements.

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

The following table summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

	Government-wide Statement	FUND FINANCIAL STATEMENTS		
		Governmental	Proprietary	Fiduciary
<i>Scope</i>	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus; except agency funds do not have measurements focus
<i>Type of asset and liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
<i>Type of inflow and outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

City of Fresno, California
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2013

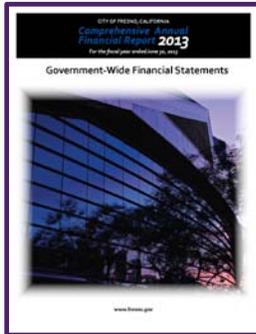
ORGANIZATION OF CITY OF FRESNO COMPREHENSIVE ANNUAL FINANCIAL REPORT					
CAFR	Introductory Section	INTRODUCTORY SECTION			
	Financial Section	Management's Discussion and Analysis			
		Government-wide Financial Statements	Fund Financial Statements		
		Statement of Net Position	GOVERNMENTAL FUNDS	PROPRIETARY FUNDS	FIDUCIARY FUNDS
			Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
			Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Fund Net Position	
		Statement of Activities		Statement of Cash Flows	Statement of Changes in Fiduciary Net Position
		NOTES TO THE FINANCIAL STATEMENTS			
	REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A				
OTHER SUPPLEMENTARY INFORMATION					
Statistical Section	STATISTICAL SECTION				

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Government-Wide Statements (Reporting the City as a Whole)

The Government-Wide Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all City assets and liabilities. The Statement of Activities reports all of the current year's revenues and expenses regardless of when the cash is received or paid. These Financial Statements report information about the City, as a whole, and about its activities that should help to answer the question, "Is the City, as a whole, better or worse off as a result of this year's activities?"



The two Government-Wide Statements report the City's net position and how they have changed during the fiscal year. Over time, increases or decreases in the City's net position can be one indicator of whether its financial health is improving or deteriorating.

Both of the Government-Wide Financial Statements distinguish functions of the City that are principally supported by taxes and inter-governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public protection, public ways and facilities, culture and recreation, and community development. The business-type activities of the City include two airports, public transportation system, water, sewer, solid waste, community sanitation, convention center, stadium, and numerous parks.

The Government-Wide Financial Statements include not only the City itself (known as the primary government), but also a legally separate component unit, the Fresno Joint Powers Financing Authority. The component unit has been "blended" into the City's financial statements because the governing board is substantially the same as the City or its provides services entirely or almost exclusively for the benefit of the City even though it does not provide services directly to the City. Although legally separate from the City, this component unit is blended with the City government because of its exercise of authority and its financial relationship with the City.

As of February 1, 2012 a Successor Agency was created to replace the Redevelopment Agency of the City of Fresno. Dissolution law provided that the Successor Agency would pay all "enforceable obligations" of the former Agency. The Successor Agency is considered a separate legal entity under AB 1484 for financial presentation purposes. Effective June 30, 2012, the Successor Agency is reported as a Private Purpose Trust Fund. This means that the Agency's assets are considered to be held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. As of February 1, 2012, no ending assets and liabilities were reflected in Governmental Funds and only seven months of revenues and expenditures were reported in the prior year CAFR.



At June 30, 2011, it was the view of the City of Fresno that the debt shown on the City's books owed by the Redevelopment Agency to the City was currently due and owing, subject to the final judgment of various litigation still going on throughout the State and/or additional litigation

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013



based upon as applied challenges as may be brought. The City considered and still considers it to be premature to completely write off the debt owed by the RDA to the City of Fresno. At June 30, 2011, an allowance for doubtful accounts was recorded in the full amount of the debt, both principal and interest in the amount of \$80.1 million.

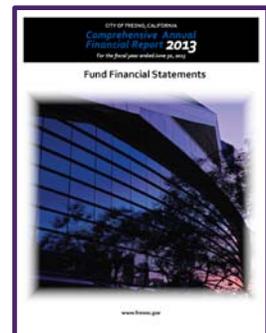
The City continues to believe that the recording of the allowance recognizes that it may be several years before this volatile issue is resolved and the allowance presents a more conservative and realistic measure of the amounts due from the RDA becoming cash in the near term.

Also presented in the Government-Wide Financial Statements is a discretely presented component unit, the City of Fresno Cultural Arts Properties (COFCAP). COFCAP is a component unit because it is a legally separate entity for which the City is financially accountable through the appointment of the corporation's board and the ability to approve the corporation's budget. The tax-exempt entity is, however, discretely presented because it does not provide services exclusively or almost exclusively to the City of Fresno. Through its charitable purpose of owning and managing properties, it provides ongoing services to the citizens of the community. Financial information for this component unit is reported separately from the financial information presented for the primary government in a separate column on the Government-Wide Financial Statements as well as throughout the Notes to the Financial Statements.

The Government-Wide Financial Statements can be found on pages 59-61 of this report, identified as the statement of net position and statement of activities.

Fund Financial Statements

The Fund Financial Statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific resources of funding and spending for a particular purpose. All of the funds of the City can be divided into the following three categories: **Governmental Funds**, **Proprietary Funds**, and **Fiduciary Funds**.

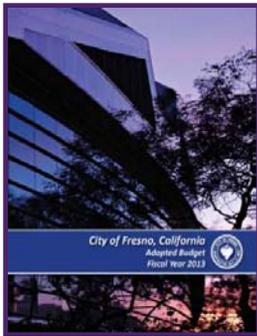


- **Governmental Funds:** Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements (i.e., most of the City's basic services are reported in Governmental Funds). These statements, however, focus on (1) how cash and other financial assets can be readily converted to available resources, and (2) the balances left at the year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Because the focus of Governmental Funds is narrower than that of the Government-Wide Financial Statements, it is helpful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both, the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in the Fund Balance provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities. These reconciliations may be found on pages 65 and 67.

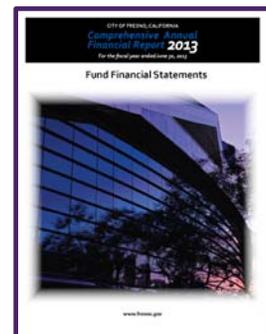


The City maintains several individual Governmental Funds organized according to their type: general fund, special revenue, debt service, and capital projects. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Grants Special Revenue Fund (which are considered to be major funds). Data from the remaining Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of the Non-major Governmental Funds is provided in the form of combining statements elsewhere in this report. These Funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash.

The City adopts an annual appropriated budget. The City's budget reflects its priorities and tells the taxpayers and ratepayers what is being done with their money.

Budgetary comparison schedules for fiscal year 2013, leading into fiscal year 2014, have been provided in the required supplementary information for the General Fund and the Grants Special Revenue Fund can be found on pages 194-197 and demonstrate compliance with the budget but also reflects in what areas actual results deviated from expected budgetary estimates. Budgetary comparison schedules for the other Non-major Governmental Funds are provided after the combining statements.

- **Proprietary Funds:** Proprietary Funds are generally used to account for services for which the City charges customers (either outside customers, or internal units or departments of the City). Proprietary Funds provide the same type of information as shown in the Government-Wide Financial Statements, only in more detail. Proprietary Funds (Enterprise and Internal Service) utilize the same method used by the private sector businesses, or accrual accounting. The City maintains the following two types of Proprietary Funds:



- Enterprise Funds are used to report the same functions as business-type activities in the Government-Wide Financial Statements. The City uses Enterprise Funds to account for the operations of the Public Utilities [**Water System, Sewer System, Solid Waste Management**], Fresno Area Express [**Transit**], Fresno International Airport (FYI) and the Fresno Chandler Downtown Airport (FCH) [**Airports**], **Fresno Convention Center**, Chukchansi Park Stadium [**Stadium**], all of which are considered to be major Funds of the City. **Community**

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Sanitation and Parks and Recreation are considered to be Non-major Enterprise Funds of the City.

- Internal Service Funds are used to report activities that provide supplies and services



for certain city programs and activities. The City uses Internal Service Funds to account for its fleet of vehicles, management information systems, property maintenance and electronics and communication support (**General Services**), self-insurance (**Risk Management**) and billing, collecting, and servicing activities for the Water, Sewer, Solid Waste and Community Sanitation Funds (**Billing and Collection**) and healthcare plans (**Employees Healthcare Plan**) (**Retirees Healthcare Plan**), (**Blue Collar Employees Healthcare Plan**) and (**Blue Collar Retirees Healthcare Plan**). Because Risk Management, General Services and the healthcare plans

predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-Wide Financial Statements, whereas Billing and Collection is included in the business-type activities in the Government-Wide Financial Statements. The Internal Service Funds are combined into a single, aggregated presentation in the Proprietary Fund Financial Statements. Individual Fund data for the Internal Service Funds is provided in the form of combining statements elsewhere in this report.

- **Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the City.

- Pension Trust Funds consist of funds for Fire & Police and other Employees. The *Fire and Police Retirement System Pension Trust Funds* account for the accumulation of resources for pension benefit payments to qualified Fire and Police retirees. The *Employee Retirement System Pension Trust Fund* accounts for the accumulation of resources for pension benefit payments to qualified General Service retirees.



- Private Purpose Trust Fund is used to account for the assets and liabilities held in trust for the Successor Agency to the former Redevelopment Agency (Successor Agency).
- The Agency Funds consist of *City Departmental* and *Special Purpose Funds* and account for City-related trust activity, such as payroll withholding and bid deposits. In addition, Agency Funds include *Special Assessment Funds* that account for receipts and disbursements for the debt service activity of the special assessment districts within the City.

Since the resources of Fiduciary Funds are not available to support the City's own programs, they are not reflected in the Government-Wide Financial Statements. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds. The basic financial statements can be found on pages 59-192 of this report.

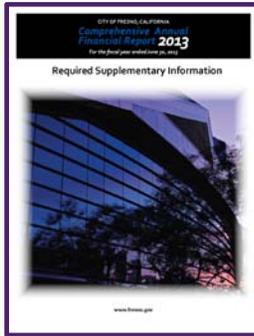
City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Financial Statements can be found on pages 82-192 of this report.

Required Supplementary Information



In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information including budgetary comparison statements for major governmental funds and schedules of funding progress for pension and OPEB plans. Required Supplementary Information and accompanying notes can be found on pages 206-245 of this report.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, internal service funds, fiduciary funds and the Discretely Presented Component Unit are presented immediately following the appropriately labeled tabs. Combining and individual fund statements and schedules can be found on pages 206-245 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City presents its Financial Statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments. The current year's analysis compares this year's data primarily to the prior year. However in other instances additional year's information is provided.

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Net Position - Government-Wide / Primary Government

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets:			
Current and Other Assets	\$ 284,462,437	\$ 512,799,757	\$ 797,262,194
Capital Assets:			
Land and Construction in Progress Not Being Depreciated	260,411,426	179,727,038	440,138,464
Facilities, Infrastructure and Equipment, Net of Depreciation	648,732,980	1,101,581,893	1,750,314,873
Total Capital Assets	909,144,406	1,281,308,931	2,190,453,337
Total Assets	1,193,606,843	1,794,108,688	2,987,715,531
Liabilities:			
Long-term Liabilities Outstanding	543,000,452	633,730,195	1,176,730,647
Other Liabilities	26,786,718	110,939,977	137,726,695
Total Liabilities	569,787,170	744,670,172	1,314,457,342
Net Position			
Net Investment in Capital Assets	733,961,193	829,455,733	1,563,416,926
Restricted	125,617,431	-	125,617,431
Unrestricted	(235,758,951)	219,982,783	(15,776,168)
Total Net Position	\$ 623,819,673	\$ 1,049,438,516	\$ 1,673,258,189

Net Position - Government-Wide / Primary Government

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Current and Other Assets	\$ 278,336,055	\$ 473,425,452	\$ 751,761,507
Capital Assets:			
Land and Construction in Progress Not Being Depreciated	250,161,707	252,404,792	502,566,499
Facilities, Infrastructure and Equipment, Net of Depreciation	673,656,221	1,019,166,175	1,692,822,396
Total Capital Assets	923,817,928	1,271,570,967	2,195,388,895
Total Assets	1,202,153,983	1,744,996,419	2,947,150,402
Liabilities:			
Long-term Liabilities Outstanding	553,283,835	619,805,190	1,173,089,025
Other Liabilities	23,654,093	123,011,097	146,665,190
Total Liabilities	576,937,928	742,816,287	1,319,754,215
Net Position			
Net Investment in Capital Assets	742,532,911	853,404,805	1,595,937,716
Restricted	123,400,816	-	123,400,816
Unrestricted	(240,717,672)	148,775,327	(91,942,345)
Total Net Position	\$ 625,216,055	\$ 1,002,180,132	\$ 1,627,396,187

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

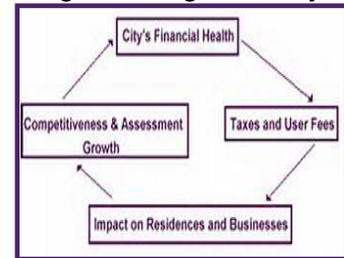
Analysis of Net Position



As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets exceed liabilities by \$1,673,258,189 at the close of the current fiscal year and by \$1,627,396,187 at June, 30, 2012. This is an increase of \$45,862,002 between 2012 and 2013; and \$14,493,220 between 2011 and 2012 in the City's net position. Part of the increase between 2011 and 2012 is, however masked by the extraordinary loss of \$18,560,908 that resulted from the Redevelopment Agency

Net Position being distributed to the Successor Agency. Were it not for this loss, net position would have increased by \$33,054,128.

The largest portion of the City's net position (93.4%) reflects its investment of \$1,563,416,926 in capital assets (e.g., land, buildings, and equipment); less any related outstanding debt used to acquire the assets at June 30, 2013. These same figures for June 30, 2012 were (98.1%) with \$1,595,937,716 in capital assets, net of debt. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.



At the end of the current fiscal year and the prior fiscal year, Fresno was able to report positive balances in two categories of net position for the government as a whole; net investment in capital assets, and restricted net position, as well as for both categories of business-type activities. For the governmental activities, unrestricted net position had a deficit of (\$235,758,951) and (\$240,717,672) in 2013 and 2012 respectively, related primarily to debt associated with the Pension Obligation Bonds, the Judgment Obligation Bonds, as well as HUD Section 108 Notes, OPEB, Compensated Absences and the Health Reimbursement Account programs.

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Changes in Net Position - Government-Wide / Primary Government

For the Year Ended June 30, 2013

	Governmental Activities	Business Type Activities	Total
Revenues			
Program Revenues			
Charges for Services	\$ 78,776,050	\$ 225,698,390	\$ 304,474,440
Operating Grants and Contributions	36,639,168	40,850,238	77,489,406
Capital Grants and Contributions	35,623,293	22,224,076	57,847,369
General Revenues:			
Property Taxes	103,745,342	-	103,745,342
Business Tax	16,469,555	-	16,469,555
Sales Taxes-Shared Revenues	74,689,243	-	74,689,243
Other Local Taxes	24,167,930	-	24,167,930
Investment earnings	1,888,831	1,595,843	3,484,674
Gain on sale of capital assets	416,194	3,831,744	4,247,938
Total Revenues	<u>372,415,606</u>	<u>294,200,291</u>	<u>666,615,897</u>
Expenses			
General Government	34,308,335	-	34,308,335
Public Protection	190,049,388	-	190,049,388
Public Ways and Facilities	69,771,300	-	69,771,300
Culture and Recreation	16,704,386	-	16,704,386
Community Development	26,280,131	-	26,280,131
Interest on Long-term Debt	21,036,622	-	21,036,622
Sewer, Water and Solid Waste	-	154,742,163	154,742,163
Transit	-	48,397,641	48,397,641
Airports	-	32,413,235	32,413,235
Fresno Convention Center	-	14,927,945	14,927,945
Community Sanitation	-	7,848,010	7,848,010
Parks and Recreation	-	811,754	811,754
Stadium	-	3,462,985	3,462,985
Total Expenses	<u>358,150,162</u>	<u>262,603,733</u>	<u>620,753,895</u>
Increase in Net Position Before Transfers	14,265,444	31,596,558	45,862,002
Transfers	<u>(15,661,826)</u>	<u>15,661,826</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>(1,396,382)</u>	<u>47,258,384</u>	<u>45,862,002</u>
Net Position Beginning of Year	<u>625,216,055</u>	<u>1,002,180,132</u>	<u>1,627,396,187</u>
Net Position End of Year	<u>\$ 623,819,673</u>	<u>\$ 1,049,438,516</u>	<u>\$ 1,673,258,189</u>

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Changes in Net Position - Government-Wide / Primary Government

For the Year Ended June 30, 2012

	Governmental Activities	Business Type Activities	Total
Revenues			
Program Revenues			
Charges for Services	\$ 53,112,193	\$ 243,881,253	\$ 296,993,446
Operating Grants and Contributions	54,973,636	42,360,755	97,334,391
Capital Grants and Contributions	29,730,309	43,504,829	73,235,138
General Revenues:			
Property Taxes	100,960,976	-	100,960,976
Business Tax	16,267,369	-	16,267,369
Sales Taxes-Shared Revenues	70,626,121	-	70,626,121
Other Local Taxes	23,286,287	-	23,286,287
Investment earnings	2,053,251	6,139,082	8,192,333
Debt Forgiveness	-	1,743,500	1,743,500
Gain on sale of capital assets	1,021,696	2,719,229	3,740,925
Total Revenues	352,031,838	340,348,648	692,380,486
Expenses			
General Government	23,820,401	-	23,820,401
Public Protection	208,649,299	-	208,649,299
Public Ways and Facilities	75,280,788	-	75,280,788
Culture and Recreation	16,293,675	-	16,293,675
Community Development	24,294,457	-	24,294,457
Interest on Long-term Debt	22,426,047	-	22,426,047
Sewer, Water and Solid Waste	-	170,866,615	170,866,615
Transit	-	49,670,068	49,670,068
Airports	-	27,153,855	27,153,855
Fresno Convention Center	-	10,918,749	10,918,749
Community Sanitation	-	6,492,807	6,492,807
Parking	-	5,059,045	5,059,045
Parks and Recreation	-	1,035,736	1,035,736
Development Services	-	9,740,847	9,740,847
Stadium	-	3,544,035	3,544,035
Total Expenses	370,764,667	284,481,757	655,246,424
Increase in Net Position Before			
Transfers and Extraordinary Items	(18,732,829)	55,866,891	37,134,062
Transfers	(5,991,284)	5,991,284	-
Extraordinary Items - RDA net position transfers	(18,560,908)	-	(18,560,908)
Increase (Decrease) in Net Position	(43,285,021)	61,858,175	18,573,154
Net Position Beginning of Year	668,501,076	944,401,891	1,612,902,967
Prior Period Adjustment	-	(4,079,934)	(4,079,934)
Net Position Beginning of Year Restated	668,501,076	940,321,957	1,608,823,033
Net Position End of Year	\$ 625,216,055	\$ 1,002,180,132	\$ 1,627,396,187

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Analysis of Changes in Net Position

The City's net position, overall, increased by \$45,862,002 during the current fiscal year. For the fiscal year ended June 30, 2012, net position overall increased by \$18,573,154. The results for 2012, when excluding the \$18,560,908 extraordinary loss, reflected an overall increase of \$33,054,128, which was still substantially less than the increase in 2011 which was \$59,989,112.



The City continued to experience the negative impacts of the depressed nature of the general economy throughout fiscal year 2012 which was reflected in the in ongoing sluggish Property Taxes. Sales Tax, Business Tax and Other local taxes (which include Room Tax and Franchise Taxes) reflected a marked increase as did Operating Grants and Contributions whereas a substantial reduction occurred in Capital Grants and Contributions. Business Tax increased not so much as a result of rebounding businesses but as a result of more aggressive pursuit of businesses not making timely payments, and even more so as a result of more aggressive pursuit of businesses not registering with the City at all. Capital Grants and Contributions decreased substantially due to the wind down of the American Recovery and Reinvestment Act (ARRA) funding, an economic stimulus package that was enacted by the 111th United States Congress in February 2009.

Property taxes in fiscal year 2013 continued their steady but slow upward climb as did Sales Taxes and Other local taxes including Room Tax and Franchise Taxes. The greatest increase came from Charges for Services, however this increase is somewhat skewed by the merger of six former ISF functions and two former Enterprise operations into the General Fund (Governmental Activities) from Business-Type Activities. Operating Grants and Contributions significantly decreased due to the expiration of numerous federal and State grants whereas Capital Grants and Contributions decreased. Overall Grants and Contributions decreased by approximately \$35.2 million.

Governmental Activities



Governmental activities for the current fiscal year decreased net position by (\$1,396,382). In 2012, net position decreased by (\$43,285,021) which would have still been a decrease of (\$24,724,113) with the removal of the RDA extraordinary loss. Expenses decreased primarily in two areas, Public Protection primarily due to Police attrition greater than what had been anticipated and Public Ways and Facilities primarily due to a substantial decrease in grant funding as a result of the wind down of ARRA grants. Governmental net position decreased by approximately 2.2% in 2013 and decreased by 6.5% in 2012. Total revenue from governmental activities was \$372,415,606 and \$352,031,838 respectively for each year.

- Property tax revenues in 2013 and 2012 respectively comprised 28% and 29% of revenue from governmental activities, with business taxes making up 4% in 2013 and 5% in 2012 and sales tax making up 15% in both 2013 and in 2012.

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

- Other local taxes including hotel taxes made up 7% in both 2013 and in 2012 of total governmental revenue. Governmental activities in 2013 and 2012 also included In-Lieu Sales Tax which was 5% in both years which are included with Sales Taxes – Shared Revenues on the Statement of Changes in Net Position.
- Interest and investment income made up 1% of total governmental revenues in both 2013 and 2012.
- Grant revenue from state and federal sources, consisting of operating grants and contributions (9%), capital grants and contributions (10%), and charges for services (21%) made up the balance in 2013.
- Grant revenue from state and federal sources, consisting of operating grants and contributions (15%), capital grants and contributions (8%), and charges for services (15%) made up the balance in 2012.



For the most part, increases in expenses continue to parallel increases in the cost of living in the Fresno Area and growth in the demand for government services. One notable exception, however, is Public Protection. Fresno spends significantly less than its peer cities in most functions with the exception of Police, an area where the City of Fresno spends significantly more.

In 2013, Public Protection (police and fire) made up (53%) of the expenses for governmental activities. The balance consists of Public Ways and Facilities (19%); Community Development, (7%); Culture and Recreation (5%); General Government consisting of the City Clerk's Office, the Mayor, City Council Offices, and the City Manager's Office and new if fiscal year 2013, the six merged former Internal Service functions and two former Enterprise operations (10%); with Interest on long-term debt at (6%).

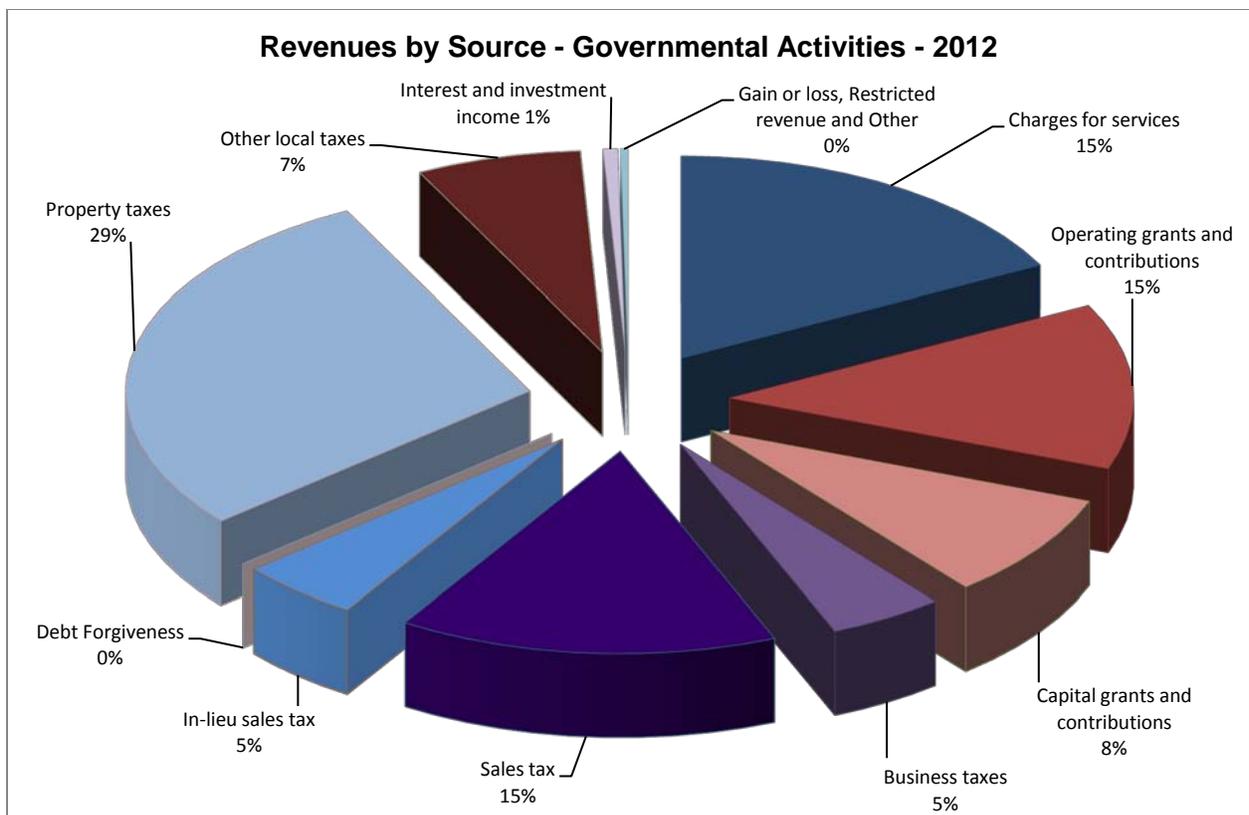
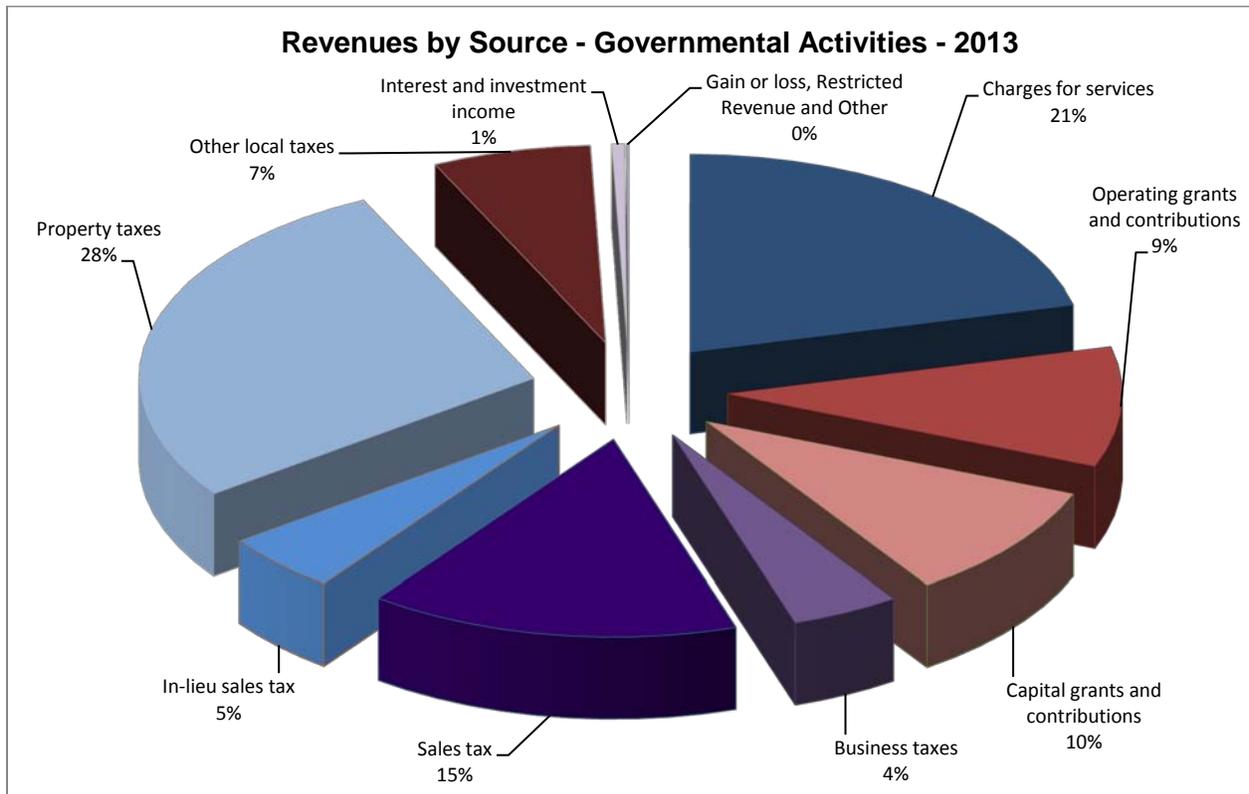
In 2012, Public Protection (police and fire) made up (56%) of the expenses for governmental activities. The balance consists of Public Ways and Facilities (20%); Community Development, and Redevelopment (7%); Culture and Recreation (4%); General Government consisting of the City Clerk's Office, the Mayor, City Council Offices, and the City Manager's Office (7%); with Interest on long-term debt at (6%).



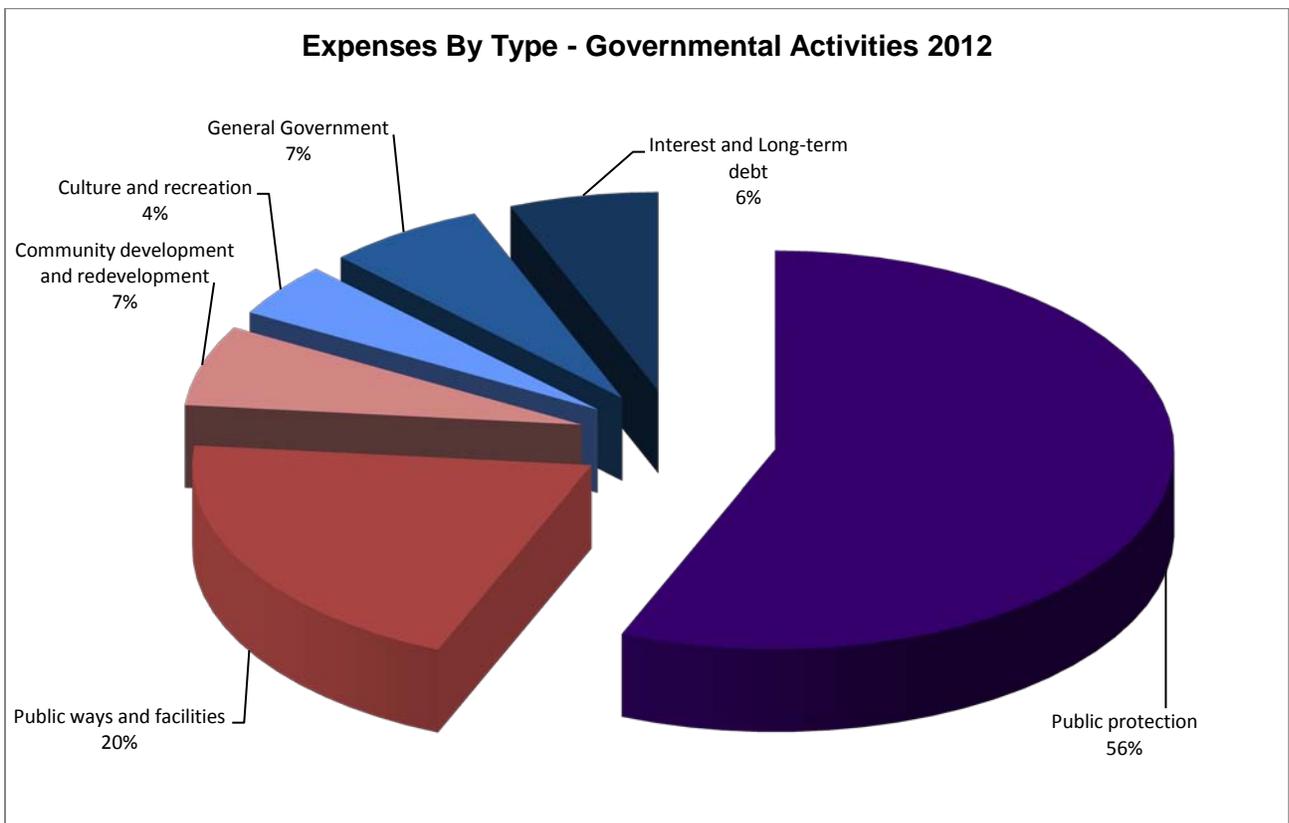
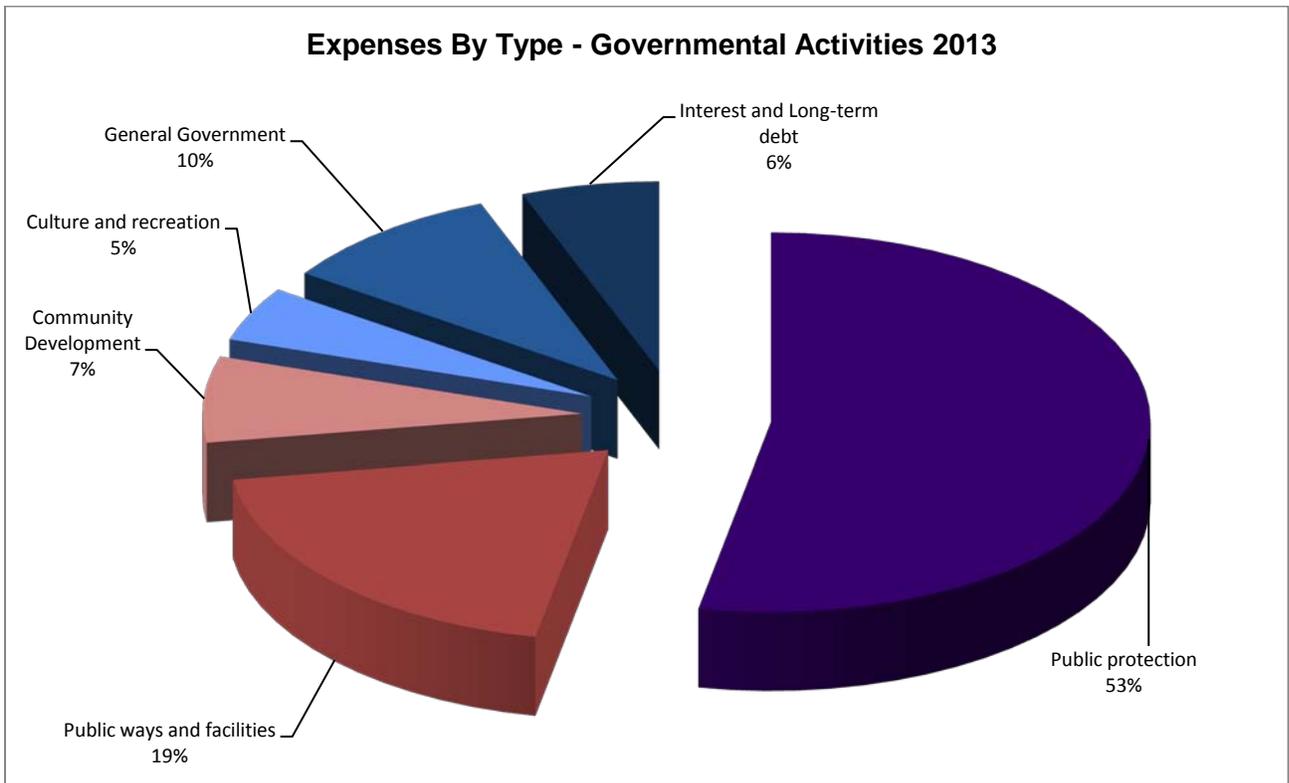
Governmental Activities – Charts and Graphs

The charts and graphs which follow on the next few pages illustrate the City's governmental revenues by source, and its expenses and revenues by function. As can be seen, Public Protection is by far the largest function reflecting the City's greatest overall expenses.

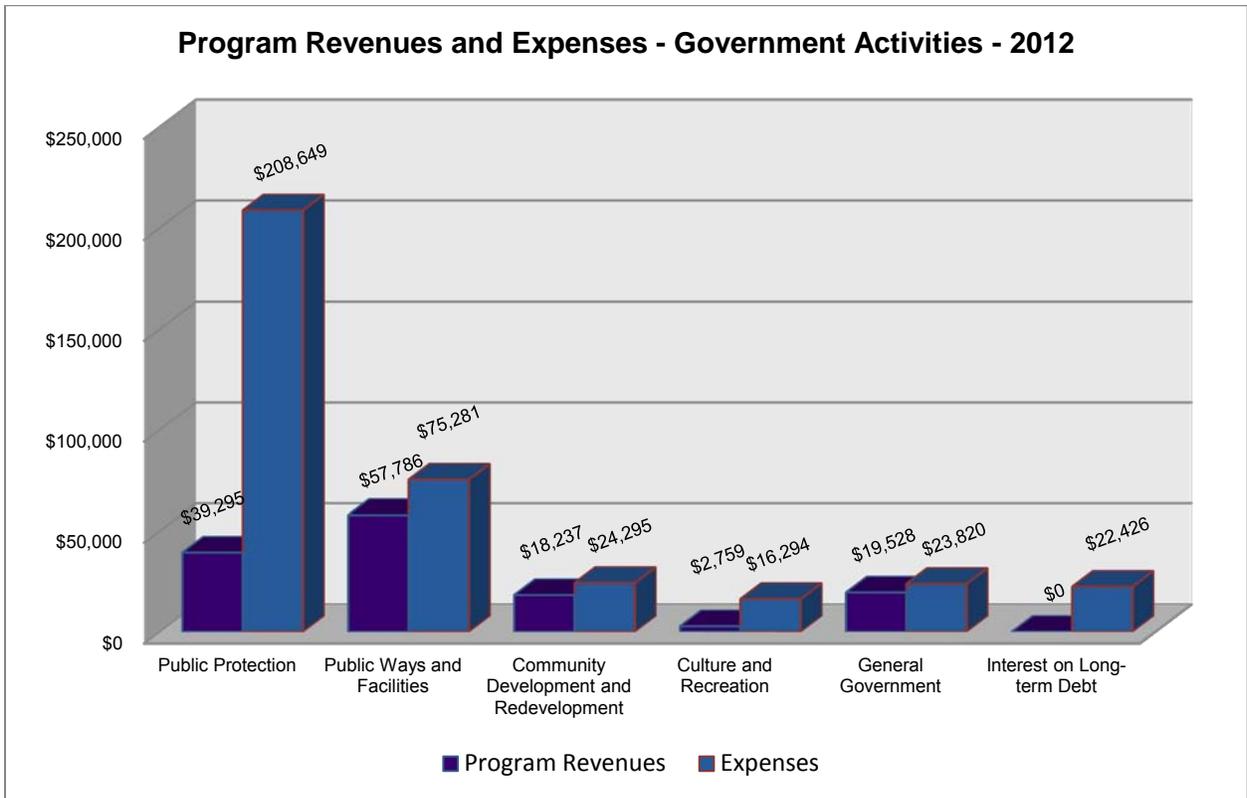
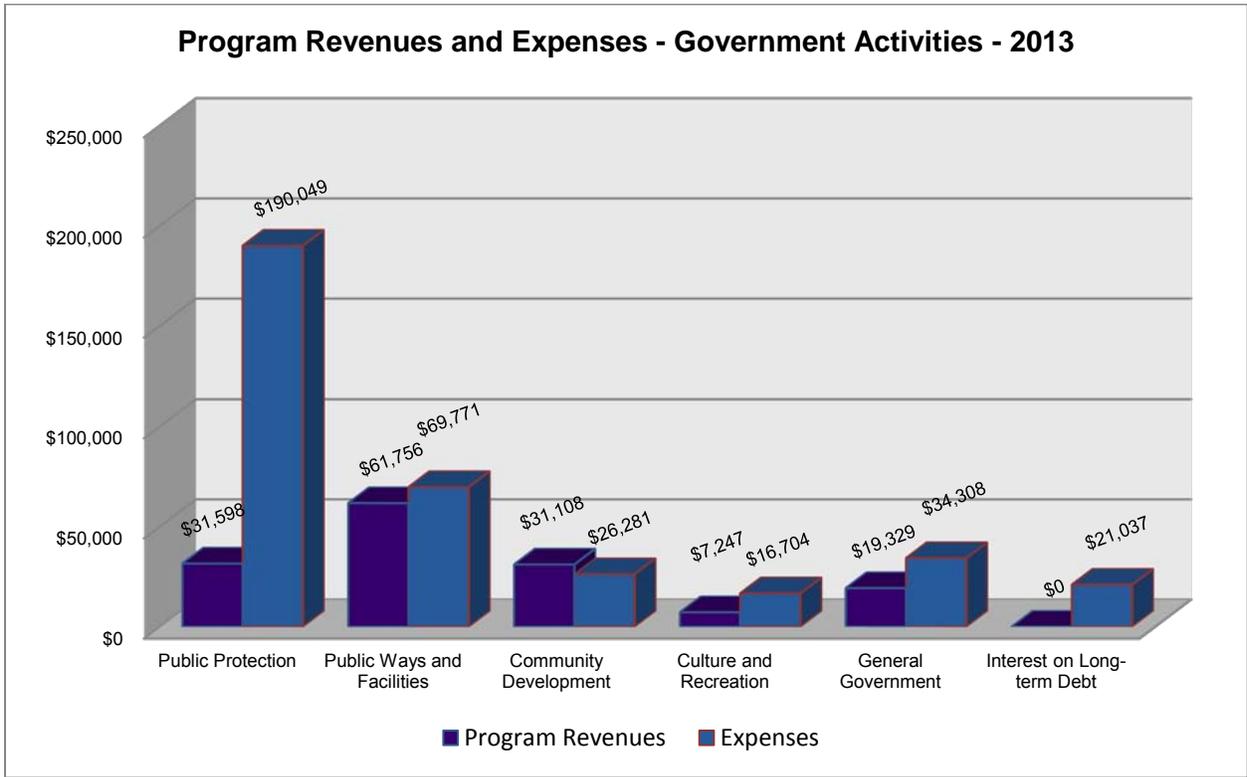
City of Fresno, California
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2013



City of Fresno, California
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2013



City of Fresno, California
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2013



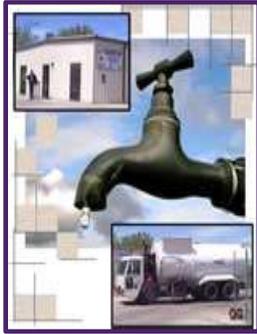
City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Business-Type Activities

Business-type activities increased the City's net position in 2013 by \$47,258,384 and increased net position by \$61,858,175 in 2012. Key factors related to these changes are as follows:

Public Utilities



- Public Utilities, consisting of Water, Sewer, Residential Solid Waste and Community Sanitation is the second largest department in the City. During fiscal years 2013 and 2012, respectively, net position increased by \$26,061,288 and \$40,842,463, for Water, Sewer, Residential Solid Waste Management and Community Sanitation, primarily due to its continuing leadership role in the State in providing cost-effective services. The overall smaller net position increase as compared to the prior year is primarily attributable to fewer capital grant receipts in 2013 and a full year of no commercial solid waste operations.

- The Water Division is responsible for delivering a reliable supply of safe, high-quality water to both City and County residents in the Fresno Metropolitan area for domestic, commercial, institutional and industrial use. More than 45.6 billion gallons of water that met mandated State and federal drinking water standards were delivered in 2013 through approximately 1,700 miles of water mains to about 500,000 urban residential, commercial and industrial customers.

- Fresno's primary source of water is groundwater coming from a natural underground basin called an aquifer. Using approximately 250 wells, the Water Division pumps approximately 125 million gallons of water per day (mgd) with peak water deliveries topping 200 mgd. In addition to ground water, the Fresno water supply is now supplemented with water delivered directly from the Sierra Nevada mountain range to the City's Surface Water Treatment Facility (SWTF) which supplies approximately 20 million gallons of water per day.



- Future water supply is assured through the purchase and recharge of surface water entitlements from the U.S. Bureau of Reclamation (USBR) at Friant Dam, the Fresno Irrigation District from the Kings River, and an active conservation program. The Division remains committed to extensive planning, outstanding innovative, use of technology and keeping water rates the lowest in the state.

- The Wastewater Management Division is responsible for the collection, conveyance, treatment and reclamation of approximately 68 million gallons a day of wastewater generated by residential, commercial and industrial sewer customers in the Fresno-Clovis Metropolitan area, which is enough to cover a football field to a height of more than 15 stories. Wastewater generated from homes and businesses in the metro area travels through 1,700 miles of sanitary sewer lines to the Wastewater Treatment Facility.

- The Fresno-Clovis Regional Wastewater Treatment Facility has capacity to treat 80 million gallons a day (mgd) of wastewater. Toxic material and even too much water can hamper the treatment of wastewater.

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

- The Solid Waste Management Division is responsible for the weekly collection of municipal solid waste, recyclables, and green waste for more than 105,928 residential customers producing approximately 1,046 tons of material each collection day.
- As the City continues to expand, the utilities that serve its citizens need to expand as well. The Budget for 2014 continues to address capital budget programs for current and future growth. Major projects include the construction of the Southeast Fresno Surface Water Treatment Facility; the Downtown Recycled Water System, the Southwest, Northwest and Northeast Recycled Water Distribution Systems and the Tertiary Treatment at the Regional Reclamation Facility. Once these improvements come online they will require operating and maintenance resources as well as facility staffing.

Water

The Downtown Recycled Water System project is to design and construct recycled water treatment and distribution facilities downtown to meet increased water demands associated with redevelopment and densification of the area. This project supports the efforts of the Strong Cities, Strong Communities (SC2), a federal interagency collaboration aimed to increase the capacity of local government and support plans for downtown revitalization.



The SC2 efforts are organized around ten priority focus areas, including Downtown Revitalization and Resource Management & Sustainability. The Downtown Recycled Water System will help to address water supply demands in the downtown targeted growth area. It is anticipated that in fiscal year 2014 the Division will not incur any operating and maintenance expenditures with respect to this project. It is expected that the construction of this project will be completed in fiscal year 2018. The anticipated increase in expenditures in fiscal year 2018 will be approximately \$500,000.

The East Central Recycled Water Facility is a project that is being designed to construct a recycled water treatment facility in the east-central area of the community. This facility will be located in the vicinity of the intersection of Cedar and Dakota Avenues. The facility will provide highly treated recycled water for uses such as landscape and green space for schools, parks, and median islands in the area, as well a make water available for groundwater recharge. These uses will free up potable water supply for higher level uses. In addition, the facility will redirect sewer flow from a portion of the sewer trunk system that lacks adequate capacity that must be relieved in some manner. This project will provide that relief in lieu of an extensive, costly and disruptive pipeline replacement project. It is expected that the construction of this project will be completed in 2018.



The Southeast Fresno Surface Water Treatment Facility is a project consisting of the purchase of land, development of plans and the construction of a future 80 million gallon per day (MGD) surface water treatment facility in Southeast Fresno. The engineering and design work is in progress and the construction is expected to be completed in fiscal year 2018.

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

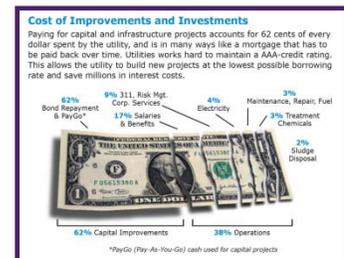
- The Utilities Enterprise Funds are primarily funded through charges/user fees. The budget for fiscal year 2014 set revenues for water which included a proposed 25% increase in customer user charges which were to be effective September 1, 2014. These rates took into consideration the debt service on bonds that were issued in 2010 related in part to the water meter installation program as well as upcoming debt issuances required for major water projects discussed above. Other sources of revenues include anticipated grant and low interest awards; interest earnings; reimbursements from capital and other divisions; charges for various facilities; and revenue transfers to fully fund capital expenditures; and other miscellaneous expenditures.

- On March 31, 2011, a five-year rate plan was presented by the Utility Advisory Committee to the City Council to fund operating and capital expenditures. At that time a 15% rate increase in customer user fees for water was proposed along with a 2.5% increase for wastewater, and a 3% decrease in the single family solid waste rate. These rates were never adopted and implemented due to management's ongoing concern with the impact that the proposed rate increases would have on the City's customers particularly during difficult financial times. The proposed rates were revisited and were brought to Council for consideration on March 7, 2013. The requested action was for Council to authorize the Utilities Director to take the next steps which would be the Proposition 218 process. At the end of the Council presentation, no direction was given by Council.



On June 27, 2013 Council directed staff to initiate a Proposition 218 hearing process associated with proposed water rate increases. The proposed water rates were structured to fund a five-year capital plan totaling approximately \$409.5 million and would provide for the construction of new infrastructure, including recharge facilities and most notably the proposed Southeast Surface Water Treatment Facility. The proposed treatment facility is needed to address the continuing decline in groundwater and to address proposed Federal regulations that will establish allowable maximum contaminate levels. The proposed levels could essentially make at least 30 production water wells non-compliant for Maximum Contaminant Levels and impact 187 wells for Cr-6 or Hexavalent chromium. The treatment of these wells would be a very costly pursuit. A much more economical and permanent replacement for these wells would be to build the proposed Southeast Surface Water Treatment Facility. The Facility would allow the City to mitigate the impacts of these regulations over time and meet the City's goal in restoring groundwater levels as well as provide for long term water reliability for the community.

The June 27th Council item directed staff to begin the Proposition 218 process and 45 day mailing notice. Council would then conduct the mandatory protest hearing which was slated for August 15, 2013. Provided that insufficient protests were received, the new rates would go into effect on September 17, 2013. Typical monthly rates would increase \$8.79 in fiscal year 2014, \$8.14 in 2015, \$3.28 in 2016 and \$3.64 in 2017. In spite of the proposed rate increases, the City of Fresno would still have among the lowest rates of California's metropolitan water systems.



The protest hearing occurred on August 15th with the majority of the Council (5-2) voting to approve the new rates. The rates went into effect September 17th.

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Subsequent to the hearing and vote on August 15, a former Fresno County Supervisor and two others filed papers with the City Clerk's Office to start an initiative process aimed at putting the new rates to a popular vote. It has long been held that the law authorized a government entity to protect one of society's core services and that this trumps the law that authorizes voter referendums. Both the City and the initiative proponents have filed lawsuits concerning the legality of the initiative. One of the lawsuits is now in the appellate court, and one remains with the trial court. Signature gathering has been authorized, but there is not decision on whether the initiative is legal or whether it may proceed to ballot. A decision is anticipated in May or June of 2014. If the measure is qualified, it likely would appear on the November 2014 ballot.

Solid Waste Management

- In 2010, the City engaged in the process of evaluating the possibility of franchising its commercial solid waste operations to private companies. The City included in its 2011 Budget, the proposal to franchise Commercial Solid Waste. The City anticipated receiving \$2.6 million per year for its General Fund by franchising its commercial solid waste operations, which included about 7,900 multi-family, commercial and industrial accounts. Residential solid waste collection to approximately 106,000 customers, at that time, was not affected by Council's action.



- Initially the proposal was not passed by the City Council. The Budget for 2012 however, once again was built upon the assumption that the City would franchise its Commercial Solid operations and divest itself of the business of collecting the solid waste of its commercial customers. On June 24, 2011, the City Council approved the franchise proposal as part of the budget approval process. On September 8, 2011, the Council voted to approve a resolution declaring the City's intent to award franchises to Allied Waste Services (Allied) and Mid Valley Disposal (Mid Valley) in preparation for holding public hearings on the matter and to take a final vote. The Ordinance was passed by Council on September 29, 2011 and the vendors assumed operations effective



December 1, 2011.

- Franchise fee revenue generated in fiscal years 2012 and 2013 were \$1,771,555 and \$3,342,604 respectively.

- On June 19, 2011, the City Council also approved a resolution declaring its intent to award non-exclusive franchises for roll-off collection services within the City of Fresno. Customers are able to select from among several companies based upon services and rates. The City does not regulate the rates of these companies. In exchange for the granting of the right to collect roll-off boxes under the non-exclusive agreement, the franchised companies pay the City a franchise fee of 10% of their roll-off gross rate revenues. The franchise arrangement began in September 2011 and for the partial year ended June 30, 2012, franchise revenues related to roll-off collection services were \$327,087. Franchise revenues for 2013 were \$569,438.



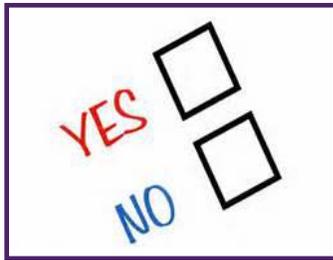
City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

- In July 2012, the City Council authorized a Request for Proposal (RFP) for the franchise of Residential Solid Waste services. The RFP was issued in September 2012 and proposals were received in October. City staff and Consultants conducted a thorough evaluation of the proposals and after in-depth interviews and review and analysis of each proposer's financial ability to perform, litigation and regulatory history as well as an exhaustive review of the, operational and financial proposals, the evaluation committee recommended the award of a franchise to one particular vendor for service to the entire City. The fiscal impact of the recommendation potentially would have provided a one-time payment to the General Fund of \$1.5 million in the form of a signing fee and a one-time payment to the Residential Solid Waste Reserve Fund of a to-be-determined amount for the sale of assets to the vendor, all within fiscal year 2013. On a go-forward basis, the City's General Fund and other funds would have received approximately \$4.3 million per year ongoing in the form of franchise fees, contract management fees, and recycling royalty payments. The proposal by the evaluation committee also recommended entering into negotiations with a particular vendor for landfill disposal services for some or all of the City's solid waste.

- On December 6, 2012, the Fresno City Council introduced an ordinance which granted an exclusive franchise for the collection of residential solid waste, recyclable materials and organic materials within the City of Fresno to the selected vendor. On December 13, a public protest hearing was held and upon conclusion of the hearing, Council approved the ordinance and authorized the City Manager to finalize and execute the franchise agreement. Transition to the vendor was to take place on March 4, 2013.

- On January 18, 2013, a Referendum Petition was received by the City Clerk regarding the Ordinance. After performing a prima facie examination of the petitions as required by law, the City Clerk deemed the Referendum Petition to be filed as of January 22, 2013 and submitted the Petition to the Fresno County Clerk/Registrar of Voters for signature verification in accordance with the Elections Code. Upon formal acceptance by the Fresno County Clerk/Registrar and the Fresno City Clerk, the City Council chose the option of calling a Special Election within 88 days from the date of the order of election for consideration of the ordinance by City voters.



- On June 4, 2013, Measure G the referendum election related to the Solid Waste franchise ordinance resulted in a narrow defeat by just 862 votes. The final tally was 50.73% voting "no" and 49.27% saying "yes". As a result the Mayor quickly revised her 2014 Budget to exclude franchise fees to the General Fund which had been projected at \$3.6 million which included the one time signing fee of \$1.5 million.

Wastewater Management

- The Wastewater Management Division is responsible for the collection, conveyance, treatment and reclamation of approximately sixty-eight million gallons a day of wastewater generated by the residential, commercial, and industrial sewer customers in the Fresno-Clovis Metropolitan area. The Division maintains a wastewater collection system, comprised of approximately 1,500 miles of sewer piping, serving the sanitary sewer needs of a population exceeding 500,000 residents.



City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

- The 2014 Budget for the Wastewater Division includes the addition of a Senior Engineering Technician to provide design support and project management for various collection system maintenance and treatment facility projects. The total cost for this position is \$78,700.

Transportation/(FAX)

- During fiscal year 2013 net position decreased by (\$234,894) as compared to an increase of \$5,191,469 in 2012. This considerable decrease is a result of significantly less receipts in capital grants and contribution revenues. Passenger revenues slightly increased as did operating costs. Passenger revenue continues to increase as the economy improves and the effects of a fare increase implemented in 2011 stabilizes as riders adjust to the new rates and return. Operating costs were primarily in the area of employee salaries, wages and benefits, contract transportation (Handi Ride) repairs and maintenance, and supplies.

- The Department of Transportation (FAX) provides fixed-route and para-transit demand-response service 363 days a year throughout the City of Fresno and in some areas of Clovis and the County of Fresno. The Transportation Department also houses the City's Fleet Management Division which provides comprehensive vehicle and equipment services to client City Departments.



- FAX operates their 16 fixed routes, seven days a week using a fleet of 105 buses and provides paratransit demand response service provided by Handy Ride. Handy Ride operates seven days per week with service levels comparable to the fixed-route system. In January 2013 the Department entered into a three year contract to provide demand response services to citizens with disabilities in accordance with the Americans with Disabilities Act (ADA) within the Fresno-Metropolitan area. The demand response transportation services are being provided through a contract with Keolis Transit America. The budget for fiscal year 2014 includes \$3.7 million for these services; \$533,800 more than the amount budgeted in fiscal year 2013.

- FAX's Fleet Maintenance and Acquisition Division provides clients with a full range of fleet services, including vehicle and equipment acquisition and disposal, fuel, maintenance and repairs to ensure the City fleet operates at optimum levels. In fiscal year 2013 fuel prices remained stable and expenses were approximately \$519,000 below budgeted appropriations. The division budgeted \$6.8 million for fuel in fiscal year 2014 consistent with their analysis of historical data and forecasts by the US Energy Information Administration (EIA). This was approximately \$1.1 million less than the amount appropriated for fiscal year 2013. In addition the division placed \$500,000 in contingency to address any market volatility in 2014.



- The Department's budget for fiscal year 2014 reflected a decrease in employee services due to a new ATU contract. In addition the Department defunded three positions however staffing levels are considered sufficient to continue providing services to customers.

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

- FAX is primarily funded through the Transportation Development ACT (TDA) allocations, Federal Transit Administration (FTA) grants which include Congestion Mitigation and Air Quality (CMAQ) grants, Measure C funds and passenger fares. TDA revenue is comprised of Local Transit Funds (LTF) and State Transit Assistance/Proposition 42 (STA) received through the State of California based on diesel tax revenue. FTA grants are used to fund the maintenance operations of the Department. Measure C, the half cent Fresno County sales tax revenue is used for transportation infrastructure and operations.

- The Department is currently in the design stage of a grant funded capital project designed to improve travel times and service along a 15.7 mile corridor of Blackstone/Ventura/Kings Canyon, linking North Fresno, Downtown Fresno and the South East Growth Area. The Bus Rapid Transit (BRT) project will include: transit signal priority (TSP); real-time passenger information; vehicle and station branding; as well as ticket vending machines at signature stations. The BRT route will replace portions of Routes 28 and 30 utilizing existing labor, fuel and equipment costs. An additional \$2.8 million in new operating and personnel costs will be needed each year for maintenance of articulated buses, station maintenance, fare collection and minor capital. This project includes service realignments to increase the function of the BRT and provides access throughout the transit system.

- On January 30, 2014 a Council vote of 4 to 3 rejected a request to spend approximately \$1.7 million on two contracts that would have moved the project along. The Mayor has stated that she is committed to working with the Council in order to bring the item back for reconsideration.

Airports

- Fresno Yosemite International Airport (FYI) experienced a record year for passenger traffic in fiscal year 2013, with passenger counts totaling 1,373,078; up 6.77% over fiscal year 2012's count of 1,286,038. Additional air service was the primary driver for the increase. During fiscal year 2013, FYI enjoyed a full year of service to San Diego from Horizon/Alaska Airlines, a full year of air service to Honolulu from Allegiant Airlines, and three times per week air service to Denver from Frontier Airlines (commencing May 2013). Airports Management anticipates that passenger growth will continue to be strong in fiscal year 2014, driven by a full year of Denver service

from Frontier and new seasonal air service to Morelia, Mexico offered by AeroMexico. However it is not anticipated that the fiscal year 2014 will be nearly as great as the percentage growth seen in fiscal year 2013.

- The increase in passengers fueled a corresponding increase in operating revenues. Those revenues increased by \$1,241,132 or up 7.01% from Fiscal Year 2012 levels. As might be expected, revenues generated by additional air service and additional passengers drove the increase. Parking receipts were up approximately \$392,000 (9.29%), Landing Fee receipts were up approximately 7.7% over amounts received in fiscal year 2012. Additionally, Rental revenues contributed approximately \$194,600 toward the overall operating revenue increase experienced by the Airport. As is the case with passenger growth



City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

expectations, Airports management anticipates that operating revenues will grow in fiscal year 2014 but at a rate slightly lower than the rate experienced in fiscal year 2013.

- The effect of both the new air service and the corresponding increased passenger counts were also reflected in the non-operating revenues. Both Passenger Facility Charges (PFCs) and Customer Facility Charges (CFCs) saw substantial increases in 2013. PFCs were up approximately \$248,000 (9.74%), while CFCs were up approximately \$276,200 (20.9%) over fiscal year 2012 levels. CFCs and PFCs however were not the main contributors to the growth seen in non-operating revenues. Operating Grants were the largest contributor, with an increase of approximately \$1,854,200 (133.36%) over fiscal year 2012 operating grant revenues. This increase was due to an accelerated level of work being done on the Noise Mitigation program. Airports management believes that fiscal year 2014 Operating Grant revenue and Non-Operating revenues in total will decrease significantly from fiscal year 2013 levels due to a lower level of Noise Mitigation work being performed in 2014.



- The Noise Mitigation program work also had a major effect on Operating Expenses. Operating Expenses rose dramatically in fiscal year 2013, increase by approximately \$1,826,200 (11.88%) over 2012 levels. The entire increase was isolated in the Cost of Services category, which is where costs associated with the Noise Mitigation are recorded. Airports management believes that Operating Expense will decrease substantially in 2014 due to a lower level of Noise Mitigation work being performed and a lower level of cost associated with public safety functions as the department transitions from the Fresno Police Department to its own staff providing those functions.

- Airports saw mixed results with its cash balances in fiscal year 2013. On the positive side, its Restricted Cash balances increased over fiscal year 2012 levels. Current Restricted Cash increased by approximately \$64,900 (2.44%) and Non-current Restricted Cash increased by approximately \$793,000 (5.96%). However, Unrestricted Cash declined 99.81% from fiscal year 2012 balances to \$1,574. This decrease was the result of a delay in reimbursement from the Federal Government for various capital improvement project costs. As of June 30, 2013, Airports had spent \$5,531,012 for these project costs. The amount owed by the Federal Governments necessitated a bridge transfer/short-term interfund borrowing of \$2,146,922 at the end of the year which is reflected on the Statement of Net Position as "Due to Other Funds". A portion of the monies were received from the Federal Government subsequent to the close of fiscal year 2013. The balance will be received prior to the end of fiscal year 2014.



- Because most of the work on the federally-funded capital projects was completed by June 30, the Current Liabilities dramatically decreased from fiscal year 2012 levels. Fiscal year 2013 reflects year end Current Liabilities of \$7,316,537, a decrease of \$5,385,573 (42%) from 2012 yearend figures. Savings generated by a reduction in Accrued Liabilities (primarily Voucher and Accounts Payable) was partially offset by the interfund borrowing, noted previously. During fiscal year 2013, Airports completely paid off the remaining \$3.7 million balance owed to the City's Treasury borrowed to cover costs associated with the Old Hammer Field Environmental Remediation litigation. Airports management anticipates that Current

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Liabilities will decrease in fiscal year 2014 as no major capital project expenses are anticipated and subsequent to year end, the bridge transfer was fully repaid.

- Airports met all of its debt obligations in fiscal year 2013 and finished the year with debt coverage of 2.04 times of debt payment. Shortly after the end of fiscal year 2013, Airports completed the refinancing of its Series 2000 bonds. The refinancing resulted in debt service savings of approximately \$205,000 per year through the remaining 17-year life of the bonds. The lower debt service payment will make available additional financial resources for Airports to utilize for either operational or capital expenditures.

- Airports capitalized approximately \$7.5 million of assets in fiscal year 2013. Three projects made up the bulk of the capitalized assets:

- ✓ Reconstruction of the ramp at FYI's P-3 hangar (\$0.6 million)
- ✓ Construction of a new parking lot exit booths with a canopy over the booths and a parking lot office (\$0.7 million)
- ✓ Rehabilitation of the Commercial East Ramp at the FYI concourse (\$6 million)

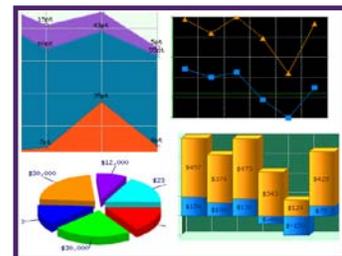
Partially offsetting the increase was the deletion of several parcels of land, which were sold to the State of California and the local flood control district. The value of the sold parcels was approximately \$2.3 million.

- As construction continued on the runway safety area projects, it is no surprise that Construction in Progress (CIP) increased substantially in fiscal year 2013. CIP increased by \$11.5 million (37.05%) for a total CIP of \$42.6 million. \$30.1 of the \$42.6 million total of CIP is tied to the runway safety area projects. Airports management anticipates capitalizing the runway safety area projects by the end of fiscal year 2014, resulting in a substantial reduction in CIP.

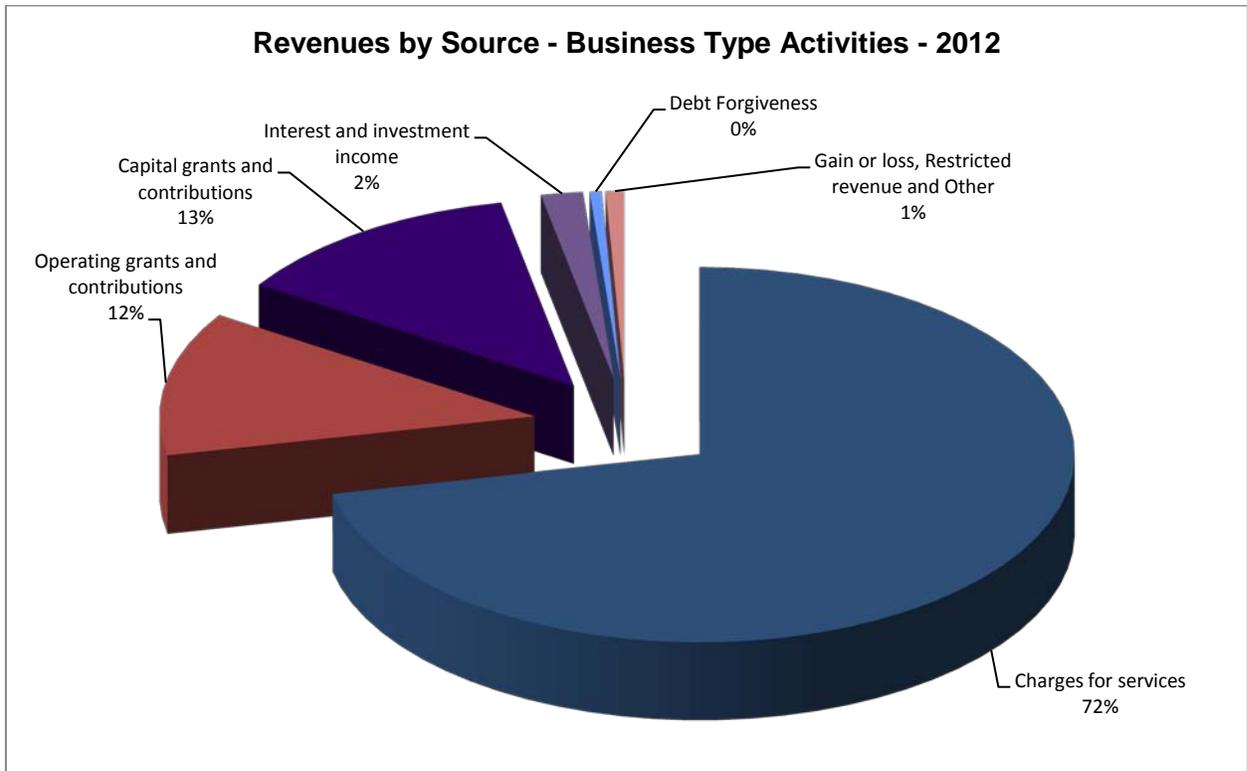
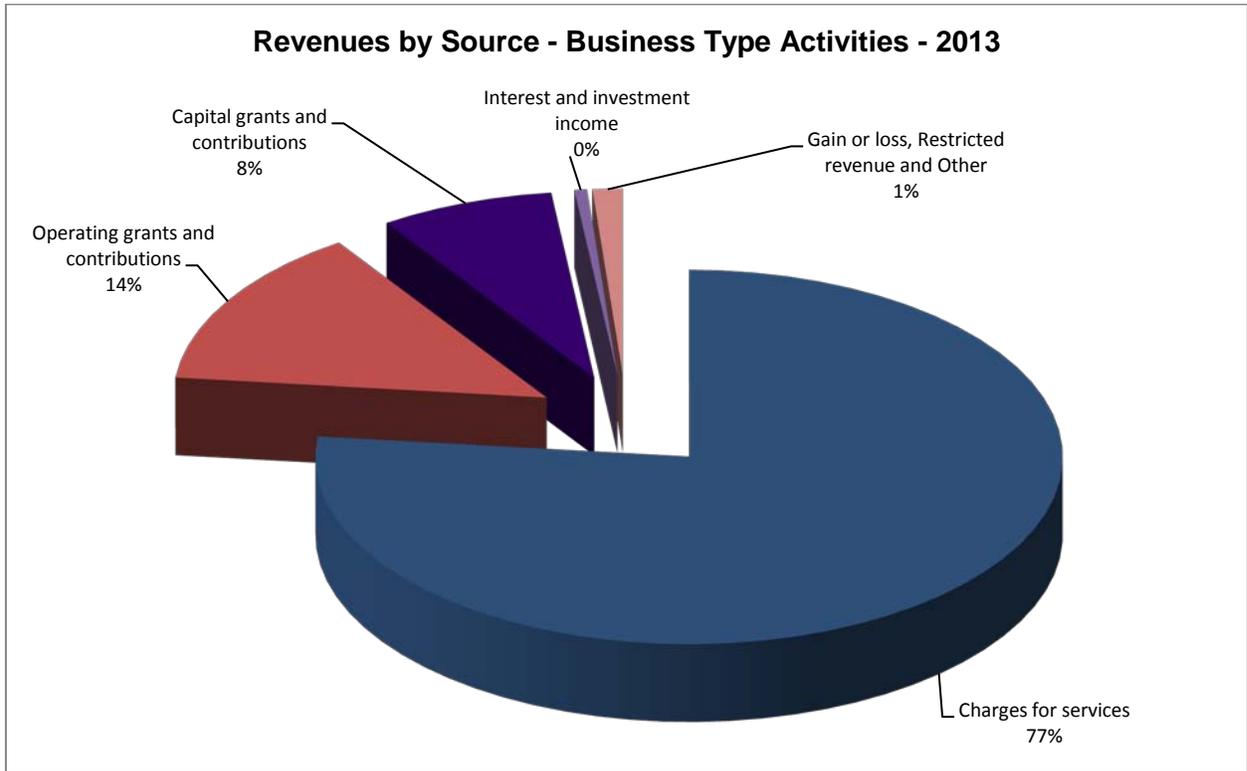
As shown in the charts on the adjacent pages, the largest of Fresno's business-type activities, the utilities – Sewer, Solid Waste Management and Water, followed by Transit (FAX), each had expenses in excess of \$49 million (\$32 million for Solid Waste) in fiscal year 2013 and \$41 million in fiscal year 2012, followed by Airports with operating expenses of approximately \$26 and \$24 million, respectively. For the current fiscal year, in only two of these did revenues exceed expenses prior to contributions and transfers. For all business-type activities in 2013, except Transit, fees provide the largest share of revenues [77%] followed by operating and capital grants and contributions [22%], which are primarily received by Transit and interest and other income [less than 1%]. For all business-type activities in 2012, except Transit, fees provide the largest share of revenues [72%] followed by operating grants and capital contributions [25%], which are primarily received by Transit and interest and other income [2%].

Business - Type Activities – Charts and Graphs

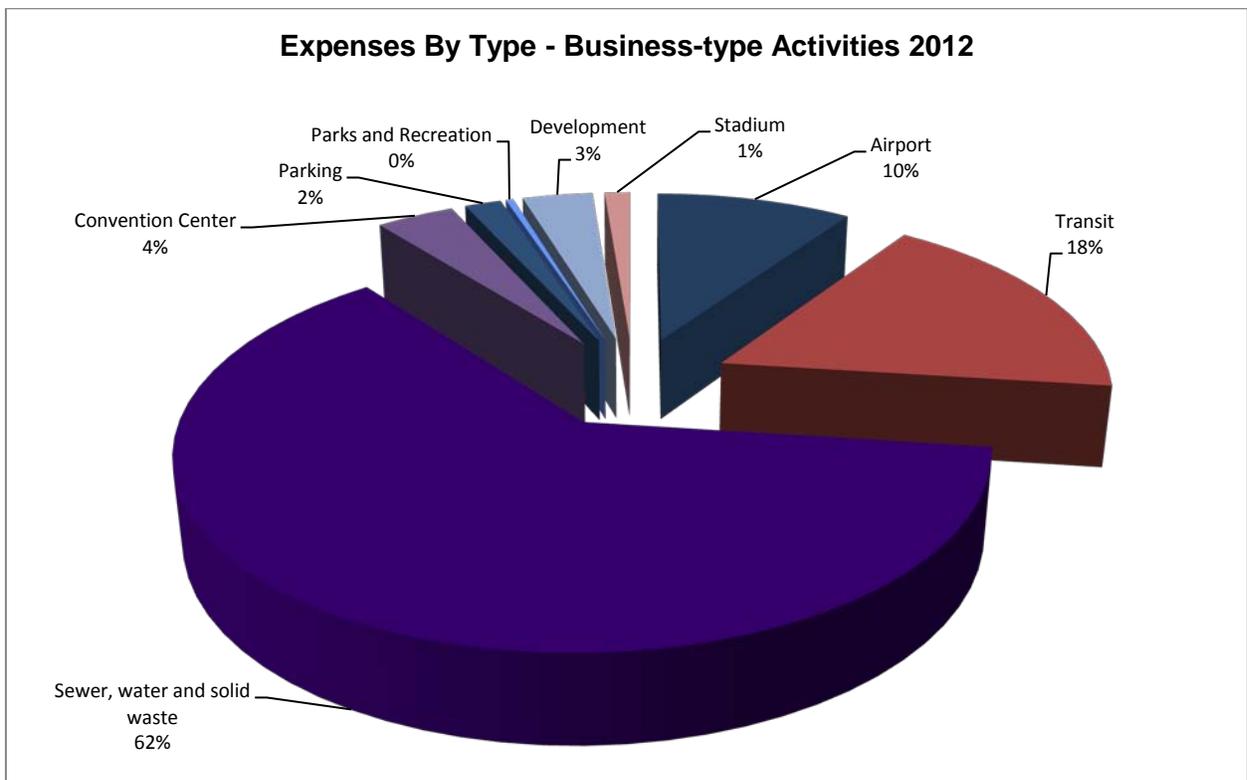
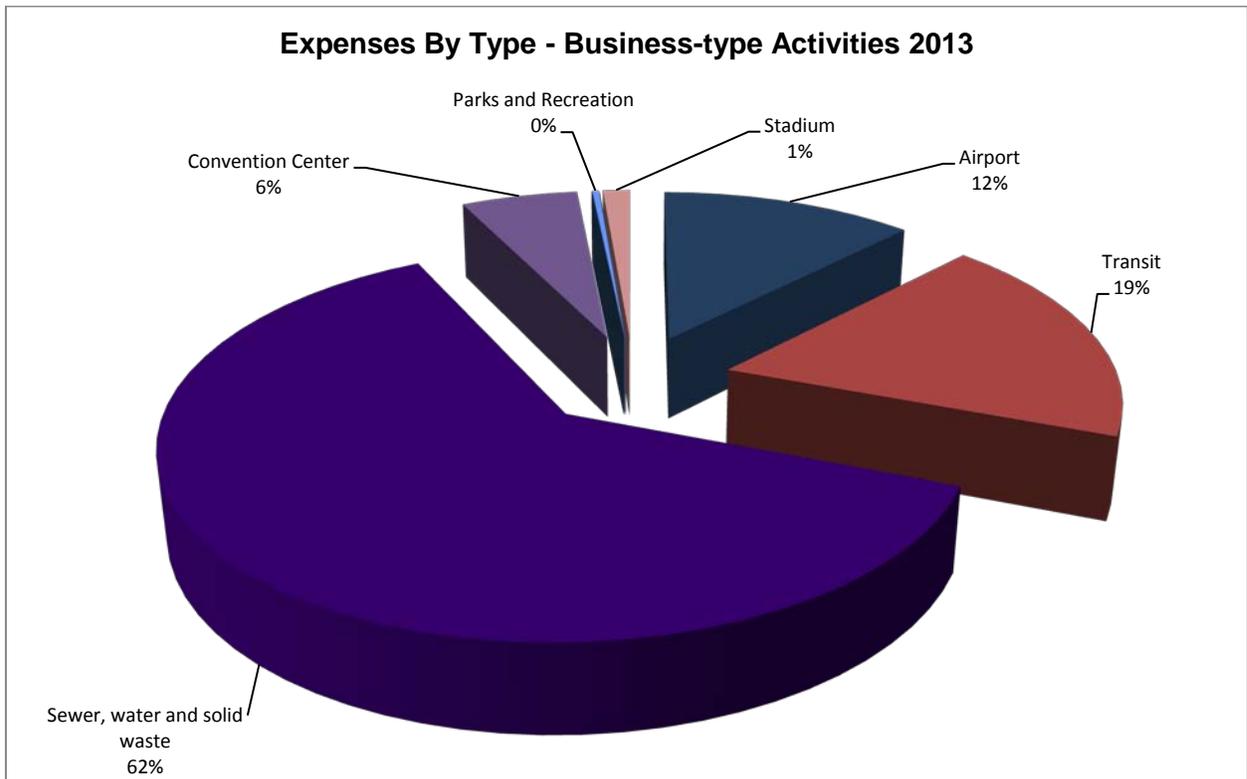
The charts and graphs which follow on the next few pages illustrate the City's business – type/enterprise revenues by source, and its expenses and revenues by function. As can be seen on the following pages, Sewer, Water, Solid Waste and Community Sanitation (which is also reflected in the following charts and graphs as part of Sewer, Water and Solid Waste) is by far the largest business-type activity (function) reflecting the City's greatest overall expenses.



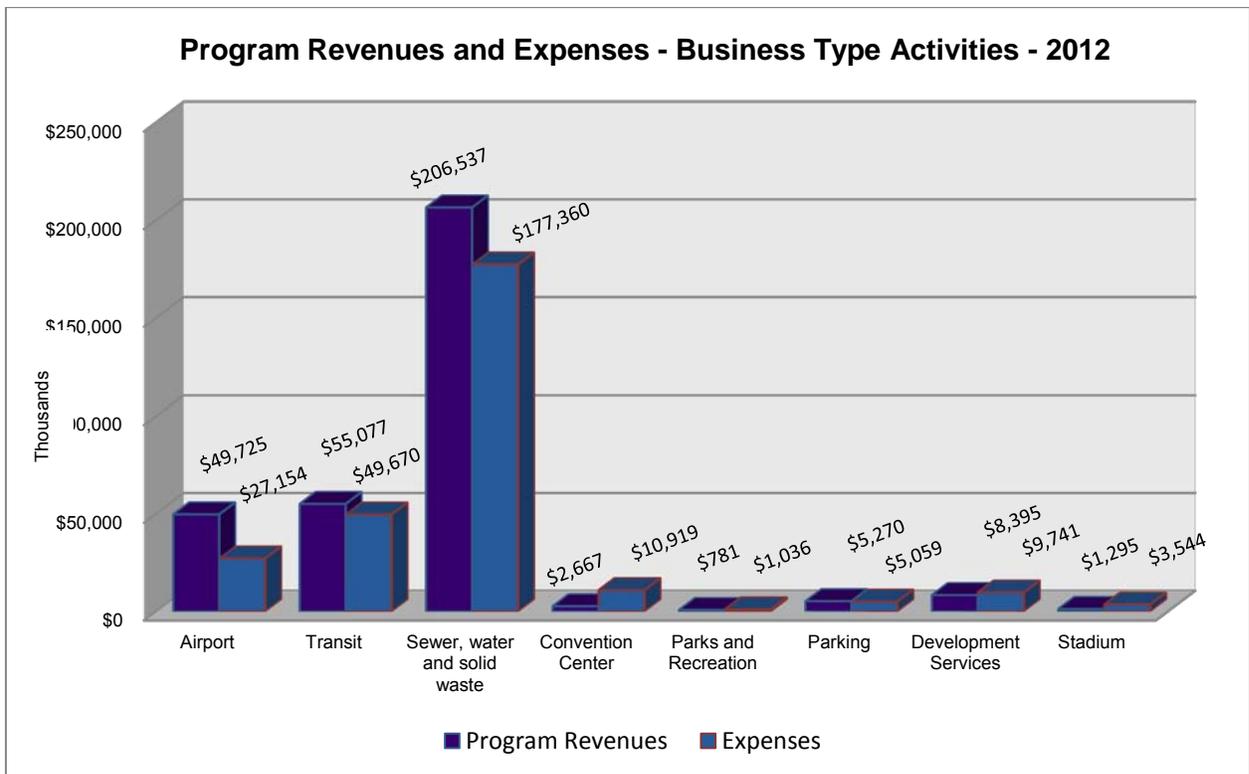
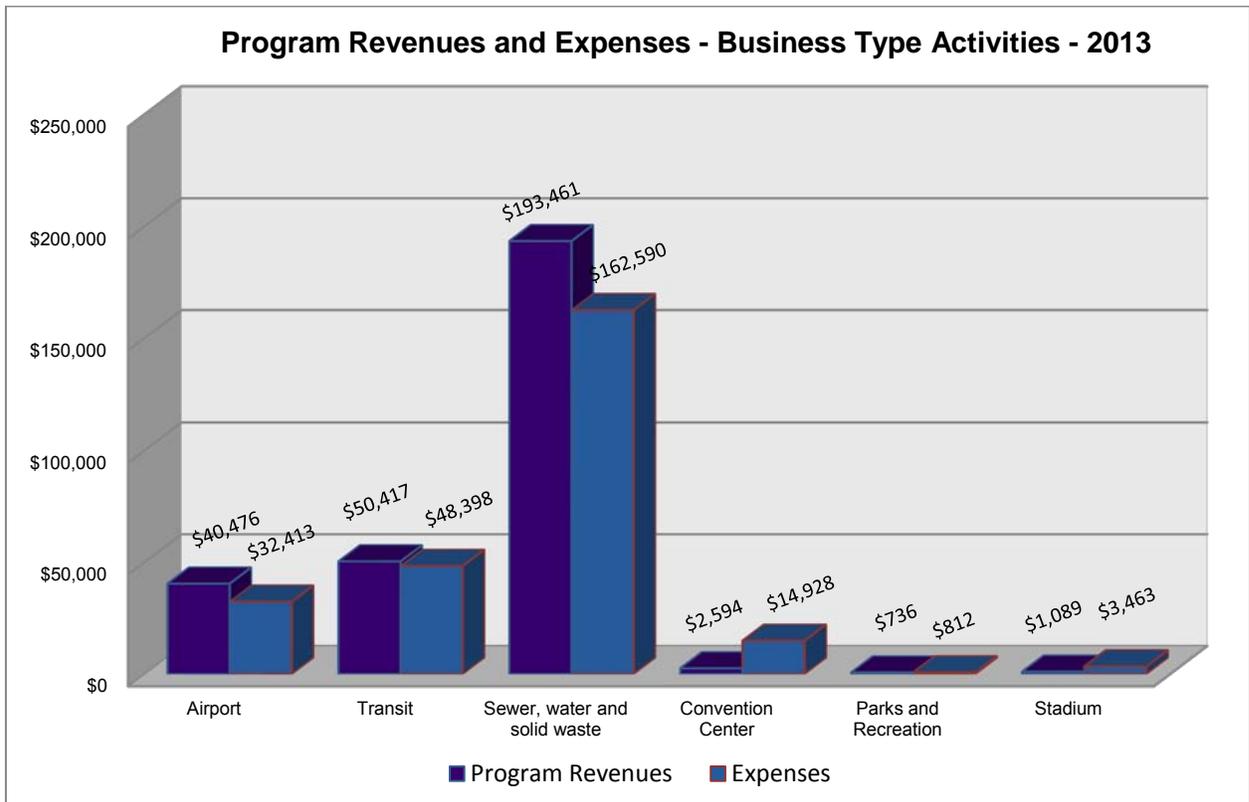
City of Fresno, California
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2013



City of Fresno, California
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2013



City of Fresno, California
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2013



City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The purpose of this section is to provide a summarized recap and comparison of operating results for the City's various fund types.

Governmental Funds

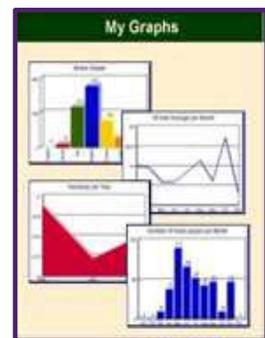
The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds.



Overall in 2013, Governmental Revenues increased from those of 2012. Total Revenues for 2013 were \$342,957,661 as compared to 2012 which was \$330,481,494. The largest increases occurred in Charges for Services and in Capital Grants and Contributions. Early 2013 was still seeing the impacts of foreclosures and the continuing slide of property values. It was not until late 2013 that property values stabilized and began showing indications of slight increases.

While Capital Grants and Contributions increased by \$5.9 million in 2013 primarily in the former Development enterprise operations now a part of the General Fund, Operating Grants and Contributions declined significantly by over \$19.4 million. This was primarily in the area of Public Safety and predominately the direct result of the ongoing wind down of the ARRA dollars that the City had been receiving.

Business Tax continued to reflect growth in 2013 as a result of the City's partnership with Muni Services. Although the City and Muni continued with their ongoing pursuit of businesses not paying business tax as well as aggressively going after those that were delinquent in paying what was due, most new revenue from non-compliant business had been tapped by 2013. The City also continued to see increasing use of its online Business Tax payments portal. This enables businesses in good standing to make more timely payments and as a result provides for faster revenues to the City.



Fiscal year 2013 saw a full year of the results of the City's franchising of its Commercial Solid Waste Operations and bin service. Actual collections in fiscal year 2013 were \$569,438 related to roll-off trash bins and \$3,342,604 related to the Commercial Solid Waste.

The General Fund continues to be required to backfill the debt service on several of its Lease Revenue Bonds particularly for the Convention Center and the Stadium. As a result the General Fund makes contributions toward the Convention Center Bonds, and the Stadium Bonds (Enterprises) in the amount of \$5,979,909 and \$3,105,100 respectively in 2013. In 2013 the

**City of Fresno, California
Management's Discussion and Analysis (Unaudited)**

For the Fiscal Year Ended June 30, 2013

Parking Enterprise was folded into the General Fund and debt service on those bonds is now budgeted for directly in the General Fund. In 2013 that debt service totaled \$2,616,518.

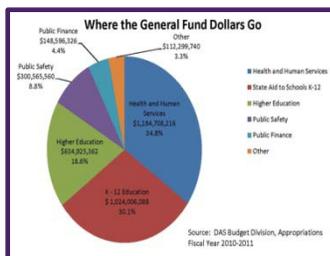
The City continues to look aggressively for ways to reduce costs and has been able to do so except in the area of Employee costs. Collective bargaining agreements continue to hamper the City's ability to achieve some of the budgetary reductions that it seeks. With the rapid attrition of Police Officers in 2013, well beyond what had been anticipated, Public Safety salaries, particularly police were less than what had been anticipated. Payouts and health insurance costs have increased as the retiring officers are too young for MediCal and are staying with the City's health plan much longer, driving up costs. In addition, with fewer officers, as well as staff citywide, workers compensation claims are rising. As long as this trend continues, the City will continue to struggle to rebuild its reserves quickly without major changes in employee Collective Bargaining Agreements, the largest of which for Police does not expire until 2015.

The impact of deferred maintenance is also being felt throughout the City. Nearly all governments have had to defer infrastructure and facility maintenance due to shrinking resources. The City of Fresno is no exception. Every effort is made to invest in maintenance that offers the earliest payback and those that have the highest public benefit.



At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$147,295,594. A deficit (\$14,551,692) of this total amount constitutes unassigned fund balance. Of this amount, a negative (\$9,355,244) relates to the General Fund, and a deficit (\$4,928,587) relates to Grants Special Revenue Funds. The remainder of the fund balance is reserved or bound to observe constraints imposed upon the use of the resources; \$128,535,081 is restricted, \$1,902,776 is committed; \$18,718,929 is assigned and \$12,690,500 is nonspendable. In years prior to 2011, the \$1,902,776 was referred to as the emergency reserve.

At the end of the fiscal year 2012, the City's governmental funds reported combined ending fund balances of \$152,668,915. A deficit (\$7,063,810) of this total amount constituted unassigned fund balance. Of this amount, a positive \$483,340 related to the General Fund, and a deficit (\$7,547,150) related to Grants Special Revenue Funds. The remainder of the fund balance was reserved or bound to observe constraints imposed upon the use of the resources; \$125,274,801 was restricted, \$1,481,011 was committed; \$20,286,413 was assigned and \$12,690,500 was nonspendable. In years prior to 2011, the \$1,481,011 was referred to as the emergency reserve.



Revenues for governmental functions overall totaled \$342,957,661 in the fiscal year ended June 30, 2013. Expenditures for governmental functions totaled \$330,958,768 for the same period. In the fiscal year ended June 30, 2013, revenues for governmental functions exceeded expenditures by \$11,988,893 or more than 3.7% prior to other funding sources. Other funding sources and uses decreased revenue by \$17,372,214 resulting in a net overall decrease in fund balance of (\$5,373,321). Prior to other funding

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

sources and uses, the General Fund provided revenues greater than expenditures in the amount of \$38,030,046, and the Grants Special Revenue Fund had excess revenues over expenditures over of \$1,421,704.

In reviewing financial results for 2013, it is important to keep in mind that the General Fund includes the merged financial results of the six former Internal Service functions and the two former Enterprise operations.

Revenues for governmental functions overall totaled \$330,481,494 in the fiscal year ended June 30, 2012. Expenditures for governmental functions totaled \$322,104,068 for the same period. In the fiscal year ended June 30, 2012, revenues for governmental functions exceeded expenditures by \$8,377,426, or more than 2.6% prior to other funding sources. Other funding sources and uses decreased revenue by \$4,654,985 resulting in a net overall increase in fund balance of \$3,722,441 prior to the governmental extraordinary loss resulting from the Dissolution of the Redevelopment Agency. Including the loss, fund balance decreased by (\$26,303,574). Prior to other funding sources and uses, the General Fund provided revenues greater than expenditures in the amount of \$30,014,954, the Grants Special Revenue Fund had greater excess revenues over expenditures of \$4,346,488, the former Redevelopment Agency Debt Service Fund as a result of the dissolution of all RDAs has now been included with Other Governmental Funds which had a deficiency of revenues over expenditures totaling (\$25,984,016) before other financing sources/uses and the extraordinary loss.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was a deficit (\$9,355,244), while total fund balance was \$6,768,249. Unassigned fund balance represents (104.4%) of total General Fund expenditures of \$214,912,969, while total fund balance represents 3.2% of that same amount.

At the end of fiscal year 2012, the unassigned fund balance of the General Fund was \$483,340, while total fund balance was \$15,044,714. Unassigned fund balance represents (.248%) of total General Fund expenditures of \$194,272,975, while total fund balance represents 7.7% of that same amount.



Although the General Fund Unassigned fund balance decreased in 2013, when compared to 2012, the City's General Fund continued to struggle with short term cashflow issues. At the end of fiscal year 2012, the General Fund was required to temporarily borrow just over \$3.1 million from other funds to cover expenditures in excess of actual cash receipts. Commitments of the General Fund, such as employee MOU provisions, debt service backfill for underperforming Enterprise operations (i.e., the Convention Center and the Stadium among others). While the General Fund was not required to temporarily borrow cash at the end of 2013, by no means would nearly \$1.1 million in unrestricted cash represent excess cash.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the Government-Wide Financial Statements, but with greater detail.

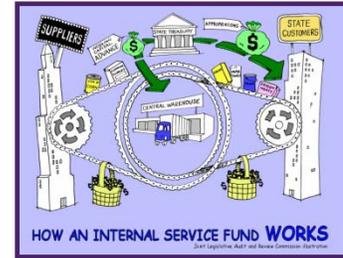
At the end of the current fiscal year, the unrestricted net position for Water, Sewer, and Solid Waste were \$69,987,178, \$132,703,269, and \$26,844,842 respectively. The unrestricted net

City of Fresno, California Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

positions for Airports were \$9,359,514 and for Transit the amount was \$6,033,522. The unrestricted net positions (deficits) for the City's other proprietary funds were as follows: the Convention Center (\$4,667,622), Community Sanitation \$4,849,157, Parks and Recreation \$593,924 and Stadium \$1,924,935.

At the end of the fiscal year 2012, the unrestricted net position for Water, Sewer, and Solid Waste were \$39,127,465, \$111,635,194, and \$29,550,486 respectively. The unrestricted net positions for Airports were \$12,832,344 and for Transit the amount was \$4,908,229. The unrestricted net position (deficit) for the City's other proprietary funds were as follows: Parking, (\$14,953,379); Parks and Recreation \$32,955; the Convention Center (\$5,285,856), Stadium \$933,358 and Development Services with unrestricted net position (deficit) of (\$4,031,941). Community Sanitation reflected unrestricted net position of \$4,031,941. Parks and Recreation, Parking and Development Services were all rolled into the General Fund during fiscal year 2013.



At the end of fiscal year June 30, 2013, Internal Service Funds, which includes General Services, Employees Healthcare Plan and Blue Collar Employees Healthcare Plan had unrestricted net position of \$25,386,962, \$11,227,937 and \$74,235. Billing and Collection and the Risk Management Fund had deficits in unrestricted net position of (\$610,687) and (\$90,283,960) respectively. At the end of fiscal year June 30, 2012, Internal Service Funds, which includes General Services, Employees Healthcare Plan and Blue Collar Employees Healthcare Plan had unrestricted net position of \$19,433,824 \$11,275,053 and \$93,059. Billing and Collection and the Risk Management Fund had deficits in unrestricted net position of (\$417,463) and (\$95,229,712) respectively.

Fiduciary Funds



The City maintains Fiduciary Funds for the assets of the Employee's Retirement System, Special Assessment Funds and City Department and Special Purposes monies. These are all monies or assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals. At the end of fiscal year 2013, the net position of the Retirement System totaled \$1,193,053,930 for Fire and Police and \$1,024,665,557 for all others, representing an increase of \$112,660,522 and \$94,262,832 in total net position in trust since June 30, 2012, respectively. The change is primarily related to the combination of a repaired financial system in the market and a revival in confidence that is helping to stabilize the global investment markets and the increase in market value of the respective Retirement System's investments.

At the end of fiscal year 2012, the net position of the Retirement System totaled \$1,080,393,408 for Fire and Police and \$930,402,725 for all others, representing an decrease of (\$28,818,168) and (\$33,973,779) in total assets since June 30, 2011, respectively. The change is primarily related to the market decline at June 30, related to the instability of the global investments markets and the decline in market value of the respective Retirement System's investments.



City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

The City Departmental and Special Purpose Funds account for City-related trust activity such as payroll withholding, bid deposits, receipts and disbursements for the debt service activity of the special assessments districts.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business type activities before Fiduciary Funds as of June 30, 2013, amount to \$2,190,453,337 (net of accumulated depreciation).



Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, traffic signals, streetlights, and bridges. The net decrease in the City's capital assets for the current fiscal year was approximately 2.3% (a 1.6% decrease for governmental activities, a 0.76% increase for business-type activities) and a 53% increase in fiduciary funds (due to construction in progress) as shown in the table below. Capital assets for June 30, 2012 amounted to \$2,195,388,895 net of accumulated depreciation. The net increase, for 2012, was approximately 2.63% (a 3.2% decrease for governmental activities and a 7.3% increase for business-type activities).

Changes in Capital Assets, Net of Depreciation

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government-Wide</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$234,234,697	\$223,401,810	\$47,395,595	\$54,785,987	\$281,630,292	\$278,187,797
Intangible Water Rights	-	-	15,663,060	15,663,060	15,663,060	15,663,060
Buildings and Improvements	161,284,043	156,855,364	880,883,090	786,697,637	1,042,167,133	943,553,001
Machinery and equipment	21,379,918	24,177,551	28,546,171	33,029,905	49,926,089	57,207,456
Infrastructure	466,069,019	492,623,306	192,152,632	199,438,633	658,221,651	692,061,939
Construction in progress	26,176,729	26,759,897	116,668,383	181,955,745	142,845,112	208,715,642
Total	\$909,144,406	\$923,817,928	\$1,281,308,931	\$1,271,570,967	\$2,190,453,337	\$2,195,388,895

Major capital asset events during the fiscal year ended June 30, 2013, some of which were in progress during the fiscal year ended June 30, 2012, included the following:

- **Wastewater Projects – Digester Dome Rehab and Digester Gas Conditioning**



This project was to design, construct and replace a failed digester floating dome system and increase methane gas storage capacity. In addition, it included the rehabilitation on a leaking digester domes so as to contain all fluids and gases that relate to the wastewater digestion process and maintain compliance with current laws and regulations. The project adds gas conditioning systems to minimize damage to gas turbines resulting from low quality digester gas. The system cleans digester gas produced as a by-product of the wastewater treatment process. This gas provides a source of renewable energy to generate

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

electricity and heat for the wastewater plant. The gas must be clean to meet recently adopted air emission requirements for the existing combustion gas turbines. With proper conditioning, digester gas can also be used to power fuel cells, compressed/liquefied natural gas vehicles or converted to ethanol. Capitalized project costs in fiscal year 2013 were \$8,970,300 for digester dome rehabilitation and \$10,921,400 for digester gas conditioning.

- **Fats, Oil and Grease (FOG) Receiving Facility Improvements**

Projects consist of construction of a facility to receive grease to produce renewable energy. The station will receive fats, oil and grease from sources such as restaurant grease traps or rendering facilities and then be introduced to the anaerobic digesters at the Wastewater Treatment Plant. The grease material is expected to significantly increase gas production. This project was capitalized at a cost of \$5,118,800.



- **Various Sewer Improvement Projects**

This project consists of rehabilitating structurally insufficient sewer trunklines. The Sewer Master Plan identified six construction units considered to be in moderate condition or in need of extensive repair. Based upon the assessment of these midsized sewers, the timing for repair was prioritized. Repairs and restoration ranged in cost from \$261,270 to \$1,741,800 with over \$8 million completed in fiscal year 2013.

- **Water Projects – Residential Water Meters and Water Telemetry Equipment**



Installation of residential water meters began in fiscal year 2009. Acquisition of meter equipment, including a fixed automated meter reading (AMR) system and the full installation contract was awarded in fiscal year 2010 with completion by the mandated deadline of December 31, 2012. The total cost was estimated to be \$88.5 million for the installation of meters on more than 110,000 single-family residences. The project was completed on time and under budget. At June 30, 2013, \$82,897,500 was capitalized for the residential

water meter program.

The water telemetry system is a wireless communication system that allows staff to remotely monitor and control the water system. This five year plan includes adding chlorine level monitoring probes to all chlorine tanks which will increase delivery efficiency and reduce overtime associated with the delivery of chlorine. The five year plan also includes the replacement of the SCADA system (Supervisory Control and Data Acquisition system). Upon full completion, the system improvements will increase operational efficiencies and reduce power and maintenance costs.

- **Fire Station Improvements**

During fiscal year 2013, \$9,584,400 in various fire station improvements were completed and placed in service. The work consisted of renovations which included structural repairs, parking lot and landscaping repairs, interior remodels and replacement of old fuel



City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

tanks. Construction also included American with Disabilities (ADA) modifications, security gates, fencing and lighting as well as installation of power generators and apparatus bay exhaust systems.

- **Airports – FYI Commercial Aviation Ramp (East Side) Reconstruction**



The FYI airport project consisted of reconstruction of the FYI East Side commercial aviation ramp. The reconstruction will provide airlines with a “like new” ramp on which they park their aircraft that serve the Fresno Yosemite International Airport. The capitalized cost was \$5,961,800. Other airport improvements included repairs and improvements to parking booths, the lot canopy and parking lot office building were all capitalized for \$728,800.

At June 30, 2013 the City had commitments for the following major construction projects:

Project Title	Construction Costs To Date
Governmental:	
General Street Projects	\$ 23,305,175
Regional Park Improvements	2,226,593
Other Miscellaneous Projects	644,961
Total Governmental	\$ 26,176,729

Project Title	Construction Costs To Date
Business-Type:	
Water Capital Projects	\$ 42,984,932
Sewer/Wastewater Capital Projects	27,067,062
Airports Capital Projects	42,569,181
Transit Capital Projects	4,047,208
Total Business-Type	116,668,383
Total Construction In Progress	\$ 142,845,112

Debt Administration

At the end of the current fiscal year, the City had total long-term bond obligations, notes, and leases payable outstanding of \$922,960,154. Of this amount, \$160,285,000 is obligation bonds, backed by the full faith and credit of the City and \$569,396,888 is revenue bonds and notes of the City's business enterprises. The remaining \$193,278,266 includes lease revenue bonds, notes and capital leases for general governmental projects.

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

During fiscal year 2013, the City's total bonded debt decreased by \$32,067,592. This decrease was from normal debt service payments.

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens and investors. A comparison of these indicators follows:

	<u>FY2013</u>	<u>FY2012</u>	<u>FY2011</u>
General Bonded debt (Par Amount)	\$ 160,285	\$ 166,275	\$ 171,935
General Bonded debt per capita	\$ 315.24	\$ 329.25	\$ 343.79
Debt service tax rate per \$100 taxable valuation	\$ 0.59	\$ 0.61	\$ 0.61

Although the City's Charter imposes a limit on the amount of general obligation bonds that the City can have outstanding at any given time to 20% of assessed value of property in the City, the City recognizes that debt of that magnitude cannot be supported with its current tax base and as such is very cautious about issuing general obligation debt. Currently, there are no general obligation bonds outstanding.

The three Rating Agencies continue to monitor the City's fiscal stability, most importantly its



General Fund reserves. One after the other, each Agency downgraded the City's "Issuer Rating" in early fiscal year 2012. Fitch was the first on July 2, 2012 to downgrade the City's implied general obligation (GO) bond rating from "A" to "A-" and its Lease Revenue Bond rating from "A-" to "BBB+". In addition they revised the City's rating outlook from Stable to Negative. On July 23rd Moody's also downgraded the City's bond ratings and maintained a negative outlook. Standard & Poor's followed suit on August 17th

by also downgrading the City's bonds and also maintaining a negative outlook. The round of downgrades began again in November 2012 but on November 6, 2013 Fitch affirmed the City's implied GO rating at BBB+ (no additional downgrade) leaving the outlook at negative and also affirmed the City's Lease Revenue Bond Rating at BBB/BBB- also leaving the outlook at negative. This represented the first time in several ratings reviews that the rating did not decline further. Standard and Poor on December 7, 2013 under its new ratings criteria lowered the City's issuer credit (GO) from BBB to BBB- and its underlying rating (Lease Revenue Bonds) from BBB- to BB+, however it revised the outlook from negative to stable. The table below provides an overview of bond rating activity for the past several years.

Bond Ratings as of January 2014 were as follows:

Rating Agency	Prior Rating	Prior Outlook	2012 Rating	2012 Outlook	2013 Rating	2013 Outlook	2014 Rating	2014 Outlook
Lease Revenue Bonds								
Fitch	A-	Stable	BBB+	Negative	BBB/BBB-	Negative	BBB/BBB-	Negative
Standard & Poor's	A-	Negative	BBB-	Negative	BBB-	Negative	BB+	Stable
Moody's	Baa1	Negative	Baa2	Negative	Ba1/Ba2	Negative	Ba2/Ba3	Stable
General Obligation (GO)								
Fitch	A	Stable	A-	Negative	BBB+	Negative	BBB+	Negative
Standard & Poor's	A	Negative	BBB	Negative	BBB	Negative	BBB-	Stable
Moody's	A2	Negative	A3	Negative	A3	Negative	Baa1	Stable

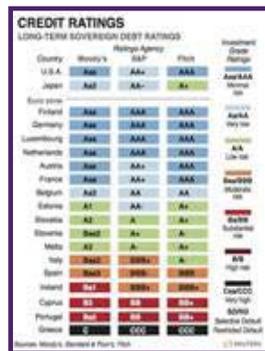
City of Fresno, California
Management’s Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Additional discussion related to Rating Agency comments can be found in Note 16 to the Financial Statements under Subsequent Events.

All three of the Agencies continue to cite similar concerns related to their reasons for the ratings. First and foremost for the Agencies was their ongoing concern related to the City’s weak budgetary performance and limited flexibility due to closed contracts particularly related to Police contracts. They noted that while the City ultimately proposes measures to close budgetary gaps, these are fragile at best and continue to be perceived to be speculative by the rating agencies. While they all acknowledged the City’s ongoing active management of fiscal performance, such as the Fiscal Sustainability Policy (FSP), they note that the City has little revenue raising flexibility and that practical options for achieving budgetary balance continue to rely heavily on employee compensation reductions which is a significant challenge given that the largest existing contract (Police) offers raises and job protection through June 2015 with no formal re-openers.

Also noted as key rating triggers was the City’s still depleted unrestricted general fund balance, weak economy and its going concern designation in the 2012 Audit Opinion. All agencies noted that a worsening budget imbalance during fiscal year 2014 or an inability to achieve balanced operations would continue to limit the City’s ability to improve its ratings and would even put downward pressure on the City’s ratings.



These ongoing downgraded credit ratings would cost the City money due to higher interest costs if the City were to try to issue additional bonds. It has impacted the City with respect to downgrades in its ratings on its Utility Bonds due to the General Fund having to borrow from Water and Community Sanitation to fill the Parking deficit. In addition the downgrades are costing the City more time and costly interaction and reporting to vendors and other business partners who in the past were comfortable with annual reporting in the form of the City’s CAFR. The Agencies acknowledge the policies put into place such as the Reserve Management Act they are watching very closely to see if the City is willing to make the ongoing commitments to resolve the City’s financial health issues.

The City’s General Fund issues have also had an impact on other Enterprise related debt. The City has other rated debt activity as follows:

Rating Agency	Prior Rating	Prior Outlook	2013 Rating	2013 Outlook	2014 Rating	2014 Outlook	Date of Change
<u>Airport</u>							
Fitch	BBB	Stable on Credit Watch	BBB	Stable	BBB+/BBB	Stable	8/2013
<u>Sewer</u>							
Fitch	AA and AA-	Stable	Affirmed	Negative	Affirmed	Affirmed	11/06/2013
Standard & Poor’s	AA	Stable	AA+	Stable			12/28/2011
Moody’s	Aa3	Stable	A1	Stable			12/10/2012
<u>Water</u>							
Fitch	AA and AA-	Stable	Affirmed	Negative	AA and A+	Negative	11/06/2013
Standard & Poor’s	A-	Stable	A	Stable			12/19/2012

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Debt Compliance

There are a number of limitations, restrictions and covenants contained in the various loan, note and bond indentures. While the City believes it is in compliance with all significant limitations, restrictions, and covenants the City may have technically missed the 270 day continuing disclosure filing deadline with respect to its Airport 2000, Airport 2007, Street Light Acquisition Project 2002 and Water 2003 bonds. The Continuing Disclosure Certificate requires and Annual Report to be disseminated within 270 days after the end of the City's fiscal year. The City's fiscal year ends on June 30th. The City disseminated its Annual Report for fiscal year 2012 on March 29, 2013.

Legal Debt Limit and Legal Debt Margin



Article XVI, Section 18 of the California Constitution, (the “debt limit”) prohibits cities (including chartered cities), counties and school districts from entering into indebtedness or liability that in any year exceeds the income and revenue provided for such year unless the local agency first obtains two-thirds voter approval for the obligation. This general limitation has several important exceptions as described below. It is important to remember that this limitation applies not only to traditional bonds, but could apply to many forms of indebtedness or liability, such as installment payment obligations, long-term service or construction contracts, letter-of-credit reimbursement agreements and other types of arrangements commonly seen in public finance transactions.

In determining whether the arrangement under consideration might pose a problem under the debt limit it is useful to ask the following questions:

- Does the arrangement provide for payment in future fiscal years that comes out of revenue generated in those years?
- Does the arrangement call for payments by a city, County, or school district (as opposed to other types of governmental agencies)?

If the answer to these two questions is “yes”, then the analysis should proceed to determine if one of the exceptions to the debt limit applies. There are three major exceptions to the debt limit that have been recognized by California courts – the Offner-Dean lease exception, the special fund doctrine, and the “obligations imposed by law” exception.

As of June 30, 2013, the City's debt limit (20% of valuation subject to taxation) was \$5.39 billion. This is in comparison with debt limits of \$5.47 billion in 2012. The City's legal debt margin is equal to the City's limit because it has no debt subject to the limitation.

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond, and lease revenue bond issues subject to the arbitrage rebate requirements and has deferred credits and other liabilities in the governmental funds. Each Enterprise Fund has performed a similar analysis of the debt that the respective enterprises have issued which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the Enterprise Funds, if there was any, would be recorded as a liability in the respective Fund. In addition, the Successor to the Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities. At June 30, 2013 an Arbitrage liability of \$183,626 was accrued on the Sewer System Revenue Bonds (1993 Series A) and a rebate liability of \$6,486 in the Fiduciary fund of the Successor Agency to the RDA.



Special District Debt



The City is not obligated in any manner for the Special District debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent, and initiating foreclosure proceedings, if appropriate. Special District debt payable to bondholders was \$4,385,596 at June 30, 2013 as compared to \$4,513,622 at June 30, 2012.

Additional information on the City of Fresno's long-term obligations can be found in Note 7, pages 135-151 of this report.

General Fund Budgetary Highlights

All budgets are created at a specific point in time, before the revenues and appropriations they contain are actually realized. They are built on assumptions as to the level of revenue that will be received and the level of expenditures that will occur. The adopted General Fund Budget for fiscal year 2013 reflected the very critical choices that had to be made regarding the next fiscal year given the information that was available at that time. The Budget was developed with an eye on attaining fiscal sustainability as well as attempting to minimize additional impacts to public services. Over the previous three years, painful cost cutting measures of every kind were made in every department all of which had an impact on the City's ability to provide public services. In spite of these actions, going into fiscal year 2013, the General Fund continued to face an ongoing forecasted imbalance between ongoing revenues and ongoing expenditures.

In the course of analyzing the City's fiscal condition, a calculation was made of the dollar amount of ongoing, permanent expenditure reductions that would be necessary to achieve the financial



City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

outcomes that would be necessary to achieve the financial outcomes dictated by the Fiscal Sustainability Plan; this amount totaled \$12 million. This dollar reduction was the basis for building the General Fund's five-year projection which resulted in a balanced budget through fiscal year 2017 given revenue and expenditure projections based upon currently know trends and information.

On May 29th the Administration presented its Proposed Fiscal Year 2013 Budget which identified the need for \$12 million in reductions to help address the overall anticipated General Fund shortfall projected at \$16 million. The Proposed Budget outlined \$12 million in salary concessions. Discussions with all labor units, both those with open contracts as well as those with closed contracts did not result in agreement on the \$12 million. Consequently, the Administration brought forward a revision to the Proposed Budget on June 26, 2012 as outlined below. The Adopted Budget was ultimately balanced using the assumptions that the City would achieve the necessary expenditure reductions and revenue enhancements approved in the revised 2013 Budget.

Mayor's Proposed and Adopted Budget Revisions – Fiscal Year 2013		
Revenue	Projected	Realized
Increase in Sales Tax	\$1,000,000	\$3,700,000
Increase in Property Tax	0	600,000
Increase in Charges for Services	0	1,700,000
Increase in Residential Solid Waste Franchise	1,000,000	0
Retirement Fund Contribution Credit	1,400,000	0
Reduction in Deficit Recovery Transfer	1,300,000	1,300,000
Expenditure		
Concessions (FPOA/open contracts)	4,700,000	0
Police Officer Attrition	600,000	1,000,000
Administration Savings	1,000,000	3,300,000
Risk Fund Reduction	1,000,000	1,000,000
Total Proposed Revision	\$12,000,000	\$12,600,000

Sales Tax

The Adopted Budget for Fiscal Year 2013 projected sales tax revenue of \$71.3 million. The amount of sales tax revenue actually received through June 30, 2013, was \$74.7 million (\$56.5 million shared revenues and \$18.2 million in-lieu). This was reflective of the slow gradual rebound of the economy.

Property Tax

Property Tax revenue for fiscal year 2013 was projected to be \$99.4 million, making this the largest single General Fund resource. This amount represents the combination of Property Tax and Property Tax revenues received in-lieu of MVLP. The projection for fiscal year 2013 represented no growth over the estimated fiscal year 2012 estimated revenues. Upon consideration of all Property Tax categories and evaluation of the most recent Assessed Value information available at the time the budget was adopted, and given the continuing sluggishness of the property markets both locally and nationwide at the time, the determination was made that the projection for fiscal year



**City of Fresno, California
Management's Discussion and Analysis (Unaudited)**

For the Fiscal Year Ended June 30, 2013

2013 should be held at a status-quo growth level. The actual amount realized for fiscal year 2013 was \$100 million.

Other Revenues

Business Tax and Room Tax/Transient Occupancy Tax (TOT) had mixed results in 2013 when compared to budgeted amounts. Business Tax came in \$311,213 less than budgeted and Room Tax exceeded budget by \$368,398. The Business Tax revenues initially improved dramatically when the City contracted with MuniServices, LLC to aggressively audit and follow-up with those businesses that are not in compliance. Now that most are compliant, the large increases as had been anticipated are not continuing. The TOT continues to improve as the travel and convention industry appears to be continue to recover.



Overall, revenue performance in the remaining account objects ended the fiscal year generally as predicted or better than had been anticipated. These outcomes are not considered material or indicative of trends that necessitate current budgetary projection adjustments.

Expenditures

On the expenditure side, the City incurred cost increases over the past several years while its revenues had been shrinking. These costs included employee compensation and benefit cost increases, rising property and health insurance costs, greater unemployment insurance rates and increasing contributions to the retirement funds. The City began the contraction of its General Fund expenditures with mid-year adjustments in fiscal year 2009 and continued to cut expenses through the fiscal year 2013 annual budget process. Although revenues began increasing in fiscal year 2013 better than had been anticipated, expenditures were not increased proportionately due to the uncertain nature of the economy. As a result the fiscal year ended with excess revenues greater then expenditures than had been anticipated.



The Budget for 2013 continued to reflect staffing neighborhood centers with Community Based Organizations, and not filling police officer vacancies as the positions attrited. Additional measures taken in 2013 included consolidating departments, deferring equipment purchases and monitoring deployment in the Fire Department to reduce overtime.

General Fund revenues were \$22,764,966 over budget estimates whereas expenditures were \$16,133,248 over budget estimates. General Fund revenues and expenditures were conservatively estimated when the 2013 Budget was built in May 2012. Fiscal year 2013 began showing signs of slow economic recovery and toward the end of the fiscal year even more recovery was taking place. The greatest change in budgeted expenditures was in the area of Transfers to Other Funds. When the 2013 Budget was built, while it took into consideration the revenues and expenditures associated with the merger of six former Internal Service functions and two Enterprise operations, it did not give consideration to the impact of closing out the current assets and liabilities associated with the mergers which flowed through Transfers to Other Funds. There were various accounts that exceeded budget however, overall revenues and expenditures were within appropriation authority and within projected expenditures for the

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

year. A summary of the major budget to actual variances within each category group can be seen as follows:

Comparison of Revenues and Expenditures – Budget to Actual / General Fund					
	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over/ (Under)</u>	<u>Explanation</u>
Revenues					
Sales and Use Tax	71,342,400	71,342,400	75,052,860	3,710,460	Budget estimates were conservative in May 2012 when the Budget for 2013 was built. Actual receipts were better than what had been projected.
Other Taxes	40,179,500	40,179,500	39,019,836	(1,159,664)	Business Tax, Card Room receipts and Franchise Taxes were less than had been anticipated from when the Budget was built.
Fines and Violations	4,972,000	4,972,000	3,626,509	(1,345,491)	With the ongoing attrition of Police Officers, focus was moved away from non-violent crimes to gang violence and other violent crimes. Fewer citations were written. Reduced staffing also impacted aggressive collection of fines and violation citations
Use of Money and Property	427,400	427,400	1,881,171	1,453,771	Interest earnings on Property Tax revenues collected by the County earned until the revenues were paid to the City. Budget estimates were very conservative.
Miscellaneous	17,105,400	17,785,300	20,472,894	2,687,594	Revenues from Commercial Solid Waste Franchise Fees and Roll Off Bins came in better than has been anticipated and Budgeted for and with the slow but positive increase in the economy, building permits and fees were also greater than what had been anticipated at the time the Budget was built.
Transfers from Other Funds	1,232,300	1,742,300	17,261,241	15,518,941	The Budget did not include the advances from Commercial Solid Waste and Water to the General Fund at the end of fiscal year 2013 made to address the accumulated Parking Fund deficit. Monies were transferred to the General Fund to cover the deficit with the General Fund to repay to advances over a period not to exceed five years.
Expenditures					
Other General Government	16,188,600	16,463,600	18,242,159	1,778,559	Expenditures that were budgeted for but not realized in various General Fund areas made funds available for use in alternative but allowable areas.
Public Ways & Facilities	7,991,500	8,610,500	6,822,659	(1,787,841)	Expenditures were down in nearly all categories but primarily in payroll. Previous staffing cuts continued to delay projects longer than had been anticipated.
Transfer to Other Funds	24,939,500	25,289,500	42,546,933	17,257,433	The Budget did not take into consideration the accounting necessary to reflect the impact of the merger of the six former Internal Service functions and the two former Enterprise operations into the General Fund. Actual Transfers Out include \$16,613,099 related to the mergers not taken into consideration by the Budget.

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

Comparison of Revenues and Expenditures – Budget to Actual / Grants Special Revenue					
	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over/ (Under)</u>	<u>Explanation</u>
Revenues					
Federal Grants – Allocation & Entitlement and Home	46,267,600	49,110,100	18,489,912	(30,620,188)	Most of the City's Grants are budgeted based on the entire award of grants in their year of award. There may not however be the ability to spend the full appropriation in the first year. As reimbursements come in, budgeted revenues and appropriations are reduced to reflect the amount of the award remaining. Actual expenditures during any given year should match actual revenues during the same year with the only exception being those that were expended near the end of the year. These expenditures are reimbursed during the following year, creating a timing difference between revenues and expenditures.
State Grants	19,761,000	30,754,200	8,523,113	(22,231,087)	
Local Support	2,356,600	2,452,600	1,428,968	(1,023,632)	
Miscellaneous	79,700	4,599,700	3,021,683	(1,578,017)	
Expenditures					
Public Protection	7,435,900	10,338,800	7,240,125	(3,098,675)	Several factors impacted expenditures in 2013. In some instances the projects were delayed due to lack of staffing, delays in finalizing contracts with outside agencies occurred and in other instances the budgets were built based on projected revenues that did not come in as anticipated. Finally, in some instances the projects simply changed during the year.
Public Ways & Facilities	5,668,000	9,186,500	3,953,956	(5,232,544)	The delay in Grant reimbursements resulted in the department having to make cuts where possible in order to maintain cash flow. The largest reductions were in employee costs and reduction in outside services which delayed numerous projects particularly in the area of road repairs.
Community Development	26,836,400	31,459,900	11,266,837	(20,193,063)	Appropriations are based on the amount awarded (see explanation for Revenues above).
Capital Outlay	37,643,900	45,307,800	13,664,924	(31,642,876)	The depressed economy and staff reductions continued to delay projects that in turn delayed acquisition of land, equipment and contract construction costs.
Transfers to Other Funds	-	151,000	1,234,895	1,083,895	Transfers is the mechanism used to "true up" the use of Grant provided funding and City provided funding upon the completion of capital projects. Until such time as a project is finalized and closed out, it is difficult to reconcile all project costs. Fiscal year 2013 saw the end of many Grant funded capital projects and as a result, a great deal of analysis was performed in order to close out completed capital projects and to appropriately reflect proper funding sources.

Conclusion



emergency reserve funds.

The City of Fresno's fiscal condition continues to be the subject of much discussion in the financial news media. With the bankruptcy filings of the cities of Stockton and San Bernardino, considerable attention has been and continues to be placed on Fresno with multiple credit downgrades resulting. The City continues to make strategic decisions to 1) resolve a serious short term cashflow problem (including repaying negative fund balances), 2) to match future spending to available revenues, and 3) to rebuild citywide

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

While the City's Comprehensive Annual Financial Statement continues to receive a "Going Concern" emphasis paragraph in the Independent Auditors Report, this does not predict further financial trouble. Rather it cautions interested parties that the City's financial condition should be watched closely.

The Budget for 2014 and beyond continues to focus on setting a course to restore the City's fiscal health and credit rating; achieve spending and minimum financial reserve targets; adopt policy frameworks for future fiscal management and labor relations decisions and looks for ways to identify options for savings in employee compensation and other operating costs. The City's weak financial condition, in particular its cashflow challenges continue to be a top priority. The Mayor, City Council and City Management continue to address the fiscal dangers identified in fiscal year 2012 associate with:

- Lack of General Fund and Other Fund Operating or Emergency Reserves
- Negative Fund Balances
- No Cushion for Operating Deficits
- Heavy Debt Service Loads
- Increasing Compensated Absence Liability
- Increasing Other Post Employment
- Potential Underfunded Risk/Liability Fund
- Overall Credit Rating Risk

While many of these concerns still exist and will continue to until new employee contracts can be adopted, progress is being made on some with strategies existing to address all. The City has made progress in reducing the size of its negative fund balances, the Parking Fund in particular. The advances from Commercial Solid Waste and Water in the amount of nearly \$15 million dollars at the end of fiscal year 2013 has already been paid back by more than \$5.9 million as of the date of these financial statements. Although compensated absence totals have grown and the OPEB liability has risen, as more contracts are expiring, the City will seek relief in ongoing employee negotiations. The City is receiving redistributed tax increment payments resulting from the elimination by the State of Redevelopment Agencies greater than had been anticipated.

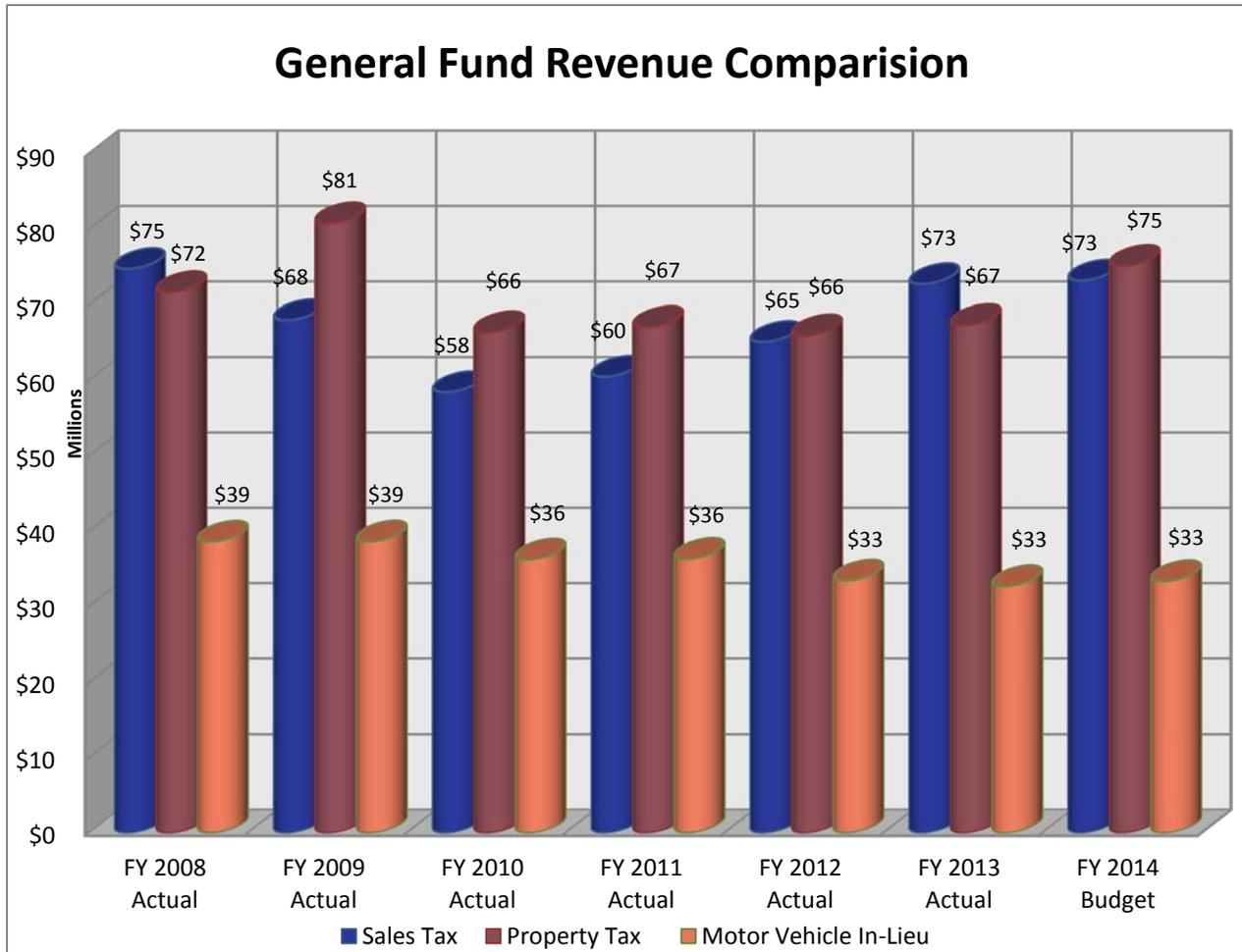
Ongoing hard work and difficult decisions by the Mayor, Council and City Management, in conjunction with City employees has aided the City in continuing to provide key services to the public, even during these difficult economic times. The City of Fresno has made and will continue to make adjustments in order to maintain a balanced budget. Even though ongoing difficult decisions lie ahead, the City of Fresno is making the decisions that will allow it to emerge from these difficult economic times as a stronger, leaner and more effective municipal government. The City will live within its means but not retreat from excellence in the quality and reliability of the services it provides to the public.

City of Fresno, California
Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

GRAPHIC DEPICTION OF MAJOR REVENUE SOURCES

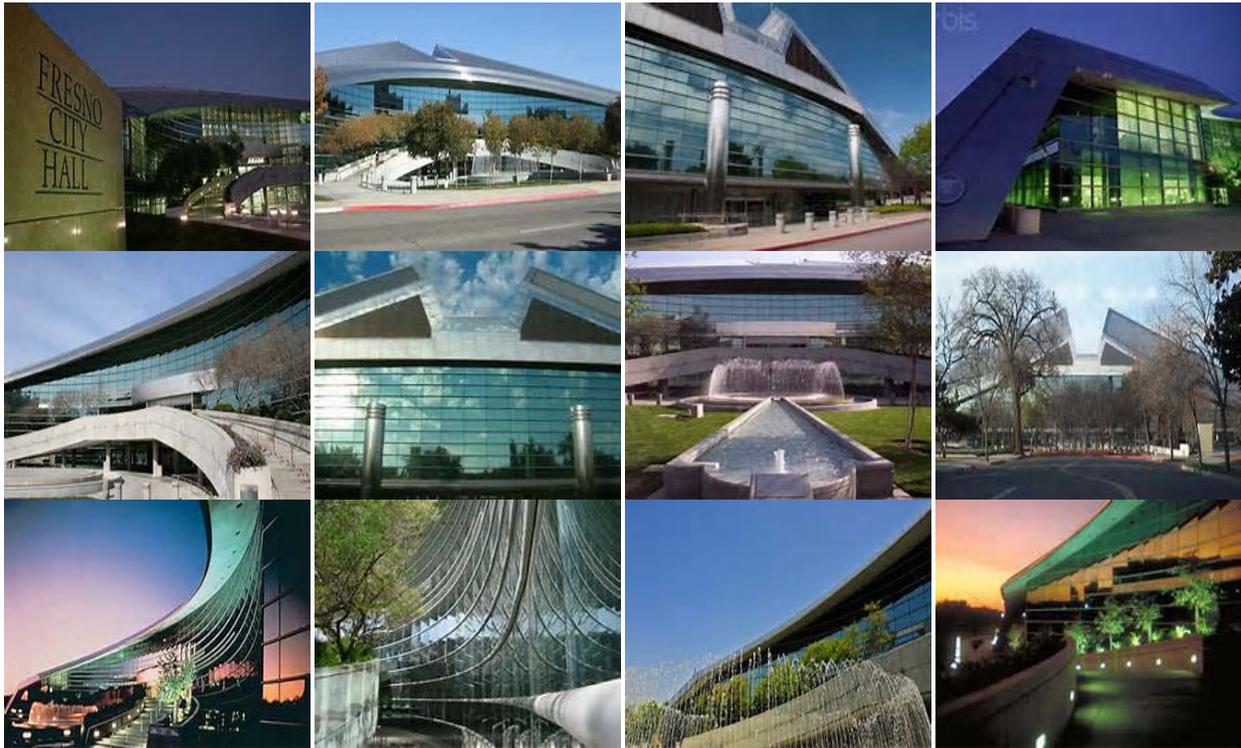
The chart below is a graphically depiction of the major General Fund revenue sources and the trends in those revenues on an actual basis as well as the estimated figures used for the fiscal year 2014 budget build.



REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below is the contact for questions about this report or requests for additional financial information.

City of Fresno



Office of the Controller/Finance Department
2600 Fresno Street, Room 2156
Fresno, California 93721-3622
Or contact us at

www.fresno.gov

This page intentionally left blank.

CITY OF FRESNO, CALIFORNIA

*Comprehensive Annual
Financial Report* **2013**

For the fiscal year ended June 30, 2013

Government-Wide Financial Statements



www.fresno.gov

This page intentionally left blank.

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET POSITION

JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Fresno Cultural Arts Properties
Assets				
Cash and Investments	\$ 119,176,581	\$ 174,141,191	\$ 293,317,772	\$ 624,806
Receivables, Net	59,831,129	37,208,696	97,039,825	294,038
Internal Balances	14,014,547	(14,014,547)	-	-
Inventories	835,948	5,022,615	5,858,563	-
Prepays	371,545	444,593	816,138	-
Deferred Charges	3,960,260	7,082,718	11,042,978	-
Property Held for Resale	10,555,051	-	10,555,051	-
Restricted Cash	13,095,078	246,198,043	259,293,121	-
Restricted Grants and Interest Receivable	-	7,831,488	7,831,488	-
Loans, Notes, Leases and Other Receivables, Net	62,622,298	48,884,960	111,507,258	-
Capital Assets:				
Land and Construction in Progress Not Being Depreciated	260,411,426	179,727,038	440,138,464	449,229
Facilities Infrastructure and Equipment Net of Accumulated Depreciation	648,732,980	1,101,581,893	1,750,314,873	12,494,266
Total Assets	1,193,606,843	1,794,108,688	2,987,715,531	13,862,339
Liabilities				
Accrued Liabilities	23,506,635	26,769,861	50,276,496	30
Unearned Revenue	3,266,156	59,811,322	63,077,478	231,250
Deposits from Others	13,927	14,181,976	14,195,903	-
Other Liabilities	-	10,176,818	10,176,818	-
Long-term Liabilities:				
Due Within One Year	46,795,007	21,757,886	68,552,893	-
Due in more than one year	496,205,445	611,972,309	1,108,177,754	16,660,000
Total Liabilities	569,787,170	744,670,172	1,314,457,342	16,891,280
Net Position				
Net Investment in Capital Assets	733,961,193	829,455,733	1,563,416,926	(3,716,505)
Restricted for:				
General Government	20,870	-	20,870	-
Public Protection	3,805,021	-	3,805,021	-
Public Ways and Facilities	40,287,101	-	40,287,101	-
Culture and Recreation	1,589,128	-	1,589,128	-
Community Development	78,012,535	-	78,012,535	-
Emergency Reserve	1,902,776	-	1,902,776	-
Unrestricted (Deficit)	(235,758,951)	219,982,783	(15,776,168)	687,564
Total Net Position (Deficit)	\$ 623,819,673	\$ 1,049,438,516	\$ 1,673,258,189	\$ (3,028,941)

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General Government	\$ 34,308,335	\$ 18,633,633	\$ 696,208	\$ -
Public Protection	190,049,388	20,923,613	8,813,005	1,860,763
Public Ways and Facilities	69,771,300	16,668,683	15,170,183	29,917,420
Culture and Recreation	16,704,386	3,021,517	380,419	3,845,110
Community Development	26,280,131	19,528,604	11,579,353	-
Interest on Long-term Debt	21,036,622	-	-	-
Total Governmental Activities	358,150,162	78,776,050	36,639,168	35,623,293
Business-type Activities				
Water System	60,749,272	71,667,204	-	938,562
Sewer System	63,735,985	76,324,086	-	5,417,334
Solid Waste Management	30,256,906	29,796,950	207,465	-
Transit	48,397,641	11,054,029	37,398,148	1,965,831
Airports	32,413,235	23,328,775	3,244,625	13,902,349
Fresno Convention Center	14,927,945	2,594,417	-	-
Community Sanitation	7,848,010	9,108,072	-	-
Parks and Recreation	811,754	736,289	-	-
Stadium	3,462,985	1,088,568	-	-
Total Business-type Activities	262,603,733	225,698,390	40,850,238	22,224,076
Total Primary Government	\$ 620,753,895	\$ 304,474,440	\$ 77,489,406	\$ 57,847,369
Component Unit				
City of Fresno Cultural Arts Properties	\$ 1,500,060	\$ 375,000	\$ -	\$ -

General Revenues:
 Taxes and Licenses:
 Property Taxes
 Sales Taxes - Shared Revenues
 In Lieu Sales Tax
 Franchise Taxes
 Business Tax
 Room Tax
 Other Taxes
 Investment earnings
 Gain on sale of assets
 Transfers:
 Total general revenues and transfers
 Change in net position
 Net Position (Deficit) - Beginning
 Net Position (Deficit) - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	City of Fresno Cultural Arts Properties
\$ (14,978,494)	\$ -	\$ (14,978,494)	\$ -
(158,452,007)	-	(158,452,007)	-
(8,015,014)	-	(8,015,014)	-
(9,457,340)	-	(9,457,340)	-
4,827,826	-	4,827,826	-
(21,036,622)	-	(21,036,622)	-
(207,111,651)	-	(207,111,651)	-
-	11,856,494	11,856,494	-
-	18,005,435	18,005,435	-
-	(252,491)	(252,491)	-
-	2,020,367	2,020,367	-
-	8,062,514	8,062,514	-
-	(12,333,528)	(12,333,528)	-
-	1,260,062	1,260,062	-
-	(75,465)	(75,465)	-
-	(2,374,417)	(2,374,417)	-
-	26,168,971	26,168,971	-
(207,111,651)	26,168,971	(180,942,680)	-
			(1,125,060)
103,745,342	-	103,745,342	-
56,473,451	-	56,473,451	-
18,215,792	-	18,215,792	-
12,503,295	-	12,503,295	-
16,469,555	-	16,469,555	-
9,560,200	-	9,560,200	-
2,104,435	-	2,104,435	-
1,888,831	1,595,843	3,484,674	107,290
416,194	3,831,744	4,247,938	-
(15,661,826)	15,661,826	-	-
205,715,269	21,089,413	226,804,682	107,290
(1,396,382)	47,258,384	45,862,002	(1,017,770)
625,216,055	1,002,180,132	1,627,396,187	(2,011,171)
\$ 623,819,673	\$ 1,049,438,516	\$ 1,673,258,189	\$ (3,028,941)

The notes to the financial statements are an integral part of this statement.

This page intentionally left blank.

CITY OF FRESNO, CALIFORNIA

*Comprehensive Annual
Financial Report* **2013**

For the fiscal year ended June 30, 2013

Fund Financial Statements



www.fresno.gov

CITY OF FRESNO, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2013

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Investments	\$ 1,034,497	\$ 4,198,289	\$ 74,531,217	\$ 79,764,003
Receivables, Net	14,256,150	-	483,785	14,739,935
Grants Receivable	455,104	14,285,025	15,000	14,755,129
Intergovernmental Receivables	26,790,259	-	2,784,852	29,575,111
Due From Other Funds	2,422,899	-	363,758	2,786,657
Advances to Other Funds, Net	12,690,500	-	44,992	12,735,492
Property Held for Resale	-	-	10,555,051	10,555,051
Restricted Cash	1,902,776	-	10,755,552	12,658,328
Loans, Notes, Leases, Other Receivables, Net	-	38,191,397	24,430,901	62,622,298
Total Assets	\$ 59,552,185	\$ 56,674,711	\$ 123,965,108	\$ 240,192,004
Liabilities and Fund Balances				
Liabilities:				
Accrued Liabilities	\$ 10,285,849	\$ 1,962,147	\$ 3,331,320	\$ 15,579,316
Deferred Revenue	27,320,536	8,995,942	15,000	36,331,478
Due to Other Funds	851,567	12,815,365	253,208	13,920,140
Advances From Other Funds	14,316,057	-	12,735,492	27,051,549
Deposits From Others	9,927	-	4,000	13,927
Total Liabilities	52,783,936	23,773,454	16,339,020	92,896,410
Fund Balances (Deficit):				
Nonspendable	12,690,500	-	-	12,690,500
Restricted	435,369	37,829,844	90,269,868	128,535,081
Committed	1,902,776	-	-	1,902,776
Assigned	1,094,848	-	17,624,081	18,718,929
Unassigned	(9,355,244)	(4,928,587)	(267,861)	(14,551,692)
Total Fund Balances	6,768,249	32,901,257	107,626,088	147,295,594
Total Liabilities and Fund Balances	\$ 59,552,185	\$ 56,674,711	\$ 123,965,108	\$ 240,192,004

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2013

Fund balances – total governmental funds \$ 147,295,594

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

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

Land	\$	234,234,697	
Buildings and Improvements, net of \$109,396,950 accumulated depreciation		158,096,070	
Machinery and Equipment, net of \$34,099,072 accumulated depreciation		7,631,297	
Infrastructure, net of \$780,159,120 accumulated depreciation		466,069,019	
Construction in Progress		25,531,768	
Total Capital Assets		891,562,851	891,562,851

Some of the City's property taxes (\$8,209,727), sales tax (\$1,011,234), In Lieu Sales Tax (\$6,360,032), grant revenue (\$7,150,152), Franchise Fee (\$2,106,064), business license (\$2,615,253) and fines (\$5,612,860) will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. 33,065,322

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (3,740,222)

Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

Bonds and Certificates of Participation	\$	(341,320,000)	
Notes Payable		(6,111,537)	
Capital Leases		(5,736,573)	
Compensated Absences and Health Retirement Arrangment		(48,539,894)	
Net OPEB Obligation		(36,917,354)	
Retention Payable		(325,496)	
Total Long Term Liabilities		(438,950,854)	(438,950,854)

Governmental funds report the effect of issuance costs, premium, original issue discount and refunding charge, when debt is first issued, whereas in the statement of activities these amounts are amortized to interest and amortization expense over the life of the debt.

Deferred Cost of Issuance	\$	3,960,260	
Deferred Amount on Refunding		629,432	
Unamortized Premium		(1,073,678)	
Unamortized Discount		1,030,728	
Total		4,546,742	4,546,742

Internal service funds are used by management to charge the costs of various activities, such as fleet and insurance to individual funds. Assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position. (9,959,760)

Net position of governmental activities \$ 623,819,673

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2013

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 212,806,359	\$ -	\$ 25,149,543	\$ 237,955,902
Licenses and Permits	5,096,783	-	-	5,096,783
Intergovernmental	3,565,070	31,192,231	2,274,759	37,032,060
Charges for Services	23,302,578	2,493,397	24,199,176	49,995,151
Fines	4,192,516	-	-	4,192,516
Use of Money and Property	1,768,886	31,970	738,067	2,538,923
Miscellaneous	2,210,823	2,463,725	1,471,778	6,146,326
Total Revenues	<u>252,943,015</u>	<u>36,181,323</u>	<u>53,833,323</u>	<u>342,957,661</u>
Expenditures				
Current:				
General Government	11,623,475	58,818	1,356,264	13,038,557
Public Protection	172,473,119	6,838,919	7,877,299	187,189,337
Public Ways and Facilities	1,982,216	3,896,518	27,453,649	33,332,383
Culture and Recreation	10,755,869	1,439,077	982,014	13,176,960
Community Development	15,246,656	8,882,606	1,555,710	25,684,972
Capital Outlay	706,192	13,643,681	5,568,843	19,918,716
Debt Service:				
Principal	1,713,423	-	15,770,410	17,483,833
Interest	412,019	-	20,721,991	21,134,010
Total Expenditures	<u>214,912,969</u>	<u>34,759,619</u>	<u>81,286,180</u>	<u>330,958,768</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>38,030,046</u>	<u>1,421,704</u>	<u>(27,452,857)</u>	<u>11,998,893</u>
Other Financing Sources (Uses)				
Transfers In	5,824,569	638,872	40,363,856	46,827,297
Transfers Out	(54,564,589)	(1,564,321)	(10,504,110)	(66,633,020)
Capital Lease Financing	1,087,583	-	-	1,087,583
Sale of Capital Assets	1,345,926	-	-	1,345,926
Total Other Financing Sources (Uses)	<u>(46,306,511)</u>	<u>(925,449)</u>	<u>29,859,746</u>	<u>(17,372,214)</u>
Net Changes in Fund Balances	(8,276,465)	496,255	2,406,889	(5,373,321)
Fund Balances - Beginning	<u>15,044,714</u>	<u>32,405,002</u>	<u>105,219,199</u>	<u>152,668,915</u>
Fund Balances - Ending	<u>\$ 6,768,249</u>	<u>\$ 32,901,257</u>	<u>\$ 107,626,088</u>	<u>\$ 147,295,594</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds \$ (5,373,321)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$18,151,306, infrastructure and other contributions of \$10,189,155, and transfers of \$6,562,691 were exceeded by depreciation of \$44,664,985 and disposals of \$2,986,179 in the current period. (12,748,012)

Some expenses, retention payable, and Net OPEB Obligation reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds. (8,390,973)

In the statement of net position acquiring debt increases long-term liabilities and does not affect the statement of activities. Additionally, repayment of principal is an expenditure in the governmental funds but reduces liability in the statement of net position.

Principal payments to bond, certificate and note holders	\$	17,483,833	
Capital Lease Financing		(1,087,583)	
Net adjustment		16,396,250	16,396,250

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

Compensated Absences and Health Retirement Arrangement	\$	(4,257,770)	
Additions and amortization of Debt Premium, Discount, and Refunding Charge		(18,559)	
Additions and amortization of Debt Issue Costs		(403,530)	
Accrued Interest on Bonds, Certificates, and Notes		142,208	
Combined adjustment		(4,537,651)	(4,537,651)

Revenues recognized in the statement of activities in previous years and recognized in the fund statements in the current year were less than revenues recognized in the statement of activities in the current year but not reported in the funds as they do not provide current financial resources. 8,842,922

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The net revenues of certain activities of internal service funds are reported with governmental activities in the statement of activities. 4,414,403

Change in net position of governmental activities \$ (1,396,382)

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS

JUNE 30, 2013

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Assets				
Current Assets:				
Cash and Investments	\$ 40,619,391	\$ 95,651,824	\$ 22,493,869	\$ 7,128,781
Interest Receivable	261,416	342,073	130,965	72,849
Accounts Receivables, Net	10,425,473	9,807,027	4,275,217	567,086
Grants Receivable	-	-	-	1,278,494
Inventories	1,507,670	2,630,565	-	811,379
Prepays	-	-	28,699	-
Intergovernmental Receivables	-	1,013,301	-	4,364,465
Due from Other Funds	-	-	-	-
Restricted:				
Restricted Cash	-	-	-	-
Restricted Grants Receivable	2,603,556	-	-	2,427,418
Total Current Assets	55,417,506	109,444,790	26,928,750	16,650,472
Noncurrent Assets:				
Restricted:				
Cash and Investments	91,428,749	99,235,178	2,181,566	26,482,911
Interest Receivable	54,189	280,906	-	-
Total Restricted Assets	91,482,938	99,516,084	2,181,566	26,482,911
Other Assets:				
Other Receivables	1,134,390	10,752,259	-	-
Other Assets	1,153,939	2,569,012	-	-
Unamortized CVP Water Settlement	20,660,945	-	-	-
Accounts Receivable from Solid Waste Rate Payers	-	-	16,337,366	-
Advances to Other Funds, Net	7,386,070	392,690	4,327,086	-
Total Other Assets	30,335,344	13,713,961	20,664,452	-
Capital Assets:				
Land	28,956,413	17,194,420	849,137	1,477,908
Buildings, Systems and Improvements	373,627,734	628,170,678	2,507,200	22,369,483
Machinery & Equipment	4,345,559	13,869,921	11,960,477	55,337,076
Infrastructure	63,647,969	109,586,539	-	-
Construction in Progress	42,984,932	27,067,062	-	4,047,208
Less Accumulated Depreciation	(153,629,818)	(180,870,337)	(11,203,328)	(52,666,841)
Total Capital Assets, Net	359,932,789	615,018,283	4,113,486	30,564,834
Total Non-Current Assets	481,751,071	728,248,328	26,959,504	57,047,745
Total Assets	537,168,577	837,693,118	53,888,254	73,698,217

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds

	Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
\$	1,575	\$ 564,630	\$ 30,275	\$ 5,281,092	\$ 171,771,437	\$ 41,782,332
	30,755	-	1,674	19,502	859,234	287,405
	1,589,060	267,908	1,285,790	1,294,390	29,511,951	522,762
	-	-	-	-	1,278,494	-
	20,000	53,001	-	-	5,022,615	835,948
	383,032	32,862	-	-	444,593	371,545
	132,038	-	-	-	5,509,804	-
	851,567	-	-	-	851,567	12,815,365
	2,722,273	776,264	-	-	3,498,537	-
	2,465,419	-	-	-	7,496,393	-
	<u>8,195,719</u>	<u>1,694,665</u>	<u>1,317,739</u>	<u>6,594,984</u>	<u>226,244,625</u>	<u>56,615,357</u>
	14,099,829	4,153,049	1,683,009	-	239,264,291	3,871,965
	-	-	-	-	335,095	-
	<u>14,099,829</u>	<u>4,153,049</u>	<u>1,683,009</u>	<u>-</u>	<u>239,599,386</u>	<u>3,871,965</u>
	-	-	-	-	11,886,649	-
	1,303,625	1,252,789	741,440	61,913	7,082,718	-
	-	-	-	-	20,660,945	-
	-	-	-	-	16,337,366	-
	2,210,211	-	-	-	14,316,057	-
	<u>3,513,836</u>	<u>1,252,789</u>	<u>741,440</u>	<u>61,913</u>	<u>70,283,735</u>	<u>-</u>
	8,539,508	5,319,761	710,000	11,508	63,058,655	-
	152,068,311	84,287,907	39,151,537	4,559,165	1,306,742,015	8,303,356
	6,132,780	1,438,164	1,900,142	371,120	95,355,239	137,167,596
	66,985,084	-	-	-	240,219,592	-
	42,569,181	-	-	-	116,668,383	644,961
	(79,740,502)	(49,487,309)	(11,222,227)	(2,010,972)	(540,831,334)	(128,437,977)
	<u>196,554,362</u>	<u>41,558,523</u>	<u>30,539,452</u>	<u>2,930,821</u>	<u>1,281,212,550</u>	<u>17,677,936</u>
	214,168,027	46,964,361	32,963,901	2,992,734	1,591,095,671	21,549,901
	<u>222,363,746</u>	<u>48,659,026</u>	<u>34,281,640</u>	<u>9,587,718</u>	<u>1,817,340,296</u>	<u>78,165,258</u>

(continued)

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2013 (continued)

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Liabilities				
Current Liabilities:				
Accrued Liabilities	\$ 8,458,906	\$ 6,664,099	\$ 1,110,060	\$ 2,863,293
Accrued Compensated Absences and HRA	226,761	316,757	457,295	624,787
Liability for Self Insurance	-	-	-	-
Unearned Revenue	11,597,318	22,146,792	428,022	25,599,021
Due to Other Funds	-	-	-	-
Bonds Payable	4,590,000	7,670,000	-	-
Capital Lease Obligations	-	-	-	-
Notes Payable	239,014	-	-	-
Total Current Liabilities	25,111,999	36,797,648	1,995,377	29,087,101
Non-current Liabilities:				
Accrued Compensated Absences and HRA	1,904,340	1,561,740	780,877	2,249,536
Capital Lease Obligations	-	-	-	-
Liability for Self-Insurance	-	-	-	-
Bonds Payable	151,683,909	214,439,537	-	-
Accreted Interest Payable on Capital Appreciation Bonds	-	-	-	-
Notes Payable	46,162,849	-	-	-
CVP Litigation Settlement	19,966,052	-	-	-
Pollution Remediation Obligation	-	-	-	-
Other Liabilities	-	10,176,818	-	-
Accrued Closure Costs	-	-	18,050,167	-
Net OPEB Obligation	1,897,610	1,901,714	2,103,505	5,763,224
Deposits Held for Others	1,041,794	8,473,297	-	-
Total Non-current Liabilities	222,656,554	236,553,106	20,934,549	8,012,760
Total Liabilities	247,768,553	273,350,754	22,929,926	37,099,861
Net Position				
Net Investment in Capital Assets	219,412,846	431,639,095	4,113,486	30,564,834
Unrestricted (Deficit)	69,987,178	132,703,269	26,844,842	6,033,522
Total Net Position (Deficit)	\$ 289,400,024	\$ 564,342,364	\$ 30,958,328	\$ 36,598,356

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds

<u>Airports</u>	<u>Fresno Convention Center</u>	<u>Stadium</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 3,842,623	\$ 2,564,756	\$ 186,070	\$ 228,010	\$ 25,917,817	\$ 4,713,645
226,992	57,618	-	104,819	2,015,029	503,349
-	-	-	-	-	22,024,354
-	19,719	-	20,450	59,811,322	-
2,146,922	-	-	-	2,146,922	386,527
1,100,000	2,799,290	1,185,000	50,000	17,394,290	-
-	-	-	-	-	298,366
-	77,262	-	-	316,276	-
<u>7,316,537</u>	<u>5,518,645</u>	<u>1,371,070</u>	<u>403,279</u>	<u>107,601,656</u>	<u>27,926,241</u>
1,244,071	-	-	342,485	8,083,049	3,003,203
-	-	-	-	-	683,272
-	-	-	-	-	76,828,982
55,358,756	41,490,009	35,740,474	2,176,554	500,889,239	-
-	4,233,159	-	-	4,233,159	-
-	401,075	-	-	46,563,924	-
-	-	-	-	19,966,052	-
861,889	-	-	-	861,889	-
-	-	-	-	10,176,818	-
-	-	-	-	18,050,167	-
985,870	9,536	-	518,052	13,179,511	3,797,660
306,670	925,000	-	-	10,746,761	3,435,215
<u>58,757,256</u>	<u>47,058,779</u>	<u>35,740,474</u>	<u>3,037,091</u>	<u>632,750,569</u>	<u>87,748,332</u>
<u>66,073,793</u>	<u>52,577,424</u>	<u>37,111,544</u>	<u>3,440,370</u>	<u>740,352,225</u>	<u>115,674,573</u>
146,930,439	749,224	(4,754,839)	704,267	829,359,352	16,696,298
9,359,514	(4,667,622)	1,924,935	5,443,081	247,628,719	(54,205,613)
<u>\$ 156,289,953</u>	<u>\$ (3,918,398)</u>	<u>\$ (2,829,904)</u>	<u>\$ 6,147,348</u>	<u>\$ 1,076,988,071</u>	<u>\$ (37,509,315)</u>

Some amounts reported for business-type activities in the statement of net position are different due to certain internal service fund assets and liabilities being included with business-type activities.

(27,549,555)

Net position of business-type activities

\$ 1,049,438,516

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Operating Revenues:				
Charges for Services	\$ 71,667,204	\$ 76,324,086	\$ 29,796,950	\$ 11,054,029
Operating Expenses:				
Cost of Services	34,293,032	25,232,730	19,747,660	33,637,190
Administration	10,637,217	11,198,431	11,790,097	11,521,702
Amortization	114,637	147,054	-	-
Depreciation	10,400,396	19,861,224	474,616	4,064,972
Total Operating Expenses	55,445,282	56,439,439	32,012,373	49,223,864
Operating Income (Loss)	16,221,922	19,884,647	(2,215,423)	(38,169,835)
Non-operating Revenue (Expenses):				
Operating Grants	-	-	207,465	37,398,148
Interest Income	720,443	485,084	99,552	-
Interest Expense	(6,313,177)	(8,211,967)	-	(4,846)
Passenger Facility Charges	-	-	-	-
Customer Facility Charges	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	2,879	24,520	(1,716)	34,980
Total Non-operating Revenue (Expenses)	(5,589,855)	(7,702,363)	305,301	37,428,282
Income (Loss) Before Contributions and Transfers	10,632,067	12,182,284	(1,910,122)	(741,553)
Capital Contributions	938,562	5,417,334	-	1,965,831
Transfers In	100	-	48,457	-
Transfers Out	(466,682)	(400,624)	(1,170,441)	(1,459,172)
Change in Net Position	11,104,047	17,198,994	(3,032,106)	(234,894)
Total Net Position (Deficit) - Beginning	278,295,977	547,143,370	33,990,434	36,833,250
Total Net Position (Deficit) - Ending	\$ 289,400,024	\$ 564,342,364	\$ 30,958,328	\$ 36,598,356

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds					
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
\$ 18,936,511	\$ 2,594,417	\$ 1,088,568	\$ 9,844,361	\$ 221,306,126	\$ 119,220,814
12,911,931	3,193,424	-	5,017,537	134,033,504	81,321,576
5,698,630	642,505	8,571	3,632,068	55,129,221	22,076,864
97,462	118,982	68,456	3,926	550,517	-
<u>7,998,373</u>	<u>3,908,633</u>	<u>1,074,597</u>	<u>312,007</u>	<u>48,094,818</u>	<u>4,168,275</u>
<u>26,706,396</u>	<u>7,863,544</u>	<u>1,151,624</u>	<u>8,965,538</u>	<u>237,808,060</u>	<u>107,566,715</u>
<u>(7,769,885)</u>	<u>(5,269,127)</u>	<u>(63,056)</u>	<u>878,823</u>	<u>(16,501,934)</u>	<u>11,654,099</u>
3,244,625	-	-	-	40,850,238	-
216,485	393	3,212	13,077	1,538,246	328,551
(3,201,961)	(2,886,064)	(2,311,361)	(106,758)	(23,036,134)	(26,261)
2,794,804	-	-	-	2,794,804	-
1,597,460	-	-	-	1,597,460	-
<u>(1,227,987)</u>	<u>(1,840,107)</u>	<u>-</u>	<u>(6,215,880)</u>	<u>(9,223,311)</u>	<u>(332,770)</u>
<u>3,423,426</u>	<u>(4,725,778)</u>	<u>(2,308,149)</u>	<u>(6,309,561)</u>	<u>14,521,303</u>	<u>(30,480)</u>
(4,346,459)	(9,994,905)	(2,371,205)	(5,430,738)	(1,980,631)	11,623,619
13,902,349	-	-	-	22,224,076	-
-	7,964,234	3,413,610	17,788,116	29,214,517	2,496
<u>(233,567)</u>	<u>(2,338,230)</u>	<u>-</u>	<u>(753,536)</u>	<u>(6,822,252)</u>	<u>(2,589,038)</u>
9,322,323	(4,368,901)	1,042,405	11,603,842	42,635,710	9,037,077
<u>146,967,630</u>	<u>450,503</u>	<u>(3,872,309)</u>	<u>(5,456,494)</u>		<u>(46,546,392)</u>
\$ <u>156,289,953</u>	\$ <u>(3,918,398)</u>	\$ <u>(2,829,904)</u>	\$ <u>6,147,348</u>		\$ <u>(37,509,315)</u>

Some amounts reported for business-type activities in the statement of activities are different due to the net revenue (expenses) of certain internal service funds being reported with business-type activities.

Change in net position of business-type activities 4,622,674
\$ 47,258,384

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 70,905,274	\$ 75,406,980	\$ 29,667,117	\$ 11,287,560
Cash Received from Interfund Services Provided	-	-	-	-
Cash Payment to Suppliers for Services	(26,016,389)	(18,988,065)	(10,128,894)	(13,175,517)
Cash Paid for Interfund Services Used	(6,102,490)	(5,441,348)	(11,040,302)	(5,321,513)
Cash Payments to Employees for Services	(12,158,877)	(12,753,693)	(12,121,827)	(25,426,734)
Cash Payment for Claims and Refunds	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	<u>26,627,518</u>	<u>38,223,874</u>	<u>(3,623,906)</u>	<u>(32,636,204)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital Contributions	938,562	4,169,867	-	1,943,831
Passenger and Customer Facility Charges	-	-	-	-
Interest Payments on Capital Debt	(9,592,850)	(11,458,173)	-	-
Proceeds from Issuance of Capital Debt	35,564,501	-	-	-
Principal Payments on Capital Debt-bonds	(4,390,000)	(7,215,000)	-	-
Principal Payments on Capital Debt-notes	(386,196)	-	-	-
Principal Payment on Capital lease Obligations	-	-	-	-
Proceeds from Sale of Capital Assets	56,967	26,899	-	34,980
Acquisition and Construction of Capital Assets	(29,634,272)	(18,655,158)	(159,845)	(2,740,867)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(7,443,288)</u>	<u>(33,131,565)</u>	<u>(159,845)</u>	<u>(762,056)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating Grants	-	-	142,471	49,379,394
Interest Payments, Noncapital	(36,349)	-	-	(63,447)
Borrowing receipt from other funds	10,613,930	-	6,171,797	-
Borrowing (payment to) other funds	(9,000,000)	-	(5,051,386)	-
Transfers In	100	-	48,457	-
Transfers Out	(466,680)	(400,624)	(1,170,441)	(1,459,172)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>1,111,001</u>	<u>(400,624)</u>	<u>140,898</u>	<u>47,856,775</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends on Investments	866,716	611,903	166,495	-
Proceeds of investments securities with trustees	62,527,998	-	-	-
Net Cash Provided by Investing Activities	<u>63,394,714</u>	<u>611,903</u>	<u>166,495</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	83,689,945	5,303,588	(3,476,358)	14,458,515
Cash and Cash Equivalents, Beginning of Year	<u>48,358,195</u>	<u>175,836,070</u>	<u>28,151,793</u>	<u>19,153,177</u>
Cash and Cash Equivalents, End of Year	<u>\$ 132,048,140</u>	<u>\$ 181,139,658</u>	<u>\$ 24,675,435</u>	<u>\$ 33,611,692</u>

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds						
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds	
\$ 18,609,653	\$ 2,460,011	\$ 111,600	\$ 9,566,598	\$ 218,014,793	\$ 20,038,281	
-	-	-	-	-	99,578,026	
(11,894,240)	(2,545,811)	(8,571)	(2,654,175)	(85,411,662)	(39,553,401)	
(957,351)	(1,192)	-	(2,664,802)	(31,528,998)	(2,631,053)	
(5,714,483)	(1,688,032)	-	(3,702,854)	(73,566,500)	(19,105,807)	
-	-	-	-	-	(50,877,737)	
<u>43,579</u>	<u>(1,775,024)</u>	<u>103,029</u>	<u>544,767</u>	<u>27,507,633</u>	<u>7,448,309</u>	
11,634,496	-	-	-	18,686,756	-	
4,305,945	-	-	-	4,305,945	-	
(3,274,682)	(2,734,595)	(2,322,058)	(105,675)	(29,488,033)	(28,136)	
-	-	-	-	35,564,501	-	
(1,005,000)	(3,307,592)	(1,120,000)	(50,000)	(17,087,592)	-	
-	(73,407)	-	-	(459,603)	-	
-	-	-	-	-	(351,932)	
1,425,947	2,338,230	-	-	3,883,023	17,532	
(27,160,980)	-	-	(8,343)	(78,359,465)	(2,600,233)	
<u>(14,074,274)</u>	<u>(3,777,364)</u>	<u>(3,442,058)</u>	<u>(164,018)</u>	<u>(62,954,468)</u>	<u>(2,962,769)</u>	
11,164,714	-	-	-	60,686,579	-	
-	(7,070)	-	-	(106,866)	-	
2,883,622	-	-	-	19,669,349	11,461,752	
-	-	-	(16,750,726)	(30,802,112)	(12,815,655)	
-	7,964,234	3,413,610	17,729,527	29,155,928	2,496	
(233,567)	(2,338,230)	-	(641,561)	(6,710,275)	(2,589,038)	
<u>13,814,769</u>	<u>5,618,934</u>	<u>3,413,610</u>	<u>337,240</u>	<u>71,892,603</u>	<u>(3,940,445)</u>	
254,313	393	2,712	13,367	1,915,899	508,861	
-	-	-	-	62,527,998	-	
<u>254,313</u>	<u>393</u>	<u>2,712</u>	<u>13,367</u>	<u>64,443,897</u>	<u>508,861</u>	
38,387	66,939	77,293	731,356	100,889,665	1,053,956	
<u>16,785,290</u>	<u>5,427,004</u>	<u>1,635,991</u>	<u>4,549,736</u>	<u>299,897,256</u>	<u>44,600,341</u>	
<u>\$ 16,823,677</u>	<u>\$ 5,493,943</u>	<u>\$ 1,713,284</u>	<u>\$ 5,281,092</u>	<u>\$ 400,786,921</u>	<u>\$ 45,654,297</u>	

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2013 (Continued)

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating income (loss)	\$ 16,221,922	\$ 19,884,647	\$ (2,215,423)	\$ (38,169,835)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	10,400,397	19,861,224	474,616	4,064,972
Amortization expense	114,637	147,054	-	-
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	(1,246,106)	(642,286)	(546,763)	249,547
Decrease (increase) in other receivables	15,904	580,102	792,428	-
Decrease (increase) in due from other funds	-	-	44,761	-
Decrease (increase) in due from other governments	-	(371,197)	-	-
Decrease (increase) in material and supplies inventory	60,147	(179,700)	-	(10,108)
Decrease (increase) in prepaid items	-	-	(28,699)	-
(Decrease) increase in accrued liabilities	1,351,335	599,626	(772,297)	488,796
(Decrease) increase in due to other funds	-	-	-	-
(Decrease) increase in other liabilities	-	(598,914)	-	-
(Decrease) increase in CIP Retention payable	(152,680)	(942,617)	28,848	(30,839)
(Decrease) increase in accrued closure costs	-	-	(1,341,694)	-
(Decrease) increase in unearned revenue	(583,237)	(483,724)	(420,259)	(16,016)
(Decrease) increase in liability for self-insurance	-	-	-	-
(Decrease) increase in deposits	36,967	-	-	-
Increase (Decrease) in Pollution Remediation liability	-	-	-	-
(Decrease) increase in OPEB obligation	408,232	369,659	360,576	787,279
Net Cash Provided by (Used For) Operating Activities	\$ 26,627,518	\$ 38,223,874	\$ (3,623,906)	\$ (32,636,204)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:				
Cash and Investments:				
Unrestricted	\$ 40,619,391	\$ 95,651,824	\$ 22,493,869	\$ 7,128,781
Restricted - Current and Noncurrent	91,428,749	99,235,178	2,181,566	26,482,911
Total cash and investments	132,048,140	194,887,002	24,675,435	33,611,692
Less: Non-cash equivalents	-	13,747,344	-	-
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	\$ 132,048,140	\$ 181,139,658	\$ 24,675,435	\$ 33,611,692
Noncash Investing, Capital, and Financing Activities:				
Acquisition and construction of capital assets on accounts payable	\$ 1,675,610	\$ 205,387	\$ -	\$ -
Amortization of bond premium, discount and loss on refunding	(222,525)	(71,998)	-	-
Capital asset transfer in(out)	-	-	-	-
Decrease (Increase) in fair value of investments	222,149	1,553,965	75,581	102,951
Developer and Other Capital Contributions	-	-	-	22,000
current asset and liability transfer in(out)	-	-	-	-
Long term asset and liability transfer to governmental activities	-	-	-	-
OPEB liability transfer to governmental activities	-	-	-	-

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds					
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
\$ (7,769,885)	\$ (5,269,127)	\$ (63,056)	\$ 878,823	\$ (16,501,934)	\$ 11,654,099
7,998,373	3,908,633	1,074,597	312,007	48,094,819	4,168,275
97,462	118,982	68,456	3,926	550,517	-
(580,430)	(12,156)	(976,968)	(163,015)	(3,918,177)	7,717
-	-	-	-	1,388,434	-
-	-	-	-	44,761	290
184,905	-	-	-	(186,292)	-
-	6,584	-	-	(123,077)	(2,162)
63,875	(35,296)	-	-	(120)	(371,545)
(100,863)	(364,024)	-	(463,858)	738,715	(4,146,788)
-	-	-	-	-	(535,121)
-	-	-	-	(598,914)	-
(83,699)	-	-	-	(1,180,987)	-
-	-	-	-	(1,341,694)	-
-	(94,269)	-	(114,745)	(1,712,250)	-
-	-	-	-	-	(2,078,968)
120,112	(34,565)	-	-	122,514	251,789
(51,445)	-	-	-	(51,445)	-
165,174	214	-	91,629	2,182,763	(1,499,277)
<u>\$ 43,579</u>	<u>\$ (1,775,024)</u>	<u>\$ 103,029</u>	<u>\$ 544,767</u>	<u>\$ 27,507,633</u>	<u>\$ 7,448,309</u>
\$ 1,575	\$ 564,630	\$ 30,275	\$ 5,281,092	\$ 171,771,437	\$ 41,782,332
<u>16,822,102</u>	<u>4,929,313</u>	<u>1,683,009</u>	<u>-</u>	<u>242,762,828</u>	<u>3,871,965</u>
<u>16,823,677</u>	<u>5,493,943</u>	<u>1,713,284</u>	<u>5,281,092</u>	<u>414,534,265</u>	<u>45,654,297</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,747,344</u>	<u>-</u>
<u>\$ 16,823,677</u>	<u>\$ 5,493,943</u>	<u>\$ 1,713,284</u>	<u>\$ 5,281,092</u>	<u>\$ 400,786,921</u>	<u>\$ 45,654,297</u>
\$ 555,631	\$ -	\$ -	\$ -	\$ 2,436,628	\$ -
2,867	109,489	(5,584)	1,487	(186,264)	-
-	-	-	(5,374,004)	(5,374,004)	(350,302)
-	-	-	14,435	1,969,081	94,049
-	-	-	-	22,000	-
-	-	-	(53,386)	(53,386)	-
-	-	-	(2,028,925)	(2,028,925)	-
-	-	-	2,025,434	2,025,434	-

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - TRUST AND AGENCY FUNDS

JUNE 30, 2013

	Pension Trust Funds	Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund	Agency Funds
Assets			
Cash and Investments	\$ 2,117,193	\$ 11,670,801	\$ 6,028,858
Restricted Cash and Investments Held by Fiscal Agent	-	1,896,145	859,022
Total Cash and Investments	<u>2,117,193</u>	<u>13,566,946</u>	<u>6,887,880</u>
Receivables:			
Receivables for Investments Sold	21,279,096	-	-
Interest and Dividends Receivable	8,864,166	-	13,777
Other Receivables	16,966,314	96,202	-
Due from Other Governments	-	54,798	879,942
Notes and Loans Receivable	-	11,000	-
Total Receivables	<u>47,109,576</u>	<u>162,000</u>	<u>893,719</u>
Investments, at fair value:			
Short Term Investments	52,029,713	-	-
Domestic Equity	781,611,059	-	-
Corporate Bonds	361,890,622	-	-
International Equity	441,341,823	-	-
Emerging Market Equity	77,937,990	-	-
Government Bonds	275,549,221	-	-
Real Estate	248,760,775	-	-
Total Investments	<u>2,239,121,203</u>	<u>-</u>	<u>-</u>
Collateral Held for Securities Lent	323,560,774	-	-
Capital Assets, net of Accumulated Depreciation	1,055,068	1,011,815	-
Deferred Charges	-	113,991	-
Prepaid Expense	101,316	-	-
Property Held for Resale	-	19,709,132	-
Total Assets	<u>2,613,065,130</u>	<u>34,563,884</u>	<u>7,781,599</u>
Liabilities			
Accrued Liabilities	69,472,873	569,801	317,920
Collateral Held for Securities Lent	323,560,774	-	-
Deposits Held for Others	-	12,009	7,463,679
Other Liabilities	2,311,996	-	-
Long Term Debt:			
Due within One Year	-	1,123,711	-
Due in More than One Year	-	10,113,777	-
Total Liabilities	<u>395,345,643</u>	<u>11,819,298</u>	<u>7,781,599</u>
Net Position			
Held in Trust For:			
Pension Benefits	2,217,719,487	-	-
Redevelopment Dissolution	-	22,744,586	-
	<u>\$ 2,217,719,487</u>	<u>\$ 22,744,586</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - TRUST FUNDS**

YEAR ENDED JUNE 30, 2013

Additions	Pension Trust Funds	Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund
Contributions:		
Employer	\$ 32,054,369	\$ -
System Members	15,393,875	-
Total Contributions	47,448,244	-
Investment Income:		
Net Appreciation in Value of Investments	218,860,232	-
Interest	28,392,052	108,610
Dividends	23,655,422	-
Other Investment Related	117,050	432,535
Total Investment Income	271,024,756	541,145
Less Investment Expense	(10,443,884)	-
Total Net Investment Income	260,580,872	541,145
Securities Lending Income:		
Securities Lending Earnings	1,546,059	-
Less Securities Lending Expense	(309,035)	-
Net Securities Lending Income	1,237,024	-
Property Taxes	-	7,207,443
Intergovernmental	-	92,106
Other Income	-	6,298
Total Additions	309,266,140	7,846,992
Deductions		
Benefit Payments	97,894,546	-
Refund of Contributions	2,127,667	-
Redevelopment Expenses	-	5,092,691
General and Administrative Expenses	2,320,573	1,064,048
Interest on Debt	-	743,595
Total Deductions	102,342,786	6,900,334
Change in Net Position	206,923,354	946,658
Net Position - Beginning	2,010,796,133	21,797,928
Net Position - Ending	\$ 2,217,719,487	\$ 22,744,586

The notes to the financial statements are an integral part of the statement.

This page intentionally left blank.

CITY OF FRESNO, CALIFORNIA

*Comprehensive Annual
Financial Report* **2013**

For the fiscal year ended June 30, 2013

Notes to Financial Statements



www.fresno.gov

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 1. DEFINITION OF REPORTING ENTITY



The City of Fresno (City) is a political subdivision chartered by the State of California and, as such, can exercise the powers specified by the Constitution and laws of the State of California. The City operates under its Charter and is governed by a directly elected strong Mayor and a seven-member City Council. The City Manager serves as the head of the administrative branch of the City and is appointed by the Mayor.

As required by generally accepted accounting principles (GAAP), these basic financial statements present the financial status of the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and so data from these units are combined with data of the primary government.

A discretely presented component is not blended with the primary government but rather is presented in separate columns because it does not provide services exclusively or almost exclusively to the City of Fresno and to emphasize that they are legally separate from the City.



Management applied the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity,"* Statement No. 39, *"Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14"* and Statement No. 61, *"The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34"* to determine whether the component units should be reported as blended or discretely presented component units. The criteria included whether the City appoints the voting majority of the governing body, there is a financial benefit/burden relationship, the City is able to impose its will, the component unit is fiscally dependent on the City, the component unit's governing body is substantially the same as the City, and management of the City have operational responsibility for the activities of the component unit.

As a government agency, the City is exempt from both federal income taxes and California State franchise taxes.

Blended Component Units

Although the following component units are legally separate from the City (the Primary Government), the component units have been "blended" into the City's basic financial statements for financial reporting purposes because the governing board is substantially the same and there is a financial benefit or burden relationship or management has the operational responsibility for the component unit, the component unit provides services exclusively to the primary government or the component units total debt outstanding is expected to be repaid with resources of the primary government.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

All potential component units were evaluated, resulting in inclusion in the basic financial statements.



Fresno Joint Powers Financing Authority: An independent public entity created in 1988. The Authority acquires telecommunications equipment, office furniture, streetlights, and constructs facilities and street improvements through the issuance of limited obligation bonds, certificates of participation and revenue bonds. The Authority currently is leasing these assets to the City. The Authority's governing board consists of three board members appointed by the chief administrative officer (the City Manager) and is responsible for its fiscal and administrative decisions. The financial activity for the office furniture and street lights are included as part of a debt service fund entitled Financing Authorities and Corporations Debt Service Fund. The financial activity for projects related to the Lease Revenue Bonds is also included in the Financing Authorities and Corporations Debt Service Fund. All lease obligations between the Authority and the City have been eliminated in the financial statements. The Authority does not issue separate financial statements.

City of Fresno Fire and Police Retirement System: The System was established on July 1, 1955, to provide benefits to the safety employees and retirees of the City of Fresno. The System is maintained and governed by Articles 3 and 4 of Chapter 3 of the Fresno Municipal Code. The System's responsibilities include: Administration of the trust fund, delivery of retirement, death and disability benefits to eligible members, administration of programs, and general assistance in retirement and related benefits. The governing board is made up of two members appointed by the mayor, an elected police member, an elected fire member and a Board appointed member. The activity for the System is reflected within Fiduciary Funds. Separate financial statements are prepared for the Fire and Police Retirement System and may be obtained from the Retirement Office at 2828 Fresno Street, Fresno, CA 93721-3604.



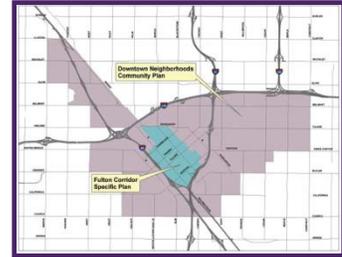
City of Fresno Employees Retirement System: The System was established on June 1, 1939, to provide benefits to the employees and retirees of the City of Fresno. The System is governed by Article 5 of Chapter 3 of the City of Fresno Municipal Code. The System's responsibilities include: Administration of the trust fund, delivery of retirement, disability and death benefits to eligible members, administration of programs, and general assistance in retirement and related benefits. The governing board is made up of two mayor appointed members; two elected members and one board appointed member. The activity for the System is reflected within Fiduciary Funds. Separate financial statements are prepared for the Employees Retirement System and may be obtained from the Retirement Office at 2828 Fresno Street, Fresno, CA 93721-3604.

City of Fresno Employee Health Care Plan: City of Fresno employees not represented by the Stationary Engineers Local are covered by the Fresno City Employees Health and Welfare Trusts which are self-insured trusts administered by an outside third party administrator. The activity for the Trusts is reflected within Internal Service Funds.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Fresno Revitalization Corporation: The Fresno Revitalization Corporation (FRC) is a non-profit public benefit corporation created in 1995 for the purpose of developing revitalization policy and assisting with downtown Fresno area development, redevelopment and renewal. The organization received a substantial portion of its support from the former RDA and the general public.



On January 26, 2012 the Councilmembers of the City of Fresno and the Mayor of the City became the eight ex-officio members of the Board of the Corporation. The FRC is presented as a blended component unit of the primary government. It is blended as its governing board is substantially the same as the City and because it provides services exclusively or almost exclusively for the benefit of the City even though it does not provide services directly to the City. The City has become financially accountable for the FRC and therefore it has been blended with the Primary Government (the City) because of their individual governance or financial relationships to the City.

FRC Canyon Crest, LLC: FRC Canyon Crest, LLC is a special purpose limited liability company owned by the Fresno Revitalization Corporation. The purpose of FRC Canyon Crest, LLC was to acquire, operate, maintain, and rehabilitate a 118-unit low income multi-family complex. The complex was owned by a lender in Chicago as a result of a foreclosure of the previous owner. On March 4, 2010 the Fresno City Council approved the award of \$2.7 million in Neighborhood Stabilization Program (NSP) set aside funds to the Fresno Revitalization Corporation to acquire the property. FRC Canyon Crest, LLC acquired the property and the RDA guaranteed the loan from the seller. The RDA also provided administrative support, financial and technical support to



FRC Canyon Crest, LLC in the acquisition and operation of the property through a contractual services agreement. The Agency Loan Guarantee and Operating Agreement also contained a Declaration of Restrictions creating the affordability covenants and long-term maintenance and operating restrictions which were recorded against and run with the property.

The RDA and FRC Canyon Crest, LLC marketed the property for sale upon rehabilitation and stabilization to a qualified affordable housing developer for ongoing management and property improvements. In September 2011, Fresno Revitalization Corporation and FRC Canyon Crest, LLC entered into an Assignment/Assumption Agreement with a developer as required by the U.S. Department of Housing and Urban Development (HUD). Final purchase of the property by the developer occurred in April 2012.

As the sole member of FRC Canyon Crest, LLC, the Fresno Revitalization Corporation and the Councilmembers of the City of Fresno and the Mayor of the City are the eight ex-officio members of FRC Canyon Crest, LLC. FRC Canyon Crest, LLC is presented as a blended component unit of the primary government. The activities of FRC Canyon Crest, LLC are blended into the Fresno Revitalization Corporation. It is blended as its governing board is substantially the same as the City and because it provides services exclusively or almost exclusively for the benefit of the City even though it does not provide services directly to the City. The City has become financially accountable for FRC Canyon Crest, LLC and therefore it has been blended with the Primary Government (the City) because of their individual governance or financial relationships to the City.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Fiduciary Component Unit

Successor Agency to the Redevelopment Agency of the City of Fresno: The Successor Agency was created to serve as custodian for the assets and to wind down the affairs of the former Redevelopment Agency. The Board of the Successor Agency consists of the City Council. The Oversight Board is comprised of seven-member representatives from local government bodies: two City representatives appointed by the Mayor of Fresno, two representatives appointed by the Fresno County Board of Supervisors, one member appointed by the Fresno County Superintendent of Schools, one appointed by the Metropolitan Flood Control District (Special District) and one appointed by the State Center Community College District.



In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated.

The Successor Agency is a separate legal entity under AB1484. The Successor Agency is reported as a Private Purpose Trust Fund in the City's financial statements. This means that the Agency's assets are considered to be held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The housing activity of the former RDA is presented within the Low Moderate Income Housing Fund which is a Special Revenue non-major governmental fund.

There is no separate financial report prepared for the Successor Agency.

Discretely Presented Component Unit

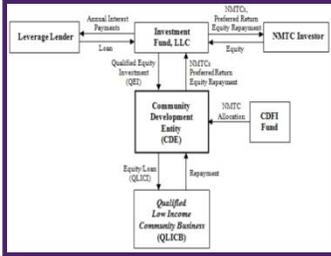
City of Fresno Cultural Arts Properties: This nonprofit public benefit corporation (an independent public entity) was created in 2010. The specific charitable and public purpose for which the Corporation was organized was to benefit and support the City of Fresno and the Former Redevelopment Agency and to lessen the burdens of the government of the City and the Agency by: (1) purchasing, developing, financing, rehabilitating, and/or demolishing vacant and blighted properties; (2) assisting the City and the Agency in combating community blight and deterioration in the City and its redevelopment areas and contributing to the physical improvement of the City and its redevelopment areas by redeveloping vacant or blighted properties; and (3) acquiring, owning, operating, and leasing property within a Low-Income Community (as defined in Section 45D(e)(1) of the Internal Revenue Code) to community businesses, which will promote and support the social welfare of the City.



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The City of Fresno Cultural Arts Properties Corporation (COFCAP) was formed as part of a New Market Tax Credits financing structure that was utilized by the City to assist in lessening a debt burden to the City. (See also Note 13 (f) pages 182-184 for more information.)



COFCAP is a component unit due to it being a legally separate entity for which the City is financially accountable through the appointment of the corporation’s board and the ability to approve the corporation’s budget. COFCAP is discretely presented because it does not provide services exclusively or almost exclusively to the City of Fresno. Through its charitable purpose of owning and managing properties, it provides ongoing services to the citizens of the community.

Separate financial statements are prepared for COFCAP and may be obtained from the City of Fresno, Finance Department, 2600 Fresno Street, Suite 2156, Fresno, California 93721-3622. COFCAP’s capital assets were purchased from the City of Fresno. In accordance with GASB 48, in the City’s financial statements, COFCAP’s capital assets have not been revalued, and continue to be reported at the City’s carrying value at the date of sale plus additional accumulated depreciation as appropriate.

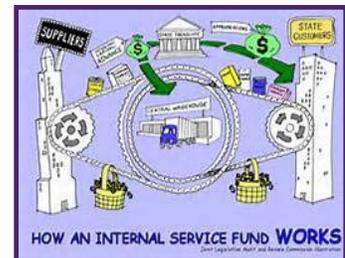
Effect of Accounting Changes - Mergers

The Statement of Revenues, Expenditures and Changes in Fund Balance of the General Fund, Governmental Fund includes as of June 30, 2013, the effect of the merger of six of the City’s Internal Service functions previously included in the General Services Fund into the General Fund beginning on July 1, 2012. In addition the statement also reflects the merger of two underperforming Enterprise operations (Parking, and Development Services) into the General Fund.



The City evaluated its use of Internal Service Funds and found that most cities operate with far fewer such funds and that the additional accounting effort being required of the City of Fresno did not offset the little to no management benefits being derived. City Management also felt that the functions were not fully understood and were resulting in poor management decisions being made which resulted in improperly priced internal services.

When evaluating and comparing the City of Fresno with similar sized cities, comparisons tended to be skewed due to the relatively small size of the City’s General Fund due to so many typically General Fund functions being held in separate Internal Service functions. For these reasons the City chose at the beginning of fiscal year 2013 to merge the City Attorney/Legal Services, Personnel, Finance, Budget, Purchasing and Central Printing Funds into the General Fund.



The two Enterprise operations (Parking, and Development Services) have run chronic deficits that were already being covered by the General Fund. With no immediate prospect that these operations would be able to cover their own costs in the near term, they too were moved into the General Fund. Development Services as an Enterprise was found to be an anomaly among cities; this too was seen as making the City of Fresno not comparable to other like cities.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The intent of these changes, as outlined above, was to assist in providing useful management information particularly in fully consolidating the services that are being funded fully or significantly by the General Fund. The impact of merger of the six ISF functions previously included in General Services Fund and the two Enterprise operations on July 1, 2012 into the General Fund and on the Statement of Revenues, Expenses and Changes in Fund Balances was as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Gain/Loss on Disposal</u>
General Fund	\$ 1,122,807	(16,613,099)	\$ -
General Services - Internal Service Funds	-	(951,694)	(350,302)
Development	2,361,717	(171,113)	(2,772,296)
Parking	14,518,682	(12,596)	(2,605,199)
Financing Authorities	12,596	-	-
Community Services	-	(267,300)	-
Total	<u>\$ 18,015,802</u>	<u>\$ (18,015,802)</u>	<u>\$ (5,727,797)</u>

The Gain(Loss) on Disposal results from the close out and transfer of capital assets and long-term receivables and liabilities out of the Enterprise operations. The transfers in and out represent the close out and distribution of all other assets and liabilities and activity related to the mergers.

Going Concern

Like many cities in California, the City of Fresno has endured the harsh impacts of the prolonged nationwide recession and felt the devastating effects on its revenues and its overall economy. At June 30, 2013, there were several factors that have contributed to the continued overall economic distress of the City, which include:

- Depleted emergency reserves
- Continued various fund balance deficits
- Increasing but slow recovery in revenues
- Continued increase in employment costs

At June 30, 2013, the City still has not been able to make progress toward replenishing the General Fund's Emergency Reserve balance which currently stands at \$1,902,776. This balance falls substantially below the City's minimum required reserve of 5% of the adopted General Fund appropriations at the beginning of each fiscal year, which would have been \$11,810,900 as of July 1, 2013.



At June 30, 2013, the City still had fund balance deficits. Unassigned Fund Balance grew from positive \$483,340 to negative (\$9,355,244) in the General Fund from fiscal year 2012 to fiscal year 2013. This was primarily due to the amount owed by the General Fund to the Solid Waste and Water funds for the Parking loan and the effect of merging the Parking, and Development operations and various former Internal Service functions into the General Fund at July 1, 2012.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Sales tax, property tax and charges for services, particularly in the area of development fees, have declined significantly over the past few years. These three revenue sources composed over 66% of General Fund revenues between 2008 and 2010 with 77.4% projected for 2014. The City, like other California cities, is limited in its ability to enhance existing revenue sources or create new ones; however the City is taking steps to diversify its tax base through encouraging economic development by creating incentives to entice industrial development in the Fresno area. These initiatives/incentives include ensuring that the General Plan and City policies promote job growth and infill development; streamlining the planning/permitting/project approval process to promote timely development; making Fresno known as being more business friendly; adjusting municipal water and sewer fees to attract new development among other measures. Property taxes, sales and use taxes, and charges for services saw increases in 2013 over fiscal year 2012, continuing on into 2014. The City continues to diligently follow the Fiscal Sustainability Policy (FSP) which was established as a framework to enable the City to accomplish four outcomes: 1) to set a course to restore the City's overall financial health and credit rating; 2) to achieve spending and minimum financial reserve targets; 3) to adopt employee compensation policy changes to be negotiated as employee contracts are opened for negotiations; and 4) to continue taking direct and immediate actions seeking to match expenditures to revenues and identify options for savings in employee compensation and other operating costs.

The General Fund's expenditures primarily consist of employee related expenses such as salaries, benefits and retirement contributions. Other General Fund expenditures include operations and maintenance expenditures, pension obligation bonds and interdepartmental charges. While Public Safety services (police and fire) comprise approximately 21% of the total City Budget, a relatively low amount, those costs absorbed approximately 63% (2008 to 2010) of General Fund revenue increasing to 68.2% projected for 2014. Overall, personnel costs, including health and welfare benefits, retirement contributions and pension obligation bonds are projected to comprise approximately 78% of General Fund expenditures.

The City has and continues to work aggressively to address the structural imbalance that worsened over the last several years. It has done this by making extensive and painful cuts in staffing and service delivery. The City reduced its workforce by 1,200 employees, which represents 25% of the workforce across City departments and 33% of all employees in the General Fund departments. Although economic recovery statewide is beginning, the rate of recovery is far less than anticipated, particularly in the Central San Joaquin Valley. This delay has consequently impacted the City's revenue recovery as well. Due to the City's size, municipal service responsibilities, bargaining unit agreements, in addition to debt service and capital expenditure requirements, revenue recovery has not matched expenditure growth proportionately.

While several small bargaining units have made wage and benefit concessions, the largest, the Fresno Police Officers' Association (FPOA), which has the greatest impact on the General Fund, continues to resist agreeing to any long term, long lasting concessions with the FPOA contract not expiring until June 30, 2015. Bond rating agencies continue to downgrade the City's bonds or hold them at junk bond status. A small but positive sign is that two of the three credit rating agencies have moved the City from a negative outlook to stable. The credit agencies continue to cite overall concerns about the slow economic recovery in the San Joaquin Valley, the complete exhaustion of the General Fund and other discretionary reserve funds, and the ongoing need of the General Fund to borrow internally during the fiscal year to cover operating costs while it waits for the receipt of Property taxes. Of



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

greatest concern to the rating agencies is whether or not the City will continue to make the hard financial choices and continue to pursue and negotiate modifications to expensive employee compensation programs. Additional concern is whether or not the City will have the political discipline to grow reserves when at times it could be to the detriment of more quickly restoring services, adding staff or increasing employee compensation. Tables reflecting the past several years of bond ratings may be found in Note 16 pages 190-191. In spite of the pessimistic ratings, the agencies also noted several strengths: sizable, comparatively resilient assessed valuation relative to market prices; the City's position as the economic center of the San Joaquin Valley; fully funded retirement system; and stabilizing general fund operations. Concerns remain that with the City's depleted reserves, Fresno is poorly positioned to withstand any further weakening of revenues, which could be caused by the slightest reversal of the current economy.



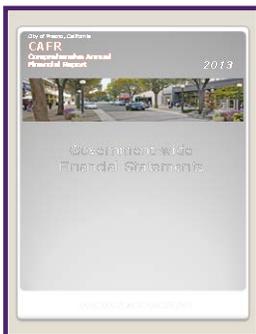
The negative economic pressure of the recession has delayed development growth in Fresno and until such time as development returns in earnest, revenue growth will remain limited. Property tax and sales tax revenues are improving; however, restoration of those revenues to pre-recession levels will take time. The City must continue its prudent financial management and strive to further reduce costs or minimize cost increases in all areas where costs cannot be recovered by fees or charges for services. This ongoing weak financial position is viewed as limiting the City's ability to absorb any budgetary pressures.



The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.



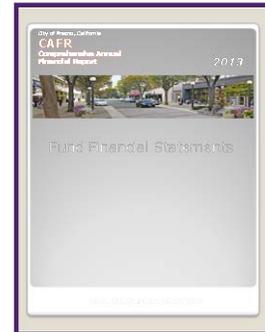
(a) Government-wide and Fund Financial Statements

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

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

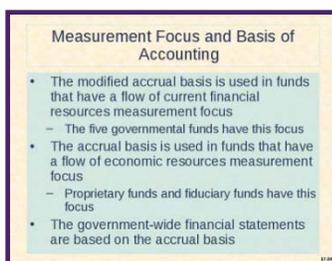
The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants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



The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds however, are unlike all other types of funds, reporting only assets and liabilities. As such, they cannot be said to have a measurement focus. They do however use the accrual basis of accounting to recognize receivables and payables.



Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues and other revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, local taxes, licenses, interest, and other intergovernmental revenues associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The City reports the following major governmental funds:

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

The **Grants Special Revenue Fund** accounts for grants received from federal, state, and other agencies, which are to be used for various purposes identified within the confines of the individual grant.

The City reports the following major proprietary (enterprise) funds:

Water System Fund accounts for the construction, operation and maintenance of the City's water distribution system. Revenues are derived from water service fees and various installation charges.

Sewer System Fund accounts for the construction, operation and maintenance of the City's sewer system. Revenues are derived from sewer service fees and various installation charges.

Solid Waste Management Fund accounts for the operations of the City's residential solid waste disposal service. Revenues are primarily derived from solid waste service fees.

Transit Fund accounts for the operation and maintenance of the City's mass transportation service. Primary revenue sources are rider fares and Federal and State operating grants.

Airports Fund accounts for the City's two airport operations. Revenues are primarily derived from fees for airline operations out of the terminals.

Fresno Convention Center Fund accounts for the operation and maintenance of the City's convention center. Revenues are primarily derived from fees charged for using the facilities and General Fund support.

Stadium Fund accounts for the construction, operation and maintenance of the City's baseball stadium. Revenues are derived from the leasing of the facilities and General Fund support.

Additionally, the City reports the following fund types:

Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Proprietary Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Internal Service Funds account for the financing of goods or services provided by one City department to another City department on a cost reimbursement basis. The General Services Fund accounts for the activities of the equipment maintenance services, centralized telecommunications and information services. The Risk Management Fund accounts for the City's self-insurance, including provision for losses on property, liability, workers' compensation, and unemployment compensation. The Billing and Collection Fund accounts for the billing, collecting and servicing activities for the Water, Sewer, Solid Waste, and Community Sanitation funds.

The Employees Healthcare Plan accounts for the assets held on behalf of the City of Fresno Employees' Healthcare Plan for claim payments on behalf of qualified employees and retirees. There is one plan; however, there is separate accounting for active employees and retirees.

The Blue Collar Employees Healthcare Plan accounts for the healthcare payments on behalf of qualified employees and retirees of Local 39. There is one plan; however, there is separate accounting for active employees and retirees.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services, for sales and for services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Fresno's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The **Pension Trust Funds** account for the assets held on behalf of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees' Retirement System for pension benefit payments to qualified employees and retirees. Pension Trust Funds are accounted for in essentially the same manner as the proprietary funds.



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The **Private-Purpose Trust Fund** accounts for the custodial responsibilities that are assigned to the Successor Agency to the Redevelopment Agency with the passage of the Redevelopment Dissolution Act.

Agency Funds account for assets held by the City in a custodial capacity on behalf of individuals or other governmental units.

The City Departmental and Special Purpose Funds accounts for City-related trust activity, such as payroll withholding and bid deposits. The Special Assessments District Funds account for the receipts and disbursements for the debt service activity of bonded assessment districts within the City. Agency Funds, being custodial in nature (assets equal liabilities), do not involve the measurement of results of operations.

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

(c) Budgetary Data

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) programs, projects, services and activities to be provided during the fiscal year, (2) the estimated resources (inflow) and amounts available for appropriation and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City charter prohibits expending funds for which there is no legal appropriation.

During fiscal year 2013, General Fund Other General Government exceeded budget by \$1,778,559 as a result of expenditures that were budgeted for but not realized in Public Ways and Facilities were made available and were expended out of Other General Government instead.

Transfers to Other Funds in the General Fund exceed budget by \$17,257,433 due to the budget process not taking into consideration the accounting necessary to reflect the impact of the merger of the six former Internal Service functions and the two former Enterprise operations into the General Fund. Actual Transfers Out include \$16,613,099 related to the merger.

During fiscal year 2013, Grants Special Revenue Fund, Transfers to Other Funds exceeded budget by \$1,083,895 as a result of the "true up" process required upon the completion of Capital Projects. Until such time as a project is finalized and closed out, it is difficult to reconcile all project costs. Fiscal year 2013 saw the end of many Grant funded projects, especially those related to ARRA. A great deal of analysis was performed in order to close out completed capital projects and to appropriately reflect proper funding sources.

Fund Structure

The budget document is organized to reflect the fund structure of the City's finances. Fund revenues and expenditures are rolled up to the various object levels by division and department for presentation of information to the public. Budget adoption and subsequent administration is carried out on a fund basis.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Basis of Accounting

The City adopts an annual budget for the General Fund, Special Revenue Funds, and Capital Projects Funds except for Fresno Revitalization Corporation, Debt Service Funds, Financing Authorities & Corporations and City Debt . These budgets are adopted on the cash basis. Supplemental appropriations during the year must be approved by the City Council. Budgeted amounts are reported as amended.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in the Governmental Funds. Encumbrance accounting is utilized for budgetary control and accountability and to facilitate cash planning and control. Encumbrances outstanding at year-end are reported as part of restricted, committed or assigned fund balance. At June 30, 2013, encumbrances totaled \$1,094,848 in the General Fund, \$17,772,336 in Grants Special Revenue Fund and \$9,399,931 in the Nonmajor Governmental Funds.

Each of the funds in the City's budget has a separate cash balance position. Restrictions and Commitments represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Assigned fund balances represent tentative plans for future use of financial resources. The cash reserve position is a significant factor evaluated by bond rating agencies assessing the financial strength of an organization. Cash reserve amounts and trends, represent the continued ability of a City to meet its obligations and facilitate the requirements for a balanced budget.

Fund Equity/Deficit

The Convention Center Fund, Stadium Fund, the High Speed Rail Special Revenue Fund, the Billing and Collection Internal Service Fund, and the Risk Management Internal Service Fund all had deficit fund balances as June 30, 2013.

The deficit in the Convention Center Fund (\$3,918,398) is the result of slightly decreased revenue in 2013, but primarily the result of the sale of the Convention Center facilities attached to the Radisson Hotel with proceeds of \$2,338,230, going to the General Fund, which has supported the Convention Center for many years.



The deficit in the Stadium Fund (\$2,829,904) is primarily the result of the cost of operations, which includes non-cash depreciation, outpacing City sponsored event revenues. The City has engaged the services of a third party Management Company to assist with the Stadium (and Convention Center) operations, but the depressed economy and difficulty in attracting events has contributed to the deficit.

The deficit in the High Speed Rail, Special Revenue Fund (\$267,861) is primarily the result of timing differences resulting from spending on reimbursement grants.

The deficit in the Risk Management Fund at June 30, 2013 (\$90,283,551) is primarily due to increases in the cost of services, claims and litigation related loses and costs, as well as efforts expended in pursuing cost recovery where possible.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The deficit in the Billing and Collection (UB&C) Fund (\$514,306) is smaller than fiscal year 2011



when at that time it was (\$1,466,117). While operating costs between three years have remained fairly constant, revenues increased significantly, by more than \$2.5 million, in fiscal year 2012 when the deficit was \$292,111. Moving to Residential Water Meters required additional Charges for Services to the Water Enterprise Fund to cover the installation and reading of new meter readers necessary until automatic meter reads came online beginning late in calendar year 2012 and penalty fees increased due to the new monthly rate structure to address monthly billings and bills based upon usage as

compared to a flat rate. In addition there was a “holiday” of four months at the end of fiscal year 2011 in billing for penalties due to the new billing process. However in fiscal year 2013 penalties decreased slightly while fixed reimbursements decreased by \$1 million resulting in a slight increase to the deficit over fiscal year 2011.

The proposed budget and ultimately the Adopted Budget for Fiscal Year 2013 – 2014 represented a balance between continued reductions in expenditures and modest revenue growth. The choices made to balance the budget were difficult and simply stated, the cost of delivering services to the citizens of Fresno and paying off internal debt continued to exceed the amount of ongoing revenue currently being received.

The proposed budget called for maintaining services at current service and staffing levels but also included reductions in personnel expenses among employees with open labor contracts and assumed the proposed residential solid waste franchise. The revenue from the solid waste franchise and modest savings from employees was anticipated to net the City \$6 million in fiscal year 2014 allowing the City to balance its budget without further cuts or layoffs of employees. The proposed budget also allowed for the beginning payoff of internal loans and the payoff of all remaining deficit funds over a period not to exceed five years.

The proposed fiscal year 2014 Budget was consistent with the five-year budget plan presented by the City Manager to the City Council in February 2013 by following the Fiscal Sustainability Policy which included the Fiscal Management Policy Framework and the Labor Relations Policy Framework. The City has continued to aggressively work to address its structural imbalance.

On June 12, 2013 subsequent to the defeat of Measure G, the vote on the residential solid waste franchise, the Mayor presented her Fiscal Year 2014 Revised Budget. Fiscal year 2013 had ended better than had been anticipated due to the reduction of expenditures greater than had been projected and revenue improvements greater than anticipated. In spite of the loss of revenue from the residential solid waste franchise, the General Fund budget deficit projected for 2014 decreased to approximately \$2.85 million down from the initially projected \$6 million. Much of this could also be attributed to the much faster than anticipated Public Safety attrition. As a result, the Administration proposed and Council approved several revisions which were incorporated into the adopted budget for 2014. These revisions are presented in the following table labeled “Revised”.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

	Revised Budget June 2013 (Unaudited)
Budget Gains (Losses):	
Increase in RDA Increment	\$2,300,000
Loss of Franchise Fee Residential SW	-3,600,000
Employee Concessions delay	-800,000
Police/Fire Equip Replacement	-750,000
Total	<u>-2,850,000</u>
Recommended budget adjustments:	
PARCS Capital	442,000
Convention Center bond proceeds	558,000 *
Elimination of consulting contracts	127,300
Civilian Layoff Plan	1,722,700
Total	<u>2,850,000</u>
Projected Shortfall	<u>\$0</u>

*Use of excess bond proceeds on completed projects to pay down debt. The City's 5-year budget forecasts presented as part of the final adopted fiscal year 2014 budget reflected the need to achieve revenue increases and ongoing conservative costs to ultimately obtain balanced budgets, to eliminate negative fund balances, and to establish minimally acceptable operating and maintenance/replacement reserves. Because Employee Compensation constitutes 80 percent of the City's General Fund, the Fiscal Sustainability Policy acknowledges that a major portion of the cost savings must come from Employee Compensation.

General Fund 5 – Year Forecast (Unaudited)
In millions

	FY 2014 Adopted	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast
Carryover	\$ -	\$ -	\$ (688)	\$ (1,408)	\$ (110)
Sales Tax	73,195	75,025	76,900	78,823	80,794
Property Tax	110,807	109,771	112,086	114,451	116,871
Other Taxes	26,883	27,555	28,244	28,951	29,674
Franchise Fees	11,684	11,927	12,176	12,430	12,691
Charges for Current Services	30,387	31,224	31,800	32,386	32,986
All Other	21,079	21,521	21,883	22,254	22,636
Total Revenue	<u>274,035</u>	<u>277,023</u>	<u>282,401</u>	<u>287,887</u>	<u>295,542</u>
Employee Services	191,120	195,265	197,792	200,011	204,719
All Other Expenditures	53,883	53,770	57,563	59,864	61,199
Total Expenditures	<u>245,003</u>	<u>249,035</u>	<u>255,355</u>	<u>259,875</u>	<u>265,918</u>
Debt Service (net of POB)	(18,192)	(19,853)	(20,140)	(19,650)	(19,651)
Transfers	(10,840)	(8,823)	(8,314)	(8,472)	(5,922)
Net Total	<u>\$ -</u>	<u>\$ (688)</u>	<u>\$ (1,408)</u>	<u>\$ (110)</u>	<u>\$ 4,051</u>

Employee Services in each of the five years include personnel cost reductions of \$1,871 in fiscal year 2014; \$3,612 in fiscal year 2015 and \$7,064 in each of fiscal years 2016 through 2018 resulting from anticipated MOU

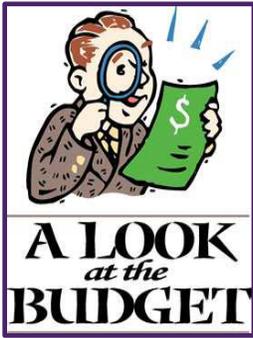
City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

negotiations and Departmental cuts/attrition. Transfers include deficit recovery payments of \$1,733, \$1,417 and \$903 in fiscal years 2014 through 2016 respectively.

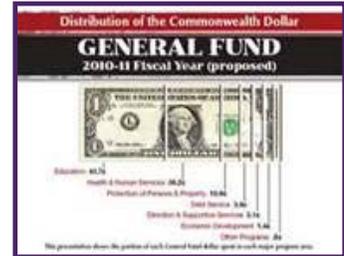
Revenue Estimation (Unaudited)

Revenue estimates and the methodology for calculating the estimates vary depending on the source of revenue. Considerable weight generally has been given to historical trends. This is important because of the uniqueness of the Central Valley and the composition of the Fresno economy, which differs from the state in general. As an example, the recession, which hit the State in the late 1980's, did not hit Fresno until the early 1990's and the recovery occurred in the rest of California before it hit the Central Valley. The same holds true for the current economic crisis. The City of Fresno began feeling the impacts of the current State and national financial down turn much later and in some cases less so than many other communities.



But given the worldwide financial crisis, estimating revenues has become more difficult. The limit of any government's activities is set by the availability of resources.

Property tax is the largest revenue source in the General Fund. The main source for projecting this revenue is information received from the County. Again as in all budget revenue projections internal staff relies heavily on historic trends as well as local developments. Once again however, given the impacts of the global economy, trends are not as easy to identify. Property tax growth averaged 8.7% over the five years prior to fiscal year 2009. The market has been unstable over the last few years with property values on homes traded in the last four years significantly declining. While the tax base is large and diverse, assessed value (AV) declined 10.9% from its peak in 2009 to 2013. Reductions in Assessed Valuations (AV) of secured properties caused secured property tax revenue to decline and the drop in the market value of homes also impacted Supplemental Property Tax revenue. Unsecured Property Tax revenues remained fairly stable. Increases in new construction suggest that the real estate market is recovering and the City is cautiously optimistic, based upon information provided by the County Assessor's Office and his expectations for the tax base that nearly half of the accumulated losses will be recouped in fiscal year 2014.



In the General Fund, sales tax revenues are the second largest revenue source. Historical trends, as well as paying close attention to the local economy are two of the primary keys for projecting this revenue. The City also employs an outside firm, Muni Services, LLC, to verify that the City receives all of the sales tax revenue that it is entitled to as well as to provide an independent resource for forecasting. Until the recent economic downturn, sales tax had shown growth every year except one, 1992. However, beginning in 2008 through 2010 sales tax declined annually. Given recent trends, Sales Tax revenue for fiscal year 2014 is estimated at \$73.2 million reflecting a growth assumption of 1.3% over fiscal year 2013 and a 5.4% increase over fiscal year 2012. The 2014 projection is consistent with Muni Services projections.

Budget Administration

The budget establishes appropriation and expenditure levels. Expenditures may be below budgeted amounts at year-end, due to unanticipated savings in the budget development. The existence of a particular appropriation in the budget does not automatically mean funds are

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

expended. Because of the time span between preparing the budget, subsequent adoption by the governing body, as well as rapidly changing economic factors, each expenditure is reviewed prior to any disbursement. These expenditure review procedures assure compliance with City requirements and provide some degree of flexibility for modifying programs to meet changing needs and priorities.

(d) Implementation of New Accounting Pronouncements

(i) Governmental Accounting Standards Board Statement No. 60

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.



This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met.

This Statement also provides guidance for governments that are operators in an SCA. For revenue sharing arrangements, this Statement requires governmental operators to report all revenues and expenses. A transferor reports its portion of the shared revenues.

This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments.

The requirements of this Statement were effective for financial statements for periods beginning after December 15, 2011 (fiscal year 2013 for the City). The provisions of this Statement were implemented with no material effect on the City’s financial statements.

(ii) Governmental Accounting Standards Board Statement No. 61

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve



financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management’s Discussion and

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. It also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset.

The provisions of this Statement were effective for financial statements for periods beginning after June 15, 2012 (fiscal year 2013 for the City). The City implemented this Statement No. 61 with no effect on the City's financial statements.

(iii) Governmental Accounting Standards Board Statement No. 62

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

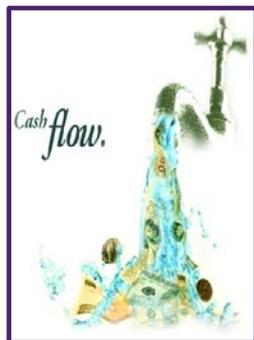


Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements."

This Statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

The requirements of this Statement were effective for financial statements for periods beginning after December 15, 2011 (fiscal year 2013 for the City). The City implemented Statement No. 62 with no effect on the City's financial statements but did result in some wording modification in the Notes to the Financial Statements.

(iv) Governmental Accounting Standards Board Statement No. 63



In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

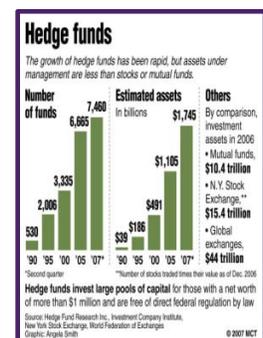
The provisions of this Statement were effective for financial statements for periods beginning after December 15, 2011 (fiscal year 2013 for the City). The City implemented Statement No. 63 which resulted in modifications to the City's financial statements in the form of captions and labels.

(e) Pronouncements issued but not yet adopted

The City is assessing what effect, if any, the implementation of the following standards will have on the City's financial statements.

(i) Governmental Accounting Standards Board Statement No. 65

In March 2012 the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014 for the City). Earlier application is encouraged.

(ii) Governmental Accounting Standards Board Statement No. 66

In March 2012 the Governmental Accounting Standards Board (GASB) issued Statement No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.



This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal

City of Fresno, California
Notes to the Basic Financial Statements

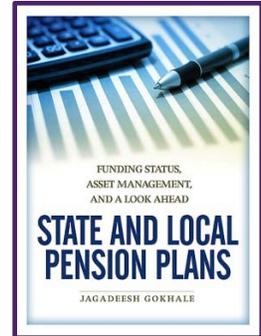
For the Fiscal Year Ended June 30, 2013

amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014 for the City). Earlier application is encouraged.

(iii) Governmental Accounting Standards Board Statement No. 67 and 68

In June 2012, the Governmental Accounting Standards Board (GASB) issued two new standards, Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.



Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the yield or index rate on tax-exempt 20-year general obligation municipal bonds with an average rating of AA/Aa or higher to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The Statements relate to accounting and financial reporting and do not apply to how governments approach the funding of their pension plans. At present there generally is a close connection between the ways many governments fund their pensions and how they account for and report information about them in financial statements. These Statements would separate how the accounting and financial reporting is determined and how pensions are funded.

The requirements of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013. The requirements of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2014.

(iv) Governmental Accounting Standards Board Statement No. 69



In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transactions. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

(v) Governmental Accounting Standards Board Statement No. 70

In April 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government



City of Fresno, California
Notes to the Basic Financial Statements

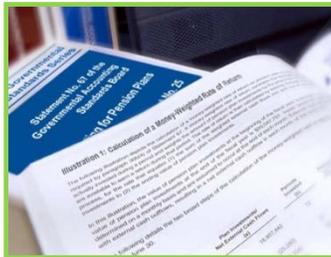
For the Fiscal Year Ended June 30, 2013

will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is not best estimate but a range of the estimated future outflows can be established, the amount to be recognized should be the discounted present value of the minimum amount within the range.

This Statement requires a government that has issued an obligation guarantee in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Except for disclosure related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively.

(vi) Governmental Accounting Standards Board Statement No. 71



In November 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts

associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires the government to recognize its contribution as deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for financial statements for fiscal years beginning after June 15, 2014.

Financial Statement Elements

(f) Deposits and Investments

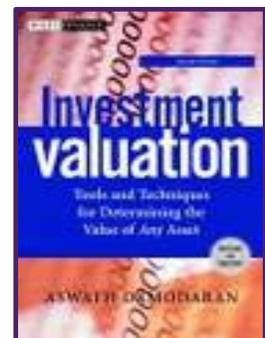
Investment in the Treasurer's Pool

The City Controller/Treasurer invests on behalf of most funds of the City in accordance with the City's investment policy and the California State Government Code. The City Treasurer, who reports on a monthly basis to the City Council, manages the Treasurer's Pool. The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond issuances of Enterprise Funds. In addition to the Treasurer's investment pool, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City.

Investment Valuation

The City reports their investments at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In addition, changes in fair value are reflected in the revenue of the period in which they occur.

Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper, bankers' acceptances, repurchase agreements, money market funds and the State Treasurer's investment pool. The City's Pension Trust Funds are authorized to invest in every kind of property or investment which persons of prudence, discretion and intelligence acquire for their own account.



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Except as noted in the following paragraph, investments are comprised of obligations of the U.S. Treasury, agencies and instrumentalities, cash, time certificates of deposit, mutual funds, bankers' acceptances, money market accounts and deposits in the State of California Local Agency Investment Fund, and are stated at fair value. The Pension Trust Funds have real estate and other investments as well.

Highly liquid money market investments, guaranteed investment contracts, and other investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

Investment Income

Cash balances of each of the City's funds, except for certain Trust and Agency Funds and other restricted accounts, are pooled and invested by the City. Income from pooled investments is allocated to the individual funds based on the fund participant's average daily cash balance at the month end in relation to total pooled investments. The City's policy is to charge interest to those funds that have a negative average daily cash balance at month end. Deficit cash balances are reclassified as due to other funds and funded by Enterprise Funds or related operating funds.

(g) Loans Receivable

For the purposes of the Fund Financial Statements, Special Revenue and Capital Project Funds expenditures relating to long-term loans arising from loan subsidy programs are recorded as loans receivable net of an estimated allowance for potentially uncollectible loans. In some instances amounts due from external participants are recorded with an offset to a deferred credit account. The balance of long-term loans receivable includes loans that may be forgiven if certain terms and conditions of the loans are met.



Financing Authorities and Corporations also reflect a note due from FBB Investment Fund, LLC in connection with the new market tax credit loans recorded by the City's discretely presented component unit, City of Fresno Cultural Arts Properties Corporation. The note is recorded for the full amount and the entire outstanding principal balance plus any unpaid interest is due on the maturity date, March 1, 2040. For purposes of the Government-wide Financial Statements, long-term loans are not offset by deferred credit accounts.

(h) Inventories

Inventories recorded in the proprietary funds primarily consist of construction materials and maintenance supplies. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting. The City uses the purchases method of accounting for inventories in governmental fund types whereby inventory items are considered expenditures when purchased and are not reported in the Statement of Net Position.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(i) Former Redevelopment Agency Property Held for Resale

Property of the former RDA is held for resale and is recorded as other assets at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of a property based on current intended use. Property held for sale may, during the period it is held by the City, generate rental income, which is recognized as it becomes due and is considered collectable.

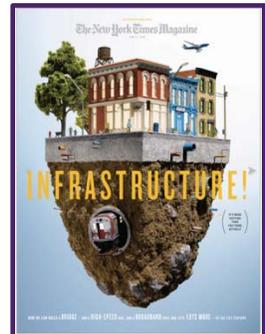
(j) Restricted Assets



Restricted cash from the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts or tracked separately in the City Treasury group of accounts. Use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds and amounts restricted for future capital projects. Restricted grants and interest receivable represent cash and receivables contributed for capital projects and the associated interest.

(k) Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, infrastructure assets, and intangible assets, are reported in the applicable governmental activity or business-type activity columns in the Government-wide Financial Statements and in the Private-Purpose Trust Fund (former RDA). All land is defined as Capital Assets. Buildings and building improvements, machinery and equipment and improvements other than to buildings, with an initial cost of more than \$5,000 including bundled purchases and having an estimated useful life in excess of two years are defined as Capital Assets. Infrastructure with an initial cost of more than \$50,000 is also considered to be Capital Assets. Improvements that extend an asset's life or efficiency by over 25% are also capitalized. Such assets



are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-wide Financial Statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest totaled \$6,148,864 in fiscal year 2013. Amortization of assets acquired under capital lease is included in depreciation and amortization.



Buildings and improvements, infrastructure, and machinery and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated used lives:

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20 to 50
Infrastructure	15 to 55
Machinery and Equipment	3 to 12

Works of art, historical treasures and zoological animals held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

Capital Leases

Property, plant and equipment include the following property held under lease obligation at June 30, 2013:

	<u>Governmental Activities</u>
Machinery and Equipment	\$ 15,128,420
Less: Accumulated Depreciation	<u>(11,589,118)</u>
Net Machinery and Equipment	<u>\$ 3,539,302</u>
	<u>Fiduciary Funds</u>
Building and Improvements	\$ 2,585,000
Less: Accumulated Depreciation	<u>(1,573,185)</u>
Net Building and Improvements	<u>\$ 1,011,815</u>

(l) Bond Issuance Costs and Discounts and Accreted Interest Payable

In the Government-wide Financial Statements and the proprietary fund types in the Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Interest accreted on capital appreciation bonds is reported as accreted interest payable in the proprietary fund and as long-term liabilities, due in more than one year in the Government-wide.

(m) Refunding of Debt

Gains or losses occurring from advance refunding are deferred and amortized into expense.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(n) Deferred and Unearned Revenues

Deferred and unearned revenues arise when resources are received by the City before it has a legal claim to them (i.e., the City bills certain fixed rate services in advance; amounts billed but not yet earned are deferred and amortized over the service period). Deferred revenues also arise in governmental funds when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period.

(o) Interfund Transfers

Interfund transfers are generally recorded as transfers in (out) except for certain types of transactions that are described below.

- (1) Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of the fiscal year.
- (2) Reimbursements for expenditures, initially made by one fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

(p) Fund Equity

In the fund financial statements, fund balances of the governmental funds are reported in a hierarchy of classifications based on the extent to which the City is bound to honor constraints on the specific purposes for which the amounts in the funds can be spent. Governmental fund balance classifications consist of the following:

- **Nonspendable** – Includes amounts that are either 1) not in spendable form or 2) are legally or contractually required to be maintained intact. Not in spendable form includes items that are not expected to be converted to cash such as inventories, prepaid items and certain long-term receivables.
- **Restricted** – Includes amounts which have constraints placed on the use of the resources. The constraints are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law or enabling legislation of the government itself and which are legally enforceable.
- **Committed** – Includes amounts that can only be used for specific purposes pursuant to a formal action of the City’s highest level of decision-making authority. Resolution No. 2011-64 adopted by City Council on April 7, 2011, approved by the Mayor on April 18, 2011, amended executive order 3.01 and Resolution 2004-27, established the Reserve Management Act, and set policy with stringent limitations on the use of reserve funds. The committed funds may be removed or changed only by the City taking the same formal action which imposed the constraint.
- **Assigned** – Includes amounts that are not classified as non-spendable, restricted, or committed but which are intended by the City to be used for specific purposes. Intent is expressed by legislation or action of the City Council, or the Mayor or City Manager which legislation has delegated the authority to assign amounts for specific purposes.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

- **Unassigned** – Is the residual classification for the General Fund and includes all amounts not reported as non-spendable, restricted, committed or assigned. The General Fund may report either positive or negative unassigned fund balance, and unassigned amounts are available for any purpose. Other governmental funds may report only negative unassigned fund balances if expenditures incurred for specific purposes exceeded amounts restricted, committed or assigned for those purposes.

When multiple classifications of resources are available for use, it is the City's policy to use resources in the order of restricted, committed, assigned, and unassigned.

Fund Balances of the governmental funds at June 30, 2013 consist of the following:

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Advances Receivable From				
Other Funds	\$ 12,690,500	\$ -	\$ -	\$ 12,690,500
Restricted:				
Debt Service	-	-	11,645,082	11,645,082
CDBG and Home Loans	-	37,217,856	-	37,217,856
Revitization	-	-	152,812	152,812
Transportation and Streets	-	-	8,438,982	8,438,982
AD #131 UGM Reimbursement	-	-	1,626,355	1,626,355
Forfeitures	-	-	557,418	557,418
CASp Program SB1186	-	-	37,341	37,341
Police & Fire Grants	427,366	611,988	-	1,039,354
Parks Grants	8,003	-	-	8,003
Impact Fees	-	-	15,874,485	15,874,485
Special Assessment Projects	-	-	13,848,817	13,848,817
Low to Moderate Income Housing	-	-	38,088,576	38,088,576
Committed:				
Emergency Reserve	1,902,776	-	-	1,902,776
Assigned:				
General Government	395,279	-	-	395,279
Cable PEG, Nonprofit Media JPA	-	-	147,295	147,295
Public Works Projects	4,208	-	10,121,002	10,125,210
Public Protection Projects	126,421	-	3,171,766	3,298,187
Parks Projects	37,327	-	3,564,179	3,601,506
Community Development	531,613	-	619,839	1,151,452
Unassigned	(9,355,244)	(4,928,587)	(267,861)	(14,551,692)
Total Fund Balances	\$ 6,768,249	\$ 32,901,257	\$ 107,626,088	\$ 147,295,594

(q) Net Position

Net position represents the difference between assets and liabilities in the government-wide and proprietary fund Statement of Net Position. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The restricted component

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

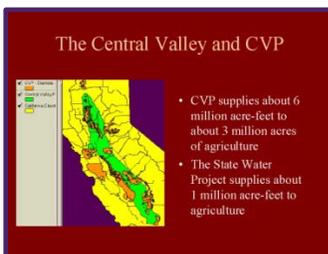
of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Unrestricted net position represent net position elements which are not restricted.

(r) Cash Flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

(s) Regulatory Assets and Liabilities

At June 30, 2013, the Statement of Net Position, Business-Type Activities, reflects approximately \$20.7 million in regulatory assets related to the CVP Water Settlement, which will continue to have an impact on water rates which are to be charged to customers over approximately the next 25 years. The settlement for past deficiencies was negotiated between the City and the United States Bureau of Reclamation (USBR). Under Statement No. 62 of the Governmental Accounting Standards Board, paragraphs 488-489, regulatory assets represent future revenue associated with certain costs (CVP Settlement) that will be recovered from customers through the ratemaking process.



Additional information related to the Settlement and rate setting can be found in Footnote 13 – Commitments and Contingencies. A portion of the CVP Settlement Liability was reduced due to early payment to the USBR. The corresponding asset was evaluated to determine whether the regulatory asset would require accelerated amortization or write-off. Correspondingly, if the rate recovery is over a period other than 25 years currently anticipated, the amortization period will also be adjusted.

(t) Estimates

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

Note 3. CASH AND INVESTMENTS

The City's cash and investments are invested pursuant to investment policy guidelines established by the City Controller/Treasurer, subject to review by the City Council. The objectives of the investment policy are preservation of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

City Sponsored Investment Pool

As part of the City's total cash and investment portfolio, the Treasury Officer and staff, under the supervision of the Controller, manage an investment pool that includes only internal investors and is available for use by all funds. The pool is not registered with the Securities and Exchange Commission as an investment company. Investment activity is reported monthly to the City Council by posting reports to the City's webpage and annually an investment policy is submitted to the Council for review and approval. The investments are reported at fair value which is determined monthly. Participants' shares are determined by the daily cash balance deposited in the pool (the value of its pool shares). The value of the pool shares is based upon amortized cost in day-to-day operations but is adjusted to the fair value at year-end. The value of the shares is supported by the value of the underlying investments. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Investments". In addition, certain funds have investments with trustees related to debt issues.



The following is a summary of cash, deposits and investments at June 30, 2013.

	Primary Government				Component Unit
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total	
Cash and Investments	\$ 119,176,581	\$ 174,141,191	\$ 19,816,852	\$ 313,134,624	\$ 624,806
Restricted Cash and Investments	13,095,078	246,198,043	2,755,167	262,048,288	-
Pension Trust Investments at fair value	-	-	2,239,121,203	2,239,121,203	-
Collateral Held for Securities Lent	-	-	323,560,774	323,560,774	-
Total	\$ 132,271,659	\$ 420,339,234	\$ 2,585,253,996	\$ 3,137,864,889	\$ 624,806

Cash and Deposits



At year-end, the City's bank balance was \$225,834,716. The recorded balance reflected in the June 30, 2013 financial statements was \$220,087,674. The difference is due to deposits in transit and outstanding checks.

Cash, Deposits and Investments

Cash includes amounts in demand and time deposits. Investments are reported in the accompanying financial statements at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

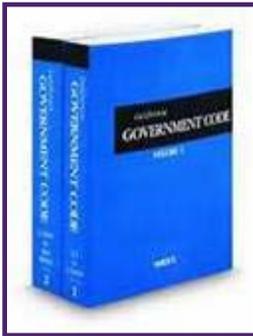
City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Changes in fair value that occur during a fiscal year are recognized as income from property and investments reported for that fiscal year. Income from property and investments includes interest earnings; changes in fair value; any gains or losses realized upon the liquidation, unrealized gains and losses, maturity, or sales of investments; property rentals and the sale of City owned property.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Investment income earned by the pooled investments is allocated to the various funds on a monthly basis, based on each fund's daily cash balance. Interest payments are paid to the various funds also on a monthly basis. Restricted cash and investments represent amounts that are restricted under the terms of debt agreements. These funds are not available for operations or investment and are not included in the pool. They are maintained in accounts with third party bank trustees.

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



The City maintains a formal, investment policy, which is adopted annually by the City Council. Pursuant to Government Code Section 53607, the Council delegates its authority to invest or to reinvest funds of the City, or to sell or exchange securities so purchased to the Controller/Treasurer subject to the requirements of State Law and the Investment Policy. Pursuant to Government Code Section 53608, the authority to deposit such securities for safekeeping is also delegated by the Council to the Controller/Treasurer. All investments held in the Treasurer's Pool are consistent with the City's investment policy objectives of safety of principal, adequacy of liquidity, and achievement of an average market rate of return.

California statutes and the City's investment policy authorize investments in obligations of the U.S. Treasury, agencies and instrumentalities, bankers', acceptances, negotiable certificates of deposit, GC53601.8 CD's, repurchase agreements and the State Treasurer's investment fund. The City is also authorized to enter into reverse repurchase agreements, but did not enter into any reverse repurchase agreements transactions during fiscal year 2013.

The table below identifies the investment types that are authorized for the City by the California Government Code or the City's investment policy, where more restrictive. The City's maximum percent limit of portfolio for government sponsored enterprises agency notes is 70% versus 100% for California Government Code. The table identifies the investment type, the maximum length of time to maturity for each investment, the maximum percentage of the portfolio that can be invested in each type of security and the maximum amount of the portfolio that can be invested in any single issuer of investments.



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

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

<u>Authorized Investments</u>	<u>Maximum Maturity</u>	<u>Maximum % Limit Of Portfolio</u>	<u>Maximum % Limit Of Portfolio Per Single Issuer</u>
City of Fresno Debt	5 Years	100%	100%
U.S. Treasuries	5 Years	100%	100%
California Debt	5 Years	100%	100%
Other 49 States Debt	5 Years	100%	100%
Cal Local Agency Debt	5 Years	100%	100%
Government Sponsored Enterprises Agency Notes	5 Years	70%	50%
Banker's Acceptances	180 Days	40%	30%
Commercial Paper	270 Days	25%	25%
Negotiable CD's	5 Years	30%	30%
Time Deposits	5 Years	100%	100%
Shares of Section 6509.7 JPA's	N/A	100%	100%
GC 53601.8 CD's	1 Year	30%	30%
Repurchase Agmnts	1 Year	100%	100%
Reverse Repurchase Agmnts	92 Days	20%	N/A
Securities Lending Agmnts	92 Days	20%	N/A
Medium-Term Notes	5 Years	30%	20%
Mutual Funds	N/A	20%	10%
Money Market Funds	N/A	20%	20%
Mortgage/Asset Backed Debt	5 Years	20%	20%
State Local Agency Investment Fund	N/A	100%	100%

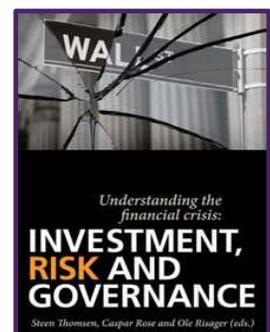
Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments held outside the Treasurer's Pool consist mainly of required reserve funds for various bond issues. They are held by trustees, and are not available for the City's general expenditures.

Investment agreements are used for the investments of bond proceeds in accordance with the permitted investment provisions of the specific bond indentures which are prepared in accordance with numerous safeguards to reduce the risk associated with a provider's ability to meet its contractual obligations.

Investment Risk

The City invests in no derivatives other than structured (step-up) notes, which guarantee coupon payments. These are minimal risk instruments. All investments are held by a third-party custodian in the City's name.

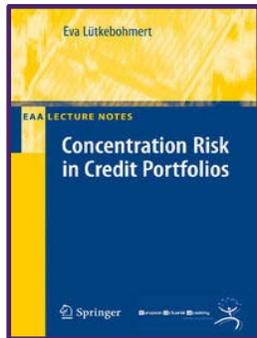


City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Deposit and Investment Risk

The risk disclosures below apply to the City's internal investment pool and deposits as well as investments held by trustees for debt service funds or bond proceeds. Portfolio investments are exposed to four main types of risk: concentration, interest rate, default and custodial risk. Deposits are exposed primarily to custodial credit risk.



Concentration of Credit Risk

The investment policy of the City contains the following limitations on the amount that can be invested in any one issuer which is more restrictive than those stipulated by the California Government Code. While the State has no limit on the percentage of the Portfolio that can be invested in a single U.S. Government Agency Security, the City's Investment Policy limits investment in any one issuer to 50% of the Portfolio. Also while the State limits investments to 30% of the Portfolio for any single issuer of Medium Term Notes, the City's Investment Policy limits investments to 20% of the Portfolio invested in any single issuer.

Investments in any one issuer (other than U.S. Treasury securities, money market funds, and external investment pools) that represent 5% or more of the total Treasurer's Pool investments or investments with trustees are as follows:

Treasurer's Pool Investments

<u>Issuer</u>	<u>Investment Type</u>		<u>Reported</u>	<u>Percent of Total</u>
Federal National Mortgage Association (FNMA)	U.S. Government Agency	\$	34,675,025	7.72%

Investments with Trustees

FSA Capital Management Services, LLC	Guaranteed Investment Contract	\$	13,747,344	10.44%
--------------------------------------	--------------------------------	----	------------	--------

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater will be the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Investment Policy limits the weighted average maturity of the Portfolio to three (3) years, except for debt agreements held by trustees which are governed by the indentures and may be longer.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Interest rate risk for the Treasurer's Pool and for investments with trustees is disclosed in the following table. As of June 30, 2013, the City had the following cash and investments in its portfolio:

	Fair Value	Investment Maturities			
		Less than 1 Year	1 to 5 Years	5 to 10 Years	More than 10 Years
Treasurer's Pool					
Cash Accounts	\$ 225,834,716				
Treasurer's Pool Investments					
U.S. Government Agencies:					
Federal Farm Credit Bank	4,957,200	\$ -	\$ 4,957,200	\$ -	\$ -
Federal Home Loan Mortgage Corporation	4,817,093	-	4,817,093	-	-
Federal National Mortgage Association	34,675,025	-	34,675,025	-	-
Subtotal of U.S. Government Agencies	<u>44,449,318</u>	-	<u>44,449,318</u>	-	-
Medium Term Corporate Notes	57,354,003	-	57,354,003	-	-
State Local Agency Investment Fund	100,027,321	100,027,321	-	-	-
Time Deposits	15,000,000	15,000,000	-	-	-
Money Market Funds	6,582,345	6,582,345	-	-	-
Total Treasurer's Pool	<u>449,247,703</u>	<u>\$ 121,609,666</u>	<u>\$ 101,803,321</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Held Outside the Treasurer's Pool					
Debt Service Funds/ Bond Proceeds:					
Guaranteed Investment Contracts	13,747,344	\$ -	\$ -	\$ -	\$ 13,747,344
Money Market Mutual Funds	103,551,677	103,551,677	-	-	-
Repurchase Agreement	899,228	-	-	899,228	-
U.S. Treasury Securities	13,484,002	13,484,002	-	-	-
		<u>\$ 117,035,679</u>	<u>\$ -</u>	<u>\$ 899,228</u>	<u>\$ 13,747,344</u>
Other Deposits	566,663				
Outstanding Checks	(7,579,274)				
Deposits in Transit	1,265,569				
Retirement Assets (See Retirement CAFR)	2,562,681,977				
Total Primary Government	<u>3,137,864,889</u>				
Component Unit Cash Accounts	624,806				
Total Cash and Investments	<u>\$ 3,138,489,695</u>				

The City's investments (including investments held by bond trustees) include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

Highly Sensitive Investments	Maturity Date	Maturity Value	Fair Value at Year End
FNMA – STEP UP NOTE	11/15/2017	\$ 5,000,000	\$ 4,905,400

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

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Default Credit Risk

		<u>Minimum</u> <u>Legal Rating</u>	<u>Rating at year</u> <u>end</u>	<u>Total</u> <u>Investment</u> <u>Portfolio</u>
<u>Treasurer's Pool Investments</u>				
U.S. Government Agency Securities:				
Federal Farm Credit Bank	\$ 4,957,200	A	* AA+	1.10%
Federal Home Loan Mortgage Corporation	4,817,093	A	* AA+	1.07%
Federal National Mortgage Association	34,675,025	A	* AA+	7.72%
Medium Term Corporate Notes:				
Deutsche Bank	9,602,400	A	A+	2.14%
General Electric Capital Corporation	20,071,200	A	AA+	4.47%
Goldman Sachs Group Incorporated	17,994,216	A	A-	4.01%
JPMorgan Chase & Company	4,726,687	A	A	1.05%
Morgan Stanley	4,959,500	A	A-	1.10%
State Local Agency Investment Pool	100,027,321	NA	Unrated	22.27%
Time Deposits	15,000,000	NA	Unrated	3.34%
Money Market Funds	6,582,345	NA	Unrated	1.47%
Total:	\$ <u>223,412,987</u>			49.73%
<u>Investments with Trustees</u>				
Guaranteed Investment Contracts	\$ 13,747,344	NA	Unrated	10.44%
Money Market Funds	103,551,677	NA	Unrated	78.64%
Repurchase Agreement	899,228	NA	Unrated	0.68%
U.S. Treasury Securities	13,484,002	NA	* AA+	10.24%
Total:	\$ <u>131,682,251</u>			100.00%

*On August 5, 2011, U.S. Treasury Securities and U.S. Government Agency Securities were downgraded from AAA to AA+ rating by Standard and Poor's.

The City of Fresno's Investment Policy requires that the City only invest in high quality obligations, which means only those with a rating category of "A" or better by a nationally recognized rating service. It is not anticipated at this time that the rating of the federal government will immediately or significantly impact the investments held by the City of Fresno in its investment pool.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits or securities can be legally restricted. The City maintains cash accounts at Bank of America (BoFA). The City maintains separate accounts for payment of general accounts payable checks, payroll checks, and utility refund checks. Amounts in excess of \$250,000 are securitized in accordance with California Government Code Section 53652. The California Government Code and the City's investment policy contain legal or policy requirements that limit the exposure to custodial credit risk for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit.) The market value of the pledged securities in the collateral pool must equal



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013



at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The collateral pledged to cover the public fund deposits in California is held in the name of the California Collateral Pool Administrator and is held in their name by the Federal Reserve Bank as custodian. The City had no uncollateralized cash at June 30, 2013. As of June 30, 2013, the City's deposits with institutions in excess of federal depository insurance limits, was \$231,469,257 held in accounts collateralized in accordance with State law as described above.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to the transaction, a government will not be able to recover the value of its investment of securities that are in the possession of the counterparty. As of June 30, 2013, in accordance with the City's investment policy, none of the City's investments were held with counterparty. All of the City's investments were held with an independent third party custodian bank. The City uses Bank of New York Trust Company (BNY) as a third-party custody and safekeeping service for its investment securities. Custodial credit risk is the risk that the City will not be able to recover the value of its investments in the event of a BNY failure. All City investments held in custody and safe-keeping by BNY are held in the name of the City and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure.



Investment in State Investment Pool

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

The total amount invested by all public agencies in LAIF as of June 30, 2013 was \$21.2 billion. LAIF is part of the California Pooled Money Investment Account (PMIA) which at June 30, 2013 has a balance of \$58.8 billion, of that amount 1.96% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PIMA investments was 278 days as of June 30, 2013.

Retirement Systems Deposits and Investments

The investment guidelines for the City of Fresno's Retirement Systems (Systems) reflect the duties imposed by an investment standard known as the "prudent expert rule." The prudent expert rule establishes a standard for all fiduciaries, which includes anyone who has discretionary authority with respect to the Systems' investments.



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Northern Trust serves as custodian of the Systems' investments. The Systems' asset classes include U.S. Equity, International Equity, U.S. Fixed Income, International Fixed Income and Real Estate. Any class may be held in direct form, pooled form or both. The Systems have 14 external investment managers, managing 18 individual portfolios. Investments at June 30, 2013, consist of the following (In thousands):

<u>Investments at Fair Value</u>	<u>2013</u>
Domestic Equity	\$ 781,611
International Equity	441,341
Government Bonds	275,549
Corporate Bonds	361,891
Real Estate	248,761
Emerging Market Equity	77,937
Short Term Investments	52,030
Total Investments at Fair Value	<u>\$ 2,239,120</u>

The Retirement Boards have established policies for investing, specifying the following target allocations with a minimum and maximum range for each of these asset classes:

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Large Capital Equities	17.0%	22.5%	25.0%
Small Capital Equities	4.0%	7.5%	12.0%
International Equities	16.0%	22.8%	30.0%
Emerging Market Equities	0.0%	7.2%	10.0%
Real Estate	5.0%	15.0%	24.0%
Domestic Fixed Income	10.0%	15.0%	25.0%
High Yield Bonds	4.0%	10.0%	14.0%
Cash & Equivalents	0.0%	0.0%	2.0%

Allowable securities must meet the reporting requirements of the Securities and Exchange Commission and must meet a "prudent expert" standard for investing. In no case may either System have 5 percent or more of System net position invested in any one organization.

The Retirement Boards' investment policies and guidelines permit investment in numerous specified asset classes to take advantage of the non-correlated economic behavior of diverse asset classes. The result is a well-diversified portfolio.

Custodial Credit Risk

The Retirement Systems' investment securities are not exposed to custodial credit risk since all securities are registered in the Systems' name and held by the Systems' custodial bank. Any cash associated with the Systems' investment portfolios not invested at the end of a day is temporarily swept overnight into Northern Trust Collective Short-Term Investment Fund. That portion of the Systems' cash held by the City as part of the City's cash investment pool totaled \$180,806 at June 30, 2013. Accordingly, the Systems' Investments in the pool are held in the name of the City and are not specifically identifiable.



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Credit and Interest Rate Risk

Credit risk associated with the Systems' debt securities is identified by their ratings in the table below. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The System has no general policy on credit and interest rate risk. The System limits its investments in below investment grade bonds and monitors the interest rate risk inherent in its portfolio by measuring the duration of its portfolio.



The average duration and credit quality of the systems' debt portfolios in years is listed in the table below:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Credit Quality</u>	<u>Duration</u>
Asset Backed Securities	\$ 6,035,847	A+	2.66
Commercial Mortgage-Backed	9,537,283	A+	2.71
Corporate Bonds	326,604,687	BB+	4.24
Corporate Convertible Bonds	8,593,091	BB-	4.53
Non-Government backed C.M.O's	5,677,360	CCC+	2.65
Convertible Equity	1,519,716	NR	4.76
Other Fixed Income	10,496	NR	-
Common Stock	777,957	D	0.70
Preferred Stock	3,134,185	B+	5.49
Government Agencies	11,148,278	AAA	3.87
Government Bonds	98,605,324	AAA	5.03
Government Mortgage Backed Securities	147,421,820	AAA	3.49
Index Linked Government Bonds	579,139	BBB-	11.32
Municipal/ Provincial Bonds	17,794,660	A	9.50
	<u>\$ 637,439,843</u>		

Per section 5.5(6) and 5.5(7) of the Retirement Systems' Investment Policy Statements, no more than 15% of an investment manager's fixed income portfolio may be invested in below investment grade rated securities (BB or B rated bonds). Therefore, at least 85% of the manager's fixed income portfolio must be invested in investment grade securities. Intermediate Bond portfolios shall maintain an average credit quality of A+ or better.

High yield fixed income portfolios, in accordance with section 5.5(7) of the Systems' Investment Policy Statements, shall maintain an average credit quality rating to or higher than that of the Barclays US Corporate High Yield Index. Based upon the Barclays US Corporate High Yield Index, a high yield manager's portfolio shall have a constraint of the benchmark weight plus 5% in bonds rated Caa1/CCC+ or lower with non-rated bonds being limited to 5% of the portfolio with both limits subject to maintaining the average portfolio credit quality requirement of the Barclays US Corporate High Yield Index. No more than 25% of a high yield manager's portfolio may be invested in foreign securities; within this limit, a manager may allocate up to 20% in emerging market government securities including both non-US dollar denominated securities and US dollar denominated Yankee securities and up to 15% of the portfolio may be invested in non-US dollar denominated securities.



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

High yield bond portfolios may hold up to the benchmark weight plus 5% of the assets in Rule 144A bond issues with or without registration rights. No more than 10% of the high yield manager's portfolio may be invested in convertibles or preferreds; and no more than 20% may be invested in securitized bank debt. No single security and/or issuer can represent more than 5% of the market value of the portfolio at the time of purchase, and no single industry can represent more than 25% of the market value of the account at the time of purchase.



Firms that manage fixed income portfolios will continually monitor the risk associated with their fixed income investments. They will be expected to report as a component of their quarterly report, a risk/reward analysis of the management decisions relative to their benchmarks. Statistics that relate performance variance to effective duration decisions will be included in each quarterly report.



Concentration Risk

The Investment portfolio as of June 30, 2013 contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented 5 percent or more of the total investment portfolio.

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment or deposit. The Systems have no general investment policy with respect to foreign currency risk. The Systems investment policy guidelines allow international developed and emerging equity managers to hedge their currency risks in foreign countries through the purchase of derivatives. Used as a defensive measure and in an effort to control the risks associated with international portfolios, international equity investment managers are permitted to invest in forward currency contracts, swaps currency futures, and exchanged-traded index futures that represent broad equity exposure to countries represented in their respective benchmark index.



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The following positions represent the Systems' exposure to foreign currency risk as of June 30, 2013:

Equities

Base Currency:	Equities/ Fixed Income	Foreign Currency Contracts	Rights & Warrants	Cash & Cash Equivalents	Total
Australia Dollar – AUD	\$ 27,294,445	\$ (98,856)	\$ -	\$ 102,876	\$ 27,298,465
Brazil Real – BRL	5,910,306	-	13,522	(151,879)	5,771,949
Canada Dollar – CAD	12,446,984	-	-	190	12,447,174
Swiss Franc – CHF	28,727,121	-	-	23	28,727,144
Chilean Peso - CLP	125,232	-	-	-	125,232
Czech Koruna - CZK	262,334	-	-	-	262,334
Danish Krone – DKK	8,913,409	(14,520)	-	14,520	8,913,409
Euro – EUR	104,814,772	(9,300,953)	13,792	1,456,875	96,984,486
British Pound Sterling– GBP	100,123,360	(2,599,978)	-	1,139,851	98,663,233
Hong Kong Dollar – HKD	34,107,712	-	-	1,236,876	35,344,588
Hungarian Forint – HUF	389,943	-	-	-	389,943
Indonesia Rupiah – IDR	1,796,282	-	-	(87,325)	1,708,957
India Rupee - INR	7,458,107	-	-	1,656	7,459,763
Japan Yen – JPY	83,711,239	(653,563)	-	702,285	83,759,961
South Korean Won – KRW	16,908,197	-	-	55,727	16,963,924
Mexican Peso – MXN	4,621,488	-	-	-	4,621,488
Malaysian Ringgit – MYR	1,661,642	-	-	(101)	1,661,541
Norwegian Krone – NOK	7,802,360	(306,980)	-	306,981	7,802,361
Philippine Peso - PHP	1,322,751	-	-	-	1,322,751
Polish Zloty - PLN	600,474	(56,816)	-	56,818	600,476
Swedish Krona – SEK	19,604,339	-	-	-	19,604,339
Singapore Dollar – SGD	7,693,755	-	-	-	7,693,755
Thai Baht – THB	2,546,633	-	-	-	2,546,633
Turkish Lira – TRY	4,256,059	-	-	-	4,256,059
New Taiwan Dollar – TWD	9,970,588	-	-	(63,288)	9,907,300
United States Dollar – USD	-	(2,614,822)	10,496	-	(2,604,326)
South African Rand - ZAR	8,130,721	(130,071)	-	130,080	8,130,730
Total Equities (In USD)	501,200,253	(15,776,559)	37,810	4,902,165	490,363,669
Total Non-USD Equities (in USD)	\$501,200,253	\$ (13,161,737)	\$ 27,314	\$ 4,902,165	\$ 492,967,995

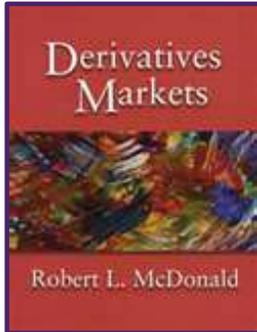
Per section 5.5(5) of the Systems' Investment Objectives and Policy Statements, assets in international equity portfolios shall consist of liquid, publicly traded equity and equity like securities traded on major stock exchanges as well as cash and cash equivalents as necessary. Securities will be primarily composed of foreign ordinary shares and depository receipts (ADRs and GDR's including ADR's and GDR's that are 144A securities). Securities that are 144A securities, including ADR and GDR 144A securities are authorized investments which in aggregate cannot exceed 10 percent of the portfolio. Primarily, large capitalization securities may be held, although investments in small and mid capitalization securities in developing and emerging markets are also allowed. Firms will continually monitor their country, currency, sector and security selection risks associated with their international portfolios. All of the risks will be included in the manager's quarterly reports and performance attribution based on these factors will also be included.



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The System's complete Investment Objectives and Policy Statement can be found on the System's website at www.CFRS-CA.org or by contacting the Retirement Office at 2828 Fresno Street Suite 201, Fresno, CA 93721



Derivatives

The Retirement Boards have authorized certain investment managers to invest in or otherwise enter into transactions involving derivative financial instruments when, in the judgment of management, such transactions are consistent with the investment objectives established for a specific investment manager's assignment.

The acceptable investment purposes for the use of derivatives are as follows:

- Mitigation of risk (or risk reduction).
- A useful substitute for an existing, traditional investment.
- To provide investment value to the portfolio while being consistent with the Systems' overall and specific investment policies.
- To obtain investment exposure which is appropriate for the manager's investment strategy and the Systems' investment guidelines, but which could not be made through traditional investment securities.

The Retirement Boards monitor and review each investment manager's securities and derivative positions as well as the manager's performance relative to established benchmark rates of return and risk measures. In management's opinion, derivative activities must be evaluated within the context of the overall portfolio performance and cannot be evaluated in isolation.

Derivative financial instruments held by the retirement system consist of the following:

- Cash securities containing derivative features, including callable bonds, structured notes and collateralized mortgage obligations (CMO's). These instruments are generally traded in over-the-counter bond markets.
- Financial instruments whose value is dependent upon a contractual price or rate relative to one or more reference prices or rates, applied to a notional amount, including interest rate futures, options, swaps and caps, and foreign currency futures and forward contracts. Some of these instruments are exchange-traded and others are traded over-the-counter (OTC).

Market Risk

Market risk is the risk of change in value of an instrument in response to changes in a market price or index. While all investments are subject to market risk, derivatives often have a higher degree of market risk than other types of investment instruments. Values of cash securities containing derivative features are often more susceptible to market risk than other types of fixed income securities, because the amounts and/or timing of



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

their scheduled cash flows may fluctuate under changing market conditions, according to their contractual terms. For other types of derivatives, amounts of contractual cash flows may be either positive or negative depending upon prevailing market conditions relative to the reference prices or rates, and thus the values of such instruments may be positive or negative, despite the fact that little or no cash is initially exchanged to enter into such contracts.

Credit Risk

Credit risk of cash securities containing derivative features, as explained, is based upon the credit worthiness of the issuers of such securities. The Retirement Boards establish minimum credit requirements for such securities. The other derivative instruments described above are subject to credit risk to the extent that their value is a positive market value, and the counterparty to such contract fails to perform under the terms of the instrument.

Exchange traded derivatives are generally considered to be of lower credit risk than OTC derivatives due to the exchanges' margin requirements. Equity Index Swaps are derivatives and represent an agreement between two parties to swap two sets of equity values. Equity Futures are contracts used to replicate an underlying stock market index. These equity futures can be used for hedging against an existing equity position, or speculating on future movements of the index.

As of June 30, 2013, the Systems held a total value of \$20,167,546 in derivative holdings. These holdings consisted of Right/Warrants and Foreign Currency Forwards and Futures designed to synthetically create equity returns and are held as components of the System's international equity investments, and S&P 500 E Mini Index Futures, S&P MidCap 400 E Mini Futures, and a variety of ACWlexUS index related futures as components of the System's investments in its international equity portfolios, BlackRock S&P 500 Equity Index, Russell 1000, and ACWlexUS Funds. These derivatives are used for the purpose of synthetically creating equity returns, synthetically creating floating rates and to buy or sell credit protection on the assets.



There is no net counterparty exposure for which there is a positive replacement cost to the fund. The details of these derivative holdings are as follows:

Derivative Type:	FY 2013		FY 2012	FY 2013 - FY 2012
	Notional Value	Fair Value	Fair Value	Change in Fair Value
Rights/Warrants	29,265*	\$ 37,810	\$ 7,464	\$ 30,346
Foreign Currency Forward	\$ (15,776,559)	15,900,990	3,049,018	12,851,972
Future Contracts - Domestic Equity Index	-	2,737,715	5,408,912	(2,671,197)
Future Contracts - International Equity Index	-	1,491,031	1,261,486	229,545
Total		<u>\$ 20,167,546</u>	<u>\$ 9,726,880</u>	<u>\$ 10,440,666</u>

* Shares

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Securities Lending

The City of Fresno Municipal Code and the Retirement Boards' policies permit the Retirement Board of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System to use investments of both Systems to enter into securities lending transactions, i.e., loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Systems have contracted with Northern Trust, their custodian, to manage the securities lending program for the Systems and all securities held in a separately managed account are available for lending. Detail information with respect to the fair value of loaned securities and the fair value of collateral received for loaned securities can be found at Note 14 to the Financial Statements.



The Systems' securities lending income is as follows:

	<u>2013</u>
Gross Income	\$ 1,546,059
Expense:	
Bank Fees	<u>309,035</u>
Total Expenses	<u>309,035</u>
Net Income from Securities Lending	<u>\$ 1,237,024</u>

Stewardship, Compliance and Accountability

There have been no material violations of finance-related legal or contractual provisions.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Restricted Assets

Restricted assets are as follows at June 30, 2013:

	<u>Cash and Investments Current and Noncurrent</u>	<u>Interest Receivable</u>	<u>Grants Receivable</u>	<u>Totals</u>
Governmental Activities:				
General Fund	\$ 1,902,776	\$ -	\$ -	\$ 1,902,776
Nonmajor Governmental Funds	10,755,552	-	-	10,755,552
Internal Service Fund	436,750	-	-	436,750
Subtotal	<u>13,095,078</u>	<u>-</u>	<u>-</u>	<u>13,095,078</u>
Business-type Activities:				
Water	91,428,749	54,189	2,603,556	94,086,494
Sewer	99,235,178	280,906	-	99,516,084
Solid Waste	2,181,566	-	-	2,181,566
Transit	26,482,911	-	2,427,418	28,910,329
Airports	16,822,102	-	2,465,419	19,287,521
Convention Center	4,929,313	-	-	4,929,313
Stadium	1,683,009	-	-	1,683,009
Internal Service Fund	3,435,215	-	-	3,435,215
Subtotal	<u>246,198,043</u>	<u>335,095</u>	<u>7,496,393</u>	<u>254,029,531</u>
Fiduciary:				
Private Purpose Trust Funds	1,896,145	-	-	1,896,145
Agency Funds	859,022	-	-	859,022
Subtotal	<u>2,755,167</u>	<u>-</u>	<u>-</u>	<u>2,755,167</u>
Totals	<u>\$ 262,048,288</u>	<u>\$ 335,095</u>	<u>\$ 7,496,393</u>	<u>\$ 269,879,776</u>

Restricted cash includes funds held by trustees relating to bonds payable and those amounts held by each fund for which a specific, non-operating use has been determined. Grants receivable represent amounts due from a granting agency for which the specific, non-operating use has been determined. Restricted interest receivable represents interest associated with restricted cash.

Note 4. PROPERTY TAXES

Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the base and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transaction taxes on real property. Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.



City of Fresno, California
Notes to the Basic Financial Statements

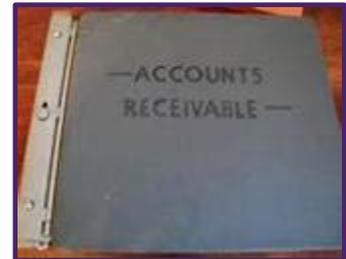
For the Fiscal Year Ended June 30, 2013

All property taxes are collected and allocated by the County of Fresno to the various taxing entities. Property taxes are determined annually as of January 1 and attached as enforceable liens on real property. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on August 31. Property tax revenues are recognized in the governmental funds in the fiscal period for which they are levied and collected, adjusted for any amounts deemed uncollectible and amounts expected to be collected more than 60 days after the fiscal year.



Note 5. RECEIVABLES

Receivables are presented in the financial statements net of the allowance for uncollectible accounts. The uncollectible accounts related to accounts receivable at June 30, 2013 are \$1,884,579 for the General Fund, \$2,210,771 for Water System, \$2,684,845 for Sewer System, \$1,980,383 for Solid Waste Management, \$152,670 for Airports, and \$524,356 for Other Enterprise Funds. The uncollectible accounts related to notes receivable at June 30, 2013 are \$15,219,832 for Grants Special Revenue Fund and \$3,200,000 for Other Governmental Funds. Accounts not scheduled for collection during the subsequent year are \$61,950,189 for governmental notes and loans and \$46,398,807 for business-type notes and loans.



The allowance for doubtful accounts is a Statement of Net Position account (balance sheet adjustment) that reduces the reported amount of a receivable. Providing an allowance for doubtful accounts presents a more realistic picture of how much of the receivable is likely to be turned into cash. The amount of the allowance for each fund is a management determination made by reviewing past collections received on each account. This analysis includes reviewing the aging of the receivable balance, past account write-offs and other known variables. The allowance is evaluated at the end of the year for adequacy.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Receivables, net of amounts uncollectible, as of June 30, 2013, were as follows:

	Interest	Receivables, Net	Grant Receivables	Property Taxes	Inter- governmental	Notes, Loans, Other and CVP, Net	Total
Governmental Activities:							
General Fund	\$ -	\$ 14,256,150	\$ 455,104	\$ 9,242,614	\$ 17,547,645	\$ -	\$ 41,501,513
Grants Special Revenue Fund	-	-	14,285,025	-	-	38,191,397	52,476,422
Other Governmental Funds	-	483,785	15,000	-	2,784,852	24,430,901	27,714,538
Internal Service Funds	238,192	522,762	-	-	-	-	760,954
Total	\$ 238,192	\$ 15,262,697	\$ 14,755,129	\$ 9,242,614	\$ 20,332,497	\$ 62,622,298	\$ 122,453,427
Business-Type Activities:							
Water System	\$ 315,605	\$ 10,425,473	\$ 2,603,556	\$ -	\$ -	\$ 21,795,335	\$ 35,139,969
Sewer System	622,979	9,807,027	-	-	1,013,301	10,752,259	22,195,566
Solid Waste Management	130,965	4,275,217	-	-	-	16,337,366	20,743,548
Transit	72,849	567,086	3,705,912	-	4,364,465	-	8,710,312
Airports	30,755	1,589,060	2,465,419	-	132,038	-	4,217,272
Fresno Convention Center	-	267,908	-	-	-	-	267,908
Stadium	1,674	1,285,790	-	-	-	-	1,287,464
Other Enterprise Funds	19,502	1,294,390	-	-	-	-	1,313,892
Internal Service Funds	49,213	-	-	-	-	-	49,213
Total	\$ 1,243,542	\$ 29,511,951	\$ 8,774,887	\$ -	\$ 5,509,804	\$ 48,884,960	\$ 93,925,144

Receivables are presented on the Statement of Net Position as follows:

	Governmental Activities:	Business-Type Activities:	Total
Receivables, Net	\$ 59,831,129	\$ 37,208,696	\$ 97,039,825
Restricted Grants and Interest Receivable	-	7,831,488	7,831,488
Loans, Notes, Leases and Other Receivables, Net	62,622,298	48,884,960	111,507,258
	\$ 122,453,427	\$ 93,925,144	\$ 216,378,571

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 6. PROPERTY, PLANT AND EQUIPMENT—CAPITAL ASSETS

The following is a summary of capital assets as of June 30, 2013:

	Primary Government			Total	Component Unit
	Governmental Activities	Business-Type Activities	Fiduciary Funds		Cultural Arts Properties Corp
Capital Assets Not Being Depreciated:					
Land	\$ 234,234,697	\$ 47,395,595	\$ -	\$ 281,630,292	\$ 449,229
Intangible Water Rights	-	15,663,060	-	15,663,060	-
Construction in Progress	26,176,729	116,668,383	970,290	143,815,402	-
Total Capital Assets Not Being Depreciated	260,411,426	179,727,038	970,290	441,108,754	449,229
Capital Assets Being Depreciated:					
Buildings and Improvements	275,746,376	1,306,792,015	2,585,000	1,585,123,391	13,662,902
Machinery and Equipment	178,207,566	96,046,038	239,609	274,493,213	-
Infrastructure	1,246,228,139	240,219,592	-	1,486,447,731	-
Total Capital Assets Being Depreciated	1,700,182,081	1,643,057,645	2,824,609	3,346,064,335	13,662,902
Less: Accumulated Depreciation for:					
Buildings and Improvements	(114,462,333)	(425,908,925)	(1,573,185)	(541,944,443)	(1,168,636)
Machinery and Equipment	(156,827,648)	(67,499,867)	(154,831)	(224,482,346)	-
Infrastructure	(780,159,120)	(48,066,960)	-	(828,226,080)	-
Total Accumulated Depreciation	(1,051,449,101)	(541,475,752)	(1,728,016)	(1,594,652,869)	(1,168,636)
Total Capital Assets Being Depreciated, Net	648,732,980	1,101,581,893	1,096,593	1,751,411,466	12,494,266
Total Capital Assets, Net	\$ 909,144,406	\$ 1,281,308,931	\$ 2,066,883	\$ 2,192,520,220	\$ 12,943,495

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Governmental Activities

Capital asset activity related to governmental activities for the year ended June 30, 2013, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 223,401,810	\$ 11,664,343	\$ (831,456)	\$ 234,234,697
Construction in Progress	26,759,897	19,105,833	(19,689,001)	26,176,729
Total Capital Assets Not Being Depreciated	<u>250,161,707</u>	<u>30,770,176</u>	<u>(20,520,457)</u>	<u>260,411,426</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	245,930,574	30,754,967	(939,165)	275,746,376
Machinery and Equipment	175,067,563	3,397,999	(257,996)	178,207,566
Infrastructure	1,237,569,288	8,658,851	-	1,246,228,139
Total Capital Assets Being Depreciated	<u>1,658,567,425</u>	<u>42,811,817</u>	<u>(1,197,161)</u>	<u>1,700,182,081</u>
Less: Accumulated Depreciation For:				
Buildings and Improvements	(89,075,210)	(25,539,083)	151,960	(114,462,333)
Machinery and Equipment	(150,890,012)	(6,195,615)	257,979	(156,827,648)
Infrastructure	(744,945,982)	(35,213,138)	-	(780,159,120)
Total Accumulated Depreciation	<u>(984,911,204)</u>	<u>(66,947,836)</u>	<u>409,939</u>	<u>(1,051,449,101)</u>
Total Capital Assets Being Depreciated, Net	<u>673,656,221</u>	<u>(24,136,019)</u>	<u>(787,222)</u>	<u>648,732,980</u>
Total Capital Assets, Net	<u>\$ 923,817,928</u>	<u>\$ 6,634,157</u>	<u>\$ (21,307,679)</u>	<u>\$ 909,144,406</u>
Depreciation Was Charged To Functions As Follows:				
General Government	\$	5,253,736		
Public Protection		3,409,062		
Public Ways and Facilities		36,600,838		
Culture and Recreation		3,523,353		
Community Development		17,300		
Total Governmental Activities Depreciation Expense		<u>48,804,289</u>		
Plus Accumulated Depreciation transferred in from Business-Type		18,143,547	*	
Total Accumulated Depreciation Increases		<u>\$ 66,947,836</u>		

* Accumulated depreciation as a result of assets transferred in from funds reclassified from Business-Type to Governmental Activities. Total accumulated depreciation transferred in from Parking, (\$11,314,066), Parks & Recreation, (\$6,689,117), Development, (\$64,223), and Component Unit, (\$76,141).

The increases and decreases include transfers of capital assets from Business-type to Governmental Activities. Historical costs was transferred in from Parking, \$14,366,558, Parks and Recreation, \$7,527,502, Development, \$2,385,735, and Component Unit \$1,326,580.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Business-Type Activities

Capital asset activity related to business-type activities for the year ended June 30, 2013, was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 54,785,987	\$ 98,574	\$ (7,488,966)	\$ 47,395,595
Intangible Water Rights	15,663,060	-	-	15,663,060
Construction in Progress	181,955,745	82,969,387	(148,256,749)	116,668,383
Total Capital Assets Not Being Depreciated	252,404,792	83,067,961	(155,745,715)	179,727,038
Capital Assets Being Depreciated:				
Buildings and Improvements	1,204,595,685	135,243,175	(33,046,845)	1,306,792,015
Machinery and Equipment	101,638,560	910,211	(6,502,733)	96,046,038
Infrastructure	240,219,592	-	-	240,219,592
Total Capital Assets Being Depreciated	1,546,453,837	136,153,386	(39,549,578)	1,643,057,645
Less: Accumulated Depreciation For:				
Buildings and Improvements	(417,898,048)	(35,553,987)	27,543,110	(425,908,925)
Machinery and Equipment	(68,608,655)	(5,283,801)	6,392,589	(67,499,867)
Infrastructure	(40,780,959)	(7,286,001)	-	(48,066,960)
Total Accumulated Depreciation	(527,287,662)	(48,123,789)	33,935,699	(541,475,752)
Total Capital Assets Being Depreciated, Net	1,019,166,175	88,029,597	(5,613,879)	1,101,581,893
Total Capital Assets, Net	\$ 1,271,570,967	\$ 171,097,558	\$ (161,359,594)	\$ 1,281,308,931
Depreciation Was Charged To Functions As Follows:				
Water System		\$ 10,400,396		
Sewer System		19,861,224		
Solid Waste Management		474,616		
Transit		4,064,972		
Airports		7,998,373		
Fresno Convention Center		3,908,633		
Stadium		1,074,597		
Other Enterprise Funds		312,007		
Business-type - Internal Service		28,971		
Total Business - Type Activities Depreciation Expense		\$ 48,123,789		

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Fiduciary Funds

Capital asset activity related to fiduciary funds for the year ended June 30, 2013, was as follows:

<u>Fiduciary Funds</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ -	\$ 970,290	\$ -	\$ 970,290
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 2,855,000	\$ -	\$ (270,000)	\$ 2,585,000
Machinery and Equipment	237,369	2,240	-	239,609
Total Capital Assets Being Depreciated	<u>3,092,369</u>	<u>2,240</u>	<u>(270,000)</u>	<u>2,824,609</u>
Less: Accumulated Depreciation For:				
Buildings and Improvements	(1,598,500)	(125,855)	151,170	(1,573,185)
Machinery and Equipment	(143,957)	(10,874)	-	(154,831)
Total Accumulated Depreciation	<u>(1,742,457)</u>	<u>(136,729)</u>	<u>151,170</u>	<u>(1,728,016)</u>
Total Capital Assets Being Depreciated, Net	<u>1,349,912</u>	<u>(134,489)</u>	<u>(118,830)</u>	<u>1,096,593</u>
Total Capital Assets, Net	<u>\$ 1,349,912</u>	<u>\$ 835,801</u>	<u>\$ (118,830)</u>	<u>\$ 2,066,883</u>
Depreciation and Extraordinary Gain on Accumulated Depreciation Was Charged To Functions As Follows:				
Fire & Police Retirement System Pension Trust Funds		\$ 5,437		
Employee Retirement System Pension Trust Funds		5,437		
Private Purpose Trust Fund		<u>125,855</u>		
Total Fiduciary Funds Depreciation Expense		<u>\$ 136,729</u>		

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Component Unit – City of Fresno Cultural Arts Properties

Capital asset activity related to the discretely presented component unit activities for the year ended June 30, 2013, was as follows:

<u>City of Fresno Cultural Arts Properties</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 888,000	\$ -	\$ (438,771)	\$ 449,229
Capital Assets Being Depreciated:				
Buildings and Improvements	14,223,940	-	(561,038)	13,662,902
Less: Accumulated Depreciation For:				
Buildings and Improvements	(903,822)	(311,773)	46,959	(1,168,636)
Total Capital Assets Being Depreciated, Net	<u>13,320,118</u>	<u>(311,773)</u>	<u>(514,079)</u>	<u>12,494,266</u>
Total Capital Assets, Net	<u>\$ 14,208,118</u>	<u>\$ (311,773)</u>	<u>\$ (952,850)</u>	<u>\$ 12,943,495</u>

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

At June 30, 2013 Construction in Progress consisted of the following:

Project Title	Construction Costs To Date
Governmental:	
General Street Projects	\$ 23,305,175
Regional Park Improvements	2,226,593
Other Miscellaneous Projects	644,961
Total Governmental	\$ 26,176,729

Project Title	Construction Costs To Date
Business-Type:	
Water Capital Projects	\$ 42,984,932
Sewer/Wastewater Capital Projects	27,067,062
Airports Capital Projects	42,569,181
Transit Capital Projects	4,047,208
Total Business-Type	\$ 116,668,383

Project Title	Construction Costs To Date
Fiduciary:	
Retirement System Software Project	\$ 970,290
Total Construction in Progress	\$ 143,815,402

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 7. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities. Balances are reported as of June 30, 2013 for the City:

SUMMARY OF LONG-TERM LIABILITIES

	Primary Government			Total Primary Government	Component Unit
	Governmental Activities	Business-type Activities	Fduciary Funds		City of Fresno Cultural Arts Properties
Long-term Debt					
Revenue and Other Bonds	\$ 341,320,000	\$ 516,547,072	\$ -	\$ 857,867,072	\$ -
Tax Allocation Bonds	-	-	7,546,000	7,546,000	-
Accreted Interest	-	4,233,159	-	4,233,159	-
Deferred Amounts	(586,482)	1,736,457	(65,614)	1,084,361	-
Notes Payable	6,111,537	46,880,200	1,727,472	54,719,209	16,660,000
Capital Lease Obligations	6,718,211	-	1,949,876	8,668,087	-
Total	353,563,266	569,396,888	11,157,734	934,117,888	16,660,000
Other Long-term Liabilities					
Compensated Absences and Health Retirement Arrangement	51,180,955	10,963,569	79,754	62,224,278	-
Net OPEB Obligation	39,402,895	14,491,630	-	53,894,525	-
Liabilities for Self Insurance	98,853,336	-	-	98,853,336	-
CVP Litigation Settlement	-	19,966,052	-	19,966,052	-
Accrued Closure Cost	-	18,050,167	-	18,050,167	-
Pollution Remediation	-	861,889	-	861,889	-
Total	189,437,186	64,333,307	79,754	253,850,247	-
Total Long-Term Liabilities Government-Wide Statement	\$ 543,000,452	\$ 633,730,195	\$ 11,237,488	\$ 1,187,968,135	\$ 16,660,000
Due Within One Year	46,795,007	21,757,886	1,123,711	69,676,604	-
Due Within More Than One Year	496,205,445	611,972,309	10,113,777	1,118,291,531	16,660,000
Total Long-Term Liabilities Government-Wide Statement	\$ 543,000,452	\$ 633,730,195	\$ 11,237,488	\$ 1,187,968,135	\$ 16,660,000

Internal service funds (ISFs), except for Billing and Collection, primarily serve the governmental funds. Accordingly, long-term liabilities for ISFs are included as part of the above totals for governmental activities, while those for Billing and Collection are included as part of the totals for business-type activities. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund, while claims and judgments are liquidated by Risk Management, Employees Healthcare Plan and Retirees Healthcare Plan.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Activity of Long Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable (Revenue and Other Bonds):					
Lease Revenue Refunding Bonds 2002 A, Street Light Acquisition Project	\$ 2,750,000	\$ -	\$ 640,000	\$ 2,110,000	\$ 675,000
Lease Revenue Bonds, Series 2004	36,285,000	-	1,975,000	34,310,000	2,060,000
Lease Revenue Bonds, Series 2008ANNLB	29,570,000	-	2,295,000	27,275,000	2,195,000
Lease Revenue Bonds, Series 2008 C & D Parks Projects	32,705,000	-	725,000	31,980,000	750,000
Lease Revenue Bonds, Series 2008E, City Hall Chiller	3,405,000	-	-	3,405,000	-
Lease Revenue Bonds, Series 2009A, Police and Fire/Public Safety	41,070,000	-	1,025,000	40,045,000	1,065,000
Lease Revenue Bonds 2010, City Hall Refunding, Fresno Bee Building, Granite Park, Improvements	44,240,000	-	2,330,000	41,910,000	2,415,000
Taxable Pension Obligation Bonds Refunding Series 2002	163,450,000	-	5,570,000	157,880,000	5,910,000
Judgment Obligation Refunding Bonds 2002	2,825,000	-	420,000	2,405,000	440,000
Total Revenue and Other Bonds	<u>356,300,000</u>	<u>-</u>	<u>14,980,000</u>	<u>341,320,000</u>	<u>15,510,000</u>
Less Deferred Amounts:					
For Issuance (Discounts)/Premiums On Refunding	171,932	-	128,982	42,950	-
	<u>(776,973)</u>	<u>-</u>	<u>(147,541)</u>	<u>(629,432)</u>	<u>-</u>
Total Deferred Amounts	<u>(605,041)</u>	<u>-</u>	<u>(18,559)</u>	<u>(586,482)</u>	<u>-</u>
Notes Payable:					
California Infrastructure Bank - City	2,054,323	-	63,326	1,990,997	65,562
California Energy Commissions	1,294,624	-	239,084	1,055,540	248,621
HUD Sec 108 Note Reg. Med Center 1997-A	1,375,000	-	190,000	1,185,000	205,000
HUD Sec 108 Note FMAAA	825,000	-	80,000	745,000	85,000
HUD Sec 108 Note Neighborhood Streets/Parks	1,053,000	-	68,000	985,000	72,000
Community Hospital, BNSF Quiet Zone	300,000	-	150,000	150,000	150,000
Total Notes Payable	<u>6,901,947</u>	<u>-</u>	<u>790,410</u>	<u>6,111,537</u>	<u>826,183</u>
Capital Leases	<u>7,695,983</u>	<u>1,085,087</u>	<u>2,062,859</u>	<u>6,718,211</u>	<u>1,773,287</u>
Total Long-term Debt	<u>370,292,889</u>	<u>1,085,087</u>	<u>17,814,710</u>	<u>353,563,266</u>	<u>18,109,470</u>
Other Liabilities:					
Compensated Absences and Health Retirement Arrangement	49,458,311	6,889,141	5,166,497	51,180,955	6,661,183
Net OPEB Obligation	32,600,331	6,802,564	-	39,402,895	-
Liability for Self Insurance	100,932,304	43,326,455	45,405,423	98,853,336	22,024,354
Total Other Liabilities	<u>182,990,946</u>	<u>57,018,160</u>	<u>50,571,920</u>	<u>189,437,186</u>	<u>28,685,537</u>
Governmental Long-term Liabilities Total	<u>\$ 553,283,835</u>	<u>\$ 58,103,247</u>	<u>\$ 68,386,630</u>	<u>\$ 543,000,452</u>	<u>\$ 46,795,007</u>

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:					
Bonds Payable (Revenue and Other Bonds):					
Water System Revenue Refunding Bonds 2003	\$ 8,850,000	\$ -	\$ 935,000	\$ 7,915,000	\$ 975,000
Water System Revenue Bonds (Non-Taxable) 2010 A-1 and (Taxable BABs) 2010 A-2	151,305,000	-	3,455,000	147,850,000	3,615,000
Sewer System Revenue Bonds 1993 A	67,455,000	-	7,215,000	60,240,000	7,670,000
Sewer System Revenue Bonds 2008 A	159,845,000	-	-	159,845,000	-
Lease Revenue Bonds 1998, Exhibit Hall Expansion Project	23,304,664	-	1,137,592	22,167,072	1,149,290
Airport Revenue Bonds 2000	35,495,000	-	990,000	34,505,000	1,050,000
Lease Revenue Bonds 2001 A and B, Stadium Project	37,985,000	-	1,120,000	36,865,000	1,185,000
Lease Revenue Bonds 2008 – NNLB Arena	600,000	-	600,000	-	-
Lease Revenue Bonds 2006 – Convention Center	6,515,000	-	320,000	6,195,000	335,000
Airport Revenue Bonds 2007 – Cons. Rental Car	22,000,000	-	15,000	21,985,000	50,000
Lease Revenue Bonds 2008 - Riverside Golf Course	2,300,000	-	50,000	2,250,000	50,000
Lease Revenue Bonds 2008 - Convention Center	17,980,000	-	1,250,000	16,730,000	1,315,000
Total Revenue and Other Bonds	533,634,664	-	17,087,592	516,547,072	17,394,290
Plus Accreted Interest:					
Accreted Interest on Capital Appreciation Bonds	4,175,465	420,101	362,407	4,233,159	-
Less Deferred Amounts:					
For Issuance (Discounts)/Premiums	5,747,764	-	665,271	5,082,493	-
On Refunding	(3,825,042)	-	(479,006)	(3,346,036)	-
Total Deferred Amounts	1,922,722	-	186,265	1,736,457	-
Notes Payable:					
Agricultural Drainage Water Management Loan	135,481	-	135,481	-	-
Ground Water Recharge Construction Loan	448,236	-	106,994	341,242	110,289
Construction of Water Supply Disinfection Buildings	1,910,175	-	68,713	1,841,462	77,276
Improvements on the Enterprise and Jefferson Canals	1,236,639	8,846	75,007	1,170,478	51,449
Water Meter Project	7,493,026	35,555,655	-	43,048,681	-
Convention Center: Employee Benefits Cost Reimbursement Settlement	551,745	-	73,408	478,337	77,262
Total Notes Payable	11,775,302	35,564,501	459,603	46,880,200	316,276
Total Long-term Debt	551,508,153	35,984,602	18,095,867	569,396,888	17,710,566
Other Long-term Liabilities:					
Compensated Absences and Health Retirement Arrangement	12,970,624	1,856,494	3,863,549	10,963,569	2,147,320
Net OPEB Obligation	14,161,977	2,355,087	2,025,434	14,491,630	-
CVP Litigation Settlement	20,859,241	-	893,189	19,966,052	1,000,000
Accrued Closure Cost	19,391,861	-	1,341,694	18,050,167	900,000
Pollution Remediation	913,334	-	51,445	861,889	-
Total Other Long-Term Liabilities	68,297,037	4,211,581	8,175,311	64,333,307	4,047,320
Business-type Long-term Liabilities Total	\$ 619,805,190	\$ 40,196,183	\$ 26,271,178	\$ 633,730,195	\$ 21,757,886

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Fduciary Funds:					
Successor Agency to the Fresno Redevelopment Agency:					
Tax Allocation Bonds:					
2001 Redevelopment Agency Merger 2	\$ 4,910,000	\$ -	\$ 645,000	\$ 4,265,000	\$ 675,000
Series 2003, Mariposa Project Area	<u>3,522,000</u>	<u>-</u>	<u>241,000</u>	<u>3,281,000</u>	<u>253,000</u>
Total Tax Allocation Bonds	<u>8,432,000</u>	<u>-</u>	<u>886,000</u>	<u>7,546,000</u>	<u>928,000</u>
Less Deferred Amounts:					
For Issuance (Discounts)/Premiums	23,619	-	8,208	15,411	-
On Refunding	<u>(95,253)</u>	<u>-</u>	<u>(14,228)</u>	<u>(81,025)</u>	<u>-</u>
Total Deferred Amounts	<u>(71,634)</u>	<u>-</u>	<u>(6,020)</u>	<u>(65,614)</u>	<u>-</u>
Notes Payable:					
California Infrastructure Bank	<u>1,782,416</u>	<u>-</u>	<u>54,944</u>	<u>1,727,472</u>	<u>56,884</u>
Total Notes Payable	<u>1,782,416</u>	<u>-</u>	<u>54,944</u>	<u>1,727,472</u>	<u>56,884</u>
Capital Leases	<u>2,040,790</u>	<u>-</u>	<u>90,914</u>	<u>1,949,876</u>	<u>98,950</u>
Total Long Term Debt	<u>12,183,572</u>	<u>-</u>	<u>1,025,838</u>	<u>11,157,734</u>	<u>1,083,834</u>
Other Liabilities:					
Compensated Absences	183,728	39,762	143,736	79,754	39,877
Retirement Obligation	<u>56,000</u>	<u>-</u>	<u>56,000</u>	<u>-</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>239,728</u>	<u>39,762</u>	<u>199,736</u>	<u>79,754</u>	<u>39,877</u>
Fduciary Funds Long-Term Liabilites Total	<u>\$ 12,423,300</u>	<u>\$ 39,762</u>	<u>\$ 1,225,574</u>	<u>\$ 11,237,488</u>	<u>\$ 1,123,711</u>

The following is a description of long-term liabilities at June 30, 2013:

Year Ended
June 30, 2013

Primary Government

(a) Revenue And Other Bonds

Governmental Activities

- a. Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds
2002 Series A (Street Light Acquisition)

\$2,119,171

2002 Series A Street Light Acquisition Project bonds issued May 1, 2002. Proceeds were used to refund the Lease Revenue Bonds 1992 Series A Street Light Acquisition Project. Interest is at 4.25% to 4.50% on bonds outstanding. Annual principal installments ranging from \$675,000 to \$735,000 through October 1, 2015; interest due semiannually. *The principal amount due is reported net of deferred premium of (\$9,171).*

Repayment of the bonds is payable solely by revenues pledged in the lease agreement consisting primarily of Base Rental Payments to be received by the Authority from the City. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues pledged for a total debt service is \$2,252,969, until fiscal year 2016. During fiscal year 2013, \$748,388 lease revenue was recognized, while the 2013 debt service was \$748,388.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Year Ended
June 30, 2013
34,372,652

b. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2004

2004 Lease Revenue Bonds, Series 2004A (\$15,810,000) 2004B (\$8,100,000) and 2004C (\$28,870,000), issued April 14, 2004. Proceeds were used to fund the Calcot Project, Fire Department Projects, Downtown Parking Projects, Santa Fe Depot Project, Roeding Business Park Project Area and other capital projects. Interest is at 4.00% to 5.90% on bonds outstanding. Principal due in annual installments of \$1,140,000 to \$2,815,000 through October 1, 2034; interest due semi-annually. *The principal amount due is reported net of a deferred premium of (\$62,652).*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of \$54,904,600 until fiscal year 2035. During fiscal year 2013, \$3,879,036 lease revenue was recognized, while the 2013 debt service was \$3,879,036.

c. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2008A
- No Neighborhood Left Behind

27,943,321

2008 Lease Revenue Bonds, Series 2008A (\$38,210,000), issued April 29, 2008. Proceeds were used to refund the 2005 Series A Bond used for No Neighborhood Left Behind Capital Improvements Projects. Interest is at 3.50% to 5.25% on fixed rate bonds. Principal due in annual installments of \$2,195,000 to \$3,350,000 through April 1, 2023; interest due semiannually. *The principal amount due is reported net of a deferred premium of (\$1,001,855) and a refunding charge of \$333,534.*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of \$35,144,013 until fiscal year 2023. During fiscal year 2013, \$3,708,613 revenue was recognized, while the 2013 debt service was \$3,708,613.

d. Parks: Lease Revenue Bonds Series 2008 C & D (Various Parks
Improvements)

31,648,264

Fresno Joint Powers Financing Authority Lease Revenue Bonds Series C (\$33,675,000 tax-exempt) and Series D (\$1,530,000 taxable), issued June 12, 2008. Proceeds were used to provide funds to finance various capital projects for improvements to various parks and community centers. Interest is 3.50% to 5.00% on outstanding bonds. Annual principal installments range from \$750,000 to \$2,090,000 through April 1, 2038; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$331,736.*

Repayment of the bonds is payable from a pledge of revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of \$54,790,625 until fiscal year 2038. During fiscal year 2013, \$2,193,088 lease revenue was recognized, while the 2013 debt service was \$2,193,088.

e. Lease Revenue Bonds, Series 2008E – City Hall Chiller Project

3,366,024

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Year Ended
June 30, 2013

2008 Lease Revenue Bonds, Series E (\$3,405,000 – Tax-exempt), issued August 14, 2008. Proceeds were used to provide funds to finance the City Hall Chiller capital project. Interest is at 4.50% to 4.60% on bonds outstanding. Principal due in annual installments of \$950,000 to \$2,455,000 through April 1, 2024; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$38,976.*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is \$5,074,730, until fiscal year 2024. During fiscal year 2013, \$155,680 lease revenues were recognized, while the 2013 debt service was \$155,680.

f. Lease Revenue Bonds, Series 2009A – Police & Fire Master Lease Projects 39,392,090

2009 Lease Revenue Bonds, Series A (\$43,385,000 – Tax exempt), issued April 3, 2009. Proceeds were used to provide funds to finance the construction, acquisition and installation of various police and fire capital improvements projects. Interest is at 4.00% to 6.375% on bonds outstanding. Principal due in annual installments of \$950,000 to \$2,765,000 through April 1, 2039; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$652,910.*

Repayment of the bonds is payable from a pledge of Revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is \$79,535,274, until fiscal year 2039. During fiscal year 2013, \$3,435,681 revenues were recognized as Base Rental Payments, while the 2013 debt service was \$3,435,681.

g. Lease Financing (Bank of America Public Capital Corp. – Private Placement - 2010) – City Hall Refinancing, Bee Building, Granite Park, Improvements 41,614,102

2010 Lease Revenue Bonds (\$25,450,000 Tax-exempt & \$21,045,000 Taxable), issued June 4, 2010. Proceeds were used to provide funds to current-refund 2000 Fresno City Hall Lease Revenue Bonds, acquire the Fresno Bee Building and Granite Park, and provide improvements to Fresno City Hall and the Downtown Spiral Parking Garage. Interest is at 3.47% to 7.30% on bonds outstanding. Principal due in annual installments of \$1,395,000 to \$2,975,000 through August 1, 2030; interest due semiannually. The principal amount due is reported net of a refunding charge of \$295,898.

Repayment of the bonds is payable from a pledge of Revenues consisting of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is \$65,132,461 until fiscal year 2031. During fiscal year 2013, \$4,630,726 revenues were recognized as base rental payments while the 2013 debt service was \$4,630,726.

h. Taxable Pension Obligation Bonds Refunding Series 2002 157,880,000

2002 Pension Obligation Bonds issued February 21, 2002. Proceeds were used to refund the Refunding Series of 2000 Taxable Pension Obligation Bonds. Interest is at 6.46% to 6.55% on bonds outstanding. Annual principal installments of \$5,910,000 to \$15,195,000 through June 1, 2029; interest due semiannually.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Year Ended
June 30, 2013

Payment of principal and interest on the Bonds is not limited to any special source of funds of the City. Assets of the Systems, however, are not available for payment of the Bonds. The total debt service is \$259,045,944, until fiscal year 2029. During fiscal year 2013, \$252,943,015 General Fund revenues were recognized, while the 2013 debt service was \$16,188,037.

- i. City of Fresno Judgment Obligation Refunding Bonds, Series 2002 2,397,894

2002 Judgment Obligation Bonds issued May 23, 2002. Proceeds were used to refund a portion of the Judgment Obligation Bonds Series 1994, and the Judgment Obligation Refunding Bonds Series 1998. Interest is at 4.25% to 4.70%. Principal due in annual installments of \$440,000 to \$525,000 through August 15, 2017; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$7,106.*

The City's obligation to repay the bonds is not limited to any special source of funds of the City. No assurance can be given as to the amount and source of money available to the City Treasurer for such transfer at any particular time. The total debt service is \$2,690,075, until fiscal year 2018. During fiscal year 2013, \$252,943,015 General Fund revenues were recognized, while the 2013 debt service was \$536,710.

Business-type Activities

- a. Water: Water System Revenue Refunding Bonds 2003 7,591,725

2003 Water System Revenue Refunding Bonds issued April 23, 2003. Proceeds were used to refund all of the 1993 Series A bonds and to finance certain capital improvements to the Water System. Interest rates range from 4.00% to 5.25% on bonds outstanding. Principal due in annual installments of \$975,000 to \$1,310,000 through June 2020; interest due semiannually. *The principal amount due is reported net of a deferred premium of (\$174,118) and a refunding charge of \$497,393.*

Repayment of the bonds is payable solely from revenues derived from the operation of the City Water System. All revenues of the City Water System are pledged with the exception of connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge securing the 2010 Bonds and the State loans, for a total debt service of \$9,648,175, until fiscal year 2020. During fiscal year 2013, \$72,387,647 Water System revenue was recognized, while the 2013 debt service was \$1,375,750.

- b. Water: Water System Revenue Bonds 2010 Series A-1 and Series A-2 148,682,184

2010 Water System Revenue Bonds 2010 Series A-1 (\$66,810,000 Tax-Exempt) and Series A-2 (\$91,340,000 Taxable BABs) issued on February 3, 2010. Proceeds were used to current-refund all of the 1998 bonds and to finance certain capital improvements to the Water System. Interest rates range from 3.00% to 6.75% on bonds outstanding. Principal due in annual installments of \$3,615,000 to \$7,455,000 through June 2040; interest due semiannually. The principal amount due is reported net of a deferred premium of (\$3,716,222), and a refunding charge of \$1,079,860 on Series A-1, and a deferred discount of \$1,804,178 on Series A-2.

Repayment of the bonds is payable solely from revenues derived from the operation of the City Water System, including federal subsidies to offset 35% of interest payments on these bonds. All Revenues of the City Water System are pledged with the exception of connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge securing the 2003 Bonds and the State loans, for a

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Year Ended
June 30, 2013

total debt service of \$292,423,825, until fiscal year 2040. During fiscal year 2013, \$72,387,647 Water System revenues were recognized, while the 2013 debt service was \$12,507,038.

- c. Sewer: Sewer System Revenue Bonds (1993 Series A) 60,186,333

1993 Sewer System Revenue Bonds, Series A issued September 1, 1993. Proceeds were used to provide funds for the rehabilitation and expansion of the City's Wastewater Treatment Facility. Interest rates range from 4.50% to 6.25%. Principal due in annual installments of \$45,000 to \$10,090,000 through September 1, 2022; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$53,667.*

Repayment of the bonds is payable solely from the operation of the City Sewer System. All revenues of the City Sewer System are pledged with the exception of connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge to secure 1995 and 2008 Bonds, for a total debt service of \$71,781,344, until fiscal year 2022. During fiscal year 2013, \$76,324,086 Sewer System revenue was recognized, while the 2013 debt service was \$10,724,331.

- d. Sewer: Sewer System Revenue Bonds 2008 Series A 161,923,204

2008 Sewer System Revenue Bonds, Series A issued July 24, 2008. Proceeds were used to provide funds to improve the City's Wastewater Reclamation Facility and to refund the Sewer System 2000A bonds and a portion of the Sewer System 1995 Series A bonds. Interest rates range from 4.625% to 5.00%. Principal due in annual installments off \$5,410,000 to \$13,090,000 through September 1, 2037; interest due semiannually. *The principal amount due is reported net of a deferred premium of (\$3,434,521) and a refunding charge of \$1,356,317.*

Repayment of the bonds is payable solely from the operation of the City Sewer System. All revenues of the City Sewer System are pledged with the exception of the connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge to secure 1993 and 1995 Bonds, for a total debt service of \$297,295,916, until fiscal year 2038. During fiscal year 2013, \$76,324,086 Sewer System revenue was recognized, while the 2013 debt service was \$7,948,844.

- e. Convention Center: Fresno Joint Powers Financing Authority: 1998 Exhibit Hall Expansion Project 26,091,831

1998 Exhibit Hall Expansion Project Lease Revenue Bonds issued September 1, 1998. The bonds issued consisted of both current interest serial bonds (\$25,395,000) and capital appreciation serial bonds (\$7,214,535). Proceeds were used to provide funds for the construction of an exhibit hall expansion to the City of Fresno's Convention Center. Interest is at 4.75% to 5.00% on outstanding bonds. Annual principal installments range from \$1,149,290 to \$1,737,405 through September 1, 2028; interest due semiannually. The principal amount due is reported net of a deferred discount of \$308,400 and accreted interest of \$4,233,159.

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of \$37,942,850 until fiscal year 2029. During fiscal year 2013, \$2,382,624 revenues were recognized as lease payments, while the 2013 debt service was \$2,382,624.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Year Ended
June 30, 2013
34,473,756

f. Airports: Airport Revenue Bonds 2000

City of Fresno Airport Revenue Bonds, Series 2000A and Series 2000B, issued July 12, 2000. Proceeds were used to provide funds to finance a portion of the cost of certain capital improvements at Fresno Yosemite International Airport. Interest is at 5.50% to 6.00% on outstanding bonds. Annual principal installments range from \$1,050,000 to \$5,695,000 through July 1, 2030; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$31,244.*

Repayment of the bonds is payable solely from the operation of the City Airport System. All revenues of the City Airport System are pledged with the exception of grant monies, loan or bond proceeds, lease rentals, insurance proceeds, payments received pursuant to a Swap Agreement, amounts deposited into the Construction fund prior to the date of beneficial occupancy, proceeds from sale or disposal of City Airports property, and revenues derived from FYI Airport properties which are required to be deposited to the Airways Golf Course Capital fund. Revenues are pledged in parity with the pledge to secure 2007 Bonds, for a total debt service of \$56,208,980, until fiscal year 2031. During fiscal year 2013, \$18,936,511 Airport System revenue was recognized, while the 2013 debt service was \$2,981,860.

g. Fresno Joint Powers Financing Authority: Lease Revenue Bonds Series 2001A, Series 2001B, Multi-purpose Stadium

36,925,474

2001 Multi-Purpose Stadium Lease Revenue Bonds issued May 15, 2001. Proceeds were used to provide funds to acquire and construct a multipurpose outdoor stadium. Interest is at 5.00% to 7.03% on bonds outstanding. Annual principal installments range from \$1,185,000 to \$3,250,000 through June 1, 2031; interest due semiannually. *The principal amount due is reported net of a deferred premium of (\$60,474).*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is \$62,014,849, until fiscal year 2031. During fiscal year 2013, \$3,442,058 revenues were recognized as lease payments, while the 2013 debt service was \$3,442,058.

h. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2006 A & B Convention Center Improvement Projects

6,192,377

2006 Lease Revenue Bonds, Series 2006A (\$15,420,000 – Tax-exempt) and 2006B \$3,305,000 - Taxable), issued June 28, 2006. Proceeds were used to finance the construction and acquisition of convention center improvements. Interest is at 4.00% to 4.50% on tax-exempt bonds and 5.5% on the taxable bonds. Principal due in annual installments of \$335,000 to \$575,000 through October 1, 2026; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$2,623.*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to the Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of \$8,237,111, until fiscal year 2027. During fiscal year 2013, \$590,121 lease revenue was recognized, while the 2013 debt service was \$590,121.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Year Ended
June 30, 2013
21,985,000

i. Airports: Airport Revenue Bonds 2007

City of Fresno Airport Revenue Bonds, Taxable Series 2007 issued May 31, 2007. Proceeds used to construct a consolidated rental car facility and related improvements at the Fresno Yosemite Airport. Interest is 5.833% on outstanding bonds. Annual principal installments range from \$50,000 to \$2,265,000 between July 1, 2012 and July 1, 2037; interest due semiannually.

Repayment of the bonds is payable solely from the operation of the City Airport System. All revenues of the City Airport System are pledged with the exception of grant monies, PFC Revenues, loan or bond proceeds, lease rentals, insurance proceeds, payments received pursuant to a Swap Agreement, amounts deposited into the Construction fund prior to the date of beneficial occupancy, proceeds from sale or disposal of City Airports property, and revenues derived from FYI Airport properties which are required to be deposited to the Airways Golf Course Capital fund. Revenues are pledged in parity with the pledge to secure 2000 Bonds, for a total debt service of \$44,774,969, until fiscal year 2038. During fiscal year 2013, \$18,936,511 Airport System revenue was recognized, while the 2013 debt service was \$1,297,823.

j. Parks: Lease Revenue Bonds Series 2008 C & D (Riverside Golf Course)

2,226,554

Fresno Joint Powers Financing Authority Lease Revenue Bonds Series C (\$2,375,000 tax-exempt) and Series D (\$105,000 taxable), issued June 12, 2008. Proceeds were used to finance Riverside Golf Course capital projects. Interest is 3.50% to 5.00% on outstanding bonds. Annual principal installments range from \$50,000 to \$150,000 through April 1, 2038; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$23,446.*

Repayment of the bonds is payable from a pledge of Revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is \$3,916,594, until fiscal year 2038. During fiscal year 2013, \$155,675 revenues were recognized as Base Rental Payments, while the 2013 debt service was \$155,675.

k. Lease Revenue Bonds, Series 2008 F – Convention Center Improvement Project

16,238,250

2008 Lease Revenue Bonds, Series F (\$21,410,000 – Taxable), issued August 14, 2008. Proceeds were used to refund a portion of the 2006 Convention Center Bonds and to finance various Convention Center projects. Interest is at 6.30% to 6.70% on bonds outstanding. Principal due in annual installments of \$1,315,000 to \$2,175,000 through April 1, 2023; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$79,284 and a refunding charge of \$412,466.*

Repayment of the bonds is payable from a pledge of Revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of \$23,164,120, until the year 2023. During fiscal year 2013, \$2,412,948 revenues were recognized as Base Rental Payments, while the 2013 debt service was \$2,412,948.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Year Ended
June 30, 2013

Net Revenue and Other Bonds	863,250,206
Net Deferred Charges	(1,149,975)
Accreted Interest	(4,233,159)
Total Primary Government Revenue And Other Bonds	\$857,867,072

(b) Tax Allocation Bonds

Fiduciary Funds

- a. Fresno Joint Powers Financing Authority: Tax Allocation Revenue Bonds, Series 2001 \$4,296,321

2001 Tax Allocation Revenue Bonds, issued March 1, 2001. Proceeds were used for redevelopment purposes within the Former Redevelopment Agency's Merger No. 2 Project Area and to repay a loan from the City of Fresno. Interest is at 4.30% to 5.50% on bonds outstanding. Principal due in annual installments of \$535,000 to \$825,000 through August 1, 2018; interest due semiannually. *The principal amount due is reported net of a deferred premium of (\$31,321).*

Repayment of the bonds is payable solely from tax increment revenues allocated to the Successor Agency to the City of Fresno Redevelopment Agency's Merger No. 2 Project Area. All of the above revenues are pledged. Revenues are pledged until fiscal year 2019 for a total debt service of \$4,933,056. During fiscal year 2013, \$881,143 Merger No. 2 Project Area tax increment revenue was recognized, while the 2013 debt service was \$879,658.

- b. 2003 Tax Allocation Refunding Bonds, Series 2003: Mariposa Project Area 3,184,065

2003 Tax Allocation Refunding Bonds, Series 2003 (Mariposa Project Area) was issued August 22, 2003. Proceeds were used to refund the Former Agency's 1993 Tax Allocation Bonds, Series A (Mariposa Redevelopment Project). Interest is at 5.00% to 5.625% on bonds outstanding. Principal due in annual installments of \$253,000 to \$418,000 through February 1, 2018; interest due annually. *The principal amount due is reported net of a deferred discount of \$15,910 and a refunding charge of \$81,025.*

Repayment of the bonds is payable solely from tax increment revenues allocated to the Successor Agency to the City of Fresno Redevelopment Agency's Mariposa Project Area. All of the above revenues are pledged. Revenues are pledged until fiscal year 2023 for a total debt service of \$4,358,600. During fiscal year 2013, \$433,885 Mariposa Project Area tax increment revenue was recognized, while the 2013 debt service was \$430,226.

Net Tax Allocation Bonds	7,480,386
Net Deferred Charges	65,614
Total Primary Government Tax Allocation Bonds	\$7,546,000

(c) Notes Payable

Governmental Activities

- a. City of Fresno: California Infrastructure and Economic Development Bank Loan \$1,990,997

Thirty year loan dated March 18, 2004 from the California Infrastructure and Economic Development Bank in the amount of \$2,441,100, proceeds of which were used to complete the Roeding Business Park. Principal and

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Year Ended
June 30, 2013

interest at 3.530% due in annual installments of \$65,562 to \$131,212 through August 1, 2033. Secured by Facility Lease on City Hall Annex between the City and the "I-Bank" with reciprocal Site Lease between the "I-Bank" and the City.

b. City Debt: Energy Usage Conservation Loan Program 1,055,540

California Energy Commission Loan Program under the California Public Resources Code dated July 12, 2004. Contract between the State of California, California Energy Commission and the City to be used for solar energy enhancements at the Municipal Service Yard. Principal and interest at 3.920% to 3.950% due in 24 semi-annual installments of \$143,946 through June 2017. *Repayment of the note is funded from actual savings in energy costs resulting from the project or other available Division funds.*

c. City Debt: Regional Medical Center Section 108 Note 1,185,000

Regional Medical Center Section 108 Notes dated October 28, 1997 with interest at 6.610% to 7.130% to be paid semi-annually. Principal payments are due annually ranging from \$205,000 to \$270,000 through August 1, 2017.

d. City Debt: Fresno Madera Area Agency on Aging Section 108 Note 745,000

Fresno Madera Area Agency on Aging Section 108 Notes dated June 14, 2000 with interest at 7.198% to 7.958% to be paid semi-annually. Principal payments are due annually ranging from \$85,000 to \$135,000 through August 1, 2019.

e. City Debt: Neighborhood Streets/Parks Improvement Project Section 108 Note 985,000

Neighborhood Streets/Parks Improvement Project Section 108 Note dated August 8, 2002 with interest at 4.160% to 6.120% to be paid semi-annually. Principal payments are due annually ranging from \$72,000 to \$130,000 through August 1, 2022.

f. City Debt: Community Medical Center 150,000

Loan dated May 18, 2009 to assist City with expediting BNSF Quiet Zone in the Downtown Area 0% interest for four years with payments of \$150,000 annually.

Business-type Activities

a. Water: Ground Water Recharge Construction Loan 341,242

Ground Water Recharge Construction Loan under the Water Conservation Bond Law of 1988 dated February 22, 1993. Contract between the State of California Department of Water Resources and the City for a ground water recharge construction loan under the Water Conservation Bond Law of 1988, interest at 3.185%. Principal and interest due in semiannual installments of \$59,982 through April 1, 2016; interest due semiannually. *Repayment of the note is funded from revenues of the Water Fund.*

b. Water: Water Supply Disinfection Buildings (Safe Drinking Water) Revolving Loan 1,841,462

Contract between the State of California Department of Public Health and the City dated July 1, 2009 to protect the City's drinking water supplies from Possible Contaminating Activities (PCA's). Proceeds were used to construct Water Supply Disinfection Buildings. Interest is at 2.2923%. Principal and

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Year Ended
June 30, 2013

interest due in semiannual installments of \$61,474 through April 1, 2031. The amount approved for drawdown was \$2,210,000. The amount of actual drawdown was \$1,946,686 and the balance of \$263,314 has been written off. *Repayment of the note is funded from revenues of the Water Fund.*

- c. Water: Enterprise & Jefferson Canal Improvements (Safe Drinking Water) Revolving Loan 1,170,478

Contract between the State of California Department of Public Health and the City dated July 1, 2009 for improvements on the Enterprise and Jefferson Canals. Interest is at 2.2923%. Principal and interest due in semiannual installments of \$38,993 through July 1, 2031. The amount approved for drawdown was \$1,968,136. The amount of actual drawdown is \$1,236,639 and the balance of \$761,497 has been written off. *Repayment of the note is funded from revenues of the Water Fund.*

- d. Water: Meter Project (Safe Drinking Water Rev. Loan) 43,048,681

Contract between the State of California Department of Public Health and the City dated April 10, 2012 for installation of water meters throughout the City of Fresno. This is a no interest loan. Principal due in semiannual installments begin and continue for 20 years once the project has been completed. The amount approved for drawdown was \$51.4 million. To date, \$43,048,681 has actually been drawn. *Repayment of the note is funded from revenues of the Water Fund.*

- e. Convention Center: Employee Benefits Cost Reimbursement Settlement 478,337

Management Agreement between the City of Fresno and SMG, a property management group, dated January 1, 2009, to settle a conflict with Employee Benefits Costs incurred by SMG. Interest is imputed at 5.12974068%. Principal and interest due in monthly installments of \$8,333.33 through December 31, 2018. *Repayment of the note is funded from revenues of the Convention Center Operating Fund.*

Fiduciary Funds

- a. Former Redevelopment Agency: California Infrastructure and Economic Development Bank Loan 1,727,472

Thirty year tax allocation loan dated March 18, 2004 from the California Infrastructure and Economic Development Bank in the amount of \$2,118,000 proceeds of which were used to complete the Roeding Business Park. Principal and interest at 3.530% due in annual installments of \$56,884 to \$113,845 through August 1, 2033; interest due semi-annually.

Repayment of the loan is payable solely from tax increment revenues allocated to the Successor Agency to the City of Fresno Redevelopment Agency's Roeding Project Area. All the above revenues are pledged. Revenues are pledged for a total debt service of \$2,327,787 until the year 2034. During fiscal year 2013, \$164,089 Roeding Project Area tax increment revenue was recognized, while the 2013 debt service was \$116,894.

Total Primary Government Notes Payable	\$54,719,209
--	--------------

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Year Ended
December 31, 2012

Discretely Presented Component Unit

(a) Notes Payable

a. City of Fresno Cultural Arts Properties: Fresno Bee Building Loan A \$12,690,500

Thirty year loan dated March 31, 2010 from Clearinghouse NMTC LLC in the amount of \$12,690,500, proceeds of which were used to purchase the Fresno Bee Building and associated properties from the City of Fresno, to be operated as a qualified active low-income community business in a manner consistent with New Market Tax Credit requirements.

Loan is due March 1, 2040 with interest at 1.0% due monthly. Interest on both Fresno Bee Building loans to be paid from annual base rent due in monthly installments of \$31,250 pursuant to Master lease agreement with City of Fresno. Principal to be repaid upon sale of Property.

b. City of Fresno Cultural Arts Properties: Fresno Bee Building Loan B 3,969,500

Thirty year loan dated March 31, 2010 from Clearinghouse NMTC LLC in the amount of \$3,696,500, proceeds of which were used to purchase the Fresno Bee Building and associated properties from the City of Fresno, to be operated as a qualified active low-income community business in a manner consistent with New Market Tax Credit requirements. Loan is due March 1, 2040 with interest at 2.42% due monthly. Interest on both Fresno Bee Building loans to be paid from annual base rent due in monthly installments of \$31,250 pursuant to Master lease agreement with City of Fresno. Principal to be repaid upon sale of Property.

Total Component Unit Notes Payable \$16,660,000

Debt Service Requirements

The annual debt service requirements excluding capital lease obligations for City of Fresno long-term debt outstanding as of June 30, 2013, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities			Fiduciary Funds	
	Principal	Interest	Principal	Accretion	Interest	Principal	Interest
2014	\$ 16,336,182	\$ 19,981,449	\$ 17,710,566	\$ 385,710	\$ 28,552,013	\$ 984,884	\$ 444,054
2015	16,998,414	19,178,979	18,660,041	405,607	27,605,671	1,029,892	395,459
2016	16,736,078	18,365,404	19,731,834	424,740	26,626,352	1,084,971	339,975
2017	16,865,327	17,496,334	20,598,919	443,107	25,640,622	1,144,123	282,272
2018	17,164,321	16,596,876	21,679,313	460,717	24,569,809	1,203,351	222,203
2019-2023	93,480,412	68,395,796	146,799,658	2,511,133	106,856,110	2,767,033	560,281
2024-2028	95,022,664	40,134,424	98,707,433	2,799,314	79,970,288	431,794	149,903
2029-2033	47,141,926	13,545,928	101,954,508	587,595	49,204,611	513,579	66,674
2034-2038	24,921,213	4,787,578	102,480,000	-	21,087,613	113,845	2,010
2039-2043	2,765,000	176,269	15,105,000	-	1,540,350	-	-
Subtotal	347,431,537	218,659,037	563,427,272	8,017,923	391,653,439	9,273,472	2,462,831
Deferred Charges (on issuance)	(586,482)	-	1,736,457	-	-	(65,614)	-
Unaccreted Interest	-	-	-	(3,784,764)	-	-	-
Total	\$ 346,845,055	\$ 218,659,037	\$ 565,163,729	\$ 4,233,159	\$ 391,653,439	\$ 9,207,858	\$ 2,462,831

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Debt Compliance

There are a number of limitations, restrictions and covenants contained in the various loan, note and bond indentures. While the City believes that it is in compliance with all significant limitations, restrictions and covenants, the City may have technically missed the 270 day continuing disclosure filing deadline with respect to its Airport 2000, Airport 2007, Street Light Acquisition Project 2002 and Water 2003 bonds. The Continuing Disclosure Certificate requires an Annual Report to be disseminated within 270 days after the end of the City's fiscal year. The City's fiscal year ends on June 30th. The City disseminated its Annual Report for fiscal year 2012 on March 29, 2013.

Debt Management Policy



The City maintains a Debt Management Policy which sets forth certain debt management objectives and establishes overall parameters and provides general direction in the planning for, issuing and administering of the City's debt. The purpose of the Policy is to assist in the City's ability to incur debt and other long-term obligations at favorable interest rates for capital improvements, facilities and equipment which are beneficial to the City and necessary for providing essential services.

The purpose of the Debt Management Policy is to assist the City in the pursuit of the following equally important objectives:

- Minimize debt service and issuance costs
- Maintain access to cost-effective borrowing;
- Achieve the highest practical credit rating;
- Full and timely repayment of debt;
- Balance use of pay-as-you-go and debt financing;
- Maintain full and complete financial disclosure and reporting;
- Ensure compliance with applicable State and Federal laws.

The Policy integrates the best practices of other debt management plans utilized by similar California cities and is consistent with the provisions of the City Charter, and any enabling legislation.

The City also maintains a policy for managing City reserves (the Management Reserve Act) and a policy for conducting a due diligence process when evaluating requests by the private sector for City financial assistance that exceeds one million dollars (Better Business Act).

Legal Debt Limit and Legal Debt Margin

Article XVI, Section 18 of the California Constitution, (the "debt limit") prohibits cities (including chartered cities), counties and school districts from entering into indebtedness or liability that in any year exceeds the income and revenue provided for such year unless the local agency first obtains two-thirds voter approval for the obligation. This general limitation has several important exceptions as described below. It is important to remember that this limitation applies not only to traditional bonds, but could apply to many forms of indebtedness or liability, such as installment payment obligations, long-term service or construction contracts, letter-of-credit reimbursement agreements and other types of arrangements commonly seen in public finance transactions.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

In determining whether the arrangement under consideration might pose a problem under the debt limit it is useful to ask the following questions:

- Does the arrangement provide for payment in future fiscal years that comes out of revenue generated in those years?
- Does the arrangement call for payments by a city, County, or school district (as opposed to other types of governmental agencies)?

If the answer to these two questions is “yes”, then the analysis should proceed to determine if one of the exceptions to the debt limit applies. There are three major exceptions to the debt limit that have been recognized by California courts – the Offner-Dean lease exception, the special fund doctrine, and the “obligations imposed by law” exception.

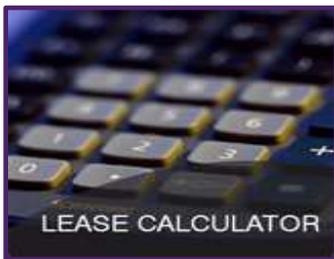
As of June 30, 2013, the City’s debt limit (20% of valuation subject to taxation) was \$5.39 billion. This is in comparison with debt limits of \$5.47 billion in 2012. The City’s legal debt margin is equal to the City’s limit because it has no debt subject to the limitation.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond, certificates of participation, and lease revenue bond issues subject to the arbitrage rebate requirements and has deferred credits and other liabilities in the governmental funds. Each Enterprise Fund has performed a similar analysis of the debt the respective enterprises have issued which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the Enterprise Funds has been recorded as a liability in the respective Fund. In addition, the Successor Agency to the Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities.



Capital Lease Obligations



The City has a long-term master lease agreement with De Lage Landen for the purpose of financing the acquisition of equipment and furniture related primarily to Police and Fire operations and General Services. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Other existing lease agreements with balances are with All Points Capital, Pitney Bowes Credit Corporation and Koch Financial Corporation. Balances are included in the Summary of Long-Term Liabilities.

In fiscal year 2013, the City entered a lease purchase arrangement in the amount of \$1,085,100 with PNC Equipment Finance, LLC for self-contained breathing apparatus equipment (SCBA) with a financing rate of 3.1 % and a seven-year term which is included in the table below. \$2,496 of Capital Leases previously included in General Services were moved to General Fund as a result of the merger.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Subsequent to year end, the City entered into a five year lease purchase financing agreement in the amount of \$2,350,000 with Kansas State Bank for the acquisition of 50 marked police patrol cars and up-fit hardware. The interest rate is 3.389% with semiannual payments of \$257,453 (\$514,906 annually) beginning in Fiscal Year 2015 (one in Fiscal Year 2014).

Debt service requirements are presented below. Interest rates range from 1.8% to 8.5%.

Year Ending June 30	Governmental Activities		Fiduciary Funds	
	Principal	Interest	Principal	Interest
2014	\$ 1,773,287	\$ 211,699	\$ 98,950	\$ 161,944
2015	1,625,045	150,525	107,696	153,197
2016	1,182,548	96,077	117,216	143,678
2017	788,125	61,174	127,576	133,317
2018	576,473	38,606	138,853	122,040
2019-2023	772,733	34,494	901,553	402,915
2024-2028	-	-	458,032	39,770
Total	\$ 6,718,211	\$ 592,575	\$ 1,949,876	\$ 1,156,861

Several of the leases were assigned to other leasing companies by All Points Capital. These agencies include, Banc of America Capital Corp, Sun Trust, US Bankcorp Equipment Finance, Capital One Bank, and Comerica Leasing Corporation. The lease terms to the City however, were unaffected.

General Fund Obligations – Short-Term Borrowing

The City did not issue Tax and Revenue Anticipation Notes (TRANS) in Fiscal Year 2013 and did not have any short-term debt outstanding during the fiscal year.

Note 8. INTERFUND ACTIVITY

(a) Due to/from Other Funds

Due to Other Funds represents short-term borrowings resulting from a fund's temporary need for additional cash. Primarily, these amounts have been recorded when funds overdraw their share of pooled cash. These balances are generally expected to be repaid within the next twelve-month fiscal operating cycle.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The composition of interfund balances as June 30, 2013, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 253,208
	Airports	2,146,922
	Internal Service Funds	22,769
		<u>2,422,899</u>
Nonmajor Governmental Funds	Internal Service Funds	<u>363,758</u>
Airports	General Fund	<u>851,567</u>
Internal Service Funds	Grants Special Revenue Fund	<u>12,815,365</u>
Total Due to/from Other Funds		\$ <u>16,453,589</u>

(b) Advances

Advances represent long-term borrowing between funds.

Parking Fund

As noted in prior year CAFRs, the City had allowed several funds to gradually “go negative.” Moneys were “temporarily” borrowed from the cash pool to make up for the negative balances in such funds. The City anticipated that at some point the funds would recover and be able to reimburse the cash pool. One such negative fund, the Parking Fund had grown to approximately \$14 million.

In 2002, the City engaged the services of a consultant to assess downtown parking needs and to forecast key business needs for building a convention center parking garage. The consultant’s report forecasted an immediate need for the City to fund and build a convention center parking garage to meet downtown parking demands. The City used bond financing to build the convention center parking garage. However, several factors resulted in a substantial decrease in demand for the new garage, resulting in major unrealized revenue. Consequently, the Parking Enterprise could not cover, on its own, the debt service related to the bond associated with the garage. Moreover, several projects forecasted in the 2002 parking assessment either did not materialize or were substantially scaled back due to the economic decline that began almost immediately upon the completion of the Parking Garage: Also significant to the reduced parking demand was the delay in downtown revitalization due to the economic downturn.



In the early years, the Fund borrowed from the cash pool fully anticipating that it would ultimately be able to reimburse the pool including accrued interest. As the economy faltered, the likelihood of repayment became more challenging, in addition, the City acknowledged that the parking garage was underperforming and not fully covering its associated debt and as a result was requiring draws on the General Fund. Other such funds faced with the same issues were the Convention Center, the Downtown Stadium and the No Neighborhood Left Behind Program. Most of these debt obligations will be carried by the General Fund far into the future and are now included in the General Fund.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013



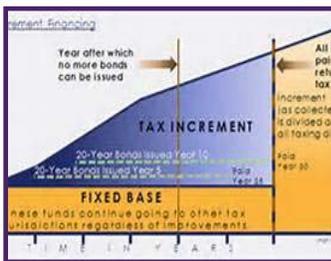
As part of the 2013 mid-year budget update, presented to the City Council on February 28, 2013, the City Manager outlined the City's ongoing plan to stabilize the financial health and credit rating of the City. In addition the City Manager revisited the fiscal sustainability plan to emphasize and ensure that ongoing plans continue to be followed to ensure that core services are funded sufficiently, negative fund balances are eliminated and emergency and maintenance reserves are attained, at least at minimally acceptable levels.

Directly related to the negative cash balances was a plan to formally borrow approximately \$14.1 million from two funds to zero out the negative balance in the Parking Fund. Through a resolution, monies were advanced/borrowed from two sources: (1) accumulated interest earnings on the DBCP Recovery Fund; and (2) accumulated interest earnings on the Tipping Fees Legal Settlement receipts, held in the Commercial Solid Waste Reserve Fund. The advances are structured with repayments to come from any General Fund source but are intended to be repaid from ongoing General Fund operating revenue including "one-time" monies to be received by the City which, at this time, are anticipated to come from: (1) additional property tax increment resulting from the dissolution of the former Redevelopment Agency; (2) the litigation settlement resulting from the Property Tax Administration Fee (PTAF) suit; (3) sales proceeds from the sale of unencumbered General Fund assets that are not securing debt; and (4) other one-time receipts coming to the General Fund that have no designated or stipulated contractual use. The rate of interest paid on the advances is the rate of interest paid on the City's pooled deposits and investments. Repayment of the advances is anticipated to occur over a period not to exceed five years. The governing resolution formalizing this advance was adopted by Council on June 11, 2013. As of March 27, 2013, the outstanding advance has been paid down to \$5,888,230.



Redevelopment Agency

Advances over the years between the City and the former Redevelopment Agency were made to provide funds to eliminate blight and to develop, construct, rehab and revitalize Fresno's inner city neighborhood, downtown and industrial areas. The advances had all been secured by and payable from the incremental property tax revenues of the redeveloped properties. Interest rates have varied between 5% and 9% with payments on the advances and related interest based upon budgetary priority as approved by the former Redevelopment Agency. Redevelopment Agencies were structured such that incremental property tax revenues would continue to be received during the period that the debt remained outstanding.



In prior years, the City evaluated the collectability of all of its receivables including advances due from the Redevelopment Agency. The City established an allowance for doubtful account which at June 30, 2012 totaled \$80,429,406. This amount was reflective primarily of principal and interest accrued over the years on the advances. The allowance was the City's acknowledgement that there was a potential that the advances might not be fully collected due to the slow growth of the incremental property taxes in the redevelopment areas.

City of Fresno, California
Notes to the Basic Financial Statements

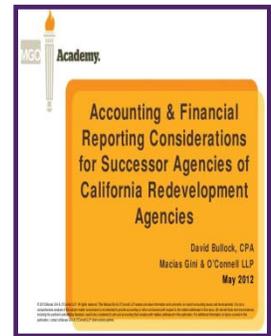
For the Fiscal Year Ended June 30, 2013

In mid June 2011, Assembly Bill 1X 26 required that each California redevelopment agency suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency.

The provisions requiring dissolution became effective February 1, 2012. Accordingly, the Redevelopment Agency of the City of Fresno was dissolved effective that date, and a Successor Agency was created to wind down Agency business. Guidelines for dissolution were set forth in Assembly Bill 1X 26; however the resulting guidelines lead to many more questions than provided answers. The Bill provided that once redevelopment agencies were dissolved, property tax previously directed to redevelopment agencies for redevelopment projects would instead be paid to local taxing entities.

It continues to be the view of the City of Fresno that the debt shown on the City's books owed by the former Redevelopment Agency is currently due and owing, subject to the final judgment of the City of Cerritos case and/or additional litigation based upon as applied challenges as may be brought.

While it is considered premature to completely write off the debt owed by the former RDA to the City of Fresno, an allowance for doubtful accounts has been recorded in the full amount of the debt, both principal and interest in the amount of \$80.1 million. The effect of recording the allowance to the financial statements at June 30, 2011 was a reduction in advances due from the RDA and an increase to Transfers Out.



An allowance for doubtful accounts is an account that reduces the reported amount of outstanding receivables/advances that an entity expects to be able to collect, i.e., turn into cash within the near term or ultimately if at all. While the City intends to vigorously defend its right to collect the amounts due it from the former RDA, the City recognizes that it may be several years before this determination can be made. Therefore the City believes that the recording of the allowance for doubtful accounts presents a more conservative and realistic measure of the amounts due from the RDA becoming cash in the near term due to the volatility of the issue.

The initial dissolution law provides that the Successor Agency shall pay “enforceable obligations” of the former Agency. Enforceable obligations primarily include pending contractual commitments of the former Agency. However, the law excluded from the definition of enforceable obligations debt a former agency owed to the city that created it, unless the debt was created in the first two years following the agency’s creation or debt that represents third party obligations, such as bonds. Subsequent legislation AB1484 allows limited, conditional repayment of loans by the Successor Agency to the Sponsoring Community (City) through a process that includes approval by the Oversight Board and the State Department of Finance.

The records of the City of Fresno show that the former Fresno Redevelopment Agency owes \$80.1 million to the City. That debt was created over many years, largely representing agreements where the City would expend money for a project in a redevelopment project area, and the Agency agreed to reimburse the City.

Property tax was paid to redevelopment agencies only to the extent an agency carried debt in a redevelopment project area. The concept of redevelopment was that money was borrowed to improve and stimulate property values in an area, then as property values improved, the increase in property value over a baseline, “increment,” was then paid to the agency to be used to fund further improvements and ultimately to pay back debt.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

It is the City's position that the United States and California Constitutions prohibit the State from impairing contracts. Here, the State has effectively impaired the ability of the City to be paid debts owed to it by the former Redevelopment Agency. A lawsuit has been filed in the Sacramento Superior Court challenging AB1X 26 on this basis, among others. The petitioners include the City of Cerritos, its redevelopment agency, and nine other cities and agencies. While a preliminary injunction was denied in January 2012, the petitioners have appealed to the Court of Appeals. The trial court also stated that it was considering only a facial challenge to the law, and not "as applied" challenges that may not be ripe until successor agency oversight boards, county auditor/controllers, or the State Department of Finance reject specific debts owed to cities. Since that time, another case filed in the same court, Syncora Guarantee, Inc. et al., was determined to be related for relying on the same event and requiring a determination on an identical question of law and the cases have been assigned to the same judge. No new substantive actions have taken place in the litigation.

The City and the Successor Agency filed suit against the State of California, including the State Controller and Department of Finance, claiming the State agencies issued unlawful orders concerning Housing Asset Transfers and two enforceable obligations. Following trial, the Sacramento County Superior Court ruled the Housing Asset related orders were unlawful. The result is the "City as Housing Successor" was determined to have sole legal authority to administer housing assets pursuant to the Redevelopment Dissolution Laws. This decision will allow the redevelopment dissolution process to move forward, including completion of projects under contract, liquidating surplus real estate and distributing proceeds to taxing entities, pursuing approval of repayment of Redevelopment Agency obligations to the City, and administering housing assets.

Other Advances

Interest for the advance between the Sewer System and General Fund is equal to two percent (2%) above the City's monthly Pooled Investment Rate. The first interest only payment was due July 31st, 2008. Principal, at not less than 1/29th of the original principal, and interest payments are due annually thereafter.

Annual principal payments of \$584,400 plus interest at rates between 3.79% and 4.75% are due annually on the advance between the Airports Fund and the General Fund. The remaining advances are interest free and payable on demand. The amounts are not expected to be repaid within the next twelve-month fiscal operating cycle. The five-year loans for the advances between Water and Solid Waste Management and the General Fund have interest equal to the current investment pool rate compounded annually at three percent (3%). The composition of interfund balances (advances from/to other funds) as of June 30, 2013 is as follows:

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 12,690,500
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>44,992</u>
Water System	General Fund	<u>7,386,070</u>
Sewer System	General Fund	<u>392,690</u>
Solid Waste Management	General Fund	<u>4,327,086</u>
Airports	General Fund	<u>2,210,211</u>
Total Advances		\$ <u>27,051,549</u>

The advance between the Airports Fund and the General Fund originated with a transfer of Airport property. The Sewer System sold land to the General Fund for the purpose of constructing a regional public safety training facility. The advance between the General Fund and Nonmajor Governmental Funds provided \$12.7 million for Financing Authorities to loan in connection with the New Market Tax Credit transaction associated with the acquisition and sale of the Fresno Metropolitan Museum.

(c) Transfers

Transfers represent subsidies by one fund to another in accordance with the budget and provide for various City programs and provide resources for the payment of debt service. The following is a summary of interfund transfers for the year ended June 30, 2013.

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 870,852
	Solid Waste Management	708,000
	Transit	597,000
	Fresno Convention Center	2,338,230
	Nonmajor Enterprise Funds	356,013
	Internal Service Funds	<u>954,474</u>
		<u>5,824,569</u>
Grants Special Revenue Fund	General Fund	170,753
	Nonmajor Governmental Funds	468,096
	Nonmajor Enterprise Funds	<u>23</u>
	<u>638,872</u>	

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	25,868,391
	Grants Special Revenue Fund	1,563,671
	Nonmajor Governmental Funds	8,474,244
	Water System	466,682
	Sewer System	400,624
	Solid Waste Management	462,441
	Transit	862,172
	Airports	233,567
	Nonmajor Enterprise Funds	397,500
	Internal Service Funds	<u>1,634,564</u>
Water	Nonmajor Governmental Funds	<u>100</u>
Solid Waste Management	General Fund	<u>48,457</u>
Fresno Convention Center	General Fund	7,856,294
	Grants Special Revenue Fund	650
	Nonmajor Governmental Funds	<u>107,290</u>
		<u>7,964,234</u>
Stadium	General Fund	<u>3,413,610</u>
Nonmajor Enterprise Funds	General Fund	17,204,588
	Nonmajor Governmental Funds	<u>583,528</u>
		<u>17,788,116</u>
Internal Service Funds	General Fund	<u>2,496</u>
Total Transfers		<u>\$ 76,044,310</u>

The General Fund transferred \$25.9 million to Nonmajor Governmental Funds to provide support for debt service payments and capital projects; \$7.9 million to the Convention Center for debt service as well as general operating support; and \$2.1 million to the Stadium Fund for debt service payments as well as \$1.3 million for operating support; \$0.6 million to Nonmajor Enterprise Funds for Zoo and operating support; and \$16.6 million for fund merger.

Nonmajor Governmental Funds transferred \$10.5 for miscellaneous purposes. Internal Service Funds transferred \$1.6 million to Nonmajor Governmental Funds for debt service payments and \$0.9 million to General Fund for department merger.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(d) Recap of Interfund Activity

The following schedule recaps Interfund Activity at June 30, 2013:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Advances Receivable from Other Funds</u>	<u>Advances Payable to Other Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:						
General Fund	\$ 2,422,899	\$ 851,567	\$ 12,690,500	\$ 14,316,057	\$ 5,824,569	\$ 54,564,589
Grants Special Revenue Fund	-	12,815,365	-	-	638,872	1,564,321
Nonmajor Governmental	363,758	253,208	44,992	12,735,492	40,363,856	10,504,110
Total Governmental Funds	<u>2,786,657</u>	<u>13,920,140</u>	<u>12,735,492</u>	<u>27,051,549</u>	<u>46,827,297</u>	<u>66,633,020</u>
Proprietary Funds:						
Water System	-	-	7,386,070	-	100	466,682
Sewer System	-	-	392,690	-	-	400,624
Solid Waste Management	-	-	4,327,086	-	48,457	1,170,441
Transit	-	-	-	-	-	1,459,172
Airports	851,567	2,146,922	2,210,211	-	-	233,567
Fresno Convention Center	-	-	-	-	7,964,234	2,338,230
Stadium	-	-	-	-	3,413,610	-
Nonmajor Enterprise Funds	-	-	-	-	17,788,116	753,536
Internal Service Funds	12,815,365	386,527	-	-	2,496	2,589,038
Total	<u>\$ 16,453,589</u>	<u>\$ 16,453,589</u>	<u>\$ 27,051,549</u>	<u>\$ 27,051,549</u>	<u>\$ 76,044,310</u>	<u>\$ 76,044,310</u>

Note 9. DEFEASANCE AND REFUNDING OF LONG-TERM DEBT

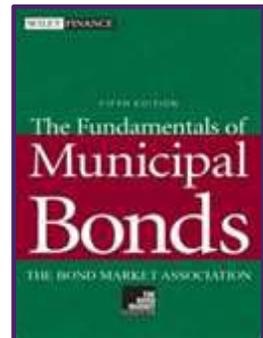
(a) Current-Year Defeasances

The City of Fresno did not defease any debt during Fiscal Year 2013.

(b) Prior-Year Defeasances

The City of Fresno defeased its 2000 Solid Waste Enterprise Revenue Bonds on August 16, 2011 by prepaying all remaining outstanding bonds from cash on hand.

The City of Fresno current-refunded all of the Water 1998 Bonds through the issuance of \$158.15 million Par Bonds on February 3, 2010. The portion of Water 2010 Bonds that defeased the Water 1998 Bonds was \$26,168,790 compared to \$27,450,000 par which was outstanding on the Water 1998 Bonds at the time of refunding. The aggregate difference in debt service between the refunding portion of the Water 2010 Bonds and the Water 1998 Bonds is (\$2,554,078). The defeasance resulted in an economic gain of \$1,614,701.



The Fresno Joint Powers Financing Authority current-refunded \$26.265 million of the 2000 Lease Revenue Refunding Bonds (City Hall Refunding Project) through the issuance of \$23.395 million Par Lease Revenue Bonds on June 4, 2010 in order to take advantage of favorable interest rates in the current market. The portion of the 2010 Lease Revenue Bonds that defeased the 2000 Lease Revenue Bonds was \$23,395,000 compared to \$26,265,000 par which was outstanding on the 2000 Lease Revenue Bonds at the

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

time of refunding. The aggregate difference in debt service between the refunding portion of the 2010 Lease Revenue Bonds and the 2000 Lease Revenue Bonds is (\$3,102,193). The defeasance resulted in an economic gain of \$2,589,725.

The Fresno Joint Powers Financing Authority advance-refunded \$8.6 million of the 2006 Lease Revenue Bonds (Convention Center Projects) through the issuance of \$24.815 million Par Lease Revenue Bonds on August 14, 2008 in order to remediate a tax issue created by entering into a private-activity lease arrangement at the City of Fresno's Selland Arena (reflected as Business-type Activities under Note 7 of the CAFR Footnotes). The portion of the 2008 Lease Revenue Bonds that defeased the 2006 Lease Revenue Bonds was \$10,199,233 compared to \$8,600,000 par which was refunded. The aggregate difference in debt service between the refunding portion of the 2008 Lease Revenue Bonds is \$2,969,067. The defeasance resulted in an economic loss of \$2,799,158. The remaining \$7.965 million that was advance-refunded, is held in an escrow account by an independent third-party trustee and therefore does not appear on the City's financial statements because it has been legally defeased.

Liabilities for defeased bonds are not included in the City's financial statements.

Note 10. RISK MANAGEMENT FUND

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims; natural disasters; employee health benefit claim payments; and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City to use a combination of self-insurance and purchased commercial insurance against property, liability or workers' compensation risks. The City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgements through annual appropriations and supplemental appropriations. The City maintains limited coverage for certain risks that cannot be eliminated. At this time, the City is engaged in an Owner-Controlled Insurance Program covering the wastewater treatment expansion. The Risk Management Division investigates and manages all liability claims and property losses, evaluates risk exposure and insurance needs, protects against contractual loss by reviewing and preparing insurance and indemnification portions of construction contracts, leases and agreements, emphasizes ongoing operational loss control, and purchases all insurance coverage for the City.



The City maintains General Liability insurance, with limits of liability of \$25 million. There is a \$3 million self-insured retention (SIR). The City also maintains Airport Owners and Operators General Liability insurance and Aviation (Aircraft Liability) insurance, with limits of liability of \$60 million and \$25 million per occurrence, respectively.

There is no deductible or self-insured retention (SIR).



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Furthermore, the City maintains Property insurance and Boiler and Machinery insurance, with total insured values of \$1,320,571,846 and limits of liability of \$1 billion and \$100 million per occurrence, respectively. There is a \$100,000 deductible. Property insurance does not cover losses due to seismic events. Finally, the City maintains Aviation (Aircraft Hull) insurance for its two helicopters and one airplane, with limits of liability of \$1.5 million for each helicopter and \$180,508 for the airplane. There is a rotors in-motion deductible of 1.5% of insured value for each claim, subject to a minimum of \$7,500 and a \$500 deductible for rotors not in-motion for each helicopter. There are no physical damage deductibles for the airplane.

The City's Workers' Compensation Program consists of \$2 million self-insured retention with purchased excess insurance layers up to the statutory limits. Settled claims have not exceeded the self-insured retention in any of the last three fiscal years. The claims liabilities and worker's compensation liabilities reported on the Statement of Net Position have been actuarially determined and include an estimate of incurred but not reported losses.

The estimated liabilities of the Risk Management Internal Service Fund as of June 30, 2013, are determined by the City based on recommendations from an independent actuarial evaluation. The liabilities are based on estimates of the ultimate cost of claims (including future claim adjustments expenses) that have been reported but not settled, and claims that have been incurred but not reported (IBNR). The claims liability of \$95,253,336 reported in the Risk Management Internal Service Fund at June 30, 2013, is based on the requirement that claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

The recorded liabilities for each program at June 30, 2013, are as follows:

Workers' Compensation *	\$	74,725,743
Liability and Property Damage *		20,527,593
Total	\$	<u>95,253,336</u>



* The liabilities for workers' compensation and general liability are presented at present value, using a discount rate of 3%.

Changes in the funds claims liability amount for the last two fiscal years are as follows:

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Fiscal Year Liability
2012	\$ 84,138,288	\$ 40,599,981	\$ 28,205,965	\$ 96,532,304
2013	96,532,304	11,282,600	12,561,568	95,253,336

See Note 11 for changes in funds claims liability related to Employees Healthcare Plan.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 11. EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

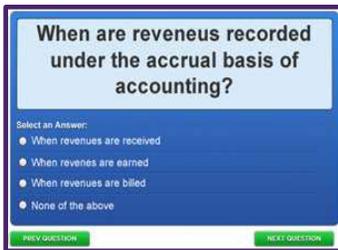
The Employees Retirement System and the Fire and Police Retirement System (the Systems) are single-employer defined benefit pension plans administered by two individual Retirement Boards. The Systems provide retirement, disability, and death benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries as provided for in the City of Fresno's Municipal Code. Articles 3, 4 and 5 of the Municipal Code of the City of Fresno assign authority to administer the retirement systems to the respective Retirement Boards. The Systems issue publicly available financial reports that include financial statements and required supplementary information for the Employees Retirement System and the Fire and Police Retirement System. The reports may be obtained by writing the City of Fresno Retirement Office, 2828 Fresno Street, Suite 201, Fresno, California, 93721.



Permanent full-time employees of the City of Fresno are eligible to participate in the respective Employees Retirement or Fire and Police Retirement Systems. Employees working in limited, interim, provisional, temporary, seasonal, or part-time positions are not eligible to participate in the Systems. Participation is mandatory if an employee is eligible except in the case of the City Manager, City Attorney, City Clerk, Department Heads and Council Assistants as provided in the Fresno Municipal Code (FMC) Section 5-318. The City Manager, City Clerk, City Attorney, Department Heads or Council Assistants, who are not already a member, may negotiate other retirement benefits if such an agreement is established by resolution of the Council.

Basis of Accounting

The Systems use the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the Systems per Sections 3-523, 3-529 and 3-322, 3-324 of the Municipal Code.



Securities lending transactions are accounted for in accordance with GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, which establishes reporting standards for securities lending transactions. In accordance with Statement No. 28, cash received as collateral on securities lending transactions and investments made with that cash are reported as assets and liabilities resulting from these transactions and are both reported in the Statement of Fiduciary Net Position. In addition, the costs of securities lending transactions are reported as an expense in the Statement of Changes in Fiduciary Net Position.

Valuation of Investments

System investments are reported at fair value, calculated as cost plus unrealized gains or losses. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments in both bonds and mortgage-backed pass-through certificates are carried at fair value.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Cost values are derived from Master Custodial Transaction Records. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

Funding Policy

The contribution requirement of System members and the City of Fresno is established by Municipal Code and administered by the Retirement Boards.  Contribution rates, which are based on the calculations of the Systems' independent actuary and adopted by the Boards, are presented as a percentage of annual covered salary/payroll.

Currently, the employer's normal contribution rate for the Employees System is 11.37%. A cash contribution of \$13,329,655 which included \$1,333,328 related to a contribution shortfall from the prior year. For the Fire and Police System Tier I, the rate is 26.22% for the fiscal year ended 2013, and for Tier II, the rate is 19.56%. A cash contribution of \$2,805,924 for Tier I, and \$15,918,790 for Tier II, was required from the City. These included a prefunded actuarial Accrued Liability of (\$902,308) and \$226,669 respectively.

	<u>Employees</u>	<u>Fire & Police I</u>	<u>Fire & Police II</u>
Members' Average Rate	7.58%	*	9.00%
Employer's Gross Rate	11.37 %	26.22%	19.56%
Prefunded Pct. Accrued Liability Offset	(-1.26)%	6.38%	(0.28)%
Net Employer's Rate	12.63%	19.84%	19.84%

*The employee contribution rates are dependent upon entry age with rates for ages 25, 35, and 45 being 5.24%, 6.78% and 7.09% respectively.

Annual Pension Cost and Net Pension Obligation

The annual required contribution for the current year was determined as part of the June 30, 2012 actuarial valuation. The City's annual pension cost and net pension obligation (asset) for the Employees Retirement System and the Fire & Police Retirement System for the fiscal year ended June 30, 2013 were as follows:

	Employees Retirement System	Fire & Police Retirement System
Annual required contribution (ARC)	\$ 11,996,327	\$ 18,724,714
Interest charged (earned) on net pension obligation	-	-
Contribution Shortfall from Prior Year	1,333,328	-
Annual pension cost	13,329,655	18,724,714
Contributions made	(13,329,655)	(18,724,714)
Increase in net pension obligation	-	-
Net pension obligation (asset) beginning of year	-	-
Net pension obligation (asset) end of year	\$ -	\$ -

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Three-Year Trend Information

The City of Fresno contributed 100% of its annual pension cost (APC) for the Employees Retirement System and 100% of its annual pension cost (APC) for the Fire and Police Retirement System in fiscal year 2013. Actual employer contributions were partially required in the Employees Retirement System due to the prefunded actuarial liability of the system.

EMPLOYEES RETIREMENT SYSTEM

Fiscal Year Funding June 30	Annual Pension Cost [APC]	Percentage of APC Contributed	Net Pension Asset
2011	\$ 8,214,569	100%	0
2012	11,373,870	100%	0
2013	13,329,655	100%	0

FIRE AND POLICE RETIREMENT SYSTEM

Fiscal Year Funding June 30	Annual Pension Cost [APC]	Percentage of APC Contributed	Net Pension Asset
2011	\$ 19,397,178	100%	0
2012	22,875,005	100%	0
2013	18,724,714	100%	0

The Schedules of Funding Progress, presented as RSI following the Notes to the Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedules of Funding Progress

EMPLOYEES RETIREMENT SYSTEM

Schedule of Funding Progress
(Dollars in Millions)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) / (2)	(Prefunded)/ Unfunded AAL (2) - (1)	Annual Covered Payroll	(Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2012	\$ 891	\$ 872	102.2%	\$ (19)	\$ 112	(17.3%)
2013	934	935	99.9%	1	112	1.1%

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

FIRE AND POLICE RETIREMENT SYSTEM

Schedule of Funding Progress
(Dollars in Millions)

	(1)	(2)	(3)	(4)	(5)	(6)
				(Prefunded)/ Unfunded AAL (2) - (1)		(Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) / (2)		Annual Covered Payroll	
2012	\$ 1,004	\$ 953	105.4%	\$ (51)	\$ 101	(50.8%)
2013	1,061	998	106.4%	(64)	101	(63.1%)

Actuarial Assumptions

The actuarial assumptions used to compute contribution requirements and to determine funding status are always based upon the prior year's valuation, which for fiscal year 2013 is the actuarial valuation performed as of June 30, 2012. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a period of five years. The Systems do not have unfunded actuarial liabilities. Additional summarized information in the actuarial valuation follows:

	<u>Employee</u>	<u>Fire & Police</u>
Valuation Date	6/30/12	6/30/12
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization Method	Level Percentage Open	Level Percentage Open
Remaining Amortization Period	15 Years	15 Years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	8.00%	8.00%
Projected Salary Increases	3.5% inflation + .50% +.60% to 8.5% merit & longevity	4.00% initially + 1.6% to .30% plus merit & longevity
Includes Inflation At	3.50%	3.50% + real across the board salary increases
Cost-of-Living Adjustments	3.50%	1-5%** increase maximum of 5.00%

** 1st Tier
Rank-Average Option: Increases are determined by the increases attached to ranks of active safety employees.
3-Year Average Option: Cost-of-living is based on the percentage of change in the weighted mean average monthly compensation attached to all ranks of members, as compared with the prior fiscal year and limited to a maximum of 4% per year.

** 2nd Tier - CPI increase, maximum of 3%.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Additional summarized information in the latest actuarial valuation as of June 30, 2013 follows:

	<u>Employee</u>	<u>Fire & Police</u>
Valuation Date	6/30/13	6/30/13
Actuarial Cost Method	Entry Age Actuarial Cost	Entry Age Actuarial Cost
Amortization Method	Level Percentage	Level Percentage
Remaining Amortization Period	15 Years	15 Years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Projected Salary Increases	3.25% inflation + 0.50% +0.50% to 8.0% merit & longevity	3.25% inflation + 0.50% real across- the- board salary increase + merit and longevity
Includes Inflation At	3.25%	3.25%
Cost-of-Living Adjustments	3.25%	3.75% of Tier 1 retirement income and 3.00% of Tier 2 retirement income

Administrative Expenses

Section 3-532, Section 3-325 of the Fresno Municipal Code provides that all administrative costs of the system shall be a charge against the assets of the Employees Retirement System and Fire and Police Retirement System, respectively.

Post Retirement Supplement Benefit Program



The Post-Retirement Supplemental Benefit ("PRSB") Program was created to provide supplemental distributions to eligible retirees which they could use to pay for various post-retirement expenses. Each Retirement Board will annually review the actuarial valuation report and declare an actuarial surplus, if available, in accordance with the procedures in Municipal Code Sections 3-567, 3-354.

If an actuarial surplus is declared, the surplus is allocated into two components. One component composed of two-thirds of the declared surplus shall be used to reduce or eliminate the City's required contributions. Any unused portion shall be reserved in the City Surplus Reserve and drawn upon in subsequent years if needed. The remaining one-third component shall be distributed among eligible post-retirement supplemental benefit recipients in accordance with procedures in Municipal Code Sections 3-567(f)(4) and 3-354(f)(4). Any unused portion shall be reserved in the PRSB Reserve and drawn upon in subsequent years if needed.

For the fiscal year ended June 30, 2013 the System distributed PRSB benefits for eligible retirees in Employees Retirement System in the amount of \$76,286 and added to the City surplus reserve shortfall of (\$1,081,177) as required for 2013. As of June 30, 2013, the City Surplus Reserve balance was \$204,021 and the PRSB Reserve balance was approximately \$8,774 of which \$8,774 is committed for PRSB distribution for the months of July through December 2013. For the fiscal year ended June 30, 2013 the System distributed benefits for eligible retirees in the Fire and Police Retirement System in the amount of \$210,496 and offset contributions by \$488,633. As of June 30, 2013, the City Surplus Reserve balance was a negative (\$178,273) and the PRSB Reserve balance was \$67,175.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

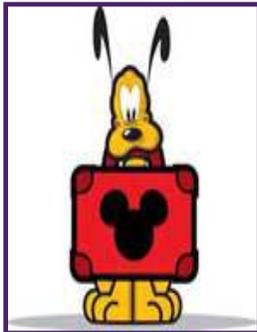
(b) Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all permanent full-time and part-time employees and Council Members, permits deferral of a portion of the employee's salary into a tax-deferred program. The deferred compensation is not available to employees or other beneficiaries for withdrawal until termination, retirement, death, or unforeseeable emergency or loan program. Upon separation from employment with the City, an individual may roll over their deferred account into another IRS Allowable Plan or upon receipt, the distribution will become taxable.



The Deferred Compensation Board contracted with Fidelity Management Trust Company as the trustee and plan administrator. The City Retirement System assists Fidelity in the administration of the Deferred Compensation Plan. In addition to the Retirement Office, City staff in the Payroll section of the Finance Department, the City Attorney's Office and Information Services Department all assist in the administration of the Plan. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

(c) Compensated Absences



Vacation pay, which may be accumulated up to 600 hours depending on an employee's bargaining group and length of service, is payable upon termination. Sick leave, which may be accumulated up to 12 hours per month, has no maximum. If eligible, most bargaining units receive a portion of the value of their sick leave balance at termination in their Health Reimbursement Account (HRA), otherwise, employees do not receive any value from their sick leave balances at termination.

Annual leave, which may be accumulated up to 1200 hours is payable upon termination or retirement. Holiday leave may be accumulated indefinitely depending upon the bargaining groups and is payable for active employees as well as at termination or retirement. Annual leave allows for the cashing out of the higher of 25% of the accumulated balance or 48 hours, once per fiscal year. Supplemental sick leave is awarded to unrepresented management, middle management, professionals and to white collar employees at the rate of 40 hours at the beginning of each fiscal year. The balance can only be used after other leave balances are exhausted, or for other specific reasons outlined in the various MOU's or Salary Resolutions. The balance is payable at termination or retirement or is accounted for as part of a Health Reimbursement Arrangement (HRA) which is unfunded and expended on a pay-as-you-go basis.

Starting in FY 2006, some bargaining units selected to account for some or all of their sick leave and supplemental sick leave balances as an HRA. The book value of these balances is accounted for (by employee) in off-line spreadsheets, administered by HealthComp, is given credit for calculated interest, and is used to pay health premiums for the employee, their spouse and dependents – until their individual balance is exhausted. The HRA is not held in a trust but rather is funded on a pay-as-you-go-basis. The portion of the City's obligation relating to employees' rights to receive compensation for future absences, that is attributable to services already rendered, is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. Compensated absences upon termination are funded through a cost

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

allocation formula which is based upon a citywide history of payouts (approximately \$2 million per year). Accruals are reviewed by bargaining unit and the \$2 million base is allocated in proportion to each unit's current liability for a contribution per unit cost. This unit cost is then converted to a cost per employee and becomes part of the budgeted employee service cost in each department's annual base budget.

Accrued Employee Leave balances as of June 30, 2013, are as follows:

<u>Department/Activity</u>	<u>Total Accrued Vacation, Sick Leave, and HRA</u>	<u>Current Portion</u>
<u>Governmental Activities:</u>		
General Fund	\$ 44,045,576	\$ 5,730,439
Grants Special Revenue Fund	1,682,292	237,407
Special Gas Tax	573,837	50,434
Measure C	1,981,634	187,463
Community Services	45,048	39,366
City Combined	-	-
Special Assessment	211,507	45,016
General Services	2,492,122	326,397
Risk	148,939	44,661
Total Governmental Activities	51,180,955	6,661,183
<u>Department/Activity</u>	<u>Total Accrued Vacation, Sick Leave, and HRA</u>	<u>Current Portion</u>
<u>Business-type Activities:</u>		
Water System	2,131,101	226,761
Sewer System	1,878,497	316,757
Solid Waste Management	1,238,172	457,295
Transit	2,874,323	624,787
Airports	1,471,063	226,992
Convention Center	57,618	57,618
Community Sanitation	447,304	104,819
Billing and Collection	865,491	132,291
Total Business-type Activities	10,963,569	2,147,320
<u>Department/Activity</u>	<u>Total Accrued Vacation, Sick</u>	<u>Current Portion</u>
<u>Fiduciary Funds:</u>		
Private Purpose Trust Funds	79,754	39,877
Total	\$ 62,224,278	\$ 8,848,380

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Accrued employee leave balances related to governmental activities are recorded in the Government-Wide financial statements.

(d) Termination Benefits

During fiscal year 2013, 8 employees received severance pay. These individuals received a lump sum payment computed on base pay or per contract stipulation and years of service. This amount totaled \$275,013.

(e) Health Benefit Plan

The City offers its employees participation in the Fresno City Employees Health and Welfare Trust Plan. The Trust offers a self-insured medical plan for full-time and permanent part-time employees and their dependents. There were three medical plan options offered in Fiscal Year 2013. The first option is a reduced benefit level PPO plan with a \$200 individual annual deductible and a \$600 annual family maximum. Under this first option, employees have the opportunity, on an annual basis, to elect a reduced benefit level in which the plan pays 60% of covered medical charges and the employee pays 40%. Employees electing the lower benefit level pay nothing for their coverage. As a second option, employees may elect a higher benefit level in which the plan pays 80% of covered charges and the employee pays 20%. Employees electing the higher benefit level pay 20% of the monthly premium through payroll deductions. New in Fiscal Year 2012, employees were given the third option of selecting a Kaiser Permanente Deductible HMO Plan as their health care provider (this option was discontinued at the end of Fiscal Year 2013). The Trust also provides dental, vision, pharmacy and chiropractic coverage. City of Fresno retirees are also eligible for participation in the plans by paying the full blended premium cost. The City continues to assess the impact of the federal health care reform legislation on the City's liabilities.

Also beginning in 2012, two bargaining units had different contribution amounts than the balance of the Unions. For these units, FCEA employees hired after July 1, 2011 and CFPEA employees hired after November 28, 2011, the City contributes 70% of the premium and the employees; if they wish to have to high benefit PPO, contribute 30% of the premium. If they choose not to make the contribution, they have a reduced benefit level in a 52%/28% plan. In FY 2013 ATU fell under the new contribution amounts as a result of a City imposed last, best and final offer. The contribution change effected employees hired after January 1, 2013.

The City is currently negotiating health benefit revisions with various bargaining units as their contracts come open. Subsequent to fiscal year end 2013, one unit, CFMEA employees, approved a provision whereby the City will contribute a flat \$800 toward their health benefit premiums. As of the end of calendar year 2013, the Health Trust had not yet implemented the change.

(f) Other Post Employment Benefits

Plan Description

The City of Fresno Retirees Healthcare Plan is a single-employer defined benefit medical plan administered by Healthcomp and funded through the City of Fresno Health and Welfare Trust. It is reported as an Internal Service Fund of the City and provides OPEB to eligible retirees and his/her dependents, spouse or domestic partner. OPEB includes the authorization for retirees to purchase health insurance through the plan at current employee rates. The establishment and amendment of benefit provisions are negotiated between the employee bargaining units and the

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

City of Fresno, and are recommended by the City Manager subject to the approval of the Mayor and the City Council. The trust does not issue separate publicly available financial statements.

The City of Fresno Blue Collar Retirees Healthcare Plan is an agent multi-employer defined benefit plan administered by Associated Third Party Administrators (ATPA) and funded through Stationary Engineers Local 39 Health & Welfare Trust. It is reported as an Internal Service Fund of the City and provides OPEB to eligible retirees of Local 39 and his/her dependents, spouse or domestic partner. OPEB includes the authorization for retirees to purchase health insurance through the plan at current employee rates. The establishment and amendments of benefit provisions are negotiated between Local 39 bargaining unit and the City of Fresno, and are approved by the City Manager and the City Council. Publicly available financial statements are not issued separately. Subsequent to June 30, 2012 active employees



with Local 39 were merged and included into the Fresno City Employees Health and Welfare Trust Plan. Retirees of Local 39 were not.

Funding Policy

The establishment and amendment of contribution requirements are negotiated between employee bargaining units and the City and are recommended by the City Manager subject to the approval of the Mayor and City Council. The contribution requirement of plan members and the City are funded on a pay-as-you-go basis. Although participant retirees pay 100% of their premium costs, because retirees are allowed to purchase insurance at blended premium rates, the City's contribution is deemed to be that portion of retiree claims costs over premiums required to be contributed by retirees. In fiscal year 2013 the City's contribution, or implicit rate subsidy, was deemed to be \$4,246,477.

Actuarial Methods and Assumptions

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan are designed to reflect a long-term perspective and include certain techniques used to reduce short-term volatility in the actuarial accrued liabilities and actuarial value of assets.



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The actuarial valuation date was June 30, 2012. The actuarial cost method used for determining benefit obligations was the Projected Unit Credit cost method with a 30-year amortization of unfunded liability (open basis). Amortization of the Unfunded AAL and the Net OPEB Obligation used the level percent of payroll over the maximum allowed period of 30 years which re-amortizes the entire UAAL over 30 years with each valuation. The investment rate of return utilized was 4.0%. Projected salary increases are 3.0% per year. Significant adjustments from the prior evaluation include a decrease in the overall number of participants covered under the OPEB plan as fewer retirees are electing the post-retirement coverage (especially after age 65) and spouse coverage levels are also decreasing. Both of these revised assumption changes lower the Plan's liability. The liability is increasing primarily due to average medical claims costs increasing faster than premium rates. Since the implicit subsidy is the difference between claims costs and premiums, movement in either of these components will have a leveraging effect on the net liability. The liability is also increasing as the revised assumptions recognize that post-65 medical claims for self-pay retirees (retirees over age 65 who are not eligible for Medicare) are not reduced for Medicare coverage. There were 20 retirees (16 with family coverage) in this group at June 30, 2012. Additional assumptions are outlined in the Actuarial Valuation Report dated December 11, 2012.

Funded Status and Funding Progress

The most recent valuation date was June 30, 2012. The funded status of the plan is 0%. The actuarial value of plan assets is \$0. At this time the City is not contemplating making contributions to fund the plan based on the actuarial accrued liability (AAL). The schedule of funding progress, presented in the Required Supplementary Information, presents multiyear trend information.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Actuarial Valuation as of June 30, 2012 under GASB 45 is as follows:

Summary of Valuation Results (based on 4.0% discount rate)

	Retirees Healthcare Plan		Blue Collar Retirees Healthcare Plan	Total
	General Employees	Safety		
Participant Count				
Active - Eligible	1,400	973	547	2,920
Active - Not Eligible or without coverage				<u>12</u>
Retiree	<u>294</u>	<u>219</u>	<u>46</u>	<u>559</u>
Retirees - without coverage				<u>103</u>
Total Count				3,594

Actuarial Present Value of Benefits (APVB) at June 30, 2012				
Active - Eligible	\$4,532,932	\$5,272,784	\$374,655	\$10,180,371
Active - Not Eligible	14,527,304	104,624,955	1,204,294	120,356,553
Retiree	<u>18,685,136</u>	<u>26,114,597</u>	<u>184,296</u>	<u>44,984,029</u>
Total APVB	\$37,745,372	\$136,012,336	\$1,763,245	\$175,520,953

Actuarial Accrued Liability (AAL) at June 30, 2012				
Active - Eligible	\$4,532,932	\$5,272,784	\$374,655	\$10,180,371
Active - Not Eligible	6,153,417	53,599,548	569,277	60,322,242
Retiree	<u>18,685,136</u>	<u>26,114,597</u>	<u>184,296</u>	<u>44,984,029</u>
Total AAL	\$29,371,485	\$84,986,929	\$1,128,228	\$115,486,642

Funded Status at June 30, 2012				
Actuarial Value of Assets	\$0	\$0	\$0	\$0
Unfunded Actuarial Accrued Liability	\$29,371,485	\$84,986,929	\$1,128,228	\$115,486,642
Funded Ratio	0%	0%	0%	0%
Covered Payroll	\$81,280,935	\$96,194,537	\$29,211,091	\$206,686,563
UAAL as a % of Covered Payroll	36%	88%	4%	56%

Annual Required Contribution (ARC)				
Total ARC for 2012/2013	\$2,563,583	\$9,516,080	\$132,808	\$12,212,471

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and two prior years are as follows:

General Employees

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 2,081,927	31.63%	\$ 5,946,236
6/30/2012	2,417,167	55.73%	7,016,363
6/30/2013	2,438,480	75.77%	7,607,257

Safety

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 8,850,123	19.50%	\$ 32,314,343
6/30/2012	8,591,382	19.98%	39,189,002
6/30/2013	8,817,336	26.70%	45,651,699

Blue Collar

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 271,087	21.35%	\$ 477,269
6/30/2012	120,272	33.76%	556,943
6/30/2013	122,878	36.01%	635,569

Total

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 11,203,137	20.48%	\$ 38,737,848
6/30/2012	11,128,821	27.89%	46,762,308
6/30/2013	11,378,694	37.32%	53,894,525

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The annual required contribution for the current year was determined as part of the June 30, 2012, actuarial valuation. The City's annual OPEB cost and net OPEB obligation for the Retirees Healthcare Plan and the Blue Collar Retirees Healthcare Plan for the fiscal year ended June 30, 2013 were as follows:

	Retirees Healthcare Plan		Blue Collar	Total
	General Employees	Safety	Retirees Healthcare Plan	
Annual required contribution (ARC)	\$ 2,563,583	\$ 9,516,080	\$ 132,808	\$ 12,212,471
Interest charged on net OPEB obligation	280,654	1,567,560	22,278	1,870,492
Adjustment to annual required contribution	(405,757)	(2,266,304)	(32,208)	(2,704,269)
Annual OPEB cost	2,438,480	8,817,336	122,878	11,378,694
Contributions made	(1,847,586)	(2,354,639)	(44,252)	(4,246,477)
Increase in net OPEB obligation	590,894	6,462,697	78,626	7,132,217
Net OPEB obligation beginning of year	7,016,363	39,189,002	556,943	46,762,308
Net OPEB obligation end of year	\$ 7,607,257	\$ 45,651,699	\$ 635,569	\$ 53,894,525

(g) Healthcare Plan Claims Liability

The recorded liability for the Employees Healthcare Plan at June 30, 2013, for employee health benefit claim payments for direct provider care is \$3,600,000.

Changes in the funds claims liability amount for the last two fiscal years are as follows:

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Fiscal Year Liability
2012	\$ 3,400,000	\$ 32,123,302	\$ 31,123,302	\$ 4,400,000
2013	4,400,000	32,043,855	32,843,855	3,600,000

Note 12. NO-COMMITMENT DEBT



The City is not liable for repayment of any of the following bonds, and accordingly, they are not reflected in the accompanying basic financial statements.

(a) Health Facilities Bonds

The City has no remaining health facilities bonds.

(b) Industrial Development Bonds

The City has only one issue of industrial development bonds totaling \$780,000. These bonds were issued to purchase land and construct a health equipment manufacturing plant within the City's Enterprise Zone.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(c) Multifamily Housing Revenue Bonds

The City has outstanding multifamily housing revenue bonds totaling \$24.44 million. The bonds were issued to provide funds for the purchase and/or construction of multifamily housing facilities to provide low-income housing to Fresno residents.

(d) Special District Debt

The City is not obligated in any manner for the Special District debt, but is acting as an agent for property owners in collecting the taxes and assessments and forwarding the collections to the trustee/paying agent, and initiating foreclosure proceedings, if appropriate. Special District debt payable to bond holders was \$4,385,596 at June 30, 2013 as compared to \$4,513,622, at June 30, 2012.

Note 13. COMMITMENTS AND CONTINGENCIES

(a) Closure and Postclosure Care Cost

The City continues to monitor a former landfill site as part of the Environmental Protection Agency's (EPA) Superfund program. Management estimates the remaining monitoring costs as of June 30, 2013, to be \$18,050,167 and has recorded this liability in the Solid Waste Enterprise Fund. It is anticipated that \$900,000 in monitoring costs and landfill site closure costs will be paid in fiscal year 2014. The former landfill site has not received solid waste since 1987 and was redesigned as part of a 350-acre environmentally conscious facility to integrate the former landfill site into a championship caliber sports complex/regional park. The estimated total remaining postclosure care costs as of June 30, 2013 are based on the equipment, facilities, and services required to monitor and maintain the closed landfill. The liability for postclosure care costs is an estimate and subject to change resulting from inflation, deflation, technology or changes in applicable laws.



The Sports Complex includes: four championship lighted tournament softball fields and two lighted tournament/practice softball fields; seven tournament soccer fields; picnic shelters; five playgrounds; restrooms with concession booths and showers; hiking trails and arboretum; hilltop overlook; and lake and waterfowl habitat island.

During fiscal year 1992, in accordance with, at that time, Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation, the City recorded a receivable from rate payers approximately equal to the original estimated liability for clean up and monitoring of the site. The statement provided for the recording of the receivable because the City Council is empowered by statute, subject to Proposition 218, to establish rates that bind customers, and the rate increase was designed to recover only costs incurred related to the landfill site closure, rather than provide for similar future costs. In December 2010, GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* was issued. The objective of this Statement was to incorporate into GASB's authoritative literature, certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures. The incorporation of this guidance

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

was included in GASB's authoritative literature so long as they did not conflict or contradict GASB pronouncements. FASB No. 71 was one of those codified into GASB. The amount receivable at June 30, 2013, is \$16,337,366 and is paid through utility fees.

(b) CVP Water Contract

The City's 60,000 acre-foot water supply entitlement from the United States Bureau of Reclamation ("USBR") is equivalent to approximately 40% of the City's annual water demand. This supply, derived from the Friant Dam on the San Joaquin River, is part of the USBR's Central Valley Project ("CVP") and is the primary resource for the operation of the City's current (and future) surface water treatment facility.



On December 22, 2010, the City and the Bureau entered into the CVP 9D Agreement for the City to pay off the capital component of the CVP "cost of service rate" for contracted water delivery. This was done as part of the San Joaquin River fisheries litigation settlement and federal legislation which authorized the Bureau to enter into permanent water supply contracts with the City and the other Friant Division contractors. The permanent contracts are called "repayment contracts" and include essentially the identical material terms as those in the previous CVP Contract with the exception that the Repayment Contract is permanent. While most traditional federal Reclamation Law provisions would continue to apply to the Renewal Contract, the City receives some important benefits by converting to the Repayment Contract.

These include:

1. Permanent water supply – The Repayment Contract provides for an ongoing, permanent annual supply of up to 60,000 acre-feet of water from the Friant Division of the CVP. No further periodic renewal negotiations are required.
2. Pricing benefits – Certain components of the Bureau water rate structure were eliminated. For example, under the Repayment Contract the Bureau will not impose tiered pricing.
3. Financing cost savings – Under the previous Bureau rate structure, the City paid certain financing costs and interest on the outstanding capital and operation and maintenance obligations that the Bureau attributes to the City. By paying this off without financing charges, the City will save approximately \$7 million.

The agreement stipulated that on or before January 31, 2014, the City would pay-off the City's share of the accumulated capital costs of the CVP which it did on June 28, 2012 in the amount of \$18,204,132; \$15,663,060 representing the principal portion of the obligation and \$2,541,072 representing the interest portion.

Because repayment contracts do not require periodic renewal, compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA) need not be repeated subsequent to the payment.

In addition to the capital payment described above, the City continues to accrue a share of the ongoing unpaid operation, maintenance and interest costs in an approximate amount of \$19.9 million. This obligation is also amortized and included in the volumetric water rates the City pays the USBR and will continue. The



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

present value of the City's debt obligation to the Bureau has been fully capitalized in the Water System Proprietary Fund and is being amortized against expected future revenues generated through water rates. The amount capitalized is reflected in the City's Water Fund under the caption "Unamortized CVP Water Settlement". Subsequent to the \$18,204,132 payment on June 28, 2012, the "Unamortized CVP Water Settlement" totaled \$21,554,134 on June 30, 2012, while the related liability reported as "CVP Litigation Settlement" totaled \$20,859,241 on June 30, 2012. As of June 30, 2013 these amounts are \$20,660,945 and \$19,966,052 respectively.

The CVP Repayment Contract retained and continued the requirement from the City's water service contract that the City comply with "best management practices," including charging all City customers based upon the actual amount of water delivered, that is, charging customers based on metered use. Metering of all City water service connections required the retrofit of some City service connections. The CVP Repayment Contract required that the City complete the metering program by January 1, 2013, which it primarily did with the exception of approximately 900 meters. With the consent of the USBR, the installation of the remaining meters was delayed until the substantial repairs could be made to the water lines going to the subject properties. The final meters were completed in mid calendar year 2013. Over 110,000 residential water meters were installed with a project cost of approximately \$75 million. This project is the largest automatic metering infrastructure AMI project in the Nation.



The City adopted residential metered rates on November 5, 2009 pursuant to Proposition 218. The metered rates took effect March 1, 2010. Under the new rate ordinance, once a meter was installed, the City began charging customers according to the applicable metered rate.



Consistent with the requirements of Proposition 218, the metered rate structure generates revenues sufficient to cover the cost of providing water service to City customers, as did the prior flat rate structure.

In late 2010, the City of Fresno was invited by the California Department of Public Health (CDPH) to put forward a Statement of Intent expressing its interest in submitting an application for funding under the CDPH (Category "H") Safe Drinking Water State Revolving Fund (SDWSRF) Low Interest Loan; 2010 – 2011 Construction (Tier 1) Funding Program. Standard loan terms for these types of loans are typically for a period of twenty (20) years at one-half (1/2) the State bond rates.

The purpose of the SDWSRF loan was to provide a reduced cost funding alternative for the City's Meter Retrofit Project while affording redirection of available revenue to other substantial water projects.

While the original application submitted was for \$30 million, during the State's application review period, the CDPH found the City to be eligible as a Disadvantaged Community and as such, project funding was converted to a no-interest (0%) loan. The funding offer was subsequently increased to \$51.4 million through two amendments.

On October 25, 2012 Council approved the final amendment to the State Revolving Loan Fund, Low Interest Loan acknowledging that in order to retain the required overall minimum debt service coverage would require Council to adjust and approve an adequate 5-year water Rate Plan or would necessitate water operational/staff budget reductions, which would significantly affect operational efficiencies and service levels.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The State (zero interest) loan will ultimately provide a \$23.4 million savings in interest to rate payers over the 20-year term of the loan.

The SDWSRF loan funding provides a financial avenue for City-wide conservation projects to reduce water demand, ensure the safekeeping of vital contract surface waters which can be used to supplement and restore overused groundwater resources, and afford reallocation of available funds. Certain capital projects that had been earmarked for pay-as-you-go funding or future bond financing may now take advantage of the interest free loans to be repaid over a term of twenty years.



As a result of the City accepting the SDWSRF loans, the adoption of the SDWSRF loans are repayable from Department of Public Utility (DPU) revenues, consisting of user water rates, fees and charges. Throughout the life of the SDWSRF loans (of which, as of June 30, 2013, \$43,048,681 has been drawn), the City must maintain a debt coverage ratio of 1.25 (Rate Covenant) meaning that net revenues from the water system must equal 125% of the total debt service payable from water system revenues. The annual debt service payment on the SDWSRF loans is approximately \$2.6 million per year for twenty years.

On June 27, 2013 Council directed Public Utilities staff to initiate the Proposition 218 process on proposed water rates. On June 28th public notices were mailed to all property owners serviced and on August 15th a public hearing was held. After the hearing and public comment, Council approved the new rate structure which would take a typical monthly water bill from \$24.49 to \$48.34 by mid 2016. The rates went into effect September 17, 2013.



Opponents to the water rate increases are leading a move to put the approved water rates to a vote in next June's primary election. The City Council on September 26th voted to sue the opponents. City officials have warned for several years that the City's water system is in need of major repairs and replacement of its aging infrastructure as well as improvements to its groundwater recharging facilities. It is the City's opinion that the law that authorizes a government entity to protect one of its core services supersedes the law that authorizes voter referendums.

(c) [FAA Audit of the Fresno Yosemite International Airport](#)

In early calendar year 2006, the Airports Compliance Division of the U.S. Department of Transportation, Federal Aviation Administration, (FAA) performed an on-site review of the Fresno Yosemite International Airport (Airport). In August 2006 the review report was issued and several corrective actions were suggested by the FAA including certain conditions they believed the City should comply with as a consequence of a transfer of airport property in the late 1990's. The FAA believed, based upon their understanding of the facts, that the City's General Fund should transfer certain sums to the Airport enterprise fund for past financial and real estate transactions. The City negotiated with the FAA and reached an agreement which was subsequently approved by the City Council on July 24, 2007.



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The agreement reached with the FAA consisted of the City (General Fund) repaying the Airport enterprise fund approximately \$5.8 million plus interest of approximately \$1.2 million over a period of ten years. The balance is reported in the General Fund as advances to other funds. The first payment was made in mid-November 2007 with the final payment to be made in 2017. At June 30, 2013 the balance owed by the General Fund to the Airport was \$2,210,211 plus interest of \$479,380.

Other Litigation

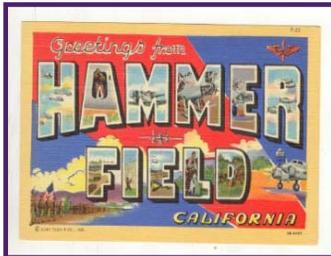
There are various other lawsuits and claims pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, management, after consultation with legal counsel, is of the opinion that a majority of these matters will not have a material adverse effect on the financial condition of the City at June 30, 2013, with the exception of those cases that involve constitutional violations whereby even a minimal verdict may result in an award of attorney's fees.



(d) Toxics Mitigation

Hammer Field

Contamination (primarily from the common solvent trichloroethylene, "TCE") was discovered and identified in 1989, in soils and groundwater beneath property currently owned by the City. The site known as Old Hammer Field (OHF), a prior Army military base in the 1940's, was the subject of investigation and cleanup efforts which had previously been jointly funded by Boeing, the U.S. Army Corps of Engineers and the City of Fresno. The area had been used for the repair, overhaul, maintenance, refurbishing and construction of aircraft during and after World War II. The California Department of Toxic Substances Control (DTSC) was the lead regulatory agency-overseeing site cleanup.



It had always been maintained by the City that all contaminants were discharged by other parties, not by the City. As a non-contributory, overlaying landowner, the City believed that it had limited fiscal liability for cleanup efforts. DTSC issued a preliminary nonbinding allocation of responsibility (NBAR) on December 23, 2003 placing the City's share at five percent, which was consistent with independent analysis commissioned by the City. The Final Remedial Action Plan (RAP) was approved by the DTSC, and capital construction of the remedial systems commenced. It was initially estimated that cleanup efforts could last between 20 to 50 years, with total remaining clean up costs estimated to be between \$13 to \$17 million (net present value of capital and operations/maintenance) of which the City's share was estimated to equal 5% or \$650,000 to \$859,000 (as of January 1, 2008).

The United States of America (USA), the United States Army Corps of Engineers (USACE), the United States National Guard Bureau (NGB) and the Boeing Company (Boeing) were all subject to the NBAR; however the City had paid a significantly disproportionate share of the costs despite its role as the nonpolluting landowner. The City, unlike Boeing and the United States entities, continued to fund a major component of the RAP.



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

After years of legal negotiations in 2001 a settlement agreement was reached between the parties which called for the Airports Department to be responsible, going forward, for 10% of the cleanup costs. The settlement called for the US Government and Boeing to make a joint one-time payment of \$1,350,000 for past costs which was made in Fiscal Year 2011.

The Court approved the settlement agreement which included the one-time payment noted above, covenants not to sue and an operating agreement for purposes of coordinating further efforts to implement the State-Approved Remedial Action Plan to obtain Site Closure. All parties agreed to bear their own costs and expenses, including attorney's fees in the case. The Operating Agreement stipulates the form of operating committee, and the means for settling disputes.

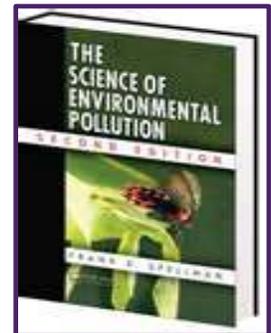
A liability for future cleanup costs on the Old Hammer Field site is recorded on the FY 2013 CAFR in the amount of \$861,889. Total costs have been estimated to range between \$10 and \$20 million, based upon currently known data. The clean up time frame has also been estimated and is expected to continue for 20 to 40 years with the City's share of cleanup costs to be 10%. Cleanup costs totaled \$51,445 in FY 2013. The estimate ranges take into consideration two contingency issues:

- TCP contamination and whether or not it could ultimately impact Well 70 at some time in the future. Well 70 is a major contributing facilitator in the current cleanup process; and
- Capture at the "toe-of-plume". A second "toe-of-plume" well as required by the State has been installed and the City may be required to take additional action if the State is not satisfied with the results. Costs for additional action, if any, cannot be estimated at this time and are not included in the accrual.

The City will reevaluate this accrual annually and make adjustments as necessary.

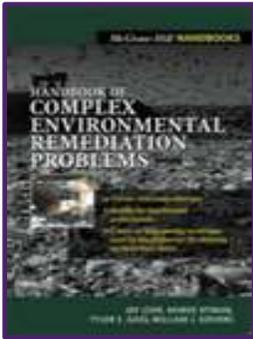
DBCP, EDB and TCE Groundwater Contamination

The widespread occurrence of DBCP, an agricultural pesticide, in certain groundwater has been identified throughout the Fresno Metropolitan Area. At various City well sites, DBCP exceeds drinking water limits and is removed by Granular Activated Carbon treatment. The City fronted the costs of clean up with respect to the known wells and reimbursed itself from a litigation settlement in an original amount of approximately \$21 million. \$10 million was stipulated to be used toward past costs, and \$11 million was to be applied toward the installation of carbon filtration treatment units, all of which have been completed. Subject to numerical limits, the settlement arrangement also provides for the City to be reimbursed for the capital costs of the installation of granular activated carbon treatments (GAC) at wells exceeding maximum contaminant levels with reimbursements ranging from \$337,500 to \$540,000 depending on the well site. Funding also is provided for the on-going operation and maintenance clean up costs of approximately \$27,900 to \$31,000 per contaminated well (depending on type), adjusted for inflation, with such payment obligations ending on June 26, 2035. The City is not responsible for "cleanup" in the context common to hazardous material remediation.



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013



The City can elect to treat wells or simply shut them down. Future costs to clean up and monitor new discoveries of contamination at existing sites or additional sites that may be identified are being budgeted as a contingency of approximately \$500,000 per year and are eligible for reimbursement under the settlement agreement through June 26, 2035.

An obligating event as defined by GASB 49 has not occurred during the fiscal year; therefore, no liability exists.

Pollution Remediation

Although the former Redevelopment Agency (RDA) and the Successor Agency is generally not involved with operations that pose a high risk for environmental liabilities, properties acquired for redevelopment purposes could be contaminated or may contain hazardous substances or petroleum products including lead and/or asbestos. The former RDA's due diligence property acquisition policies required that the RDA obtain a Phase I Environmental Site Assessment (ESA) report on all properties to be acquired by the Agency to minimize or avoid potential environmental liabilities.

A Phase I ESA is the first step in determining the presence or likely presence of hazardous substances or petroleum products in those properties. If the Phase I ESA findings and conclusions indicate the need for further environmental investigation, a Phase II ESA is commissioned. In the event of an acquisition leading to demolition, the former RDA obtained a Phase I and/or Phase II report and, if necessary, remediated the property according to state and federal laws prior to demolition. In instances where hazardous substances or petroleum products are detected by the Phase II ESA, environmental remediation (cleanup) is subsequently planned and executed. The Phase II ESA and cleanup work are normally supervised and sanctioned by local environmental agencies such as the California Regional Water Quality Control Board (RWQCB). This agency accepts the completion of the cleanup work by issuing a "Case Closure" letter that officially declares the property free of hazardous substances or petroleum products.



During Fiscal Year 2013, the former Agency held one parcel subject to environmental investigation.

655 "G" Street – Chinatown - In February 2009 the City of Fresno (City) transferred title to four parcels in the Chinatown project area to the Agency. In October 1995, a Phase II ESA was completed for the four parcels. The parcel at 718 "F" Street and two parcels at 705 "G" Street were free of hazardous substances or petroleum products. The fourth parcel at 655 "G" Street was found to be in need of further assessment (Phase II ESA) because suspected leaking gasoline tanks had been removed from the site. In January 2006 the Regional Water Quality Control Board (RWQCB) advised the City that additional assessment was necessary to further evaluate impacted soils and groundwater and required a Workplan outlining the assessment. In April 2007, the City received a proposal for the assessment of the 655 "G" Street site however the proposal was neither accepted nor implemented. Recently, the Successor Agency obtained an EPA grant to assess 655 "G" Street as required by the RWQCB. The Workplan has been reviewed and approved by the EPA and RWQCB. The Agency's consultant is scheduled to perform soil sampling at the site during the month of April 2014. The clean up plan will be based upon evaluation and analysis of the soil samples. At this time the potential clean up costs cannot be estimated with any degree of certainty, however it is anticipated that the amount will not

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

exceed approximately \$281,000. Until such time as the evaluation is closer to completion or the costs can be estimated with more certainty, no liability will be accrued.

(e) Measure Z

Measure Z, Zoo Accreditation, Fresno Chaffee Zoo Corporation

As a result of a ballot initiative, Fresno County voters approved Measure Z which added one penny for every \$10 spent on taxable goods for a period of ten years. In accordance with an agreement between the City of Fresno and the Fresno Chaffee Zoo Corporation, a California benefit corporation, a non-profit board operates the zoo. The City and the Fresno Chaffee Zoo Corporation (FCZC) negotiated a lease and a financing arrangement.



The lease agreement set forth the terms and conditions between the City and FCZC with respect to the approximate 18 acres of Zoo premises and any expansion that might occur related to the approximate 21 acres of potential future expansion area. The City is responsible for all maintenance and operation costs in the expansion area until such time as the Corporation takes possession of the expansion area by exercising its rights in accordance with lease provisions. The Corporation officially took over operations on January 1, 2006.

The City retains ownership of the land, buildings, structures, permanent fixtures, and improvements in existence at the commencement date of the lease and the FCZC is the owner of all buildings, structures and improvements constructed thereafter until the end of the lease term.

The Financing Agreement conveyed the Zoo animals and Zoo personal property to the Corporation along with all obligations the City had with respect to the animals exhibited, housed or otherwise kept or cared for at the Zoo during the term of the lease. At the termination of the Lease or the end of the Lease Term, should the City decide not to continue operations of the Zoo, the Corporation has the right to sell or dispose of the Zoo Animals and keep the proceeds of any sale or disposition at their sole cost or expense. The Corporation also has the authority to acquire, sell or dispose of Zoo animals in the course of the lease so long as the compliment of animals at all times is similar in type and proportion to the Zoo animals on hand upon commencement of the lease.



The lease agreement was negotiated for a thirty year period with a 25 year renewal of the term if the Zoo Tax is reinstated after its initial 10 year term or two additional ten year renewal options if the tax is not renewed. The lease rate is at \$1.00 per year.

The FCZC must maintain AZA accreditation of the Chaffee Zoo and is required to maintain an animal collection of similar type and ratio that previously existed at the Zoo at the time of transition. If Measure Z is renewed at the ten year mark, or another tax measure is passed, the term of the lease will automatically renew for 25 years.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013



(f) Granite Park and the Fresno Metropolitan Museum of Art and Science

In 2005 the City of Fresno (“City”) entered into a Contingent Debt Purchase Agreement guaranteeing a loan regarding a 20-acre sports-related complex, under development and adjacent to office and commercial retail amenities.

On June 30, 2009, a formal demand was made on the City to purchase the Loan Package for a “Purchase Price” which included principal, accrued and unpaid interest for three months plus attorney’s fees and other costs and expenses. On September 17, 2009, the City deposited \$5,105,271 in a Loan purchase escrow. The City utilized funds from its cash pool with the intention of ultimately issuing long term bonds to finance the acquisition over 30 years.

The City proceeded to purchase the Granite Park property at a unified foreclosure sale and took title to and possession of Granite Park sports fields pursuant to Trustee’s Deed recorded in Fresno County on March 16, 2010. The City paid \$5,105,218 and holds the property for possible use, development and/or disposition.



In July 2007, the City Council approved a Contingent Debt Purchase Agreement, by which the City of Fresno guaranteed a proposed interim, commercial, draw loan on behalf of the Fresno Metropolitan Museum of Art and Science (“Met”).

As a condition precedent to the City entering into the Purchase Agreement, the Met entered into a Performance Guaranty with the City, which guaranteed compliance with the Loan and was secured by a Deed of Trust that gave the City a lien on certain real property owned by the Met.

On July 14, 2009, the City of Fresno was required to purchase the loan for the Met Museum in the amount of \$15,111,940. Once again the City utilized funds from its cash pool to fund the pay off of the bank loan with the intention of ultimately issuing long term bonds to finance the acquisition over 30 years.



The City, even prior to the pay off of the Met loan had been in conversations as to the potential use of New Market Tax Credits (NMTC) to lessen the debt burden of the Met. Subsequent to the City’s assumption of the Met debt, the talks related to the NMTC were pursued even more extensively. The City Manager’s Office engaged in conversations with US Bank Community Development Corporation (USB) and Clearinghouse CDFI (CDFI) and upon council approval of the Term and Conditions sheet, negotiations were continued as was the establishment of the Qualified Active Low Income Community Business (QALICB) and the Community Development Entity (CDE). The City also took title to the Met real estate.

New Market Tax Credits are designed to infuse private sector capital into distressed communities by providing a tax credit for taxpayers who make qualified investments into designated Community Development Entities (CDE). The investor in the Met transaction is CDFI (Investor). The credit provided to investors totals 39% of the investment in the CDE and is claimed over a seven-year credit allowance period.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013



The NMTC transaction is a very complex structure which involves a Leveraged Lender (the Fresno JPFA) providing funding into a newly created investment fund (Fund). The Investor then provides the equity into the Fund. The Fund then loans the full amount of the financial transaction to the CDE, who in turn loans the funds to the QALICB.

To complete the transaction, several new structures were created, one of which was a non-profit entity created for purposes of holding title to the property involved in the NMTC deal. The City created a 501(c)(3) non-profit public benefit corporation to act as the QALICB, as the City is not eligible to be the QALICB. The QALICB is known as the City of Fresno Cultural Arts Properties Corporation (COFCAP). The Mayor, Council President and the Chairperson of the Successor Agency to the Former RDA serve as the members of the board of COFCAP. A Master Capital Lease exists between COFCAP and the City of Fresno with the City being the Master Lessee.

The NMTC transaction is active for at least seven years. At the end of the seven years, the Investor will “put” the transaction and the financing structure dissolves. At that time, the City will then again hold title to the MET building and the non-profit entity, COFCAP, will likely cease to exist.



There is some nominal risk of tax credit recapture if COFCAP, acting as the QALICB, fails to maintain its obligations in the transaction. If the IRS recaptures the credits, the City may be responsible for repayment of the entire equity amount, which equals to approximately \$6 million inclusive of penalties. The likelihood of this occurring is minimal as it is the City’s intent to take whatever steps are necessary to ensure compliance with all NMTC requirements.

COFCAP is presented as a component unit in the CAFR because it is a legally separate entity for which the City is financially accountable through the appointment of the corporation’s board and the ability to approve the corporation’s budget. COFCAP is discretely presented because it does not provide services exclusively or almost exclusively to the City of Fresno. Through its charitable purpose of owning and managing properties, it provides ongoing services to the citizens of the community.

On a parallel track with the Met Museum NMTC transaction, the City was working on the financing to reimburse itself for the borrowings from the Pool that had been undertaken in order to pay off the debt for both Granite Park and the Met.



Bank of America, the City’s banking services provider, partnered with the City for a Private Placement transaction for both Granite Park and the Met. The deal also included the refunding of previously issued City Hall debt, which resulted in debt service savings and freed up equity in City Hall, which could then be pledged as security for the new City Hall financing and serve as collateral for Granite Park and the Met portion of the deal (since the Met building and land and its associated 6 land parcels were pledged for the NMTC transaction).

The transaction also included new money for improvements to City Hall and the Spiral Parking Garage - Garage 7 which was also use to secured the private placement.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013



COFCAP - Sale of Met Properties

On October 18, 2012, COFCAP and the City of Fresno agreed to sell 2.12 acres of the Met properties to FFDA Properties LLC, for the development of an approximately 92,400 square foot mixed used development comprised of approximately 69 residential units project located at Fulton and Calaveras Streets. Not less than 24 of the units would be affordable rental housing and approximately 10,569 square feet would be for commercial space. COFCAP agreed to sell the property to the City of Fresno for \$1.00 and the City agreed in turn to sell the property to FFDA for the appraised value totaling \$634,000 subject to a potential credit of up to \$37,500 for required discovered environmental remediation related to the property.

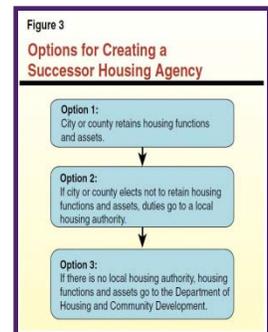
Due to the Met deal being a related party transaction between the City of Fresno and COFCAP, the basis of the sold property reverted back to the original basis (value) for which the City acquired the property, net of accumulated depreciation. The loss to the City on the transaction, reflected in the Fiscal Year 2013 CAFR, was \$391,918.

The City of Fresno Housing Successor to the Redevelopment Agency of the City of Fresno agreed to contribute \$3.5 million in affordable housing funds to the project pursuant to the Owner Participation Agreement approved in March 2011. The developer requested and received a lot-line adjustment for the Met parcel so that some of the green space could be used for development. As a result, the Master Lease for the Met Building between the City and COFCAP was amended to reflect the change in the legal description of the new, smaller Met parcel. All necessary approvals were obtained from Clearinghouse CDFI prior to the sale. Subsequent to this sale, property remaining with COFCAP consists of the Met Building, Theater 3/PG&E building, and the parking lot across the street from the Met which provides parking to the Met occupants.

On November 1, 2012, the City Council and the COFCAP Board approved a 6-month exclusive negotiating agreement between the City of Fresno and the COFCAP and a local developer for the potential sale of the Theatre 3 building. The building is subject to a settlement reached in a CEQA lawsuit brought by two historical preservationist groups and an individual against the then-owner, the MET that required no "substantial adverse change" to the building and provided standards for the building's maintenance and restoration. On November 18, 2011 the building appraised at \$177,000. The developer intends to incorporate food, drink and entertainment venues on the ground floor and residential, office or additional restaurant/commercial space on the second floor. The look and feel of the ground floor will match the period of the exterior façade. On June 13, 2013 escrow closed with the building selling for its appraised value of \$177,000. Like the previous sale of Met properties, due to the transaction including related parties (COFCAP selling to the City for \$1 and the City selling to the developer) the basis of the sold property reverted back to the original basis (value) for which the City acquired the property, net of accumulated depreciation. The loss to the City on the transaction, reflected in the Fiscal Year 2013 CAFR, was \$122,529.

(g) Transfer of Housing Assets by the Redevelopment Agency to the Housing Successor

Assembly Bill 1484 (AB 1484), a trailer bill to the State's 2012-2013 Budget Act, under "Transfer of Housing Assets" set forth an explicit schedule related to the verification of housing assets transferred to the Housing Successor Section 34176(a)(2).



City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Housing assets of the former City of Fresno Redevelopment Agency were transferred to City Housing Successor by operation of law as of February 1, 2012. Pursuant to section 34176 (a)(1), the City of Fresno agreed to accept the housing function of the former RDA by resolution on January 26, 2012, effective as of February 1, 2012. In a Resolution dated August 20, 2012, the Oversight Board, while not required to, further acknowledged the mandatory transfer of the housing assets pursuant to Section 34716 (Resolution No. OB-6, Section 4).

By August 1, 2012, the Housing Successor was required to submit a list of all housing assets to the Department of Finance (DOF), which it did, in a form prescribed by the DOF. The list included all assets transferred and included an explanation of why each asset qualified as a housing asset. The DOF had 30 days after receipt of the list to object to any item on the list. The Housing Successor could request a meet and confer process with the DOF within five business days of receiving any objection from the DOF. Assets determined to be housing assets under this procedure are not subject to claw back by the State Controller's Office. Assets that are deemed not to be a housing asset are transferred to the RDA Successor through extraordinary gain/loss.

All housing asset transfers from the RDA to the Housing Successor were listed on the report provided to the Department of Finance on August 1, 2012. By law the DOF had 30 days to object. The only objection stated by the DOF in their letter of August 31, 2012 concerned a software licensing agreement (due to the timing of the purchase) having a nominal value. DOF raised no issue with respect to the City not having received Oversight Board approval prior to the transfer of the Housing Assets.

The Department of Finance subsequently ordered the Successor Agency to remit \$8,347,938 in "available" funds to the County Auditor-Controller for redistribution. This included \$168,534 from the former RDA's Low-and-Moderate-Income Housing Fund, which the Successor Agency remitted under protest, and \$8,179,404 from the former RDA's "Other Funds". Because the Successor Agency disagreed with this determination, the Successor Agency declined to make this payment and filed suit against the State.



At the core of the dispute was the City's position that the SCO lacked authority to review or make orders concerning Housing Asset transfers. The RDA and the Housing Successor took all actions based upon the common interpretations of Section 34176. The City believed that given the clarity of the law that it had complied with all aspects of what was intended. The Successor Agency and the City as the Housing Successor, was prepared to defend its position vigorously and filed suit against the State of California including the State Controller and Department of Finance, claiming the State agencies issued unlawful orders concerning Housing Asset Transfers and two enforceable obligations. Following trial, which was heard on January 10, 2014, the Sacramento County Superior Court ruled the Housing Asset related orders were unlawful. The result is the "City as Housing Successor" was determined to have sole legal authority to administer housing assets pursuant to the Redevelopment Dissolution Laws. This decision will allow the redevelopment dissolution process to move forward, including completion of projects under contract, liquidating surplus real estate and distributing proceeds to taxing entities, pursuing approval of repayment of Redevelopment Agency obligations to the City, and administering housing assets.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(h) Leases Operating

The City has operating leases for certain buildings, parking areas, ponding basins, hanger space and storage areas which require the following minimum annual payments.

Governmental Activities

<u>Fiscal Years</u>	<u>Police</u>	<u>Fire</u>	<u>Public Works</u>	<u>Other Depts</u>	<u>Total</u>
2014	\$ 423,198	\$ 634,080	\$ 129,150	\$ 236,488	\$ 1,422,916
2015	187,980	634,080	135,450	240,896	1,198,406
2016	187,980	10,000	138,600	244,825	581,405
2017	154,980	10,000	69,300	249,760	484,040
2018	154,980	10,000	-	254,802	419,782
2019 - 2023	-	50,000	-	1,209,130	1,259,130
2024 - 2028	-	10,000	-	85,830	95,830
Total	\$ 1,109,118	\$ 1,358,160	\$ 472,500	\$ 2,521,731	\$ 5,461,509

Operating lease expense incurred for fiscal year 2013 was approximately \$1,365,000.

Business – type Activities

<u>Fiscal Years</u>	<u>Airports</u>	<u>Water</u>	<u>Other Depts.</u>	<u>Total</u>
2014	\$ 332,148	\$ 465,214	\$ 33,343	\$ 830,705
2015	338,148	465,214	-	803,362
2016	344,148	465,214	-	809,362
2017	350,148	465,214	-	815,362
2018	356,148	465,214	-	821,362
2019 - 2023	1,870,740	1,409,070	-	3,279,810
2024 - 2028	563,296	33,570	-	596,866
Total	\$ 4,154,776	\$ 3,768,710	\$ 33,343	\$ 7,956,829

Operating lease expense incurred for fiscal year 2013 was approximately \$830,000.

The City has various other operating leases (both Governmental and Business – type) that have either expired and are now functioning on a month-to-month basis, or were written on a month-to-month or some other basis, or which state no specified expiration date. The City also leases property to others outside of the City. All of these leases generally operate on a month to month basis. The combined current annual income from these leases total approximately \$16.5 million.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(i) Construction and Other Significant Commitments

At June 30, 2013 the City had commitments for the following major construction projects:

<u>Project Title</u>	<u>Remaining Construction Committed</u>
Governmental:	
Peach Ave Improvements from Belmont to Butler	\$ 5,479,400
Veterans Blvd/Highway 99 & UPRR Overpass	4,392,800
Jensen Overpass Rehabilitation	903,200
Street Overlay Projects	4,155,000
Traffic Synchronization - Shaw Avenue	2,770,700
Sugar Pine Trail Underpass at Shepherd	1,478,600
Total Governmental	19,179,700
<u>Project Title</u>	<u>Remaining Construction Committed</u>
Proprietary:	
Commercial & Residential Water Meter Retrofit	13,817,300
Downtown Water Supply Main	9,991,000
Various Transmission Pipelines	9,360,400
Water Main Renewal	3,283,600
Water supply and transmission infrastructure associated with the South Stadium Project, includes pipeline construction to P172	7,459,200
Water Well construction & Rehab	3,973,800
Ashlan Ave Sewer Replacement	5,373,700
Enhancing Dewatering - construction	1,467,500
Harrison (Olive-Merced) Rehab	3,054,800
Southwest Recycled Water Distribution System	3,424,100
Wastewater Facility Building Remodel & ADA enhancements	5,929,000
Alternative Disinfection System for NFWRF	1,209,900
Various Sewer Projects	5,707,000
Extension of Main Runway	3,000,000
BRT-Bus Rapid Transit Phase 1	2,367,700
FY09 ARRA Farebox Purchase	2,055,100
Total Proprietary	81,474,100
Total Major Construction Projects	\$ 100,653,800

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 14. SECURITIES LENDING



The City of Fresno Municipal Code and the Retirement Boards' policies permit the Retirement Board of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System to use investments of both Systems to enter into securities lending transactions, i.e., loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Systems have contracted with Northern Trust, their custodian, to manage the securities lending program for the Systems and all securities held in a separately managed account are available for lending. As securities lending agent, Northern Trust calculates collateral margins and accepts collateral in the form of cash or marketable securities and irrevocable bank letters of credit for all securities lending transactions. Transactions are collateralized at 102 percent of market value (contract value) for domestic securities and 105 percent of market value (contract value) for international securities. Collateral is marked to market daily. When a loan is secured by cash, a rebate is negotiated and the cash collateral is invested according to the guidelines in the collateral pool.

As designated by the Boards, cash collateral is invested in Northern Trust's Core U.S.A. Collateral Section (short-term investment pool), which, as of June 30, 2013 had a weighted average duration of 88 days, average maturity is 43 days and an average monthly yield of 0.30 percent. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the security loans made by other entities that use the Northern Trust Core U.S.A. Collateral Section and a definitive statement of that relationship cannot be formulated by the System. As of June 30, 2013, the CORE USA Cash Collateral Fund had zero exposure in below investment grade long-term securities and there were no known credit risks related to the securities lending transactions.

Northern Trust will ensure that, in any agreement with a borrower, it retains its absolute right to terminate the agreement without cause, upon short notice and without any penalty. The System cannot pledge or sell collateral securities received unless the borrower defaults. In the event of a borrower default, Northern Trust indemnifies the System against losses and will replace or reimburse the System for any borrowed securities not replaced. In general, the average term of all System loans is overnight or "on demand". All securities loans can be terminated on demand by either the lender or the borrower, although the average term of the System's loans was approximately 111 days as of June 30, 2013.

Employees Retirement System

Fair Value of Collateral Received for Loan Securities as of June 30, 2013

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 35,138,088	\$ -	\$ 35,138,088
Domestic Equities	65,646,696	170,150	65,816,846
Domestic Fixed Equities	30,775,476	213,841	30,989,317
International Equities	16,564,365	965,040	17,529,405
Total	\$ 148,124,625	\$ 1,349,031	\$ 149,473,656

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Employees Retirement System

Fair Value of Loaned Securities as of June 30, 2013

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 34,464,032	\$ -	\$ 34,464,032
Domestic Equities	64,022,012	165,707	64,187,719
Domestic Fixed Equities	30,057,632	-	30,057,632
International Fixed Equities	15,620,618	883,182	16,503,800
Total	\$ 144,164,294	\$ 1,048,889	\$ 145,213,183

Fire and Police System

Fair Value of Collateral Received for Loan Securities as of June 30, 2013

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 40,924,191	\$ -	\$ 40,924,191
Domestic Equities	76,456,577	198,167	76,654,744
Domestic Fixed Equities	35,843,199	249,054	36,092,253
International Equities	19,291,979	1,123,951	20,415,930
Total	\$ 172,515,946	\$ 1,571,172	\$ 174,087,118

Fire and Police System

Fair Value of Loaned Securities as of June 30, 2013

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 40,139,140	\$ -	\$ 40,139,140
Domestic Equities	74,564,360	192,994	74,757,354
Domestic Fixed Equities	35,007,149	-	35,007,149
International Equities	18,192,827	1,028,613	19,221,440
Total	\$ 167,903,476	\$ 1,221,607	\$ 169,125,083

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 15. OTHER INFORMATION

Construction Retainage Escrow Accounts

The City enters into construction contracts with various outside third-party contractors with respect to major capital projects. As the construction progresses, progress payments are made to the contractors. Portions of the payments, retention payments, are paid into an escrow account. While these funds are earned by the contractors, generally 5% to 10% of the contract amount, they are not released out of the escrow account to the contractor until some agreed upon date, usually the completion of the job. These amounts are retained for a variety of reasons; as an incentive to complete the job in a timely manner, or as a fund for the benefit of suppliers and subcontractors. The City may not convert the funds in these escrow accounts for its use unless a breach of contract occurs. At June 30, 2013, the City had made payments into various contract escrow accounts in the amount of \$1,286,016.

Note 16. SUBSEQUENT EVENTS

Bond Ratings



Subsequent to year end, the City of Fresno engaged in its annual rating agency review process. The first ratings updates were released in November 2013 with Fitch affirming the City's Implied GO ratings as well as its ratings on the City's Lease Revenue Bonds. Although Fitch acknowledged the City's good understanding of its financial challenges and its development of a clear plan to withstand the current period stress, it also noted several key rating drivers noted in the second table below. Standard & Poor's downgraded both the City's Implied GO overall issuer credit as well

as its ratings on the City's Lease Revenue Bonds in December 2013, also citing similar concerns to those of Fitch.

The prior and most current ratings are as follows:

Rating Agency	Eff Date	Prior Rating	Prior Outlook	Eff Date	New Rating	New Outlook
<u>Lease Revenue Bonds</u>						
Fitch	11/2012	BBB/BBB-	Negative	11/2013	BBB/BBB-	Negative
Standard & Poor's	8/2012	BBB-	Negative	12/2013	BB+	Stable
Moody's	1/2013	Ba1/Ba2	Negative	1/2014	Ba2/Ba3	Stable
<u>General Obligation (GO)</u>						
Fitch	11/2012	BBB+	Negative	11/2013	BBB+	Negative
Standard & Poor's	8/2012	BBB	Negative	12/2013	BBB-	Stable
Moody's	1/2013	A3	Negative	1/2014	Baa1	Stable

Each Agency similarly indicated that one of the key rating drivers was the City's weak financial position and severely limited flexibility to respond to shocks in the near-term. They cited the City's dependence on both property and sales taxes, and challenges to management in achieving structural budget balance given this dependence. Consistent comments were the concern that the current General Fund reserves and cash balances leave the City with

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

inadequate short-term flexibility if the slow gradual revenue recovery performance is weaker than budgeted. In addition, from their perspective, they see City policymakers being under pressure to restore services after a period of severe cuts and that rating downgrades could result if the past strong expenditure discipline slips, allowing budget gaps to reopen. Fitch noted that “budget discipline may be slipping amid a slight improvement in revenues and fatigue over service level reductions.” Downgrades could also result if there is failure to maintain progress on resolving negative fund balances outside of the General Fund.

S&P specifically noted the City’s weak budgetary flexibility due to closed police contracts and the political resistance of the voters to approve the solid waste franchise proposal as a means of providing an additional source of General Fund revenue. Based upon S&P’s new local GO criteria, the going concern disclosure and opinion in the 2012 CAFR also caused the downgrade. They however changed the City’s outlook from negative to stable.

Also mentioned was the City’s weak economic base, unfavorable demographics and economic trends in direct reference to low-skilled, low paying jobs and the area’s below-average personal and family income levels.

	Positive	Negative
Moody’s	<ul style="list-style-type: none"> • Sizable resilient AV relative to market • Fully funded retirement • Economic center of San Joaquin • Stabilizing general fund operations 	<ul style="list-style-type: none"> • Sluggish recovery of local economy • Exceedingly limited financial flexibility • Oversized GF fixed cost • Well below average socioeconomic metrics driven by dominance of agriculture
Standard & Poor’s	<ul style="list-style-type: none"> • Regional Economic Center • Good Financial Management Policies 	<ul style="list-style-type: none"> • Weak Budgetary flexibility • Persistent GF imbalance • Low GF reserve • Too much budgetary reliance on employee compensation/retirement savings from yet to be achieved agreements • Going Concern
Fitch	<ul style="list-style-type: none"> • Willingness to cut spending • Competent management • Internal Liquidity • Large/diverse tax base • Moderate debt 	<ul style="list-style-type: none"> • Long term labor contract -(Police in particular • Limited flexibility • Labor costs and other benefit costs • Poorly positioned to absorb further economic shocks • Minimal reserves • Other negative fund balances • Slipping expenditure discipline

As a result of Fitch’s continuing concerns related to the City’s General Fund financial stability, in November 2013, Fitch affirmed its ratings on Fresno’s 1993 and 2008 Sewer Revenue Bonds at AA/AA- respectively keeping their outlook at Negative citing the ongoing General Fund intra-year cash flow support and their concern for potential liquidity pressures associated with supporting the City’s struggling General Fund should borrowing needs increase. Fitch also affirmed its AA rating on the City’s 2003 Water Revenue Bonds but downgraded their rating on the 2010 Water Bonds from AA- to A+ citing weakened water fund liquidity, expectations for reduced debt service coverage/increased leverage and economic pressures on the service area. These bonds also retained their negative outlook.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Tax and Revenue Anticipation Bonds

Due to rating pressures, the City once again did not issue Tax and Revenue Anticipation Notes. These are normally issued in July and repaid prior to the end of the fiscal year, which would have been in June 2013.



CITY OF FRESNO, CALIFORNIA

*Comprehensive Annual
Financial Report* **2013**

For the fiscal year ended June 30, 2013

Required Supplementary Information



www.fresno.gov

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
Resources (inflows):				
Taxes:				
Property Taxes	\$ 99,413,500	\$ 99,413,500	\$ 100,033,428	\$ 619,928
Sales Taxes	71,342,400	71,342,400	75,052,860	3,710,460
Other Taxes	40,179,500	40,179,500	39,019,836	(1,159,664)
Licenses and Permits	4,857,400	4,857,400	5,831,248	973,848
Intergovernmental:				
State Motor Vehicle In-Lieu	-	-	258,878	258,878
Other State Revenue	368,400	834,600	1,234,702	400,102
Other Intergovernmental	1,856,100	2,320,500	2,006,958	(313,542)
Charges for Services:				
Charges for Services	24,062,700	24,122,700	24,082,841	(39,859)
Fines and Violations	4,972,000	4,972,000	3,626,509	(1,345,491)
Use of Money and Property	427,400	427,400	1,881,171	1,453,771
Miscellaneous	17,105,400	17,785,300	20,472,894	2,687,594
Other Financing Sources:				
Transfers from Other Funds	1,232,300	1,742,300	17,261,241	15,518,941
Total Available for Appropriations	265,817,100	267,997,600	290,762,566	22,764,966
Charges to Appropriations (outflows):				
General Government:				
Mayor and City Council	3,887,000	4,361,200	3,967,240	(393,960)
Other General Government	16,188,600	16,463,600	18,242,159	1,778,559
Public Protection:				
Police Department	134,544,200	134,584,200	134,532,913	(51,287)
Fire Department	46,860,500	47,805,000	47,729,630	(75,370)
Public Ways & Facilities	7,991,500	8,610,500	6,822,659	(1,787,841)
Culture and Recreation	11,024,100	11,021,800	10,760,992	(260,808)
Community Development	16,699,800	16,699,800	16,257,380	(442,420)
Capital Outlay	2,090,200	2,030,700	2,208,698	177,998
Debt Service	375,000	375,000	305,944	(69,056)
Other Financing Uses:				
Transfers to Other Funds	24,939,500	25,289,500	42,546,933	17,257,433
Total Charges to Appropriations	264,600,400	267,241,300	283,374,548	16,133,248
Excess (Deficit) Resources Over Appropriations	\$ 1,216,700	\$ 756,300	\$ 7,388,018	\$ 6,631,718

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - GENERAL FUND**

YEAR ENDED JUNE 30, 2013

**Explanation of differences between budgetary inflows and outflows
and GAAP Revenues and Expenditures:**

Sources/inflow of Resources:

Actual amounts (budgetary basis) available for appropriation from the Budget to Actual Comparison schedule.	\$ 290,762,566
Differences - Budget to GAAP: The City budgets for taxes, intergovernmental and miscellaneous revenue on the cash basis, rather than on modified accrual basis.	(778,878)
Interfund reimbursements are not revenues and are expenditures for financial reporting.	(13,404,645)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(17,261,241)
Revenues collected but unearned are deferred for financial reporting purposes.	(1,385,631)
Nonreciprocal interfund activity is not revenue and is transfers for financial reporting.	(3,643,230)
The proceeds from the sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(1,345,926)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 252,943,015</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	\$ 283,374,548
Differences--budget to GAAP: The City budgets for expenditures on the cash basis, rather than on the modified accrual basis.	719,129
Interfund reimbursements are a reduction of expenditures for financial reporting	(13,404,645)
Pension Obligation bond debt payments and City Hall rent are recognized as transfers out to other funds	(14,521,517)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(42,546,933)
The interest portion of repayment of interfund advances are expenditures for financial reporting purposes.	207,300
Capital lease additions are expenditures for financial reporting purposes.	<u>1,085,087</u>
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 214,912,969</u>

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - GRANTS SPECIAL REVENUE FUND**

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
Resources (inflows):				
Intergovernmental:				
Federal Grants	\$ 46,267,600	\$ 49,110,100	\$ 18,489,912	\$ (30,620,188)
State Grants	19,761,000	30,754,200	8,523,113	(22,231,087)
Local Support	2,356,600	2,452,600	1,428,968	(1,023,632)
Charges for Services	2,489,400	2,489,400	2,493,397	3,997
Use of Money and Property	(25,900)	(20,900)	31,970	52,870
Miscellaneous	79,700	4,599,700	3,021,683	(1,578,017)
Other Financing Sources:				
Transfers from Other Funds	98,100	98,100	1,096,411	998,311
Total Available for Appropriations	71,026,500	89,483,200	35,085,454	(54,397,746)
Charges to Appropriations (outflows):				
General Government	468,900	468,900	478,900	10,000
Public Protection	7,435,900	10,338,800	7,240,125	(3,098,675)
Public Ways & Facilities	5,668,000	9,186,500	3,953,956	(5,232,544)
Culture and Recreation	479,500	1,059,000	945,799	(113,201)
Community Development	26,836,400	31,459,900	11,266,837	(20,193,063)
Capital Outlay	37,643,900	45,307,800	13,664,924	(31,642,876)
Other Financing Uses:				
Transfers to Other Funds	-	151,000	1,234,895	1,083,895
Total Charges to Appropriations	78,532,600	97,971,900	38,785,436	(59,186,464)
Excess (Deficit) Resources Over Appropriations	\$ (7,506,100)	\$ (8,488,700)	\$ (3,699,982)	\$ 4,788,718

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - GRANTS SPECIAL REVENUE FUND**

YEAR ENDED JUNE 30, 2013

**Explanation of differences between budgetary inflows and outflows
and GAAP Revenues and Expenditures:**

Sources/inflow of Resources:

Actual amounts (budgetary basis) available for appropriation from the Budget to Actual Comparison schedule.	\$ 35,085,454
Differences - Budget to GAAP: Grant reimbursements are budgeted on the cash basis rather than on the modified accrual basis.	2,749,705
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,096,411)
The receipt of loan payments are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(557,425)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 36,181,323</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	\$ 38,785,436
Differences--budget to GAAP: The city budgets for expenditures on the cash basis, rather than on the modified accrual basis.	(36,448)
Pension Obligation bond debt, HUD debt, and City Hall rent are recognized as transfers out to other funds.	(814,602)
The issuance of notes receivable are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(2,125,264)
Notes receivable changes in allowance for doubtful, notes that should become grants, and adjustments are expenditures for financial reporting purposes.	185,392
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(1,234,895)</u>
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 34,759,619</u>

See accompanying notes to the required supplementary information.

Budgetary Data

The City operates under the Strong-Mayor form of government. Under the Strong-Mayor form of government, the Mayor serves as the City's Chief Executive Officer, appointing and overseeing the City Manager, recommending legislation, and presenting the annual budget to the City Council.

The City adopts annual budgets for all governmental funds on the cash basis of accounting plus encumbrances. The budget includes: (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The budget of the City of Fresno, within the meaning and context of Section No. 1206 of the Charter must be adopted by resolution of the City Council. The following procedures are used in establishing the budgetary data reflected in the budgetary comparison schedules.

Original Budget

- (1) Prior to June 1, the Mayor submits to the City Council a proposed detailed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comment on the proposed annual budget. The Mayor and his staff analyze, review and refine the budget submittals.
- (3) Prior to July 1, the budget is legally enacted through adoption of a resolution by the City Council.

Final Budget

- (1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.
- (2) The City Manager is authorized to transfer funds already appropriated within a department's budget within a fund. However, any revisions that alter the total appropriation of a department within a fund must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the department level within a fund.



City of Fresno, California
Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2013

- (3) The City adopts an annual budget for the General Fund, Special Revenue Funds and Capital Projects Funds. No budgets are legally adopted for Fresno Revitalization Corporation or Debt Service Funds, Financing Authorities & Corporations, and City Debt. Budgets are adopted on the cash basis. Budgeted amounts are reported as amended. During the year, several supplementary appropriations were necessary, but were not material in relation to the original appropriations. Supplemental appropriations during the year must be approved by the City Council.

Budget Development

The preparation of the budget document is the result of a Citywide effort. Each department is presented with an operating base budget that is used as the foundation for building their requests for the operations of their organizations. All one-time expenditure increases are removed, except for those demonstrable and mandatory. A five-year capital budget is required from all departments. The purpose is to give the Mayor and Council a tool to plan for the future as well as to more realistically reflect the timing of many capital projects that take more than one year to complete.



Departments submit their requests to be analyzed and reviewed by the City's Budget and Management Studies Division (BMSD). Requests are evaluated based on individual operations, City funding resources and the goals and strategies identified by each organization related to the impact on performance measures. Recommendations are presented to the Mayor and City Manager in a review meeting comprised of management representatives from each department and BMSD. Upon final decisions of format and content, the Mayor's Proposed Budget Document is printed and presented to Council for deliberation and adoption. The Adopted Budget Document is prepared to include all the various changes approved by the Council.

Budgetary Results Reconciliation

(a) *Basis Differences*

The City's budgetary process is based upon accounting on a basis other than generally accepted accounting principles (GAAP). The results of operations (actual) are presented in the budget and actual comparison schedule in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget, while the financial statements are presented using the GAAP basis. Loan proceeds, loan repayments, transfers and interfund reimbursements primarily relate to basis differences.

(b) Timing Differences

One of the major differences between the Budget basis and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Revenues such as property tax, sales tax and grant revenues recognized on a cash basis have been deferred for GAAP reporting, while various expenditures not recognized on the cash basis have been accrued for GAAP reporting.

As provided by Section 1206 of the Charter, any amendments to the amounts appropriated for the purposes indicated at the department/fund level shall be made only upon a motion to amend the resolution adopted by the affirmative votes of at least five Council members.

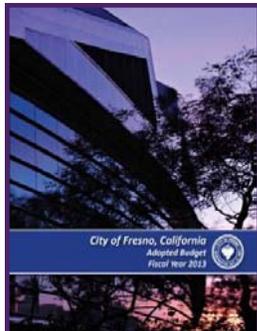
Administrative amendments within the same department/fund level may be made without approval of Council within written guidelines established by the Chief Administrative Officer.

For accounting and auditing convenience, appropriations for capital improvements may be established in two or more different funds for the same capital project.

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. Project-length financial plans are adopted for certain capital project funds. The level of budgetary controls (the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the department level by major expenditure category. Purchase orders that result in an overrun (encumbrance exceeding available appropriations) of department-level balances by object are not released until additional appropriations are made available. Open encumbrances at June 30, are reported as restricted, committed, or assigned fund balance in the governmental funds balance sheet.



During fiscal year 2013, General Fund Other General Government exceeded budget by \$1,778,559 as a result of expenditures that were budgeted for but not realized in Public Ways and Facilities were made available and were expended out of Other General Government instead.



Transfers to Other Funds in the General Fund exceed budget by \$17,257,433 due to the budget process not taking into consideration the accounting necessary to reflect the impact of the merger of the six former Internal Service functions and the two former Enterprise operations into the General Fund. Actual Transfers Out include \$16,613,099 related to the merger.

During fiscal year 2013, Grants Special Revenue Fund, Transfers to Other Funds exceeded budget by \$1,083,895 as a result of the "true up" process required upon the completion of Capital Projects.

City of Fresno, California
Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2013

Until such time as a project is finalized and closed out, it is difficult to reconcile all project costs. Fiscal year 2013 saw the end of many Grant funded projects, especially those related to ARRA. A great deal of analysis was performed in order to close out completed capital projects and to appropriately reflect proper funding sources.

The City's budget balancing efforts over the last three and a half years have dominated the local headlines and been the focus of the majority of the public dialogue. While the City has historically prepared and adopted one budget per year, from fiscal year 2009 through the adoption of the fiscal year 2013 budget, the City will have gone through the development of more than nine major annual, mid-year, and year-end budget plans in an effort to respond quickly to the ever changing and declining local economic trends. The City has had to repeatedly cut City staff all the while attempting to maintain public services. As quickly as the City attempted to reduce expenditures according to a strategic vision toward the future of the City, the economy has become more depressed and costs continue to rise.

City of Fresno, California
Required Supplementary Information

For the Fiscal Year Ended June 30, 2013

Schedule of Funding Progress

EMPLOYEES RETIREMENT SYSTEM

Schedule of Funding Progress
(Dollars in Millions)

	(1)	(2)	(3)	(4)	(5)	(6)
				(Prefunded)/ Unfunded AAL (2) - (1)		(Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Percentage Funded (1) / (2)</u>		<u>Annual Covered Payroll</u>	
2010	\$ 926	\$ 756	122.5%	\$ (170)	\$ 131	(129.6%)
2011	920	788	116.8%	(1292)	118	(109.8%)
2012	891	872	102.2%	(19)	112	(17.3%)
2013	934	935	99.9%	1	112	1.1%

FIRE AND POLICE RETIREMENT SYSTEM

Schedule of Funding Progress
(Dollars in Millions)

	(1)	(2)	(3)	(4)	(5)	(6)
				(Prefunded)/ Unfunded AAL (2) - (1)		(Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Percentage Funded (1) / (2)</u>		<u>Annual Covered Payroll</u>	
2010	\$ 1,019	\$ 919	110.8%	\$ (99)	\$ 102	(96.7%)
2011	1,023	918	111.4%	(105)	99	(106.1%)
2012	1,004	953	105.4%	(51)	101	(50.8%)
2013	1,061	998	106.4%	(64)	101	(63.1%)

City of Fresno, California
Required Supplementary Information

For the Fiscal Year Ended June 30, 2013

RETIREES HEALTHCARE PLAN - Other Postemployment Benefits

Schedule of Funding Progress

(Dollars in Thousands)

General Employees

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2008	\$ -	\$ 22,943	\$ 22,943	0.00%	\$ 91,602	25.0%
6/30/2010	-	15,225	15,225	0.00%	104,503	15.0%
6/30/2012	-	29,372	29,372	0.00%	81,282	36.0%

Safety

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2008	\$ -	\$ 106,061	\$ 106,061	0.00%	\$ 91,306	116.0%
6/30/2010	-	66,757	66,757	0.00%	104,402	64.0%
6/30/2012	-	84,987	84,987	0.00%	96,194	88.0%

Blue Collar

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2008	\$ -	\$ (179)	\$ (179)	0.00%	\$ 33,075	(1.0%)
6/30/2010	-	2,270	2,270	0.00%	37,556	6.0%
6/30/2012	-	1,128	1,128	0.00%	29,211	4.0%

Total

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2008	\$ -	\$ 128,825	\$ 128,825	0.00%	\$ 215,983	60.0%
6/30/2010	-	84,252	84,252	0.00%	246,461	34.0%
6/30/2012	-	115,487	115,487	0.00%	206,687	56.0%

⁽¹⁾ The actuarial valuation report is prepared biennially.

This page intentionally left blank.

CITY OF FRESNO, CALIFORNIA
*Comprehensive Annual
Financial Report 2013*
For the fiscal year ended June 30, 2013

Nonmajor Governmental Funds

Nonmajor governmental funds are reported in the other governmental funds column of the governmental funds financial statements.

SPECIAL REVENUE FUNDS are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specific purposes.

High Speed Rail Fund accounts for the revenue sources and costs associated with planning, designing, building and operation of the City of Fresno's portion of the California High Speed Rail, the first high-speed rail system in the nation.

Fresno Revitalization Corporation accounts for its investment in FRC Canyon Crest, LLC which accounts for the revenues and expenditures related to the ownership and sale of Canyon Crest affordable housing.

Special Gas Tax Fund accounts for revenues and expenditures apportioned under the Streets and Highways Code of the State of California including federal and state grants. Expenditures may be made for street-related purposes of the City's system of streets, including maintenance thereof.

Measure C Fund accounts for the funds received from a one-half percent sales tax approved by voters for transportation-related expenditures.

Community Services Fund is used to account for various proceeds restricted for parks, recreation, streets maintenance and specific fire and police services.

Urban Growth Management (UGM Impact Fees) Fund accounts for funds provided by developers to pay for certain construction activity.

Low and Moderate Income Housing accounts for the former Redevelopment Agency's affordable housing assets following its dissolution on January 31, 2012.

Special Assessments Fund is used to account for the proceeds and costs of special assessment district improvements.

DEBT SERVICE FUNDS are used to account for the accumulation of resources for and payment of, principal and interest of the City's bonded debt and other long-term obligations.

City Debt Fund is used to account for the debt service activity related to obligations of the General Fund that have been financed by bond issues.

Financing Authorities and Corporations Fund is used to account for the debt service activities related to various bond issues that provide funds for the purpose of acquiring and constructing various capital assets.

CAPITAL PROJECTS FUNDS are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

City Combined Fund is used to account for capital projects for general City functions and services.

CITY OF FRESNO, CALIFORNIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2013

	Special Revenue				
	High Speed Rail	Fresno Revitalization Corporation	Special Gas Tax	Measure C	Community Services
Assets					
Cash and Investments	\$ -	\$ 197,804	\$ 4,820,790	\$ 2,722,993	\$ 7,790,912
Receivables, Net	-	-	12,961	9,680	225,199
Grants Receivable	-	-	-	-	15,000
Intergovernmental Receivables	-	-	927,000	1,705,639	36,300
Due From Other Funds	-	-	-	2,898	-
Advances to Other Funds	-	-	-	-	-
Property Held for Resale	-	-	-	-	-
Restricted Cash	-	-	-	-	-
Loans, Notes, Leases, Other Receivables, Net	-	-	-	-	-
Total Assets	\$ -	\$ 197,804	\$ 5,760,751	\$ 4,441,210	\$ 8,067,411
Liabilities and Fund Balances					
Liabilities:					
Accrued Liabilities	\$ 14,653	\$ -	\$ 522,758	\$ 1,577,649	\$ 551,810
Deferred Revenue	-	-	-	-	15,000
Due to Other Funds	253,208	-	-	-	-
Advances From Other Funds	-	44,992	-	-	-
Deposits From Others	-	-	-	-	4,000
Total Liabilities	267,861	44,992	522,758	1,577,649	570,810
Fund Balances (Deficit):					
Restricted	-	152,812	5,237,993	2,863,561	2,558,542
Assigned	-	-	-	-	4,938,059
Unassigned	(267,861)	-	-	-	-
Total Fund Balances (Deficit)	(267,861)	152,812	5,237,993	2,863,561	7,496,601
Total Liabilities and Fund Balances	\$ -	\$ 197,804	\$ 5,760,751	\$ 4,441,210	\$ 8,067,411

Special Revenue			Debt Service		Capital Projects	Total
UGM Impact Fees	Low and Moderate Income Housing	Special Assessments	City Debt	Financing Authorities and Corporations	City Combined	Nonmajor Governmental Funds
\$ 15,587,451	\$ 15,661,266	\$ 14,164,743	\$ 5,792	\$ 886,756	\$ 12,692,710	\$ 74,531,217
64,038	86,866	50,071	-	3,196	31,774	483,785
-	-	-	-	-	-	15,000
-	-	115,913	-	-	-	2,784,852
327,126	-	-	-	-	33,734	363,758
-	44,992	-	-	-	-	44,992
-	10,555,051	-	-	-	-	10,555,051
-	-	-	8	10,755,544	-	10,755,552
-	11,740,401	-	-	12,690,500	-	24,430,901
<u>\$ 15,978,615</u>	<u>\$ 38,088,576</u>	<u>\$ 14,330,727</u>	<u>\$ 5,800</u>	<u>\$ 24,335,996</u>	<u>\$ 12,758,218</u>	<u>\$ 123,965,108</u>
\$ 104,130	\$ -	\$ 481,910	\$ 1,166	\$ 5,048	\$ 72,196	\$ 3,331,320
-	-	-	-	-	-	15,000
-	-	-	-	-	-	253,208
-	-	-	-	12,690,500	-	12,735,492
-	-	-	-	-	-	4,000
<u>104,130</u>	<u>-</u>	<u>481,910</u>	<u>1,166</u>	<u>12,695,548</u>	<u>72,196</u>	<u>16,339,020</u>
15,874,485	38,088,576	13,848,817	4,634	11,640,448	-	90,269,868
-	-	-	-	-	12,686,022	17,624,081
-	-	-	-	-	-	(267,861)
<u>15,874,485</u>	<u>38,088,576</u>	<u>13,848,817</u>	<u>4,634</u>	<u>11,640,448</u>	<u>12,686,022</u>	<u>107,626,088</u>
<u>\$ 15,978,615</u>	<u>\$ 38,088,576</u>	<u>\$ 14,330,727</u>	<u>\$ 5,800</u>	<u>\$ 24,335,996</u>	<u>\$ 12,758,218</u>	<u>\$ 123,965,108</u>

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2013

	Special Revenue				
	High Speed Rail	Fresno Revitalization Corporation	Special Gas Tax	Measure C	Community Services
Revenues					
Taxes	\$ -	\$ -	\$ 11,072,994	\$ 13,323,894	\$ 752,655
Intergovernmental	87,761	-	-	-	2,186,998
Charges for Services	-	-	-	-	7,875,860
Use of Money and Property	(1,032)	-	5,358	1,807	325,644
Miscellaneous	-	353	10,351	2,125	541,610
Total Revenues	86,729	353	11,088,703	13,327,826	11,682,767
Expenditures					
Current:					
General Government	-	-	-	-	702,101
Public Protection	-	-	-	-	7,696,537
Public Ways and Facilities	306,162	-	9,123,833	9,805,547	1,342,389
Culture and Recreation	-	-	-	-	927,102
Community Development	21,389	14,000	-	-	802,911
Capital Outlay	-	-	438,917	2,872,887	47,424
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	327,551	14,000	9,562,750	12,678,434	11,518,464
Excess (Deficiency) of Revenue Over (Under) Expenditures	(240,822)	(13,647)	1,525,953	649,392	164,303
Other Financing Sources (Uses)					
Transfers In	1,248	-	701,103	149,884	420,471
Transfers Out	(28,287)	-	(1,437,974)	(766,429)	(1,277,929)
Total Other Financing Sources (Uses)	(27,039)	-	(736,871)	(616,545)	(857,458)
Net Change in Fund Balances	(267,861)	(13,647)	789,082	32,847	(693,155)
Fund Balances - Beginning	-	166,459	4,448,911	2,830,714	8,189,756
Fund Balances (Deficit) - Ending	\$ (267,861)	\$ 152,812	\$ 5,237,993	\$ 2,863,561	\$ 7,496,601

Special Revenue			Debt Service		Capital Projects	Total
UGM	Low and Moderate	Special		Financing	City	Nonmajor
Impact Fees	Income Housing	Assessments	City Debt	Authorities and Corporations	Combined	Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,149,543
-	-	-	-	-	-	2,274,759
8,974,373	-	7,348,943	-	-	-	24,199,176
39,829	263,597	39,700	(887)	7,740	56,311	738,067
2,359	-	422	-	-	914,558	1,471,778
<u>9,016,561</u>	<u>263,597</u>	<u>7,389,065</u>	<u>(887)</u>	<u>7,740</u>	<u>970,869</u>	<u>53,833,323</u>
-	596,139	-	14,731	43,293	-	1,356,264
180,762	-	-	-	-	-	7,877,299
2,238,267	-	4,637,451	-	-	-	27,453,649
54,912	-	-	-	-	-	982,014
-	717,410	-	-	-	-	1,555,710
1,161,486	-	1,593	-	-	1,046,536	5,568,843
-	-	-	6,780,410	8,990,000	-	15,770,410
-	-	-	10,960,779	9,761,212	-	20,721,991
<u>3,635,427</u>	<u>1,313,549</u>	<u>4,639,044</u>	<u>17,755,920</u>	<u>18,794,505</u>	<u>1,046,536</u>	<u>81,286,180</u>
<u>5,381,134</u>	<u>(1,049,952)</u>	<u>2,750,021</u>	<u>(17,756,807)</u>	<u>(18,786,765)</u>	<u>(75,667)</u>	<u>(27,452,857)</u>
1,558,612	-	-	17,758,366	19,398,720	375,452	40,363,856
(3,707,046)	-	(49,929)	-	(1,231,077)	(2,005,439)	(10,504,110)
<u>(2,148,434)</u>	<u>-</u>	<u>(49,929)</u>	<u>17,758,366</u>	<u>18,167,643</u>	<u>(1,629,987)</u>	<u>29,859,746</u>
3,232,700	(1,049,952)	2,700,092	1,559	(619,122)	(1,705,654)	2,406,889
12,641,785	39,138,528	11,148,725	3,075	12,259,570	14,391,676	105,219,199
<u>\$ 15,874,485</u>	<u>\$ 38,088,576</u>	<u>\$ 13,848,817</u>	<u>\$ 4,634</u>	<u>\$ 11,640,448</u>	<u>\$ 12,686,022</u>	<u>\$ 107,626,088</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - HIGH SPEED RAIL - SPECIAL REVENUE FUNDS**

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Intergovernmental	\$ 665,100	\$ 5,365,100	\$ 87,761	\$ (5,277,339)	-	\$ 87,761
Use of Money and Property	(200)	(200)	(1,032)	(832)	-	(1,032)
Other Financing Sources:						
Transfers from Other Funds	200	200	1,248	1,048	-	1,248
Total Available for Appropriations	<u>665,100</u>	<u>5,365,100</u>	<u>87,977</u>	<u>(5,277,123)</u>	<u>-</u>	<u>87,977</u>
Charges to Appropriations (outflows):						
Public Ways and Facilities	300,300	400,700	292,113	(108,587)	14,049	306,162
Community Development	1,190,100	5,789,700	21,389	(5,768,311)	-	21,389
Other Financing Uses:						
Transfers to Other Funds	-	-	-	-	28,287	28,287
Total Charges to Appropriations	<u>1,490,400</u>	<u>6,190,400</u>	<u>313,502</u>	<u>(5,876,898)</u>	<u>42,336</u>	<u>355,838</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (825,300)</u>	<u>\$ (825,300)</u>	<u>\$ (225,525)</u>	<u>\$ 599,775</u>	<u>\$ (42,336)</u>	<u>\$ (267,861)</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - SPECIAL GAS TAX - SPECIAL REVENUE FUNDS**

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Taxes	\$ 13,086,200	\$ 13,086,200	\$ 11,496,576	\$ (1,589,624)	\$ (423,582)	\$ 11,072,994
Use of Money and Property	14,000	14,000	23,614	9,614	(18,256)	5,358
Miscellaneous	-	-	10,351	10,351	-	10,351
Other Financing Sources:						
Transfers from Other Funds	-	151,000	701,103	550,103	-	701,103
Total Available for Appropriations	<u>13,100,200</u>	<u>13,251,200</u>	<u>12,231,644</u>	<u>(1,019,556)</u>	<u>(441,838)</u>	<u>11,789,806</u>
Charges to Appropriations (outflows):						
Public Ways and Facilities	10,354,600	11,013,300	9,295,586	(1,717,714)	(171,753)	9,123,833
Capital Outlay	4,129,000	3,854,200	438,917	(3,415,283)	-	438,917
Other Financing Uses:						
Transfers to Other Funds	1,077,200	1,077,200	1,293,080	215,880	144,894	1,437,974
Total Charges to Appropriations	<u>15,560,800</u>	<u>15,944,700</u>	<u>11,027,583</u>	<u>(4,917,117)</u>	<u>(26,859)</u>	<u>11,000,724</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (2,460,600)</u>	<u>\$ (2,693,500)</u>	<u>\$ 1,204,061</u>	<u>\$ 3,897,561</u>	<u>\$ (414,979)</u>	<u>\$ 789,082</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - MEASURE C - SPECIAL REVENUE FUND**

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Taxes	\$ 22,807,900	\$ 53,811,000	\$ 13,363,607	\$ (40,447,393)	\$ (39,713)	\$ 13,323,894
Use of Money and Property	(1,200)	(1,200)	11,944	13,144	(10,137)	1,807
Miscellaneous	-	-	2,125	2,125	-	2,125
Other Financing Sources:						
Transfers from Other Funds	33,000	33,000	174,776	141,776	(24,892)	149,884
Total Available For Appropriations	<u>22,839,700</u>	<u>53,842,800</u>	<u>13,552,452</u>	<u>(40,290,348)</u>	<u>(74,742)</u>	<u>13,477,710</u>
Charges to Appropriations (outflows):						
Public Ways and Facilities	12,676,600	24,896,200	10,200,615	(14,695,585)	(395,068)	9,805,547
Capital Outlay	14,197,400	33,647,500	2,662,047	(30,985,453)	210,840	2,872,887
Other Financing Uses:						
Transfers to Other Funds	765,800	765,800	228,562	(537,238)	537,867	766,429
Total Charges to Appropriations	<u>27,639,800</u>	<u>59,309,500</u>	<u>13,091,224</u>	<u>(46,218,276)</u>	<u>353,639</u>	<u>13,444,863</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (4,800,100)</u>	<u>\$ (5,466,700)</u>	<u>\$ 461,228</u>	<u>\$ 5,927,928</u>	<u>\$ (428,381)</u>	<u>\$ 32,847</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - COMMUNITY SERVICES FUND - SPECIAL REVENUE FUND**

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Taxes	\$ 625,000	\$ 625,000	\$ 749,698	\$ 124,698	\$ 2,957	\$ 752,655
Intergovernmental	2,539,500	3,301,300	2,186,998	(1,114,302)	-	2,186,998
Charges for Services	1,301,600	2,970,700	7,875,626	4,904,926	234	7,875,860
Use of Money and Property	331,500	331,500	357,209	25,709	(31,565)	325,644
Miscellaneous	5,761,900	5,768,200	541,610	(5,226,590)	-	541,610
Other Financing Sources:						
Transfers from Other Funds	262,000	262,000	537,783	275,783	(117,312)	420,471
Total Available For Appropriations	<u>10,821,500</u>	<u>13,258,700</u>	<u>12,248,924</u>	<u>(1,009,776)</u>	<u>(145,686)</u>	<u>12,103,238</u>
Charges to Appropriations (outflows):						
General Government	702,100	702,100	702,100	-	1	702,101
Public Protection	7,094,300	7,702,100	7,924,758	222,658	(228,221)	7,696,537
Public Ways and Facilities	1,822,600	2,661,700	1,100,842	(1,560,858)	241,547	1,342,389
Culture and Recreation	1,070,100	1,107,400	934,731	(172,669)	(7,629)	927,102
Community Development	829,800	829,800	791,563	(38,237)	11,348	802,911
Capital Outlay	2,446,500	4,180,800	346,673	(3,834,127)	(299,249)	47,424
Other Financing Uses:						
Transfers to Other Funds	331,500	496,600	1,093,746	597,146	184,183	1,277,929
Total Charges to Appropriations	<u>14,296,900</u>	<u>17,680,500</u>	<u>12,894,413</u>	<u>(4,786,087)</u>	<u>(98,020)</u>	<u>12,796,393</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (3,475,400)</u>	<u>\$ (4,421,800)</u>	<u>\$ (645,489)</u>	<u>\$ 3,776,311</u>	<u>\$ (47,666)</u>	<u>\$ (693,155)</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - UGM IMPACT FEES - SPECIAL REVENUE FUND**

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Charges for Services	\$ 5,596,400	\$ 5,925,500	\$ 8,974,373	\$ 3,048,873	\$ -	\$ 8,974,373
Use of Money and Property	98,000	98,000	99,349	1,349	(59,520)	39,829
Miscellaneous	887,500	887,500	702,359	(185,141)	(700,000)	2,359
Other Financing Sources:						
Transfers from Other Funds	<u>1,503,000</u>	<u>1,503,000</u>	<u>968,064</u>	<u>(534,936)</u>	<u>590,548</u>	<u>1,558,612</u>
Total Available for Appropriations	<u>8,084,900</u>	<u>8,414,000</u>	<u>10,744,145</u>	<u>2,330,145</u>	<u>(168,972)</u>	<u>10,575,173</u>
Charges to Appropriations (outflows):						
Public Protection	105,000	105,000	182,901	77,901	(2,139)	180,762
Culture and Recreation	312,100	296,200	45,609	(250,591)	9,303	54,912
Public Ways and Facilities	3,001,900	-	2,236,413	2,236,413	1,854	2,238,267
Capital Outlay	4,123,500	4,197,100	1,169,574	(3,027,526)	(8,088)	1,161,486
Other Financing Uses:						
Transfers to Other Funds	<u>4,081,900</u>	<u>4,081,900</u>	<u>3,816,498</u>	<u>(265,402)</u>	<u>(109,452)</u>	<u>3,707,046</u>
Total Charges to Appropriations	<u>11,624,400</u>	<u>8,680,200</u>	<u>7,450,995</u>	<u>(1,229,205)</u>	<u>(108,522)</u>	<u>7,342,473</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (3,539,500)</u>	<u>\$ (266,200)</u>	<u>\$ 3,293,150</u>	<u>\$ 3,559,350</u>	<u>\$ (60,450)</u>	<u>\$ 3,232,700</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - LOW AND MODERATE INCOME HOUSING - SPECIAL REVENUE FUND**

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Use of Money and Property	\$ 263,597	\$ 263,597	\$ 263,597	\$ -	\$ -	\$ 263,597
Total Available for Appropriations	<u>263,597</u>	<u>263,597</u>	<u>263,597</u>	<u>-</u>	<u>-</u>	<u>263,597</u>
Charges to Appropriations (outflows):						
General Government	596,139	596,139	596,139	-	-	596,139
Community Development	717,410	717,410	717,410	-	-	717,410
Total Charges to Appropriations	<u>1,313,549</u>	<u>1,313,549</u>	<u>1,313,549</u>	<u>-</u>	<u>-</u>	<u>1,313,549</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (1,049,952)</u>	<u>\$ (1,049,952)</u>	<u>\$ (1,049,952)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,049,952)</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - SPECIAL ASSESSMENTS - SPECIAL REVENUE FUND**

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with	Budget	Actual
	Original	Final	Amounts Budgetary Basis	Final Budget Over (Under)	To GAAP Reconciliation	Amounts GAAP Basis
Resources (inflows):						
Charges for Services	\$ 6,514,000	\$ 6,514,000	\$ 7,407,826	\$ 893,826	\$ (58,883)	\$ 7,348,943
Use of Money and Property	80,500	80,500	83,754	3,254	(44,054)	39,700
Miscellaneous	-	-	422	422	-	422
Other Financing Sources:						
Transfers from Other Funds	-	-	22,482	22,482	(22,482)	-
Total Available for Appropriations	<u>6,594,500</u>	<u>6,594,500</u>	<u>7,514,484</u>	<u>919,984</u>	<u>(125,419)</u>	<u>7,389,065</u>
Charges to Appropriations (outflows):						
Public Ways & Facilities	5,901,000	6,592,300	4,645,139	(1,947,161)	(7,688)	4,637,451
Capital Outlay	1,560,300	1,560,300	51,522	(1,508,778)	(49,929)	1,593
Other Financing Uses:						
Transfers to Other Funds	-	-	22,482	22,482	27,447	49,929
Total Charges to Appropriations	<u>7,461,300</u>	<u>8,152,600</u>	<u>4,719,143</u>	<u>(3,433,457)</u>	<u>(30,170)</u>	<u>4,688,973</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (866,800)</u>	<u>\$ (1,558,100)</u>	<u>\$ 2,795,341</u>	<u>\$ 4,353,441</u>	<u>\$ (95,249)</u>	<u>\$ 2,700,092</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - CITY COMBINED - CAPITAL PROJECTS FUND**

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Use of Money and Property	\$ 95,000	\$ 95,000	\$ 86,275	\$ (8,725)	\$ (29,964)	\$ 56,311
Miscellaneous	5,517,600	5,517,600	(6,370)	(5,523,970)	920,928	914,558
Other Financing Sources: Transfers Budgeted as Bond Proceeds	90,000	90,000	124,442	34,442	251,010	375,452
Total Available for Appropriations	5,702,600	5,702,600	204,347	(5,498,253)	1,141,974	1,346,321
Charges to Appropriations (outflows):						
Capital Outlay	8,176,600	8,521,100	1,076,459	(7,444,641)	(29,923)	1,046,536
Other Financing Uses: Transfers to Other Funds	803,000	803,000	1,023,637	220,637	981,802	2,005,439
Total Charges to Appropriations	8,979,600	9,324,100	2,100,096	(7,224,004)	951,879	3,051,975
Excess (Deficit) Resources Over (Under) Appropriations	\$ (3,277,000)	\$ (3,621,500)	\$ (1,895,749)	\$ 1,725,751	\$ 190,095	\$ (1,705,654)

This page intentionally left blank.

CITY OF FRESNO, CALIFORNIA
***Comprehensive Annual
Financial Report 2013***
For the fiscal year ended June 30, 2013

Nonmajor Enterprise Funds

Enterprise Funds are used to account for operations financed and operated in a manner similar to private business enterprises with the intent that the costs of providing the goods or services to the general public on a continuing basis are financed or recovered partially through user charges. Nonmajor enterprise funds are reported in the other enterprise funds column of the Statement of Net Position - Proprietary Funds.

Community Sanitation Fund accounts for the operation of the City's community sanitation operations. Revenues consist primarily of service fees.

Parking Fund was merged into the General Fund in fiscal year 2013.

Parks and Recreation Fund accounts for the revenues collected and used for fee-supported recreation activities.

Development Services Fund was merged into the General Fund in fiscal year 2013.

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2013

	Business - Type Activities - Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total Nonmajor Enterprise Funds
Assets					
Current Assets:					
Cash and Investments	\$ 4,712,681	\$ -	\$ 568,411	\$ -	\$ 5,281,092
Interest Receivable	17,182	-	2,320	-	19,502
Accounts Receivable, Net	1,294,390	-	-	-	1,294,390
Total Current Assets	6,024,253	-	570,731	-	6,594,984
Other Assets:					
Other Assets	-	-	61,913	-	61,913
Capital Assets:					
Land	-	-	11,508	-	11,508
Buildings, System and Improvements	-	-	4,559,165	-	4,559,165
Machinery & Equipment	321,830	-	49,290	-	371,120
Less Accumulated Depreciation	(217,632)	-	(1,793,340)	-	(2,010,972)
Total Capital Assets, Net	104,198	-	2,826,623	-	2,930,821
Total Noncurrent Assets	104,198	-	2,888,536	-	2,992,734
Total Assets	6,128,451	-	3,459,267	-	9,587,718
Liabilities					
Current Liabilities:					
Accrued Liabilities	191,675	-	36,335	-	228,010
Accrued Compensated Absences and HRA	104,819	-	-	-	104,819
Unearned Revenue	20,450	-	-	-	20,450
Bonds Payable	-	-	50,000	-	50,000
Total Current Liabilities	316,944	-	86,335	-	403,279
Noncurrent Liabilities:					
Accrued Compensated Absences and HRA	342,485	-	-	-	342,485
Bonds Payable	-	-	2,176,554	-	2,176,554
Net OPEB Obligation	515,667	-	2,385	-	518,052
Total Noncurrent Liabilities	858,152	-	2,178,939	-	3,037,091
Total Liabilities	1,175,096	-	2,265,274	-	3,440,370
Net Position					
Net Investment in Capital Assets	104,198	-	600,069	-	704,267
Unrestricted	4,849,157	-	593,924	-	5,443,081
Total Net Position	\$ 4,953,355	\$ -	\$ 1,193,993	\$ -	\$ 6,147,348

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2013

	Business - Type Activities - Enterprise Funds				Total Nonmajor Enterprise Funds
	Community Sanitation	Parking	Parks And Recreation	Development Services	
Operating Revenues:					
Charges for Services	\$ 9,108,072	\$ -	\$ 736,289	\$ -	\$ 9,844,361
Operating Expenses:					
Cost of Services	4,851,977	-	165,560	-	5,017,537
Administration	3,381,702	-	250,366	-	3,632,068
Amortization	-	-	3,926	-	3,926
Depreciation	26,863	-	285,144	-	312,007
Total Operating Expenses	8,260,542	-	704,996	-	8,965,538
Operating Income	847,530	-	31,293	-	878,823
Non-operating Revenue (Expenses):					
Interest Income	10,250	-	2,827	-	13,077
Interest Expense	-	-	(106,758)	-	(106,758)
Gain (Loss) on Sale of Capital Assets	-	(2,605,199)	(838,385)	(2,772,296)	(6,215,880)
Total Non-operating Revenue (Expense)	10,250	(2,605,199)	(942,316)	(2,772,296)	(6,309,561)
Income (Loss) Before Contributions and Transfers	857,780	(2,605,199)	(911,023)	(2,772,296)	(5,430,738)
Transfer In	-	14,518,682	907,717	2,361,717	17,788,116
Transfer Out	(67,427)	(12,596)	(502,400)	(171,113)	(753,536)
Change in Net Position	790,353	11,900,887	(505,706)	(581,692)	11,603,842
Total Net Position (Deficit) - Beginning	4,163,002	(11,900,887)	1,699,699	581,692	(5,456,494)
Total Net Position - Ending	\$ 4,953,355	\$ -	\$ 1,193,993	\$ -	\$ 6,147,348

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS**

YEAR ENDED JUNE 30, 2013

	Business-Type Activities - NonMajor Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 8,830,310	\$ -	\$ 736,288	\$ -	\$ 9,566,598
Cash Payments to Suppliers for Services	(2,243,737)	-	(410,438)	-	(2,654,175)
Cash Paid for Interfund Services Used	(2,618,893)	-	(45,909)	-	(2,664,802)
Cash Payments to Employees for Services	(3,620,460)	-	(82,394)	-	(3,702,854)
Net Cash Provided by Operating Activities	347,220	-	197,547	-	544,767
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Interest payments on capital debt	-	-	(105,675)	-	(105,675)
Principal payments on capital debt-bonds	-	-	(50,000)	-	(50,000)
Acquisition and construction of capital assets	-	-	(8,343)	-	(8,343)
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	-	(164,018)	-	(164,018)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Borrowing (payment to) other funds	-	(14,447,497)	-	(2,303,229)	(16,750,726)
Transfers In	-	14,460,093	907,717	2,361,717	17,729,527
Transfers Out	(67,427)	(12,596)	(502,400)	(59,138)	(641,561)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(67,427)	-	405,317	(650)	337,240
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest and dividends on investments	12,859	-	508	-	13,367
Net Cash Provided by Investing Activities	12,859	-	508	-	13,367
Net Increase (Decrease) in Cash and Cash Equivalents	292,652	-	439,354	(650)	731,356
Cash and Cash Equivalents, Beginning of Year	4,420,029	-	129,057	650	4,549,736
Cash and Cash Equivalents, End of Year	\$ 4,712,681	\$ -	\$ 568,411	\$ -	\$ 5,281,092

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS**

YEAR ENDED JUNE 30, 2013

	Business-Type Activities - NonMajor Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating income	\$ 847,530	\$ -	\$ 31,293	\$ -	\$ 878,823
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	26,863	-	285,144	-	312,007
Amortization expense	-	-	3,926	-	3,926
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(163,015)	-	-	-	(163,015)
(Decrease) increase in accrued liabilities	(340,545)	-	(123,313)	-	(463,858)
(Decrease) increase in unearned revenue	(114,745)	-	-	-	(114,745)
(Decrease) increase in OPEB obligation	91,132	-	497	-	91,629
Net Cash Provided by (Used For) Operating Activities	\$ 347,220	\$ -	\$ 197,547	\$ -	\$ 544,767
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:					
Cash and Investments:					
Unrestricted	\$ 4,712,681	\$ -	\$ 568,411	\$ -	\$ 5,281,092
Total cash and investments	\$ 4,712,681	\$ -	\$ 568,411	\$ 0	\$ 5,281,092
Noncash Investing, Capital, and Financing Activities:					
Amortization of bond premium, discount and loss on refunding	\$ -	\$ -	\$ 1,487	\$ -	\$ 1,487
Capital asset transfer in(out)	-	(3,052,492)	-	(2,321,512)	(5,374,004)
Decrease (Increase) in fair value of investments	14,435	-	-	-	14,435
current asset and liability transfer in(out)	-	58,589	-	(111,975)	(53,386)
Long term asset and liability transfer to governmental activities	-	42,840	-	(2,071,765)	(2,028,925)
OPEB liability transfer to governmental activities	-	404,453	-	1,620,981	2,025,434

This page intentionally left blank.

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
Financial Report 2013**
For the fiscal year ended June 30, 2013

Internal Service Funds

The Internal Service Funds are used to account for the financing, on a cost-reimbursement basis, of goods or services provided by one department to other departments within the City of Fresno.

Billing and Collection Fund accounts for the billing, collecting, and servicing activities for the Water, Sewer, Solid Waste, and Community Sanitation funds.

General Services Fund accounts for the Internal Service Fund activities of the City of Fresno, including fleet management, property maintenance, data processing support, and electronics and communications support.

Risk Management Fund accounts for the City's self-insurance provided to all City departments, including provision for losses on property, liability, workers' compensation, and unemployment compensation.

Employees Healthcare Plan accounts for healthcare plans for City employees.

Retirees Healthcare Plan accounts for the healthcare plans for retired City employees.

Blue Collar Employees Healthcare Plan accounts for healthcare plans of City of Fresno Blue Collar employees.

Blue Collar Retirees Healthcare Plan accounts for healthcare plans for City of Fresno Retired Blue Collar employees.

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

June 30, 2013

	Billing and Collection	General Services	Risk Management
Assets			
Current Assets:			
Cash and Investments	\$ 2,369,754	\$ 23,463,927	\$ 927,626
Interest Receivable	49,213	136,192	28,131
Accounts Receivable, Net	-	-	522,762
Inventories	-	835,948	-
Prepays	-	371,545	-
Due from Other Funds	-	8,000,000	4,815,365
Total Current Assets	<u>2,418,967</u>	<u>32,807,612</u>	<u>6,293,884</u>
Noncurrent Assets:			
Restricted:			
Cash and Investments	3,435,215	-	436,750
Total Restricted Assets	<u>3,435,215</u>	<u>-</u>	<u>436,750</u>
Capital Assets:			
Buildings, Systems and Improvements	50,000	8,253,356	-
Machinery & Equipment	690,799	136,453,569	23,228
Construction in Progress	-	644,961	-
Less Accumulated Depreciation	<u>(644,418)</u>	<u>(127,770,740)</u>	<u>(22,819)</u>
Total Capital Assets, Net	<u>96,381</u>	<u>17,581,146</u>	<u>409</u>
Total Noncurrent Assets	<u>3,531,596</u>	<u>17,581,146</u>	<u>437,159</u>
Total Assets	<u>5,950,563</u>	<u>50,388,758</u>	<u>6,731,043</u>
Liabilities			
Current Liabilities			
Accrued Liabilities	852,044	2,285,825	1,382,954
Accrued Compensated Absences and HRA	132,291	326,397	44,661
Liability for Self Insurance	-	-	18,424,354
Due to Other Funds	-	386,527	-
Capital Lease Obligations	-	298,366	-
Total Current Liabilities	<u>984,335</u>	<u>3,297,115</u>	<u>19,851,969</u>
Noncurrent Liabilities:			
Accrued Compensated Absences and HRA	733,200	2,165,725	104,278
Capital Lease Obligations	-	683,272	-
Liability for Self-Insurance	-	-	76,828,982
Net OPEB Obligation	1,312,119	2,256,176	229,365
Deposits Held for Others	<u>3,435,215</u>	<u>-</u>	<u>-</u>
Total Noncurrent Liabilities	<u>5,480,534</u>	<u>5,105,173</u>	<u>77,162,625</u>
Total Liabilities	<u>6,464,869</u>	<u>8,402,288</u>	<u>97,014,594</u>
Net Position			
Net Investment in Capital Assets	96,381	16,599,508	409
Unrestricted (Deficit)	<u>(610,687)</u>	<u>25,386,962</u>	<u>(90,283,960)</u>
Total Net Position (Deficit)	<u>\$ (514,306)</u>	<u>\$ 41,986,470</u>	<u>\$ (90,283,551)</u>

Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Totals
\$ 14,931,249	\$ -	\$ 89,776	\$ -	\$ 41,782,332
73,869	-	-	-	287,405
-	-	-	-	522,762
-	-	-	-	835,948
-	-	-	-	371,545
-	-	-	-	12,815,365
<u>15,005,118</u>	<u>-</u>	<u>89,776</u>	<u>-</u>	<u>56,615,357</u>
-	-	-	-	3,871,965
-	-	-	-	3,871,965
-	-	-	-	8,303,356
-	-	-	-	137,167,596
-	-	-	-	644,961
-	-	-	-	(128,437,977)
-	-	-	-	17,677,936
-	-	-	-	21,549,901
<u>15,005,118</u>	<u>-</u>	<u>89,776</u>	<u>-</u>	<u>78,165,258</u>
177,181	-	15,641	-	4,713,645
-	-	-	-	503,349
3,600,000	-	-	-	22,024,354
-	-	-	-	386,527
-	-	-	-	298,366
<u>3,777,181</u>	<u>-</u>	<u>15,641</u>	<u>-</u>	<u>27,926,241</u>
-	-	-	-	3,003,203
-	-	-	-	683,272
-	-	-	-	76,828,982
-	-	-	-	3,797,660
-	-	-	-	3,435,215
-	-	-	-	87,748,332
<u>3,777,181</u>	<u>-</u>	<u>15,641</u>	<u>-</u>	<u>115,674,573</u>
-	-	-	-	16,696,298
<u>11,227,937</u>	<u>-</u>	<u>74,135</u>	<u>-</u>	<u>(54,205,613)</u>
<u>\$ 11,227,937</u>	<u>\$ -</u>	<u>\$ 74,135</u>	<u>\$ -</u>	<u>\$ (37,509,315)</u>

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS**

YEAR ENDED JUNE 30, 2013

	Billing and Collection	General Services	Risk Management
Operating Revenues:			
Charges for Services	\$ 7,470,953	\$ 43,417,264	\$ 28,233,822
Operating Expenses:			
Cost of Services	4,736,075	23,780,009	15,374,140
Administration	2,471,140	8,938,652	7,819,205
Depreciation	28,971	4,138,759	545
Total Operating Expenses	7,236,186	36,857,420	23,193,890
Operating Income (Loss)	234,767	6,559,844	5,039,932
Nonoperating Revenues (Expenses):			
Interest Income	57,597	125,684	28,136
Interest Expense	-	(26,261)	-
Gain (Loss) on Disposal of Capital Assets	-	(332,770)	-
Total Nonoperating Revenues	57,597	(233,347)	28,136
Income Before Contributions and Transfers	292,364	6,326,497	5,068,068
Transfer In	-	2,496	-
Transfer Out	(514,559)	(1,948,888)	(122,861)
Change in Net Position	(222,195)	4,380,105	4,945,207
Total Net Position (Deficit) - Beginning	(292,111)	37,606,365	(95,228,758)
Total Net Position (Deficit) - Ending	\$ (514,306)	\$ 41,986,470	\$ (90,283,551)

<u>Employees Healthcare Plan</u>	<u>Retirees Healthcare Plan</u>	<u>Blue Collar Employees Healthcare Plan</u>	<u>Blue Collar Retirees Healthcare Plan</u>	<u>Totals</u>
\$ 25,881,442	\$ 9,646,030	\$ 4,173,466	\$ 397,837	\$ 119,220,814
23,770,698	9,073,157	4,189,660	397,837	81,321,576
2,274,994	572,873	-	-	22,076,864
-	-	-	-	4,168,275
<u>26,045,692</u>	<u>9,646,030</u>	<u>4,189,660</u>	<u>397,837</u>	<u>107,566,715</u>
<u>(164,250)</u>	<u>-</u>	<u>(16,194)</u>	<u>-</u>	<u>11,654,099</u>
117,134	-	-	-	328,551
-	-	-	-	(26,261)
-	-	-	-	(332,770)
<u>117,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,480)</u>
(47,116)	-	(16,194)	-	11,623,619
-	-	-	-	2,496
-	-	(2,730)	-	(2,589,038)
(47,116)	-	(18,924)	-	9,037,077
<u>11,275,053</u>	<u>-</u>	<u>93,059</u>	<u>-</u>	<u>(46,546,392)</u>
<u>\$ 11,227,937</u>	<u>\$ -</u>	<u>\$ 74,135</u>	<u>\$ -</u>	<u>\$ (37,509,315)</u>

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2013

	Billing & Collection	General Services	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 2,070,113	\$ 5,661,885	\$ -
Cash Received from Interfund Services Provided	6,942,400	37,171,945	27,671,189
Cash Payments to Suppliers for Services	(3,224,704)	(24,766,705)	(7,900,974)
Cash Paid for Interfund Services Used	(1,375,883)	(1,084,025)	(171,145)
Cash Payments to Employees for Services	(4,447,682)	(11,780,149)	(2,877,976)
Cash Payments for Claims and Refunds	-	-	(13,271,473)
Net Cash Provided by (Used For) Operating Activities	<u>(35,756)</u>	<u>5,202,951</u>	<u>3,449,621</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest payments on capital debt	-	(28,136)	-
Principal payment on capital lease obligations	-	(351,932)	-
Proceeds from sale of capital assets	-	17,532	-
Acquisition and construction of capital assets	-	(2,600,233)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>-</u>	<u>(2,962,769)</u>	<u>-</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Borrowing receipt from other funds	-	9,158,523	2,303,229
Borrowing (payment to) other funds	-	(8,000,000)	(4,815,655)
Transfers In	-	2,496	-
Transfers Out	(514,559)	(1,948,888)	(122,861)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(514,559)</u>	<u>(787,869)</u>	<u>(2,635,287)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends on investments	75,281	255,352	27,286
Net Cash Provided by Investing Activities	<u>75,281</u>	<u>255,352</u>	<u>27,286</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(475,034)	1,707,665	841,620
Cash and Cash Equivalents, Beginning of Year	<u>6,280,003</u>	<u>21,756,262</u>	<u>522,756</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,804,969</u>	<u>\$ 23,463,927</u>	<u>\$ 1,364,376</u>

<u>Employees Healthcare Plan</u>	<u>Retirees Healthcare Plan</u>	<u>Blue Collar Employees Healthcare Plan</u>	<u>Blue Collar Retirees Healthcare Plan</u>	<u>Total</u>
\$ 4,992,359	\$ 5,443,805	\$ 1,516,534	\$ 353,585	\$ 20,038,281
20,889,083	4,202,225	2,656,932	44,252	99,578,026
(3,088,145)	(572,873)	-	-	(39,553,401)
-	-	-	-	(2,631,053)
-	-	-	-	(19,105,807)
<u>(23,770,698)</u>	<u>(9,073,157)</u>	<u>(4,364,572)</u>	<u>(397,837)</u>	<u>(50,877,737)</u>
<u>(977,401)</u>	<u>-</u>	<u>(191,106)</u>	<u>-</u>	<u>7,448,309</u>
-	-	-	-	(28,136)
-	-	-	-	(351,932)
-	-	-	-	17,532
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,600,233)</u>
-	-	-	-	(2,962,769)
-	-	-	-	11,461,752
-	-	-	-	(12,815,655)
-	-	-	-	2,496
<u>-</u>	<u>-</u>	<u>(2,730)</u>	<u>-</u>	<u>(2,589,038)</u>
<u>-</u>	<u>-</u>	<u>(2,730)</u>	<u>-</u>	<u>(3,940,445)</u>
<u>148,212</u>	<u>-</u>	<u>2,730</u>	<u>-</u>	<u>508,861</u>
<u>148,212</u>	<u>-</u>	<u>2,730</u>	<u>-</u>	<u>508,861</u>
(829,189)	-	(191,106)	-	1,053,956
<u>15,760,438</u>	<u>-</u>	<u>280,882</u>	<u>-</u>	<u>44,600,341</u>
<u>\$ 14,931,249</u>	<u>\$ -</u>	<u>\$ 89,776</u>	<u>\$ -</u>	<u>\$ 45,654,297</u>

(Continued)

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

YEAR ENDED JUNE 30, 2013 (Continued)

	Billing & Collection	General Services	Risk Management
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	\$ 234,767	\$ 6,559,844	\$ 5,039,932
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	28,971	4,138,759	545
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	1,576	6,141
Decrease (increase) in due from other funds	-	-	290
Decrease (increase) in material and supplies inventory	-	(2,162)	-
Decrease (increase) in prepaid items	-	(371,545)	-
(Decrease) increase in accrued liabilities	(773,496)	(2,842,928)	(342,301)
(Decrease) increase in due to other funds	-	(535,121)	-
(Decrease) increase in liability for self-insurance	-	-	(1,278,968)
(Decrease) increase in deposits	301,678	(49,889)	-
(Decrease) increase in OPEB obligation	172,324	(1,695,583)	23,982
Net Cash Provided by (Used For) Operating Activities	\$ (35,756)	\$ 5,202,951	\$ 3,449,621
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Cash and Investments:			
Unrestricted	\$ 2,369,754	\$ 23,463,927	\$ 927,626
Restricted	3,435,215	-	436,750
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	\$ 5,804,969	\$ 23,463,927	\$ 1,364,376
Noncash Investing, Capital, and Financing Activities:			
Capital asset transfer in	\$ -	\$ (350,302)	-
Decrease (Increase) in fair value of investments	17,747	71,620	4,682

<u>Employees Healthcare Plan</u>	<u>Retirees Healthcare Plan</u>	<u>Blue Collar Employees Healthcare Plan</u>	<u>Blue Collar Retirees Healthcare Plan</u>	<u>Total</u>
\$ (164,250) \$	- \$	(16,194) \$	- \$	11,654,099
-	-	-	-	4,168,275
-	-	-	-	7,717
-	-	-	-	290
-	-	-	-	(2,162)
-	-	-	-	(371,545)
(13,151)	-	(174,912)	-	(4,146,788)
-	-	-	-	(535,121)
(800,000)	-	-	-	(2,078,968)
-	-	-	-	251,789
-	-	-	-	(1,499,277)
<u>\$ (977,401) \$</u>	<u>- \$</u>	<u>(191,106) \$</u>	<u>- \$</u>	<u>7,448,309</u>
\$ 14,931,249 \$	- \$	89,776 \$	- \$	41,782,332
-	-	-	-	3,871,965
<u>\$ 14,931,249 \$</u>	<u>- \$</u>	<u>89,776 \$</u>	<u>- \$</u>	<u>45,654,297</u>
\$ - \$	- \$	- \$	- \$	(350,302)
-	-	-	-	94,049

This page intentionally left blank.

CITY OF FRESNO, CALIFORNIA
**Comprehensive Annual
Financial Report 2013**
For the fiscal year ended June 30, 2013

Fiduciary Funds

Fiduciary Funds include all Trust and Agency Funds, which account for assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals.

TRUST FUNDS

Trust Funds are fiduciary funds and are used to account for assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals.

Fire and Police Retirement System Pension Trust Fund accounts for the accumulation of resources for pension benefit payments to qualified Fire and Police employees and retirees.

Employee Retirement System Pension Trust Fund accounts for the accumulation of resources for pension benefit payments to qualified General Service employees and retirees.

AGENCY FUNDS

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

City Departmental and Special Purpose Fund accounts for City-related trust activity, such as payroll withholdings and bid deposits.

Special Assessments District Fund accounts for the receipts and disbursements for the debt service activity of the special assessment districts within the City.

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - TRUST FUNDS**

June 30, 2013

	Pension Trust Funds		
	Fire And Police Retirement System	Employee Retirement System	Total
Assets			
Cash and Investments	\$ 1,183,828	\$ 933,365	\$ 2,117,193
Receivables:			
Receivables for Investments Sold	11,470,395	9,808,701	21,279,096
Interest and Dividends Receivable	4,738,321	4,125,845	8,864,166
Other Receivables	9,159,389	7,806,925	16,966,314
Total Receivables	25,368,105	21,741,471	47,109,576
Investments, at fair value:			
Short Term Investments	27,993,822	24,035,891	52,029,713
Domestic Equity	420,534,341	361,076,718	781,611,059
Corporate Bonds	194,709,929	167,180,693	361,890,622
International Equity	237,457,480	203,884,343	441,341,823
Emerging Market Equity	41,933,390	36,004,600	77,937,990
Government Bonds	148,255,208	127,294,013	275,549,221
Real Estate	133,661,152	115,099,623	248,760,775
Total Investments	1,204,545,322	1,034,575,881	2,239,121,203
Collateral Held for Securities Lent	174,087,118	149,473,656	323,560,774
Capital Assets, net of Accumulated Depreciation	527,534	527,534	1,055,068
Prepaid Expense	50,658	50,658	101,316
Total Assets	1,405,762,565	1,207,302,565	2,613,065,130
Liabilities			
Accrued Liabilities	37,378,877	32,093,996	69,472,873
Collateral Held for Securities Lent	174,087,118	149,473,656	323,560,774
Other Liabilities	1,242,640	1,069,356	2,311,996
Total Liabilities	212,708,635	182,637,008	395,345,643
Net Position			
Net Position Restricted for Pension Benefits	\$ 1,193,053,930	\$ 1,024,665,557	\$ 2,217,719,487

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - TRUST FUNDS**

YEAR ENDED JUNE 30, 2013

	Pension Trust Funds		
	Fire And Police Retirement System	Employees Retirement System	Total
Additions			
Contributions:			
Employer	\$ 18,724,714	\$ 13,329,655	\$ 32,054,369
System Members	7,398,730	7,995,145	15,393,875
Total Contributions	26,123,444	21,324,800	47,448,244
Investment Income:			
Net Appreciation in Value of Investments	117,617,358	101,242,874	218,860,232
Interest	15,265,412	13,126,640	28,392,052
Dividends	12,719,259	10,936,163	23,655,422
Other Investment Related	49,369	67,681	117,050
Total Investment Income	145,651,398	125,373,358	271,024,756
Less Investment Expense	(5,615,622)	(4,828,262)	(10,443,884)
Total Net Investment Income	140,035,776	120,545,096	260,580,872
Securities Lending Income:			
Securities Lendings Earnings	831,834	714,225	1,546,059
Less Securities Lending Expense	(166,272)	(142,763)	(309,035)
Net Securities Lending Income	665,562	571,462	1,237,024
Total Additions	166,824,782	142,441,358	309,266,140
Deductions			
Benefit Payments	52,011,489	45,883,057	97,894,546
Refund of Contributions	970,380	1,157,287	2,127,667
Administrative Expenses	1,182,391	1,138,182	2,320,573
Total Deductions	54,164,260	48,178,526	102,342,786
Change in Net Position	112,660,522	94,262,832	206,923,354
Net Position - Beginning	1,080,393,408	930,402,725	2,010,796,133
Net Position - Ending	\$ 1,193,053,930	\$ 1,024,665,557	\$ 2,217,719,487

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2013**

CITY DEPARTMENTAL AND SPECIAL PURPOSE FUNDS

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Assets				
Cash and Investments	\$ 4,759,467	\$ 268,876,127	\$ 267,836,462	\$ 5,799,132
Restricted Cash and Investments Held by Fiscal Agent	25,599	-	1	25,598
Interest Receivable	19,397	51,505	58,185	12,717
Due From Other Governments	-	17,546	-	17,546
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 4,804,463</u>	<u>\$ 268,945,178</u>	<u>\$ 267,894,648</u>	<u>\$ 5,854,993</u>
 Liabilities				
Accrued Liabilities	\$ 505,292	\$ 61,865,192	\$ 62,052,564	\$ 317,920
Deposits Held for Others	4,299,171	20,096,389	18,858,487	5,537,073
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 4,804,463</u>	<u>\$ 81,961,581</u>	<u>\$ 80,911,051</u>	<u>\$ 5,854,993</u>

SPECIAL ASSESSMENTS DISTRICT FUNDS

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Assets				
Cash and Investments	\$ 469,810	\$ 664,289	\$ 904,373	\$ 229,726
Restricted Cash and Investments Held by Fiscal Agent	586,189	247,235	-	833,424
Interest Receivable	2,209	1,845	2,994	1,060
Due from Other Governments	732,064	875,852	745,520	862,396
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,790,272</u>	<u>\$ 1,789,221</u>	<u>\$ 1,652,887</u>	<u>\$ 1,926,606</u>
 Liabilities				
Accrued Liabilities	\$ -	\$ 157,764	\$ 157,764	\$ -
Deposits Held for Others	1,790,272	1,744,310	1,607,976	1,926,606
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 1,790,272</u>	<u>\$ 1,902,074</u>	<u>\$ 1,765,740</u>	<u>\$ 1,926,606</u>

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2013

TOTAL AGENCY FUNDS

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Assets				
Cash and Investments	\$ 5,229,277	\$ 269,540,416	\$ 268,740,835	\$ 6,028,858
Restricted Cash and Investments Held by Fiscal Agent	611,788	247,235	1	859,022
Interest Receivable	21,606	53,350	61,179	13,777
Due from Other Governments	732,064	893,398	745,520	879,942
	<u>732,064</u>	<u>893,398</u>	<u>745,520</u>	<u>879,942</u>
Total Assets	\$ <u>6,594,735</u>	\$ <u>270,734,399</u>	\$ <u>269,547,535</u>	\$ <u>7,781,599</u>
Liabilities				
Accrued Liabilities	\$ 505,292	\$ 62,022,956	\$ 62,210,328	\$ 317,920
Deposits Held for Others	6,089,443	21,840,699	20,466,463	7,463,679
	<u>6,089,443</u>	<u>21,840,699</u>	<u>20,466,463</u>	<u>7,463,679</u>
Total Liabilities	\$ <u>6,594,735</u>	\$ <u>83,863,655</u>	\$ <u>82,676,791</u>	\$ <u>7,781,599</u>

This page intentionally left blank.

CITY OF FRESNO, CALIFORNIA

*Comprehensive Annual
Financial Report* **2013**

For the fiscal year ended June 30, 2013

Discretely Presented Component Unit



www.fresno.gov

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT**

DECEMBER 31, 2012

	City of Fresno Cultural Arts Properties
Assets	
Cash and Investments	\$ 624,806
Receivables, Net	294,038
Capital Assets:	
Land and Construction in Progress Not Being Depreciated	449,229
Facilities Infrastructure and Equipment Net of Depreciation	<u>12,494,266</u>
 Total Assets	 <u>13,862,339</u>
 Liabilities	
Accrued Liabilities	30
Unearned Revenue	231,250
Notes Payable, due in more than one year	<u>16,660,000</u>
 Total Liabilities	 <u>16,891,280</u>
 Net Position	
Net Investment in Capital Assets	(3,716,505)
Unrestricted	<u>687,564</u>
 Total Net Position (Deficit)	 \$ <u><u>(3,028,941)</u></u>

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT**

YEAR ENDED DECEMBER 31, 2012

	City of Fresno Cultural Arts Properties
Operating Revenues:	
Charges for Services	\$ <u>375,000</u>
Operating Expenses:	
Cost of Services	8,755
Depreciation	<u>311,773</u>
Total Operating Expenses	<u>320,528</u>
Operating Income	<u>54,472</u>
Non-operating Revenue (Expenses):	
Interest Income	107,290
Interest Expense	(226,683)
(Loss) on Disposal of Capital Assets	<u>(952,849)</u>
Total Non-operating Revenue (Expense)	<u>(1,072,242)</u>
Changes in Net Position	(1,017,770)
Total Net Position (Deficit) - Beginning	<u>(2,011,171)</u>
Total Net Position (Deficit) - Ending	<u>\$ (3,028,941)</u>

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT**

YEAR ENDED DECEMBER 31, 2012

	<u>City of Fresno Cultural Arts Properties</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 375,000
Cash Payments to Suppliers for Services	<u>(8,735)</u>
Net Cash Provided by Operating Activities	<u>366,265</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest payments on capital debt	<u>(245,883)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(245,883)</u>
Net Increase in Cash and Cash Equivalents	120,382
Cash and Cash Equivalents, Beginning of Year	<u>504,424</u>
Cash and Cash Equivalents, End of Year	<u>\$ 624,806</u>

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT**

YEAR ENDED DECEMBER 31, 2012

	<u>City of Fresno Cultural Arts Properties</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 54,472
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	311,773
Change in assets and liabilities: (Decrease) increase in accrued liabilities	<u>20</u>
Net Cash Provided by Operating Activities	\$ <u><u>366,265</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and Investments:	
Unrestricted	\$ <u>624,806</u>
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	\$ <u><u>624,806</u></u>

This page intentionally left blank.

CITY OF FRESNO, CALIFORNIA

Comprehensive Annual Financial Report **2013**

For the fiscal year ended June 30, 2013

Statistical Section



www.fresno.gov

CITY OF FRESNO, CALIFORNIA

Statistical Section

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. (Pages 249-253)

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax. (Pages 254-257)

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. (Pages 258-264)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. (Pages 265-266)

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. (Pages 267-271)

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

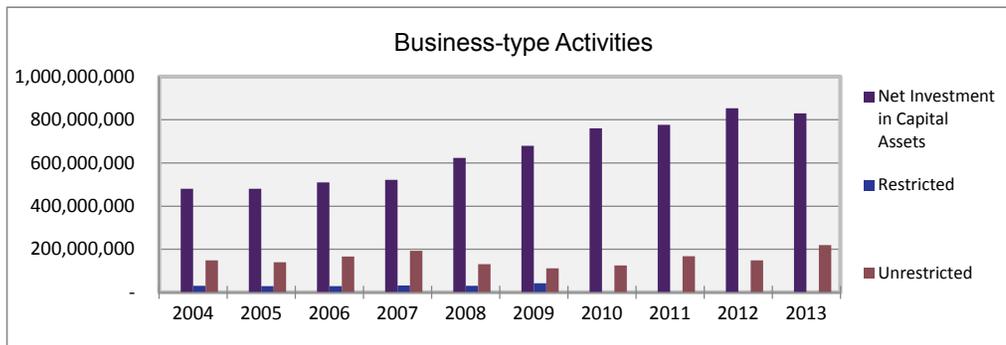
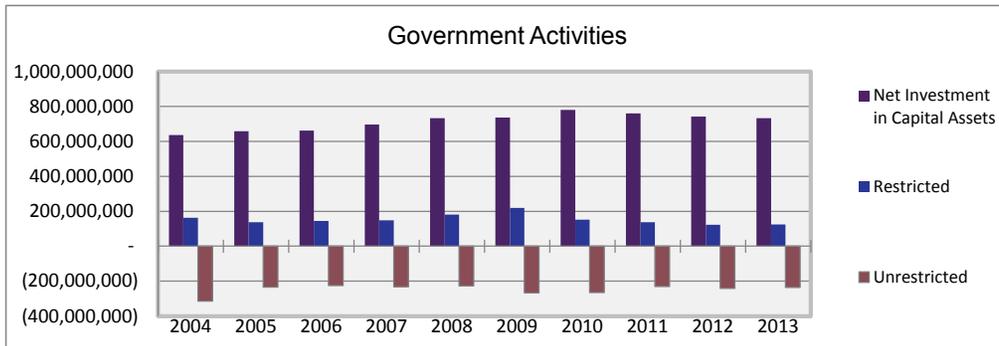
CITY OF FRESNO, CALIFORNIA

**NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**
(dollars in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Government activities										
Net Investment in Capital Assets	\$ 636,914	\$ 658,781	\$ 662,073	\$ 697,544	\$ 732,835	\$ 736,410	\$ 781,253	\$ 760,927	\$ 742,533	\$ 733,961
Restricted	163,823	136,785	145,581	148,392	181,207	219,892	152,271	138,021	123,401	125,617
Unrestricted	(314,809)	(234,193)	(225,716)	(231,900)	(227,490)	(267,498)	(266,011)	(230,447)	(240,718)	(235,759)
Total governmental activities net position	\$ 485,929	\$ 561,373	\$ 581,937	\$ 614,036	\$ 686,552	\$ 688,804	\$ 667,513	\$ 668,501	\$ 625,216	\$ 623,819
Business-type activities										
Net Investment in Capital Assets	\$ 480,153	\$ 479,670	\$ 509,975	\$ 537,897	\$ 622,600	\$ 679,116	\$ 760,272	\$ 776,377	\$ 853,405	\$ 829,456
Restricted	30,338	29,921	28,752	31,705	31,222	42,922	-	-	-	-
Unrestricted	149,331	139,418	165,691	165,646	131,167	112,405	125,129	168,025	148,775	219,983
Total business-type activities	\$ 659,822	\$ 649,009	\$ 704,418	\$ 735,248	\$ 784,989	\$ 834,443	\$ 885,401	\$ 944,402	\$ 1,002,180	\$ 1,049,439
Primary government										
Net Investment in Capital Assets	\$ 1,117,067	\$ 1,138,452	\$ 1,172,048	\$ 1,235,441	\$ 1,355,434	\$ 1,415,526	\$ 1,541,524	\$ 1,537,304	\$ 1,595,938	\$ 1,563,417
Restricted	194,162	166,706	174,333	180,097	212,429	262,815	152,271	138,021	123,401	125,617
Unrestricted	(165,478)	(94,775)	(60,026)	(66,253)	(96,323)	(155,093)	(140,882)	(62,422)	(91,942)	(15,776)
Total primary government	\$ 1,145,751	\$ 1,210,382	\$ 1,286,355	\$ 1,349,285	\$ 1,471,540	\$ 1,523,247	\$ 1,552,914	\$ 1,612,903	\$ 1,627,396	\$ 1,673,258

Source: City of Fresno, Finance Department

Notes: No long term debt issued in FY2003.



CITY OF FRESNO, CALIFORNIA

**CHANGE IN NET POSITION
LAST TEN FISCAL YEARS**
(dollars in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Government activities:										
General Government	\$ 18,866	\$ 24,108	\$ 23,637	\$ 23,842	\$ 30,023	\$ 30,592	\$ 50,381	\$ 26,642	\$ 23,820	\$ 34,308
Public Protection	137,802	144,932	163,607	183,974	205,714	204,013	211,586	192,993	208,649	190,050
Public Ways and Facilities	62,163	49,128	52,824	56,236	56,961	66,053	73,653	68,471	75,281	69,771
Culture and Recreation	21,614	20,787	24,714	25,119	28,689	27,497	22,806	21,797	16,294	16,704
Community Development	8,516	8,996	11,385	15,849	18,767	20,331	14,823	14,981	15,986	26,280
Redevelopment	8,398	6,669	8,876	6,300	6,036	12,079	7,084	4,821	8,308	-
Interest on Long-term Debt	20,804	23,388	24,361	23,970	24,445	24,811	25,357	25,722	22,426	21,037
Total government activities	278,163	278,008	309,405	335,289	370,635	385,376	405,690	355,428	370,764	358,150
Business-type activities:										
Water System	35,575	37,180	42,523	47,147	50,476	52,370	58,013	64,134	67,577	60,749
Sewer System	28,255	44,541	45,853	54,145	46,475	49,867	47,476	47,568	60,003	63,736
Solid Waste System	39,117	30,469	36,523	45,061	45,358	43,671	44,845	45,424	43,286	30,257
Transit	34,168	35,007	39,749	43,012	47,737	47,529	47,627	43,012	49,670	48,398
Airports	17,559	21,356	23,319	21,311	24,861	26,728	29,348	29,020	27,154	32,413
Fresno Convention Center	10,323	9,961	9,756	10,593	11,376	11,676	12,489	11,637	10,919	14,928
Community Sanitation	9,184	8,420	8,116	10,595	10,114	9,683	10,099	10,024	6,493	7,848
Parking	4,718	5,444	5,707	7,568	6,518	6,909	7,957	5,956	5,059	-
Parks and Recreation	2,096	2,557	1,688	1,454	1,142	2,043	1,992	782	1,036	812
Development Services	9,440	11,132	14,344	17,434	18,227	13,543	10,886	11,408	9,741	-
Stadium	3,955	3,808	3,816	3,769	3,729	3,977	3,627	3,607	3,544	3,463
Total business-type activities	194,391	209,876	231,392	262,090	266,013	267,996	274,359	276,810	284,482	262,604
Total primary government expenses	\$ 472,554	\$ 487,885	\$ 540,797	\$ 597,379	\$ 636,648	\$ 653,372	\$ 680,049	\$ 632,238	\$ 655,246	\$ 620,754
Program Revenues										
Government activities:										
Charges for Services:										
General Government	\$ 9,786	\$ 10,464	\$ 11,451	\$ 5,555	\$ 18,798	\$ 17,432	\$ 17,286	\$ 16,454	\$ 16,545	\$ 18,634
Public Protection	9,592	12,163	14,355	16,684	22,889	19,628	19,014	18,321	19,720	20,924
Public Ways and Facilities	6,067	5,357	10,891	7,926	4,150	3,583	12,515	13,440	13,470	16,669
Culture and Recreation	1,375	1,416	854	1,933	1,763	1,837	2,389	2,432	809	3,021
Community Development	140	153	572	543	125	138	269	653	2,568	19,529
Operating Grants and Contributions	28,670	30,486	41,498	51,657	60,552	40,480	45,265	43,011	54,974	36,639
Capital Grants and Contributions	26,816	29,962	22,734	39,976	62,661	57,261	64,464	40,295	29,730	35,623
Total government program revenues	82,446	90,000	102,356	124,274	170,938	140,359	161,202	134,606	137,816	151,039
Business-type activities:										
Charges for Services:										
Water System	39,957	41,603	39,255	45,137	56,360	65,597	67,722	67,922	69,269	71,667
Sewer System	48,248	49,360	48,404	50,363	60,799	62,521	74,158	76,628	76,726	76,324
Solid Waste Management	38,613	39,303	38,820	43,251	47,719	49,849	51,364	51,753	38,271	29,797
Transit	7,583	7,404	7,704	8,286	9,711	10,280	9,588	9,486	10,770	11,054
Airports	13,122	16,066	14,669	15,163	16,137	19,768	19,367	21,701	21,563	23,329
Fresno Convention Center	3,497	2,917	3,267	3,043	3,353	3,130	3,038	2,929	2,667	2,594
Community Sanitation	8,814	9,215	9,456	9,692	9,702	10,075	10,182	10,209	8,918	9,108
Parking	5,285	4,984	5,719	7,765	6,346	7,129	6,756	5,997	5,270	-
Parks and Recreation	1,924	1,930	885	542	560	490	635	742	781	736
Development Services	12,926	14,379	16,319	15,678	12,732	9,952	9,251	10,669	8,395	-
Stadium	1,505	1,500	1,500	1,500	1,508	1,500	1,675	340	1,251	1,089
Operating Grants and Contributions	21,772	20,815	21,921	31,256	38,059	35,959	40,964	49,401	42,361	40,850
Capital Grants and Contributions	41,063	39,288	59,862	40,126	36,306	33,762	20,859	17,744	43,505	22,224
Total business-type program revenues	244,309	248,763	267,780	271,801	299,292	310,012	315,559	325,521	329,747	288,772
Total primary government program revenues	\$ 326,755	\$ 338,764	\$ 370,136	\$ 396,076	\$ 470,230	\$ 450,371	\$ 476,761	\$ 460,127	\$ 467,563	\$ 439,811

CITY OF FRESNO, CALIFORNIA

**CHANGE IN NET POSITION
LAST TEN FISCAL YEARS**
(dollars in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue										
Governmental activities	\$ (195,717)	\$ (188,008)	\$ (207,049)	\$ (211,014)	\$ (199,696)	\$ (245,017)	\$ (244,488)	\$ (220,822)	\$ (232,948)	\$ (207,111)
Business-type activities	49,918	38,886	36,388	9,712	33,279	42,016	41,200	48,711	45,265	26,168
Total primary government net expense	\$ (145,799)	\$ (149,121)	\$ (170,661)	\$ (201,303)	\$ (166,417)	\$ (203,001)	\$ (203,288)	\$ (172,111)	\$ (187,683)	\$ (180,943)
General Revenues and other changes in Net Position										
Government activities:										
Property Taxes	\$ 58,450	\$ 58,577	\$ 69,250	\$ 119,320	\$ 134,266	\$ 135,353	\$ 126,345	\$ 125,687	\$ 100,961	\$ 103,745
Sales Taxes	64,615	52,986	60,525	59,881	57,238	50,332	46,999	49,251	53,354	56,474
In Lieu Sales Tax	-	17,123	19,546	19,279	18,524	16,274	15,208	15,947	17,272	18,216
Franchise Taxes	5,237	5,389	7,482	6,166	6,552	7,376	7,059	7,916	11,720	12,503
Business Taxes	14,255	15,130	18,015	16,510	17,614	14,611	14,893	14,249	16,267	16,470
Room Tax	8,711	8,981	10,065	10,815	10,791	9,927	8,548	8,450	9,088	9,560
Other Taxes	2,720	3,564	4,118	3,894	3,472	3,717	2,134	1,948	2,479	2,104
Revenues Restricted for										
Infrastructure Maintenance	460	1,596	1,461	1,627	395	295	-	-	-	-
In Lieu VLF	-	24,341	29,926	-	-	-	-	-	-	-
Unrestricted Grants and Contributions	20,716	13,221	3,837	-	-	-	-	-	-	-
Investment earnings	3,952	5,573	8,984	12,314	11,445	8,476	6,000	4,435	2,053	1,889
Gain on sale of capital assets	878	709	983	82	981	485	146	536	1,022	416
Extraordinary (Loss):										
Redevelopment Agency Net Assets										
Distributed to Successor Agency	-	-	-	-	-	-	-	-	(18,561)	-
Transfers:										
Total general revenues, extraordinary loss and transfers	9,531	56,260	(6,577)	1,146	(520)	(1,718)	(4,135)	(6,608)	(5,991)	(15,662)
Total government activities	189,526	263,452	227,614	251,034	260,758	245,128	223,197	221,811	189,664	205,715
Business-type Activities:										
Investment earnings	2,229	6,372	4,749	11,809	12,186	7,809	5,614	3,528	6,139	1,596
Passenger and Customer Facility Charges	-	-	4,003	3,686	3,706	-	-	-	-	-
FAA Audit Compliance Settlement	-	-	-	6,479	-	-	-	-	-	-
Debt Forgiveness	-	-	-	-	-	-	-	-	1,744	-
Gain on sale of capital assets	-	188	-	291	50	52	9	153	2,719	3,832
Transfers:										
Total general revenues, and transfers	(9,531)	(56,260)	6,577	(1,146)	520	1,718	4,135	6,608	5,991	15,662
Total business-type activities	(7,302)	(49,699)	15,329	21,119	16,462	9,579	9,758	10,289	16,593	21,090
Total primary government	\$ 182,224	\$ 213,752	\$ 242,943	\$ 272,153	\$ 277,220	\$ 254,707	\$ 232,955	\$ 232,100	\$ 206,257	\$ 226,805
Change in Net Position										
Government activities	\$ (6,191)	\$ 75,444	\$ 20,565	\$ 40,019	\$ 61,062	\$ 111	\$ (21,291)	\$ 989	\$ (43,285)	\$ (1,396)
Business-type activities	42,616	(10,813)	51,718	30,831	49,740	51,595	50,958	59,000	61,858	47,258
Total primary government	\$ 36,425	\$ 64,631	\$ 72,282	\$ 70,850	\$ 110,802	\$ 51,706	\$ 29,667	\$ 59,989	\$ 18,573	\$ 45,862

Source: Source: Department of Finance, City of Fresno

Notes: Accounting requirements changed in FY 2002 due to GASB Statement 34

CITY OF FRESNO, CALIFORNIA

**FUND BALANCE GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)
(dollars in thousands)

	Fiscal Year					
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund						
Reserved	\$ 17,385	\$ 21,292	\$ 24,133	\$ 26,089	\$ 27,463	\$ 28,296
Unreserved	20,451	29,083	35,483	33,449	30,636	474
Total General Fund	<u>\$ 37,836</u>	<u>\$ 50,375</u>	<u>\$ 59,617</u>	<u>\$ 59,538</u>	<u>\$ 58,099</u>	<u>\$ 28,771</u>
All other Governmental Funds						
Reserved	\$ 179,021	\$ 200,323	\$ 176,499	\$ 182,687	\$ 163,004	\$ 184,111
Unreserved, reported in:						
Special Revenue Funds	(1,935)	(7,826)	(4,332)	(11,175)	3,064	(1,792)
Debt service funds	(67,357)	(73,786)	(77,367)	(76,487)	(33,147)	(24,183)
Capital projects funds	(4,620)	(867)	14,649	12,610	18,539	19,333
Total all other governmental funds	<u>\$ 105,110</u>	<u>\$ 117,844</u>	<u>\$ 109,449</u>	<u>\$ 107,635</u>	<u>\$ 151,460</u>	<u>\$ 177,469</u>

	Fiscal Year			
	<u>2010</u> ¹	<u>2011</u> ¹	<u>2012</u> ¹	<u>2013</u> ¹
General Fund				
Nonspendable	\$ 31,821	\$ 16,828	\$ 12,691	\$ 12,690
Restricted	-	-	-	435
Committed	10,586	1,444	1,481	1,903
Assigned	-	-	390	1,095
Unassigned	(2,228)	(64)	483	(9,355)
Total General Fund	<u>\$ 40,179</u>	<u>\$ 18,208</u>	<u>\$ 15,045</u>	<u>\$ 6,768</u>
All other Governmental Funds				
Restricted	\$ 165,679	\$ 143,214	\$ 125,274	\$ 128,100
Assigned	33,216	31,822	19,897	17,624
Unassigned	(61,582)	(14,272)	(7,547)	(5,196)
Total all other governmental funds	<u>\$ 137,313</u>	<u>\$ 160,764</u>	<u>\$ 137,624</u>	<u>\$ 140,528</u>

Notes: ¹ The City implemented GASB No. 54 in fiscal year 2011 and restated the presentation for fiscal year 2010.

Source: City of Fresno, Finance Department

CITY OF FRESNO, CALIFORNIA

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**
(dollars in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 160,711	\$ 170,732	\$ 225,253	\$ 241,884	\$ 258,186	\$ 258,840	\$ 233,399	\$ 243,155	\$ 239,845	\$ 237,956
Licenses and Permits	310	321	307	352	357	317	292	423	528	5,097
Intergovernmental	44,569	62,333	38,417	44,718	56,925	36,508	53,157	58,183	44,592	37,032
Charges for Services	16,072	18,833	30,265	31,924	28,314	25,901	22,646	20,535	36,184	49,995
Fines	2,323	3,126	3,005	3,767	5,008	3,250	3,372	3,171	1,926	4,193
Use of Money and Property	4,045	4,819	7,855	10,283	8,746	6,973	3,688	4,225	1,677	2,539
Contributions and Donations	94	-	-	-	-	-	-	-	169	-
Other Revenue	178	-	-	-	-	-	-	-	-	-
Miscellaneous	9,505	14,888	10,544	16,027	14,218	14,938	14,953	14,607	5,560	6,146
Total Revenues	237,807	275,053	315,645	348,956	371,754	346,727	331,507	344,299	330,481	342,958
Expenditures										
General Government	12,676	14,543	13,088	15,048	16,965	16,774	30,693	12,818	8,273	13,039
Public Protection	133,611	147,180	161,960	177,000	191,076	187,075	183,168	184,740	191,499	187,189
Public Ways and Facilities	21,583	19,010	19,292	20,268	21,500	19,010	24,857	20,386	34,832	33,332
Culture and Recreation	19,868	20,654	23,098	22,685	23,884	23,596	20,400	16,223	11,833	13,177
Community Development	7,713	8,919	10,548	15,168	18,347	20,227	13,012	12,473	15,217	25,685
Capital Outlays	35,840	61,663	47,786	56,132	64,193	91,708	81,121	50,902	20,345	19,919
Debt Service:										
Bond Issuance Cost	-	739	-	-	-	-	-	-	-	-
Principal	8,630	8,896	12,796	19,296	13,999	15,241	21,312	14,368	17,612	17,484
Interest	20,394	22,991	24,162	24,027	24,353	23,746	26,095	25,074	22,493	21,134
Total Expenditures	260,314	304,595	312,731	349,624	374,317	397,377	400,658	336,984	322,104	330,959
Excess (Deficiency) of Revenue Over (Under) Expenditures	(22,507)	(29,542)	2,914	(668)	(2,563)	(50,650)	(69,151)	7,315	8,377	11,999
Other Financing Sources (Uses)										
Transfers In	45,072	82,416	67,679	73,115	77,395	91,923	142,202	137,969	82,206	46,827
Transfers Out	(37,990)	(78,715)	(72,112)	(70,557)	(74,898)	(91,505)	(141,669)	(145,587)	(87,540)	(66,633)
Discount on Debt Issued	-	-	-	-	(437)	(870)	-	-	-	-
Refunding Bond Issued	5,005	-	-	-	38,210	-	23,395	-	-	-
FAA Litigation Settlement	-	-	-	(5,847)	-	-	-	-	-	-
Payment to Refunding Bonds	(4,809)	-	-	-	(34,745)	-	(23,286)	-	-	-
Note Proceeds	-	-	-	48	-	-	-	-	-	-
Gain on Sales of Property	440	-	-	-	-	-	-	-	-	-
Long Term Debt Issued	52,780	47,690	-	-	35,205	46,790	23,100	-	-	-
Premium on Debt Issued	126	300	-	-	2,019	-	-	-	-	-
Proceeds for Note Obligation	-	-	-	-	-	600	-	-	-	-
Proceeds for Capital Lease Obligations	1,789	3,124	2,366	2,017	2,200	392	-	1,707	-	1,088
Sale of Capital Assets	-	-	-	-	-	-	16,661	77	679	1,346
Total Other Financing Sources (Uses)	62,413	54,816	(2,068)	(1,224)	44,949	47,330	40,403	(5,834)	(4,655)	(17,372)
Net Change in Fund Balance	\$ 39,906	\$ 25,274	\$ 847	\$ (1,893)	\$ 42,386	\$ (3,320)	\$ (28,748)	\$ 1,481	\$ 3,722	\$ (5,373)
Debt Service as a Percentage of Non-capital Expenditures	12.47%	13.73%	13.43%	15.42%	11.94%	11.22%	14.75%	12.88%	13.10%	12.35%

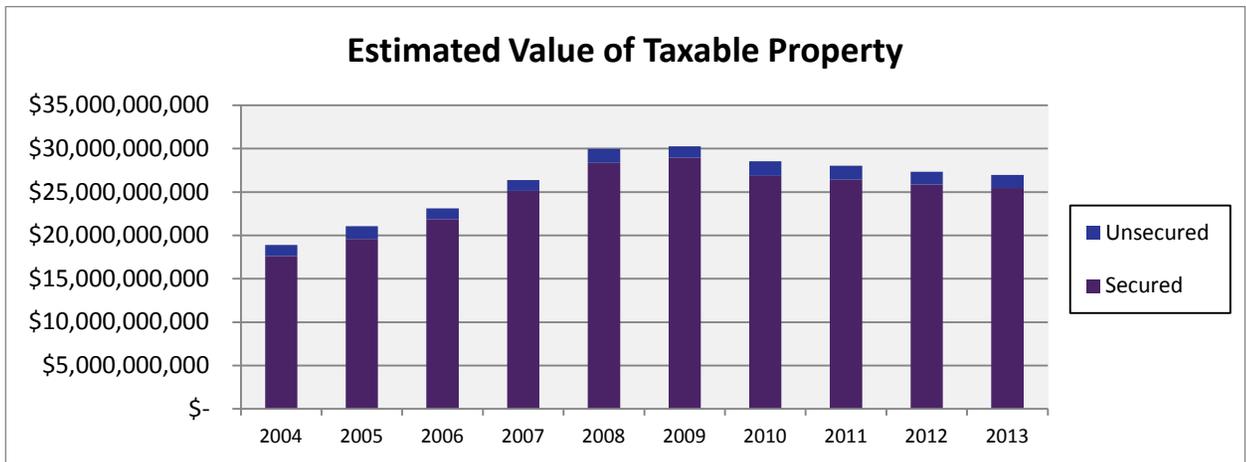
Source: City of Fresno, Finance Department

Notes: To properly calculate the ratio of total debt service expenditures to noncapital expenditures, only governmental fund expenditures for the acquisition and construction of assets that are classified as capital assets for reporting in the government-wide financial statements have been subtracted from the total governmental fund expenditures. These figures by fiscal year are as follows: (2004) \$27,501,712; (2005) \$72,289,487; (2006) \$37,560,975; (2007) \$68,760,714; (2008) \$53,216,919 and; (2009) \$49,825,792; (2010) \$79,262,273; (2011) \$30,695,022; (2012) \$15,973,001; (2013) \$18,151,306.

CITY OF FRESNO, CALIFORNIA

**GROSS ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Secured Estimated Actual</u>	<u>Unsecured Estimated Actual</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Assessed Value as a Percent of Estimated Actual Value</u>
2004	\$ 17,620,912,683	\$ 1,290,154,954	\$ 18,911,067,637	1.233568%	100%
2005	19,578,018,093	1,473,733,287	21,051,751,380	1.243238%	100%
2006	21,871,531,043	1,230,769,455	23,102,300,498	1.177892%	100%
2007	25,129,666,067	1,232,429,282	26,362,095,349	1.219102%	100%
2008	28,342,504,628	1,630,011,237	29,972,515,865	1.208642%	100%
2009	28,935,909,029	1,314,490,825	30,250,399,854	1.138298%	100%
2010	26,857,338,571	1,695,509,992	28,552,848,563	1.231626%	100%
2011	26,427,029,439	1,607,052,037	28,034,081,476	1.231352%	100%
2012	25,850,359,825	1,476,938,743	27,327,298,568	1.228308%	100%
2013	25,446,100,571	1,511,385,533	26,957,486,104	1.230656%	100%



Source: County of Fresno

Notes: Fresno County does not collect Actual Value (Market Value) information on taxable properties.
 Fresno County does not collect Actual Value (Market Value) information on tax exempt properties.
 The estimated actual value of taxable property is the same as the gross assessed value.

CITY OF FRESNO, CALIFORNIA

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

(Percentage per \$100 of Assessed Value)

Fiscal Year	City of Fresno	Schools		County-Wide	Total Overlapping Property Tax Rate
	Debt Service Tax Rate	Fresno Unified School District	State Center Community College	Property Tax Rate	
2004	0.032438	0.185486	0.015644	1.0	1.233568
2005	0.032438	0.196428	0.014372	1.0	1.243238
2006	0.032438	0.139568	0.005886	1.0	1.177892
2007	0.032438	0.181626	0.005038	1.0	1.219102
2008	0.032438	0.160586	0.015618	1.0	1.208642
2009	0.032438	0.105266	0.000594	1.0	1.138298
2010	0.032438	0.010324	0.188864	1.0	1.231626
2011	0.032438	0.188864	0.010050	1.0	1.231352
2012	0.032438	0.188800	0.007070	1.0	1.228308
2013	0.032438	0.188860	0.009358	1.0	1.230656

Source: County of Fresno

Notes: On June 6, 1978, California voters approved a constitutional amendment to Article XIII A of the California Constitution, commonly known as Proposition 13, which limits the taxing power of California public agencies. Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A of \$1.00 per \$100.00 of full cash value. Assessed value is equal to full cash value, pursuant to Senate Bill 1656, Statutes of 1978.

FY2005 overlapping tax rate has been corrected. Incorrect figure (1.210636) previously reported for FY2005.

CITY OF FRESNO, CALIFORNIA

**PRINCIPAL PROPERTY TAX PAYERS¹
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Type of Business	2013 ⁴			2004		
		Taxable Assessed Value	Rank	% of Total County Assessed Value	Taxable Assessed Value	Rank	% of Total County Assessed Value
Pacific Gas & Electric Company	Utility	\$ 1,861,458,368	1	0.0303	\$ 1,133,794,726	1	0.0285
Chevron USA, Inc.	Petroleum	716,401,707	2	0.0117	142,598,609	4	0.0036
So. California Edison Co.	Utility	451,948,187	3	0.0074	342,656,713	2	0.0086
Panoche Energy Center, LLC	Utility	321,000,000	4	0.0052	-	-	-
AERA Energy, LLC ³	Petroleum	254,747,464	5	0.0041	-	-	-
AT&T California (Pacific Bell)	Telecommunications	188,590,881	6	0.0031	176,896,366	3	0.0045
Del Rey Juice Company, LLC	Food Processing	149,431,158	7	0.0024	-	-	0.0000
Macerich Fresno Ltd Partnership	Real Estate	132,334,400	8	0.0022	97,271,526	5	0.0024
Gallo E & J Winery	Winery	123,381,613	9	0.0020	78,573,200	7	0.0020
GAP, Inc	Retail	115,758,800	10	0.0019	72,396,023	9	0.0018
Atlantic Path 15 ²	Electric Transmission	-	-	-	-	-	-
Fresno Farming LLC	Farm Products	-	-	-	87,524,699	6	0.0022
The Gap Inc	Warehousing	-	-	-	75,866,137	8	0.0019
Riverview Estates	Real Estate	-	-	-	68,178,528	10	0.0017
Total		\$ 4,315,052,578		0.0703	\$ 2,275,756,527		0.0536

Source: County of Fresno

Notes: ¹ Information provided for the County of Fresno. A breakdown of property taxpayers for the City of Fresno is not available

² Formerly Trans-Elect NTD 15, LLC.

³ Consists of California onshore and offshore exploration and production (E&P) assets previously operated by CalResources LLC.

⁴ Taxpayer Information as of 10/24/2012.

CITY OF FRESNO, CALIFORNIA

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Total Net Tax Levy (Original Levy)	Supplemental Assessments ¹	Total Adjusted Tax Levy	Current Tax Collections				Percent of Collection of Adjusted Tax Levy
				Amount Collected	Percentage of Net Tax Levy	Delinquent Tax Collections ²	Total Tax Collections	
2004	\$ 39,297,358	\$ 6,019,454	\$ 45,316,812	\$ 43,981,854	97.05%	\$ 2,012,461	\$ 45,994,315	101.50%
2005	38,372,942	6,768,814	45,141,756	44,752,794	99.14%	1,769,044	46,521,838	103.06%
2006	42,611,672	12,806,292	55,417,964	54,159,317	97.73%	1,786,932	55,946,249	100.95%
2007	84,872,378	13,626,269	98,498,647	96,163,757	97.63%	2,213,392	98,377,149	99.88%
2008	95,970,818	13,845,541	109,816,359	106,410,341	96.90%	1,809,904	108,220,245	98.55%
2009	96,222,918	12,489,738	108,712,656	106,892,034	98.33%	10,721,793	117,613,827	108.19%
2010 ³	90,717,173	8,915,811	99,632,984	95,393,395	95.74%	3,846,403	99,239,798	99.61%
2011	88,944,564	10,281,793	99,226,357	97,816,966	98.58%	3,320,387	101,137,353	101.93%
2012	87,016,755	9,969,282	96,986,037	96,163,705	99.15%	2,124,668	98,288,373	101.34%
2013	86,530,712	10,098,582	96,629,294	98,239,898	101.67%	1,699,585	99,939,483	103.43%
Average Collections								101.84%

Source: County of Fresno

Notes:

- ¹ Supplemental Assessments include voter approved indebtedness for Fire and Police Pensions and supplemental assessments added whenever new construction is completed and whenever real property changes ownership under Chapter 3.5 of Part 0.5 of Division 1 of the California Revenue and Taxation Code,
- ² Fresno County was unable to separately report the penalties and interest from the delinquent tax collections as of Mid-year FY13. Delinquent tax collections will be reported exclusive of penalties and interest beginning in FY14.
- ³ Original Levy for FY10 corrected by Fresno County.

CITY OF FRESNO, CALIFORNIA

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

(dollars in thousands, except per capita)

	Governmental Activities					Business Type Activities				
	General Obligation Bonds	Lease Revenue Bonds	Tax Allocation Bonds	Certificates of Participation	Notes Payable	Capital Leases	Airport Revenue Bonds	Solid Waste Revenue Bonds	Sewer Revenue Bonds	Lease Revenue Bonds
2004	\$ 204,095	\$ 96,770	\$ 14,195	\$ 5,945	\$ 6,174	\$ 8,962	\$ 41,815	\$ 14,845	\$ 232,775	\$ 76,245
2005	200,150	135,165	13,635	5,355	12,770	11,134	41,155	13,790	226,100	78,775
2006	196,020	129,985	13,055	4,725	12,387	12,108	40,460	12,685	219,110	95,725
2007	191,690	119,105	12,360	4,055	11,410	12,429	61,735	11,530	211,770	92,612
2008	187,140	151,915	11,637	3,350	10,858	17,365	60,970	10,315	204,050	92,356
2009	182,345	191,995	10,882	2,590	10,876	14,128	60,165	9,050	251,710	102,019
2010	177,285	204,490	10,100	-	10,264	10,981	59,320	7,720	243,155	97,667
2011	171,935	198,675	9,285	-	9,492	10,671	58,430	7,500	234,090	93,151
2012	166,275	190,025	-	-	6,902	7,696	57,495	-	227,300	92,860
2013	160,285	181,035	-	-	6,112	6,718	56,490	-	220,085	88,440

Source: Debt Information - City of Fresno, Finance Department
Population Information - State of California Department of Finance, Demographic Research Unit

Notes: See the Schedule of Demographic and Economic Statistics for personal income and population data on page 265.

Corrections to prior year schedule have been made to properly assign dollars to correct categories.
Total Primary Government figures for FY10, FY11 and FY12 restated as previously included Component Unit
Notes Payable. Corrections resulted in subsequent correction to FY10 and FY11 Percentage of Personal Income.

The City current-refunded the 1994 COP's (Arena Financing Project) by issuing the 2005 Lease Revenue Bonds
(No Neighborhood Left Behind Project). Because of this refunding, the balance moved from the COP column to
the Revenue and Other Bonds column.

The City is not obligated in any manner for the Special Assessment debt, but is acting as an agent for property
owners in collecting the assessments and forwarding the collections to the trustee or paying agent and initiating
foreclosure proceedings, if appropriate.

As of FY2008, General Services and Risk Fund Capital Leases previously reported under Business-Type Activities
are now reported under Governmental Activities.

CITY OF FRESNO, CALIFORNIA

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

(dollars in thousands, except per capita)

Business Type Activities				Fiduciary Funds			Component Unit				
Certificates of Participation	Notes Payable	Capital Leases	Water Revenue Bonds	Tax Allocation Bonds	Notes Payable	Capital Leases	Total Primary Government	Notes Payable	Percentage of Personal Income	Net Debt per Capita	
\$ 13,425	\$ 2,438	\$ 2,445	\$ 46,990	\$ -	\$ -	\$ -	\$ 767,119	\$ -	3.47%	1,682	
6,790	2,163	3,444	45,465	-	-	-	795,891	-	3.49%	1,713	
6,080	1,922	5,062	43,890	-	-	-	793,214	-	3.31%	1,682	
5,335	1,716	5,473	42,265	-	-	-	783,485	-	3.11%	1,629	
4,550	1,503	-	40,590	-	-	-	796,599	-	2.85%	1,639	
3,725	2,034	-	38,850	-	-	-	880,369	-	3.14%	1,775	
-	5,923	-	168,515	-	-	-	995,420	16,660	3.46%	2,015	
-	5,624	-	164,375	-	-	-	963,228	16,660	3.14%	1,959	
-	11,775	-	160,155	8,432	1,782	2,041	932,738	16,660	2.94%	1,880	
-	46,880	-	155,765	7,546	1,727	1,950	933,033	16,660	Not Available	Not Available	

CITY OF FRESNO, CALIFORNIA

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

<u>General Bonded Debt Outstanding</u>						
Fiscal Year	General Bonded Debt ¹	Redevelopment Bonds	Total	Percent of Actual Taxable Value of Property ²	Population	Net Debt per Capita
2004	\$ 204,095,000	\$ 14,195,000	\$ 218,290,000	1.154%	456,100	479
2005	200,150,000	13,635,000	213,785,000	1.016%	464,727	460
2006	196,020,000	13,055,000	209,075,000	0.905%	471,479	443
2007	191,690,000	12,360,000	204,050,000	0.774%	481,035	424
2008	187,140,000	11,637,000	198,777,000	0.663%	486,171	409
2009	182,345,000	10,882,000	193,227,000	0.639%	495,913	390
2010	177,285,000	10,100,000	187,385,000	0.656%	502,303	373
2011	171,935,000	9,285,000	181,220,000	0.646%	500,121	362
2012 ³	166,275,000	8,432,000	174,707,000	0.639%	505,009	346
2013	160,285,000	7,546,000	167,831,000	0.623%	508,453	330

Source: General Bonded Debt Information - City of Fresno Department of Finance
Population Information - State of California Department of Finance, Demographic Research Unit

Notes: ¹ Details regarding the City's outstanding debt can be found in the notes to the financial statements.
² See the Gross Assessed Value and Actual Value of Taxable Property schedule for property value information.
³ Correction made to prior year due to data entry error.

CITY OF FRESNO, CALIFORNIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT²

AS OF December 19, 2012

	Estimated Percent Applicable ¹	Debt Applicable December 19, 2012
<u>Overlapping Tax, Assessment and General Fund Debt</u>		
City of Fresno Community Facilities District No. 4	100.000 %	\$ 1,470,000
City of Fresno Community Facilities District No. 5	100.000	1,125,000
City of Fresno Community Facilities District No. 7	100.000	1,715,000
State Center Community College District	42.462	44,317,589
Clovis Unified School District	50.451	128,308,486
Clovis Unified School District Certificates of Participation	50.451	13,641,950
Fresno Unified School District	83.436	319,733,434
Fresno Unified School District Certificates of Participation	83.436	19,941,204
Central Unified School District	78.218	74,201,699
Central Unified School District Certificates of Participation	78.218	22,237,377
Other School Districts	Various	17,958,622
Fresno County Pension Obligations	46.087	202,726,458
Fresno County General Fund Obligations	46.087	<u>33,410,771</u>
Sub-total overlapping debt		880,787,590
<u>Direct General Fund Debt</u>		
City of Fresno General Fund Obligations ³	100.000 %	272,307,071
City of Fresno Judgment Obligations	100.000	2,405,000
City of Fresno Pension Obligations	100.000	<u>163,450,000</u>
Sub-total Direct Debt		438,162,071
<u>Overlapping Tax Increment Debt</u>		
Fresno Redevelopment Agency Mariposa Medical Project Area	100.000 %	3,522,000
Fresno Redevelopment Agency Merger No. 2 Project Area	100.000	<u>4,265,000</u>
Sub-total Overlapping Tax Increment Debt		7,787,000
Total Direct and Overlapping Debt⁴		<u><u>\$ 1,326,736,661</u></u>

Source: California Municipal Statistics, Inc.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business of the City of Fresno. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

¹The percentage of overlapping debt applicable to the City of Fresno is estimated using taxable assessed property value.

Applicable percentages were estimated by determining the portion of overlapping district's taxable assessed value that is within the boundaries of the City of Fresno divided by the District's total taxable assessed value.

²Does not include City Revenue Bonds or Parking District Bonds, which are self-supporting.

³Excludes Issue to be sold.

⁴Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

CITY OF FRESNO, CALIFORNIA

PLEGGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Water Revenue Bonds			Debt Service		Coverage
	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Principal	Interest	
2004	\$ 39,956,895	\$ 29,139,172	\$ 10,817,723	\$ 1,455,000	\$ 2,282,790	2.89
2005	41,602,576	28,016,826	13,585,750	1,525,000	2,212,440	3.64
2006	39,254,582	33,254,469	6,000,113	1,575,000	2,163,826	1.60
2007	45,136,898	36,786,028	8,350,870	1,625,000	2,113,540	2.23
2008	56,359,824	39,754,834	16,604,990	1,675,000	2,059,142	4.45
2009	65,596,663	41,728,670	23,867,993	1,740,000	1,996,222	6.39
2010	67,721,958	43,783,270	23,938,688	28,485,000	4,628,353	0.72
2011	67,921,933	46,426,161	21,495,772	4,140,000	9,744,738	1.55
2012	69,268,830	47,637,366	21,631,464	3,330,000	9,185,238	1.73
2013	71,667,204	44,930,249	26,736,955	4,390,000	9,492,788	1.93

Fiscal Year	Sewer Revenue Bonds			Debt Service		Coverage
	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Principal	Interest	
2004	\$ 48,247,747	\$ 22,760,763	\$ 25,486,984	\$ 6,395,000	\$ 10,552,427	1.50
2005	49,359,690	33,397,428	15,962,262	6,675,000	9,700,957	0.97
2006	48,403,620	26,014,652	22,388,968	6,990,000	10,191,531	1.30
2007	50,362,926	39,753,076	10,609,850	7,340,000	10,336,552	0.60
2008	60,798,990	31,909,771	28,889,219	7,720,000	10,433,419	1.59
2009 ⁴	62,521,061	31,646,468	30,874,593	112,185,000	12,079,524	0.25
2010	74,157,960	30,714,505	43,443,455	8,555,000	12,924,557	2.02
2011	76,628,147	31,422,980	45,205,167	9,065,000	12,387,963	2.11
2012	76,725,785	36,857,808	39,867,977	6,790,000	11,895,831	2.13
2013	76,324,086	36,431,161	39,892,925	7,215,000	11,458,175	2.14

Fiscal Year	Solid Waste Revenue Bonds			Debt Service		Coverage
	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Principal	Interest	
2004	\$ 38,613,025	\$ 35,756,411	\$ 2,856,614	\$ 1,010,000	\$ 839,201	1.54
2005	39,302,948	29,060,871	10,242,077	1,055,000	792,741	5.54
2006	38,820,396	34,661,314	4,159,082	1,105,000	743,156	2.25
2007	43,250,635	42,230,822	1,019,813	1,155,000	691,221	0.55
2008	47,719,291	42,697,351	5,021,940	1,215,000	636,359	2.71
2009	49,848,807	41,805,444	8,043,363	1,265,000	577,431	4.37
2010	51,363,783	40,957,109	10,406,674	1,330,000	514,181	5.64
2011	51,753,225	42,597,788	9,155,437	220,000	447,681	13.71
2012	38,270,882	40,085,400	(1,814,518)	7,500,000	127,301	(0.24)
2013	-	-	-	-	-	-

Notes: ¹ The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from the methodology required for calculations as laid out in the following: Airport's Series 2000; Airport Series 2007; Sewer 2008; Water 2003; and Water 2010 bond indentures.

² Operating Expenses do not include interest, amortization or depreciation expenses.

³ Parks bonds issued 4/1/2008. There were no Principal or Interest payments prior to FY 2009.

⁴ In FY09 Sewer System Subordinate Lien Variable Rate Revenue Refunding Bonds 2000A Principal balance of \$74,000,000 and Interest of \$363,762.57 Paid off.

⁵ Solid Waste Management Enterprise Revenue Bond 2000A paid off in FY12.

CITY OF FRESNO, CALIFORNIA

**PLEGGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Airport Revenue Bonds ¹			Debt Service		Coverage
	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Principal	Interest	
2004	\$ 13,121,880	\$ 11,456,209	\$ 1,665,671	\$ 630,000	\$ 2,366,285	0.56
2005	16,066,393	15,361,031	705,362	660,000	2,334,035	0.24
2006	14,668,777	13,568,542	1,100,235	695,000	2,300,160	0.37
2007	15,162,563	13,738,411	1,424,152	725,000	2,262,848	0.48
2008	16,136,789	15,672,366	464,423	765,000	2,926,013	0.13
2009	19,768,368	16,380,360	3,388,008	805,000	3,467,795	0.79
2010	19,367,292	16,462,316	2,904,976	845,000	3,426,545	0.68
2011	21,700,560	17,868,054	3,832,506	890,000	3,383,170	0.90
2012	17,695,379	15,377,713	2,317,666	935,000	3,332,870	0.54
2013	23,328,775	18,610,561	4,718,214	1,005,000	3,274,683	1.10

Fiscal Year	Fresno Convention Center Revenue Bonds			Debt Service		Coverage
	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Principal	Interest	
2004	\$ 3,497,094	\$ 5,474,905	\$ (1,977,811)	\$ 515,000	\$ 1,121,473	(1.21)
2005	2,917,281	5,700,187	(2,782,906)	515,000	1,121,473	(1.70)
2006	3,267,366	5,371,391	(2,104,025)	990,000	1,308,394	(0.92)
2007	3,042,812	5,731,581	(2,688,769)	2,292,608	1,996,759	(0.63)
2008	3,352,662	6,463,610	(3,110,948)	4,620,990	2,163,404	(0.46)
2009	3,130,426	5,073,021	(1,942,595)	10,302,095	2,019,101	(0.16)
2010	3,037,604	5,312,425	(2,274,821)	3,356,400	3,037,480	(0.36)
2011	2,929,106	4,506,211	(1,577,105)	3,466,200	2,930,086	(0.25)
2012	2,667,354	3,842,241	(1,174,887)	3,351,578	282,023	(0.32)
2013	2,594,417	3,835,929	(1,241,512)	3,307,592	2,708,001	(0.21)

Fiscal Year	Stadium Bonds			Debt Service		Coverage
	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Principal	Interest	
2004	\$ 1,504,707	\$ 85,054	\$ 1,419,653	\$ 720,000	\$ 2,725,763	0.41
2005	1,500,000	7,389	1,492,611	755,000	2,694,203	0.43
2006	1,500,000	5,899	1,494,101	785,000	2,660,674	0.43
2007	1,500,000	4,482	1,495,518	820,000	2,624,302	0.43
2008	1,508,013	4,481	1,503,532	860,000	2,585,848	0.44
2009	1,500,000	301,893	1,198,107	905,000	2,543,386	0.35
2010	1,675,220	1,114	1,674,106	950,000	2,496,923	0.49
2011	340,281	13,379	326,902	1,005,000	2,441,061	0.09
2012	1,251,303	11,843	1,239,460	1,065,000	2,381,286	0.36
2013	1,088,568	8,571	1,079,997	1,120,000	2,322,058	0.31

Fiscal Year	Parks Bonds			Debt Service		Coverage
	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Principal	Interest	
2009 ³	\$ 489,826	\$ 1,855,534	\$ (1,365,708)	\$ 40,000	\$ 90,663	(10.45)
2010	634,706	1,280,465	(645,759)	45,000	111,409	(4.13)
2011	742,319	351,889	390,430	45,000	109,510	2.53
2012	780,945	614,078	166,867	50,000	107,300	1.06
2013	736,289	415,926	320,363	50,000	105,675	2.06

CITY OF FRESNO, CALIFORNIA

**LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

(Dollars in Thousands)

<u>Legal Debt Limit Calculation for FY 2013</u>	
Assessed Value	\$ 26,957,486
Debt Limit (20% of assessed value, pursuant to City Charter)	5,391,497
Debt applicable to the limit:	
General obligation bonds ¹	-
Less amount set aside for repayment of GO debt	-
Total net debt applicable to limit	-
Legal debt margin	<u><u>\$ 5,391,497</u></u>

Fiscal Year	Debt Limit	Total net debt applicable to limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2004	\$ 3,782,213	\$ 204,095	\$ 3,578,118	5.40%
2005	4,210,350	200,150	4,010,200	4.75%
2006	4,620,460	196,020	4,424,440	4.24%
2007	5,272,419	191,690	5,080,729	3.64%
2008	5,994,503	187,140	5,807,363	3.22%
2009	6,050,080	-	6,050,080	0.00%
2010	5,710,570	-	5,710,570	0.00%
2011	5,606,816	-	5,606,816	0.00%
2012	5,465,460	-	5,465,460	0.00%
2013	5,391,497	-	5,391,497	0.00%

Source: Assessed Valuation Information - County of Fresno, Tax Rate Book

Notes: ¹ The City's Judgment and Pension obligation bonds were the result of legal judgments that were financed to be paid out over a period of time. Per Article XVI, Section 18 of the California Constitution "obligations imposed by law" are deemed exceptions to the debt limit.

CITY OF FRESNO, CALIFORNIA

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Calendar Year	Population	Personal Income ¹	Per Capita Personal Income ¹	Unemployment Rate	Area Square Miles
2004	456,100	\$ 22,136,282,000	\$ 25,573	10.500%	106.77
2005	464,727	22,796,108,000	25,961	9.000%	107.35
2006 ⁴	471,479	23,980,463,000	27,081	8.000%	110.10
2007	481,035	25,214,459,000	28,181	8.600%	110.72
2008	486,171	27,994,357,000	30,997	10.600%	111.10
2009	495,913	28,049,514,000	30,646	15.100%	111.78
2010 ²	502,303	29,246,460,000	31,357	15.800%	112.35
2011 ²	500,121	31,173,662,000	33,132	15.600%	112.29
2012 ³	505,009	32,298,282,000	34,074	14.300%	113.04
2013 ⁵	508,453	Not Available	Not Available	Not Available	113.13

Source: Population Information - State of California Department of Finance, Demographic Research Unit
 Unemployment information - California Employment Development Department, Labor Market Information
 Per Capita Income and Personal Income - Bureau of Economic Analysis (BEA).

Notes:

- ¹ Information pertains to Fresno, CA, Metropolitan Statistical Area (MSA).
- ² Personal income and Per Capita Income for 2010 and 2011 are revised estimates per BEA as of November 2013.
- ³ Personal income and Per Capita Income for 2012 are estimated per BEA as of November 2013.
- ⁴ 2006 Area square miles are estimated.
- ⁵ 2013 Population as of 1/1/2013

CITY OF FRESNO, CALIFORNIA

**PRINCIPAL EMPLOYERS³
CURRENT YEAR AND NINE YEARS AGO**

Employer	2013 ¹			2004 ²		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
County of Fresno	6,064	1	3.05%	7,050	2	3.64%
Community Regional Medical Center	3,589	2	1.80%	4,630	3	2.39%
City of Fresno ⁵	3,100	3	1.56%	3,610	4	1.86%
Saint Agnes Medical Center	1,906	4	0.96%	2,383	5	1.23%
California State University, Fresno	1,525	5	0.77%	1,993	7	1.03%
VA Central California Healthcare System	1,032	6	0.52%	-	-	-
Kaiser Permanente Medical Center	1,012	7	0.51%	2,000	6	1.03%
Lyons Magnus	600	8	0.30%	-	-	-
Guarantee Real Estate	455	9	0.23%	-	-	-
Educational Employees Credit Union	345	10	0.17%	-	-	-
Fresno Unified School District	-	-	-	7,418	1	3.83%
Quinn Group, Inc.	-	-	-	1,178	8	0.61%
State Center Community College District	-	-	-	1,082	9	0.56%
Central Unified School District	-	-	-	1,023	10	0.53%
Total	19,628		9.87%	32,367		16.71%
Fresno City Employment ⁴	199,000			193,700		

Source: Employer Information - The Business Journal - Book of Lists
Employment Development Department (EDD) - Labor Market Information, State of California

- Notes:** ¹Current year employer information available from 2013 Book of Lists and represents the number of 2012 private and public sector full time employees.
² 2004 employer information provided in 2006 Book of Lists.
³ Principal employers information provided on this schedule is representative only of those employers who responded to phone or fax inquiries from the Book of Lists publishers.
⁴ 2004 and 2012 Fresno City Employment figures are annual preliminary figures provided by EDD.
⁵ City of Fresno employee figures are as published in the 2013 and 2006 Book of Lists.

CITY OF FRESNO, CALIFORNIA

FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY PROGRAM^{1,2}
 LAST TEN FISCAL YEARS

	2004 ³	2005 ³	2006 ³	2007 ³	2008 ³	2009 ³	2010 ³	2011 ^{3,18}	2012 ³	2013 ³
General Government										
Management	81.00	79.00	86.00	100.00	102.00	104.00	103.00	88.80	78.80	78.80
Finance	126.65	128.65	129.65	130.65	130.65	130.65	130.65	101.00	54.68	56.00
General Services ¹⁷	138.00	141.00	129.00	136.00	137.00	139.00	139.00	104.00	-	-
Other	108.80	109.60	120.60	128.00	128.00	129.00	129.00	116.80	91.00	89.75
Enterprise Functions										
Convention Center ⁴	36.00	-	-	-	-	-	-	-	-	-
Transportation										
Airports										
Sworn ¹⁰	20.00	22.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Civilian	70.00	70.00	72.00	74.50	75.20	78.00	78.00	78.00	72.00	72.30
FAX Department	331.80	330.80	357.80	386.80	420.80	420.80	420.80	342.00	409.00	407.00
Public Utilities ^{9, 19}	595.00	623.00	648.00	650.00	664.00	669.00	683.00	691.00	697.08	602.25
Economic Growth and Expansion										
Development and Resource Management Department ¹⁵	-	-	-	-	-	-	-	156.03	169.94	163.10
Downtown & Community Revitalization Department ¹⁰	-	-	-	-	-	10.00	10.00	20.00	-	-
Planning and Development ^{7, 15}	187.50	204.03	210.03	198.03	203.03	203.03	194.39	-	-	-
Economic Development ¹⁴	6.00	6.00	6.00	9.00	10.00	-	-	-	-	-
Public Works ⁶	242.20	325.20	327.60	334.60	337.40	338.40	339.40	264.40	265.00	268.00
Culture and Recreation										
Parks, Recreation and Community Services	207.97	184.17	184.16	171.95	170.95	169.95	148.25	85.50	52.00	52.00
Public Protection										
Police										
Sworn ⁵	778.00	804.00	835.00	835.00	843.00	849.00	849.00	816.58	767.75	748.00
Civilian ¹³	388.20	402.20	406.80	444.80	461.80	470.40	431.40	210.08	200.00	202.00
Fire										
Sworn ^{9, 12}	273.00	304.00	305.00	337.00	383.00	383.00	383.00	340.35	317.65	309.00
Civilian	20.00	22.00	58.75	67.00	70.00	59.00	58.00	52.60	40.00	42.75
Total	3,610.12	3,755.65	3,881.39	4,008.33	4,141.83	4,158.23	4,101.89	3,472.14	3,219.90	3,095.95

Source: City of Fresno Budget Management & Studies Division - Adopted Budgets, Authorized Positions. Information prior to 2002 not comparable.

- Notes: ¹ Figures for FTE's include Permanent, Permanent Part-Time and Permanent Intermittent employees only.
² Authorized Positions are established by resolution of the City Council and represent the total number of permanent, permanent part-time and permanent intermittent positions in which persons may be employed by the City during a Fiscal Year. Changes in the total number of positions can only be accomplished by resolution of the City Council.
³ Total permanent positions for each fiscal year are represented as of the following dates: FY2004 as of July, 2003; FY2005 as of June 30, 2005; FY2006 as of April, 2006; FY2007 as of April, 2006; FY2008 as of May, 2008; FY2009 as of May 2009; FY2010 as of June 2010; FY2011 as of May 2011; FY2012 as of May 2012; FY2013 as of September 2012.
⁴ The City contracted with SMG in January 2004 for operations and marketing of the Fresno Convention Center. Convention Center positions were authorized until December 31, 2004, but are shown for a full year.
⁵ FY2006 Upswing in sworn positions due to UHP grant and increase in officers added to the Motorcycle Unit, Neighborhood Traffic Unit.
⁶ Beginning in FY2005, Public Works staff increased to directly support the "No Neighborhood Left Behind" program. In addition, positions responsible for street landscaping maintenance were moved from Parks, Recreation & Community Service to Public Works.
⁷ In FY2005 Planning and Development added positions to improve project time lines and inspection efficiencies.
⁸ In FY2005 and FY2006 positions were added primarily to the Solid Waste and Wastewater Maintenance Divisions due to a surge in residential customer growth, ordinance enforcement and commercial recycling efforts.
⁹ In FY2005 additional sworn positions were added in the Fire Suppression & Emergency Response Division to staff a new Fire Station. Inspector positions were added to the Fire Prevention & Investigation Division to perform inspections on existing buildings and new construction.
¹⁰ In FY2006 Airport Public Safety positions were transferred to the Police and Fire Departments.
¹¹ In FY2007 Positions added to support 15-minute frequencies on two (2) routes based on Congestion Mitigation Air Quality (CMAQ) grant.
¹² In FY2007 Due to additional funding (a portion of which was provided by Staffing for Adequate Fire and Emergency Response (SAFER) grant) a 4th firefighter was added to several existing fire companies.
¹³ In FY2007 additional Police Cadets added and the Stamp Out graffiti program from Planning and Development to the police department.
¹⁴ In FY2009 the Economic Development Department was restructured and renamed the Downtown & Community Revitalization Department to reflect focus on strengthening the local economy through downtown revitalization, improving neighborhoods and supporting locally owned businesses.
¹⁵ In FY2011 Planning and Development became the Development and Resource Management Department (DARM).
¹⁶ In FY2012 the Downtown & Community Revitalization Department was consolidated into the DARM Department.
¹⁷ In FY2012 the General Services Department (GSD) was dissolved and its operating divisions were merged into the Finance, Public Works and Transportation/FAX Departments.
¹⁸ Corrections made in FY2011 number of employees to equal FY2011 adopted Authorized Positions
¹⁹ In FY2012, Effective December 1, 2011, Commercial Solid Waste Operations were franchised. 109 authorized positions in the Public Utilities Department were deleted by City Council Resolution, effective July, 3, 2012.

CITY OF FRESNO, CALIFORNIA

**OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS**

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government										
Building Permits Issued ²										
Commercial	1,530	1,498	1,891	1,647	1,546	1,186	1,174	1,133	1,830	1,756
Residential	7,024	7,526	7,987	6,669	5,514	3,494	3,557	3,276	6,499	7,167
Police										
Physical Arrests ⁴	47,989	52,360	54,250	50,241	44,953	47,246	43,674	35,726	32,782	35,489
Traffic Violations (citations issued) ^{3,12}	63,546	85,937	94,993	90,569	85,388	95,354	Not Avail	58,132	64,979	53,485
Calls Received for Police Service ⁹	413,064	416,390	430,528	606,695	777,600	775,629	771,742	864,005	876,820	945,989
Fire										
Emergency Medical Service Calls	19,723	20,577	22,614	19,235	21,398	22,143	22,758	19,671	19,216	18,129
Fire Incidents ¹⁴	10,286	9,329	10,107	10,976	11,266	12,063	12,220	12,109	13,800	14,518
Fire Inspections ^{1,10}	Not Avail	Not Avail	13,497	19,410	19,401	11,210	14,962	12,151	10,985	12,414
Fire Hydrant Inspections	11,399	10,564	13,388	22,159	25,422	25,594	36,233	28,109	30,917	30,342
Wastewater Treatment										
Average Daily Sewage Treatment (million gallons per day)	70.72	70.43	72.00	71.00	69.70	69.70	65.20	66.08	63.56	61.90
Wastewater Treatment Capacity (million gallons per day)	80	80	80	80	80	80	80	80	80	80
Solid Waste										
Refuse Collected (tons per day)	1,098	1,113	1,124	1,085	1,015	961	965	979	916	477
Recyclables Collected (tons per day)	171	189	201	221	453	238	216	214	201	147
Green Waste Collected (tons per day)	320	339	334	326	193	398	327	325	396	378
Other Public Works										
Street Resurfacing (miles) ⁸	12	12	12	12	161	102	27	27	16	10.2
Parking Violations (citations issued) ³	18,741	51,231	66,796	62,313	67,689	68,736	59,790	56,270	45,667	45,730
Parks and Recreation										
Athletic Field Permits Issued ^{1,11}	Not Avail	Not Avail	99	153	147	1,614	1,639	2,662	3,710	3,281
Memorial Auditorium User Groups	49	40	41	36	40	28	30	34	33	20
Memorial Auditorium, Audience	32,700	46,300	34,135	34,487	33,365	22,490	31,395	33,136	33,600	15,500
Water										
Number On-Service Accounts	120,399	122,732	124,517	127,646	128,812	130,844	132,184	131,880	131,801	130,530
Main/Service Leaks Repaired ¹	Not Avail	Not Avail	251	440	513	610	569	644	589	639
Avg. Daily Per Capita Consumption (gallons)	335	286	297	299	296	298	275	260	246	241
Peak Daily Consumption (MGD - Million Gallons per Day) ^{1,13}	Not Avail	Not Avail	249	253	244	244	238	220	209.13	200.46

CITY OF FRESNO, CALIFORNIA

**OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS**

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Transportation										
Airports										
Number of Commercial Airlines	7	7	10	10	9	8	8	9	9	10
Number of Cargo Carriers ⁶	6	6	5	4	4	4	4	3	3	3
Total Number Tenant Aircraft ⁶	439	433	367	377	354	354	378	401	405	405
Annual Fuel Consumption (gallons) ⁶	12,001,624	11,818,177	11,775,106	10,938,066	11,182,606	10,152,820	9,905,916	5,787,043	9,467,094	9,613,371
Origin and Destination Passengers										
Domestic	1,086,302	1,155,357	1,225,262	1,236,486	1,272,308	1,116,410	1,133,605	1,163,568	1,155,991	1,249,960
International	-	-	12,067	45,942	57,645	63,344	63,473	45,465	130,047	124,453
Origin and Destination Mail (lbs.)	49,232	37,875	14,033	9,709	386	45	1,397	91	20,880	6,661
Origin and Destination Freight (lbs.) ⁶	29,349,121	33,335,314	33,040,899	24,116,940	21,188,608	17,188,695	17,204,154	20,630,316	22,591,445	23,621,976
Fresno Area Express (FAX) ⁵										
Actual Route Miles	3,957,332	4,039,871	4,229,020	4,335,012	4,661,278	4,690,193	4,610,108	4,563,016	4,175,640	4,151,476
Passengers	10,854,998	11,241,649	11,808,729	12,080,346	16,925,826	18,049,827	17,554,565	17,589,425	14,589,425	12,442,248
Mini-Buses - Purchased Transportation	34	39	38	47	57	48	45	46	45	44

Source: City of Fresno - Various Departments

Notes:

- ¹ Information not available for all years for all categories.
- ² Building Permits Issued includes individual units and structures as appropriate -- a composite of new construction, additions, alterations, repairs and relocations.
- ³ Parking Violations for FY2004 representative of those citations that remain outstanding. Citations that were paid or dismissed are not included in this number.
- ⁴ Police department figures are based on calendar year and are as of Jan 1 of reported year.
- ⁵ Fresno Area Express Figures for FY2006 and FY2007 are unaudited figures.
- ⁶ Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).
- ⁷ International Service to Mexico started in FY2006.
- ⁸ Street resurfacing miles for FY2004 through FY2007 are departmental estimates. In FY2008, the figures are actual miles based on new asset management system.
- ⁹ The California Highway Patrol (CHP) discontinued handling of "911" calls. Those calls are currently routed to the nearest city.
- ¹⁰ Fire inspections figure now reflects only those performed in the City of Fresno and excludes service calls for neighboring fire districts.
- ¹¹ Parks and Recreation implemented a new software system that allows for more accurate usage totals.
- ¹² Statistics not gathered in FY2009 due to administrative staff reductions due to budget reductions in Police Department. In FY2011 reduction in citations attributed to 18% decrease in number of motor officers issuing citations due to unfilled attrition vacancies due to department-wide budget reductions.
- ¹³ Figures previously reported, corresponded to Thousands of Gallons per Minute. At the request of the department, figures and measurement changed to Million Gallons per Day.
- ¹⁴ FY2010 figure for fire incidents corrected per Fire department request.

CITY OF FRESNO, CALIFORNIA

**CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS¹**

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police Department										
Stations	5	5	5	5	5	5	5	5	4	4
Patrol Bureaus	7	7	7	7	7	7	7	7	4	4
Vehicular Patrol units	229	237	237	250	250	252	277	250	261	261
Helicopters	3	2	2	2	2	2	2	2	2	2
Fixed Wing Aircraft	-	1	1	1	1	1	1	1	1	1
Fire Department										
Fire Stations	16	16	19	20	20	20	20	20	20	20
Engine Companies	16	16	19	20	20	20	16	16	16	16
Truck Companies	5	5	5	6	6	6	4	4	4	4
Public Works										
Streets (miles) ⁶	1,654	1,800	1,678	1,778	1,700	1,700	1,666	1,692	1,548	1,497
Street Lights ⁷	38,694	40,485	45,000	46,600	78,020	39,000	40,000	41,100	41,000	41,556
Traffic Signals ¹	Not Avail	Not Avail	Not Avail	Not Avail	430	441	437	442	450	468
Solid Waste Division ¹⁰										
Collection Trucks	112	119	115	121	127	129	129	126	83	83
Water Division										
Water Mains (miles)	1,626	1,638	1,687	1,737	1,758	1,765	1,775	1,779	1,781	1,782
Wells	247	247	250	257	273	280	272	269	273	273
Fire Hydrants	Not Avail	Not Avail	11,820	12,232	12,426	12,769	12,878	12,914	12,954	13,001
Sewer Maintenance Division										
Sewer Mainlines (miles) ⁸	1,386	1,411	1,437	1,472	1,486	1,494	1,497	1,503	1,507	1,521
Manholes	20,706	21,152	21,566	21,062	22,703	22,867	22,977	23,123	23,275	23,384
Lift Stations	15	15	15	15	14	14	15	15	15	15
Parks										
Metropolitan Parks (Regional)	3	3	3	3	3	3	3	3	3	3
Neighborhood Parks	32	27	27	29	29	29	31	31	31	31
Pocket Parks	21	17	17	18	21	21	21	21	21	21
Zoo	1	1	1	1	1	1	1	1	1	1
Golf Courses	3	3	3	2	2	2	2	2	2	2
Community Parks	0	0	0	0	1	1	1	1	1	1
Skate Parks	1	2	2	5	5	5	5	6	6	6
Tennis Courts	46	43	42	40	40	40	40	40	40	40
Acres of Parks	Not Avail	Not Avail	1,520	1,523	1,523	1,523	1,535	1,535	1535	1535

CITY OF FRESNO, CALIFORNIA

**CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS¹**

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Parks cont.										
Neighborhood Centers	5	11	11	11	12	12	12	12	12	12
Community Center	6	5	5	5	5	5	5	5	5	5
Swimming Pools	11	9	9	9	15	15	10	5	5	5
Transportation										
Airports ³	2	2	2	2	2	2	2	2	2	2
Municipal Airport Total Acreage ^{3,4}	1,894	1,894	1,899	1,899	1,899	1,899	1,900	1,900	1,900	1,875
Length of Longest Runway (surfaced) - Linear FT. ³	12,848	12,853	12,853	12,853	12,853	12,853	12,853	12,853	12,853	12,853
Number of Runways ^{3,9}	4	4	4	3	3	3	3	3	3	3
Number of Terminals ³	2	2	2	2	2	2	2	2	2	2
Terminals (square footage) ³	170,132	170,132	180,980	180,980	180,980	184,936	193,364	193,364	193,364	193,364
Number of Parking Spaces (surface lot)	2,247	2,247	2,247	2,769	2,769	2,396	2,425	2,425	2,367	2,365
Air Cargo Ramp Spaces ²	0	9	9	9	9	9	9	9	9	9
Air Cargo Ramp (surface square footage) ²	0	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390
Number of Hangars ^{3,5}	255	284	301	300	298	302	304	302	302	302
Buses - Directly Operated	118	118	114	126	120	125	125	122	123	110

Source: City of Fresno - Various Departments

Notes: ¹ Information not available for all years for all categories.

² Air Cargo Ramp completed in FY2005

³ Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).

⁴ In FY2004 parcels of land were sold to Caltrans for easements and wetland mitigation efforts (Airports).

⁵ In FY2004 Taxiway construction work at both airports necessitated the elimination of some hangars.

⁶ Street miles in FY2005, FY2006 and FY2007 are estimated. Figure in FY2005 deemed to be an overestimation. In FY2008, new asset management system utilized to calculate actual miles. In FY2008, figure equates to 5,412 lane miles.

⁷ Number of Street Lights in FY2006, FY2007, FY2008, FY2010 and FY2011 are estimated.

In FY2008, figure originally deemed as actual was not. FY09 Supported by field survey per Department.

⁸ Figures for 2004-2006 restated due to decimal point placement correction.

⁹ One runway at Chandler Executive Airport (FCH) closed in FY2007.

¹⁰ Effective December 1, 2011 the collection and all commercial and multi-family solid waste services were franchised to two private haulers. The number of commercial solid waste trucks was reduced by 42 at that time.

This page intentionally left blank.

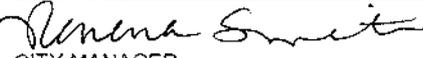


www.fresno.gov

AGENDA ITEM NO. 20
COUNCIL MEETING: 05/15/14
APPROVED BY _____

Date: May 15, 2014


DEPARTMENT DIRECTOR


CITY MANAGER

FROM:  Jeff Cardell, Director
Personnel Services Department

BY: Roy Angel, Risk Manager
Personnel Services Department

SUBJECT: Approve a resolution of the Council of the City of Fresno reallocating \$700,000 from the Property/Liability self-insurance contingency account to the refunds and claims account and outside legal services account

RECOMMENDATION

Approve the attached Resolution authorizing the reallocation of \$700,000 from the Property/Liability self-insurance contingency account to the refunds and claims account, (\$550,000) and to the outside legal services account (\$150,000) to meet anticipated obligations through June 30, 2014.

EXECUTIVE SUMMARY

The refunds and claims and outside legal services expense accounts are currently underfunded to pay projected costs through the end of the fiscal year due in large part to a liability settlement in the amount of \$1,350,000 during the month of September 2013.

BACKGROUND

The authorized FY 2014 appropriations in the Property/Liability self-insurance fund totals \$12,477,500 which includes employee service costs, operations and maintenance costs, interdepartmental charges, insurance claims and refunds and \$3,000,000 in contingency. The contingency account is budgeted in the event claims, or claims expense, exceed historical levels or to respond to situational emergencies. This requested reallocation is required to provide the funding to timely pay approved attorney's fees as well as property and liability refunds and claims.

The attached resolution authorizes the reallocation of \$700,000 from the contingency account to the refunds and claims account (\$550,000) and to the outside legal services account (\$150,000).

ENVIRONMENTAL FINDINGS

N/A

LOCAL PREFERENCE

N/A

FISCAL IMPACT

The requested reallocation does not increase appropriations; instead this action redistributes existing appropriations from the contingency account into the refunds and claims and outside legal services accounts. Should unexpended appropriations remain within the fund at the end of the fiscal year, the balance will rollover into the Property/Liability self-insurance fund in FY 2015. The FY 2015 budget assumes the use of these appropriations and has built charges to replenish the reserve to the \$3.0 million level.

Attachment: Resolution

RESOLUTION NO. _____

A Resolution of the Council of the City of Fresno approving the reallocation of \$700,000 from the Property/Liability Self-Insurance fund Contingency to fund liability Refunds and Claims as well as liability Outside Legal Services

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FRESNO:

THAT \$700,000 with the appropriations set forth in PART III of the Annual Appropriations Resolution No. 2013-98 be and is hereby approved to be reallocated from contingency to Refunds and Claims as well as Outside Legal Services, within the Property/Liability Self-Insurance Fund.

THAT account titles and numbers requiring adjustment by this Resolution are as follows:

Property/Liability Self-Insur

Appropriations:

Account: 61001 Contingency/Reserve	\$ (700,000)
53306 Outside Legal Services	150,000
63101 Refunds and Claims	<u>550,000</u>
Fund: 51502	
Org Unit: 540702	

Total Appropriations \$ 0

THAT the purpose is to reallocate \$700,000 from the Property/Liability Self-Insurance fund Contingency to address anticipated needs for the balance of FY 2014 in the Outside Legal Services and Refunds and Claims accounts.

Date Adopted:
Date Approved:
Effective Date:

Resolution No.

CLERK'S CERTIFICATION

STATE OF CALIFORNIA }
COUNTY OF FRESNO } ss.
CITY OF FRESNO }

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing Resolution was adopted by the Council of the City of Fresno, California, at a regular meeting thereof, held on the _____ Day of _____, 2014

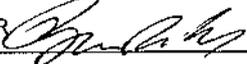
AYES:
NOES:
ABSENT:
ABSTAIN:

Mayor Approval: _____, 2014
Mayor Approval/No Return: _____, 2014
Mayor Veto: _____, 2014
Council Override Veto: _____, 2014

YVONNE SPENCE, CMC
City Clerk

Date Adopted:
Date Approved:
Effective Date:

Resolution No.

AGENDA ITEM NO.	2D
COUNCIL MEETING	05/15/14
APPROVED BY	
	
DEPARTMENT DIRECTOR	
	
CITY MANAGER	

May 15, 2014

FROM: BRUCE A. RUDD, City Manager/Interim Director
Parks, After School Recreation, and Community Services Department

SCOTT L. MOZIER, PE, Director
Public Works Department

BY: SARA POMARE, MBA, Grant Writer 
Public Works Department, Administration Division

IRMA YEPEZ-PEREZ, Grant Writer
Parks, After School Recreation, and Community Services Department

SUBJECT: A Resolution of the Council of the City of Fresno, California, to submit grant applications for up to \$1,250,000 to the State of California Department of Transportation Active Transportation Program (ATP), and authorizing execution of documents by the City Manager, Public Works Director or designees

RECOMMENDATIONS

Adopt a resolution to submit grant applications for up to \$1,250,000 to the State of California Department of Transportation Active Transportation Program (ATP), and authorizing the execution of documents by the City Manager, Public Works Director or designees.

EXECUTIVE SUMMARY

Caltrans announced a Call for Projects for the new ATP. The purpose of the program is to fund the development of bicycle and pedestrian facilities, projects, safe routes to schools, or active transportation plans and educational programs in disadvantaged communities. Staff proposes to submit four new project applications to the 2014 ATP application cycle: Complete Sidewalks around Columbia Elementary School; Bike lanes and sidewalks on Barstow Avenue from Maroa Avenue to Blackstone Avenue; Bike lanes on Butler Avenue from Hazelwood Avenue to Peach Avenue; and a non- infrastructure application to conduct pedestrian and bicycle safety education programs at fifteen school sites, and neighborhood and community centers throughout the City of Fresno.

BACKGROUND

The ATP was created by Senate Bill 99 and Assembly Bill 101 to encourage increased use of active modes of transportation such as biking and walking. The bill provided for funds to be allocated to

REPORT TO THE CITY COUNCIL

2014 ATP Grant Application

May 15, 2014

Page 2

eligible projects by the California Transportation Commission. It is funded from various federal sources including 100% of the federal Transportation Alternative Program funds; \$21 million of federal Highway Safety Improvement Program funds; and State Highway Account funds.

On March 3, 2014, Caltrans issued a notice announcing the availability of funding and requests proposals for the ATP. The funding from the ATP may be used to fund the development of bike, pedestrian, safe routes to schools, active transportation plans, and education programs to increase pedestrian and bicycle safety in disadvantaged communities.

The Public Works Department proposes to submit three new project applications to the 2014 ATP application cycle:

- Complete sidewalks around Columbia Elementary School
- Bike lanes and sidewalks on Barstow Avenue: from Maroa Avenue to Blackstone Avenue
- Bike lanes on Butler Avenue: from Hazelwood Avenue to Peach Avenue

PARCS proposes to submit a non-infrastructure project application to conduct pedestrian and bicycle safety education programs at fifteen school sites, and neighborhood and community centers throughout the City of Fresno. PARCS currently has after school programs at 29 schools. The proposal would target half of the schools, and offer a Bike Rodeo with various skill tests that will grade areas such as: balance, arm signals, obstacle courses, and weaving. PARCS will also conduct a bicycle safety check, reward participants with a pass to the Woodward Park BMX Bike Park, provide free helmets, and raffle some bikes. Additionally, PARCS will partner with the Fire and Police Department to conduct some of the safety presentations.

ENVIRONMENTAL FINDINGS

By the definition in the California Environmental Quality Act (CEQA) Guidelines Section 15378, the applying for grant funds does not qualify as a "project" as defined CEQA.

LOCAL PREFERENCE

Local preference was not considered because this Resolution does not include a bid or award of a construction or services contract.

FISCAL IMPACT

A local match of 11.47% will be required for the direct costs of the projects (Council Districts 2, 3, and 5) selected for funding, in addition with full funding of the City's indirect costs. Local match funds will be identified through future fiscal year capital budgets, but for pedestrian and bicycle projects, the match is typically funded through gas tax, Measure "C" bike lane and trail funds as appropriate for the particular project. The PARCS non-infrastructure proposal does not require a match since it will primarily serve the disadvantaged communities.

Attachments: Resolution,
Vicinity Map and After School Sites

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO, CALIFORNIA, TO SUBMIT GRANT APPLICATIONS FOR UP TO \$1,250,000 TO THE STATE OF CALIFORNIA DEPARTMENT OF TRANSPORTATION ACTIVE TRANSPORTATION PROGRAM (ATP) AND AUTHORIZING THE EXECUTION OF DOCUMENTS BY THE CITY MANAGER, PUBLIC WORKS DIRECTOR OR DESIGNEES

WHEREAS, The State of California Department of Transportation announced the availability of funding through its new Active Transportation Program ("ATP") grant funding cycle;

WHEREAS, the City of Fresno ("City") is interested in applying for funding for the construction of active transportation projects, and education programs;

WHEREAS, the applicant's governing body certifies by resolution approval of the applications and program participation; and

WHEREAS, the City will enter into an agreement with the California Department of Transportation for the development of projects;

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

1. The Council approves the filing of applications for and acceptance of the State of California Department of Transportation ATP grant program and participation therein, consistent with constitutional and local law requirements and this resolution;

2. The Council certifies that the City has reviewed, understands and, to the extent consistent with all constitutional and local law requirements and this resolution,

Date Adopted:

1 of 2

Date Approved:

Effective Date:

City Attorney Approval:



Resolution No. _____

agrees to the provisions contained in the applications and program guidelines, manual and related documents; and

3. The Council appoints and authorizes the City Manager, Public Works Director, or designees as agents for the City to conduct all negotiations, execute and submit all documents including, but not limited to applications, agreements, amendments, payment requests and so on which may be necessary for the completion of the aforementioned projects, subject to prior approval as to form by the City Attorney's Office.

* * * * *

STATE OF CALIFORNIA)
COUNTY OF FRESNO) ss.
CITY OF FRESNO)

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing resolution was adopted by the Council of the City of Fresno, at a regular meeting held on the _____ day of _____, 2014.

AYES :
NOES :
ABSENT :
ABSTAIN :

Mayor Approval: _____, 2014
Mayor Approval/No Return: _____, 2014
Mayor Veto: _____, 2014
Council Override Vote: _____, 2014

YVONNE SPENCE, CMC
City Clerk

BY: _____
Deputy

APPROVED AS TO FORM:
CITY ATTORNEY'S OFFICE

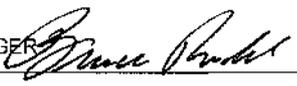
BY: _____
Brandon Collet, Deputy Date

AFTER SCHOOL LIST

Possible ATP Education Program Sites

1. Anthony
2. Columbia
3. Del Mar
4. Ericson
5. Greenburg
6. Hamilton
7. Holland
8. Kirk
9. Kratt
10. Pyle
11. Robinson
12. Roeding
13. Vang Pao
14. Vinland
15. Yokomi

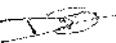
*Actual sites will be coordinated with School District and Elementary School Principals

AGENDA ITEM NO.	2E
COUNCIL MEETING	05/15/14
APPROVED BY	
	
DEPARTMENT DIRECTOR	
	
CITY MANAGER	

May 15, 2014

FROM: SCOTT L. MOZIER, PE, Director
Public Works Department

BY: ROBERT N. ANDERSEN, PE, Assistant Director
Public Works Department – Capital Management Division

DEBBIE BERNARD, Project Manager 
Public Works Department – Facilities Management Division

SUBJECT: Award a construction contract to California Building Evaluation & Construction, Inc. of Buena Park, California in the amount of \$736,360 for the Emergency Generator Upgrade at Fresno City Hall Bid File - 3227 (Council District 3)

RECOMMENDATION

Staff recommends that the City Council award a construction contract to California Building Evaluation & Construction, Inc. of Buena Park, California in the amount of \$736,360 for the Emergency Generator Upgrade at Fresno City Hall.

EXECUTIVE SUMMARY

The Emergency Generator Upgrade at Fresno City Hall is part of the immediate repairs needed at City Hall as determined by the appraisal required to obtain approval for the Fiscal Year 2010 Lease Revenue Bonds. The upgraded emergency generator will support all lighting, data, and cooling/heating equipment within the Information Services Department (ISD) for at least 48 hours if there should be a PG&E power failure.

BACKGROUND

On May 19, 2009 the consulting engineering firm of Lawrence Nye Andersen Associates provided the City of Fresno with an "Emergency Generator Study of the Fresno City Hall". This study concluded that an additional 350KW emergency generator should be added to Fresno City Hall in order to meet current and anticipated City Hall needs. The study also stated that the goal in adding an additional emergency generator is to support all lighting, data, and cooling/heating equipment within ISD for at least 48 hours if there should be a PG&E power failure. In an attempt to trim costs the decision to replace the existing 200KW generator with a new 550KW generator was made.

On May 10, 2010 Council approved the issuance of revenue lease bonds which included an amount for the "Replacement of the City Hall Backup Generator".

REPORT TO THE CITY COUNCIL

Award Construction Contract to California Building Evaluation & Construction
For the Emergency Generator Upgrade at Fresno City Hall

May 15, 2014

Page 2

Following the bond issuance, in accordance with AO6-19, staff advertised and hired Hardin-Davidson Engineering for the design of plans and general construction documents for the replacement upgrade of the emergency generator. The Notice Inviting Bids was published in the Business Journal on January 17, 2014, and posted on the City's website and faxed to ten (10) building exchanges. The specifications were distributed to sixteen (16) prospective bidders. Seven (7) sealed bid proposals were received and opened in a public bid opening on February 18, 2014 with the bids ranging from \$736,360 to \$847,000.

Bids were posted on March 18, 2014 and a bid appeal was received on March 20, 2014 from R&H Industries dba Best Electric, the second lowest bidder. An appeal hearing was scheduled for April 17th 2014 in accordance with Resolution 2003-129 which establishes procedures for appeals in the competitive bidding process.

The Independent Administrative Hearing Officer concurred with staff's recommendation to award the contract to California Building Evaluation & Construction, Inc. in his Findings and Recommendations letter to the City Manager dated May 1, 2014, attached hereto. The Public Works Department is now requesting the City Council's approval of the construction contract with California Building Evaluation & Construction, Inc. for the Emergency Generator Upgrade at Fresno City Hall following the City Manager's concurrence with the Independent Administrative Hearing Officer's recommendation.

Staff is recommending award of a construction contract to California Building Evaluation & Construction, Inc. in the amount of \$736,360 for the Emergency Generator Upgrade at Fresno City Hall and to authorize the Public Works Director, or his designee to sign and execute the standardized contract on behalf of the City of Fresno.

LOCAL PREFERENCE

Local preference did not come into play in the results of this bid as the two next lowest responsive and responsible bidders are both from out of town. The next lowest bid was received from a company out of Gardena, California and the third lowest bid was from a company out of Sacramento, California.

FISCAL IMPACT

The project, which is located in Council District 3, will not have any impact to the General Fund. Project funding of \$736,360 is provided through Fiscal Year 2010 Revenue Lease Bonds.

2014-05-15 Emergency Generator Upgrade at Fresno City Hall Award Construction Contract.doc

Attachments:

- Bid Evaluation
- Fiscal Impact Statement
- Findings and Recommendation letter

SM/RA/Team

EVALUATION OF BID PROPOSALS

FOR: EMERGENCY GENERATOR UPGRADE AT FRESNO CITY HALL

File No.3227
Bid Opening: 2/18/14.

BIDDER'S	TOTAL NET BID AMOUNT
1. CALIFORNIA BUILDING EVALUATION & CONST INC. 6281 BEACH BLVD. #306 BUENA PARK, CA. 90621	\$736,360.00
2. R & H INDUSTRIES dba BEST ELECTRIC 15305 S. NORMANDIE AVE. GARDENA, CA. 90247	\$737,800.00
3. CABAR ELECTRIC INC 5721 CALLISTER AVENUE SACRAMENTO, CA. 95819	\$746,831.00
4. DAVIS MORENO CONSTRUCTION, INC 4720 N. BLYTHE AVE FRESNO, CA. 93722	\$748,982.00
5. GLOBAL POWER GROUP, INC. 3309 E. MIRALOMA AVE. SUITE104 ANAHEIM, CA. 92806	\$766,746.16
6. COLLINS ELECTRICAL COMPANY, INC. 611 W. FREMONT STREET STOCKTON, CA. 95203	\$798,231.00
7. A-C ELECTRIC COMPANY P.O. BOX 2425 FRESNO, CA. 93745	\$847,000.00

Each bidder has agreed to allow the City sixty-four (64) days from date bids are opened to accept or reject their bid proposal. Purchasing requests that you complete the following sections and return this bid evaluation to the Purchasing Division at the latest by Wednesday, April 23, 2014, 5:00 P.M.

The Engineer's Estimate for this expenditure is \$757,600.00. The contract price is 2.8% below the Engineer's Estimate. If the overage is greater than 10% or only one bid was received, give explanation:

BACKGROUND OF PROJECT

The scope of work includes replacing an existing emergency generator with a new larger capacity emergency generator with new remote secondary fuel tank, and adding additional electrical circuits to the new generator. The new larger capacity emergency generator will provide support to all the lighting, data and heating/cooling equipment in ISD for at least 48 hours in the event of a power failure.

EVALUATION OF BID PROPOSALS

FOR: EMERGENCY GENERATOR UPGRADE AT FRESNO CITY HALL

File No.3227
Bid Opening: 2/18/14.

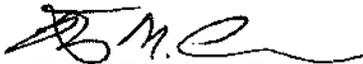
DEPARTMENT CONCLUSIONS AND RECOMMENDATION:

Award a contract in the amount of \$736,360.00 to California Building Evaluation & Construction Inc. as the lowest responsive and responsible bidder.

Remarks:

Reject all bids. Reason:

Department Head Approval

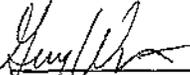


Title Assistant Public Works Director
Date 3/10/14

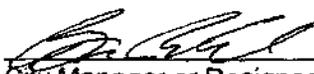
-
- | | |
|--|---|
| <input checked="" type="checkbox"/> Approve Dept. Recommendation | <input checked="" type="checkbox"/> Approve Finance/Purchasing Recommendation |
| <input type="checkbox"/> Disapprove | <input type="checkbox"/> Disapprove |
| <input type="checkbox"/> See Attachment | |

FINANCE DEPARTMENT

CITY MANAGER



Purchasing Manager 3/11/14
Date



City Manager or Designee 3/12/14
Date



Assistant Controller 3/11/2014
Date

FISCAL IMPACT STATEMENT

PROGRAM: FY2010 Bonds

<u>RECOMMENDATION</u>	<u>TOTAL OR CURRENT</u>	<u>ANNUALIZED COST</u>
Direct Cost	<u>\$736,360.00</u>	_____
Indirect Cost*	<u>\$139,500.00</u>	_____
TOTAL COST	<u>\$875,860.00</u>	_____
Additional Revenue or Savings Generated	<u>\$0.00</u>	_____
 Net City Cost	 <u>\$875,860.00</u>	 _____
 Amount Budgeted (If none budgeted, identify source)	 <u>\$875,860</u>	 _____

***Indirect Costs:**

Project Management	\$7,000.00
Construction Management & Inspection	\$40,000.00
Building Permits	\$10,000.00
Purchasing	\$7,500.00
Contingency & Change Orders	\$75,000.00

Total \$139,500.00

All project costs are covered through the Fiscal Year 2010 Lease Bonds.

This page intentionally left blank.

DATE: May 1, 2014

TO: Bruce A. Rudd, City Manager

SUBJECT: FINDINGS AND RECOMMENDATION ON APPEAL OF R&H INDUSTRIES (dba BEST ELECTRIC) REGARDING BID FILE NO. 3227

Procedural History

The City invited bids for “Emergency Generator Upgrade at Fresno City Hall,” Bid File Number 3227-11611. City staff issued a determination that designated California Building Evaluation & Construction, Inc. of Buena Park, CA (CDE&C) as the lowest responsive and responsible bid, in compliance with specifications set forth in Bid File No. 3227.

The second lowest bidder, R&H Industries dba Best Electric (Appellant), timely appealed the determination. An appeal hearing was conducted on April 17, 2014 at 1:30 pm in Fresno City Hall by Independent Administrative Hearing Officer Edward Johnson.

Issues on Appeal

Appellant’s original appeal letter alleged CDE&C to be “non-responsive” for failure to meet bid contractor qualification requirements to have a “C-7” license and a Johnson Controls factory authorized representative.

CDE&C subsequently submitted a response to City staff stating that their listed subcontractor “always intended to use a C-7 certified subcontractor (2nd tier)” with a Johnson Controls authorized representative, and submitted a copy of an unsigned proposal from Johnson Controls, from Cypress California (Subcontract), as evidence of meeting the bid contractor qualification requirements. CDE&C contended they did not initially provide that information in their bid proposal because they were not required to list a 2nd tier subcontractor or one whose work would be less than ½ of 1 percent of the prime contractor’s bid price.

Issues Raised at Hearing

Jason Ahn appeared for Appellant. His testimony was that CDE&C was both “non-responsive” and “non-responsible.”

First Issue. Appellant testified that CDE&C was *non-responsive* because the bid was not submitted per bid plans and specifications. Specifically, he alleged that Section 23 09 23 of the bid packet, Parts 1-3, required programming, testing, and training, that CDE&C nor their listed subcontractor were authorized to perform those tasks, and the Johnson Controls Subcontract did not provide for those services.

Second Issue. Appellant testified that CDE&C was *non-responsible* because CDE&C was not qualified to perform all of the bid plans and specifications, in that the CDE&C bid proposal together with the Subcontract Scope of Work did not provide for properly licensed and authorized personnel to perform 100% of the required work.

Third Issue. In response to CDE&C's contention that CDE&C was not required to list the 2nd tier subcontractor, Appellant testified that listing is required when a subcontractor's work exceeds ½ of 1% of the bid price, and that the required work pursuant to the Johnson Controls Subcontract and/or the bid plans and specifications would far exceed that amount, particularly for costs associated with the required programming and graphics, software or hardware upgrades, and monitoring.

Further, he testified that Part 1.C requires a Johnson Controls authorized response to a trouble call within two hours and that could not be accomplished by the Johnson Controls Subcontractor, who was from Cypress, within the Subcontract Base Bid of \$2880.00.

Eddie Qader appeared for CDE&C (CDE&C). He testified that Johnson Controls (of Cypress) was a 2nd tier subcontractor to his listed 1st tier subcontractor, SAS Electrical, and that he was not required to list 2nd tier subcontractors. Further, he was not required to list *any* subcontractor who was performing less than ½ of 1% of the bid price in any event, and the Subcontract was less than that amount. He testified that both the 1st tier and 2nd tier subcontractors, as well as the prime contractor, had committed to doing "whatever it takes" to perform all work required under the plans and specifications of the bid at the price quoted and that CDE&C, its 1st tier subcontractor, and 2nd tier subcontractor possessed the licenses and certifications required by the bid plans and specifications. He repeatedly testified that due to his extensive experience in this field, he would not be needing or requesting any change orders to add tasks or costs to his bid.

Analysis

California Public Contract Code regulates subletting and subcontracting.

Regarding Appellant's first issue of task performance, CDE&C testified that their team possessed all the licenses and certifications required to perform the tasks in the bid plans and specifications, and that it was their commitment to do "whatever it takes" to complete all of the required tasks of the plans and specifications at the quoted price. Appellant's challenge to the scope of work of the subcontract between Johnson Controls (2nd tier sub) and SAS Electric (1st tier sub) is not a matter at issue before the City as long as the prime contractor and listed 1st tier subcontractors commit to meeting the plans and specifications of the bid. If they do not perform, they will be found to be in non-compliance with their contract with the City.

Regarding Appellant's second issue of qualifications, CDE&C has adequately demonstrated that it, or its subcontractors, or its 2nd tier subcontractors, possess the required licenses and authorizations. Specifically, the Johnson Controls Subcontract provides the required C-7 and factory authorized personnel.

Regarding Appellant's third issue of listing subcontractors, section 4104 requires the City to require bidders to include the names of all subcontractors (1st tier) performing work "in an amount in excess of one-half of 1 percent of the prime contractor's total bid...." The Johnson Controls Subcontract base bid does not exceed that amount, and no evidence was presented, outside of Appellant's oral testimony, that the Scope of Work of that Subcontract would exceed its base bid. CDE&C specifically testified that all relevant tasks would be performed at the Subcontract base bid price. Therefore, Johnson Controls is not required to be listed in the bid as a subcontractor.

Further, section 4113 specifically defines a "subcontractor" as one "who contracts directly with the prime contractor," and only subcontractors are required to be listed pursuant to section 4104. Nothing in the Code, or the City's bid specifications, requires that 2nd tier subcontractors be listed. CDE&C testified that Johnson Controls was a 2nd tier subcontractor to its 1st tier subcontractor of SAS Electric. Therefore, Johnson Controls would not be required to be listed.

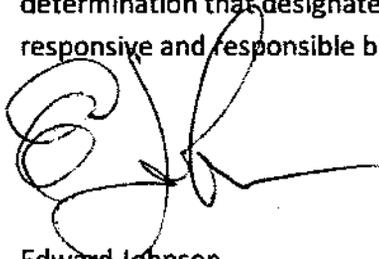
Thus, if Johnson Controls is considered a 1st tier subcontractor, it is not required to be listed because its work is less than ½ of 1% of the total bid price; and if Johnson Controls is considered a 2nd tier subcontractor working under the 1st tier subcontractor of SAS Electric, it is not required to be listed at all. Under either classification, Johnson Controls is not required to be listed.

As a side note, section 4107(b) provides that the prime contractor (CDE&C) may not allow a subcontract to be performed by anyone other than the original subcontractor listed in the original bid without the consent of the awarding authority. Consequently, should Johnson

Controls become a 2nd tier subcontractor, working under the listed 1st tier subcontractor (SAS Electrical), the City's express authorization would be required.

Conclusion

After considering all evidence presented, the Hearing Officer finds that CDE&C has adequately demonstrated that it's team possesses the required qualifications, and has adequately committed to performing all tasks in the bid at the submitted bid price. The Hearing Officer therefore recommends to the City Manager that the City Council UPHOLD the staff determination that designated California Building Evaluation & Construction Inc. as the lowest responsive and responsible bid.

A handwritten signature in black ink, appearing to read 'E. Johnson', with a long horizontal line extending to the right.

Edward Johnson
Independent Administrative Hearing Officer

Cc: Bob Callistro, Supervising Buyer
Gary Watahira, Purchasing Manager

AGENDA ITEM NO.	2F
COUNCIL MEETING	05/15/14
APPROVED BY	
	
DEPARTMENT DIRECTOR	
	
CITY MANAGER	

May 15, 2014

FROM: SCOTT L. MOZIER, Director
Public Works Department

BY: SCOTT L. TYLER, PE, Interim / Assistant Director
Public Works Department, Traffic and Engineering Services Division

PETE CALDWELL, Senior Real Estate Agent 
Public Works Department, Real Estate Services Section

SUBJECT: Approve the acquisition of 19.66 acres of property in the amount of \$3,855,500, owned by Rancho Rivington, a limited partnership, for the construction of Veterans Boulevard overcrossing near Golden State and Bullard Avenue (Council District 2)

RECOMMENDATION

Approve the acquisition of 19.96 acres of properties owned by Rancho Rivington, a limited partnership, in the amount of \$3,855,500 for the construction of Veterans Boulevard overcrossing near Golden State and Bullard Avenue and that Council authorizes the Public Works Director, or his designee, to sign all documents necessary to complete the transaction as delegated by City Manager.

EXECUTIVE SUMMARY

The City of Fresno in cooperation with the California Department of Transportation (Caltrans), proposes to build a new interchange on State Route 99 plus supporting roadway improvements in northwest Fresno. The improvements would add a new interchange to State Route 99 between Shaw Avenue and Herndon Avenue as well as a new city arterial roadway that will enhance the local circulation network. The property owner(s) Rancho Rivington, a limited partnership has agreed to the appraised value of \$3,855,500 for this acquisition of properties. The acquisition of five properties totaling 19.96 acres are identified as: APN 504-080-14s (5.31 acres), APN 504-080-46s (3.43 acres), APN 504-080-71s (5.59 acres), APN 504-080-72st (0.10 acres) and APN 504-080-73s (5.23 acres) which are located along North Golden State Boulevard near Bullard Avenue.

REPORT TO THE CITY COUNCIL

Approve a Full Acquisition – Rancho Rivington, a limited partnership APN 504-080-14s

May 15, 2014

Page 2

BACKGROUND

Veterans Boulevard, originally referred to as the Herndon-Grantland Diagonal, was part of the 1984 General Plan and is a planned 6-lane super arterial in the 2025 General Plan. The interchange idea was refined in 1986 with a feasibility study conducted to analyze potential interchange/grade separation configurations, with the intention of determining the alternative best suited to the site and the proposed Veterans Boulevard. In 1991, a Project Initiation Document was completed, and in 1996, the official plan line for Veterans Boulevard was adopted. In recent years, staff has completed the Project Study Report (PSR), Project Report and Environmental Impact Report (EIR). Veterans Boulevard and the proposed interchange with State Route 99 are identified as part of the Circulation Element in both the City and County General Plans. The new interchange would be a partial cloverleaf connecting State Route 99 and Veterans Boulevard. A new Veterans Boulevard overcrossing would span State Route 99 with three northbound and three southbound lanes, a Class I bicycle lane/pedestrian trail on the west side of the structure and Class II bicycle lanes on both sides. Veterans Boulevard will have ramps connecting to Golden State Boulevard and will span over the Union Pacific Railroad. Drainage basins would be built to retain water runoff from the project. Typical freeway interchange landscaping will be provided. The City Attorney's Office has reviewed and approved as to form the proposed Purchase and Sale Agreement.

The acquisition of five properties, 19.96 acres total located along North Golden State Boulevard APN 504-080-14s (5.31 acres), APN 504-080-46s (3.43 acres), APN 504-080-71s (5.59 acres), APN 504-080-72st (0.10 acres) and APN 504-080-73s (5.23 acres) near Bullard Avenue and Golden State Boulevard was appraised by Kelly P. Stevens Real Property Analysts under the direction Lawrence D. Hopper, MAI.

ENVIRONMENTAL FINDINGS

The proposed project is a joint project by the Caltrans and the Federal Highway Administration, and is subject to state and federal environmental review requirements. Project documentation, including an EIR, have been prepared in compliance with both the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA). Caltrans is the lead agency under National Environmental Policy Act. Caltrans is the lead agency under California Environmental Quality Act. In addition, Federal Highway Administration's responsibility for environmental review, consultation, and any other action required in accordance with applicable Federal laws for this project is being, or has been, carried out by Caltrans under its assumption of responsibility pursuant to 23 United States Code 327.

LOCAL PREFERENCE

N/A

REPORT TO THE CITY COUNCIL

Approve a Full Acquisition – Rancho Rivington, a limited partnership APN 504-080-14s

May 15, 2014

Page 3

FISCAL IMPACT

The \$130 million Veterans Boulevard Project which is located in Council District 2 will have no impact upon the General Fund. The Veterans Boulevard project is being funded through Measure "C" Tier 1 funds, Citywide Regional Street Impact fees, State Transportation Improvement Program (STIP), Regional Transportation Mitigation Fees (RTMF) and Federal transportation funds.

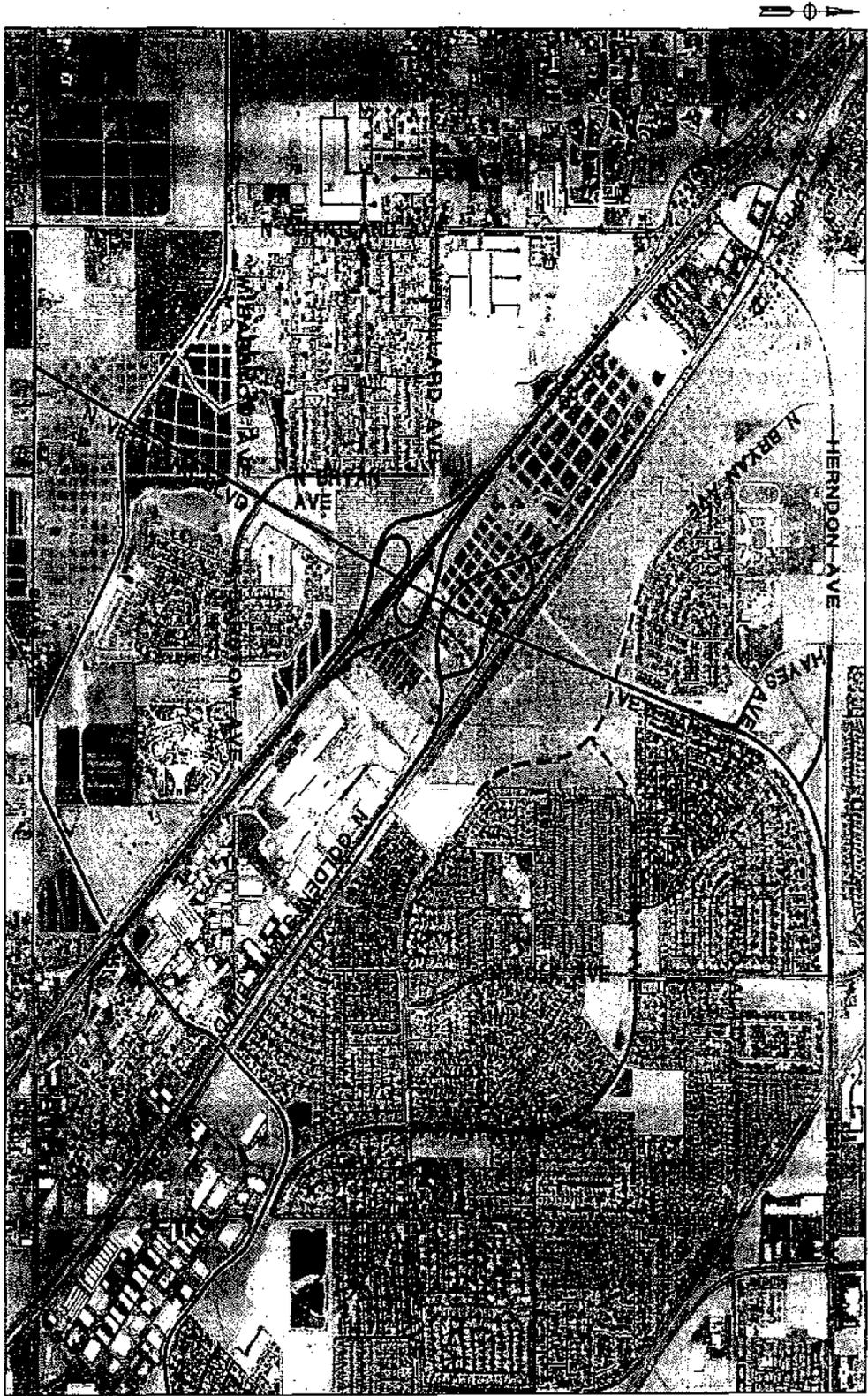
REPORT TO THE CITY COUNCIL

Approve a Full Acquisition – Rancho Rivington, a limited partnership APN 504-080-14s

May 15, 2014

Page 4

Veterans Boulevard/State Route 99 Interchange Project/Veterans Boulevard Grade Separation



Veterans Boulevard Vicinity Map

REPORT TO THE CITY COUNCIL

Approve a Full Acquisition – Rancho Rivington, a limited partnership APN 504-080-14s

May 15, 2014

Page 5

Vicinity Map
APN 504-080-14s, 46s, 71s, 72s & 73s



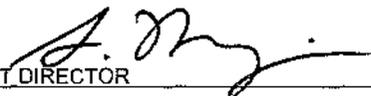
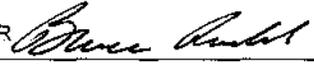
2014-05-15 Veterans Blvd Interchange APN 504-080-14s, 46s, 71s, 72s and 73s

Attachments:

Veterans Blvd Vicinity Map

APN Vicinity Map

This page intentionally left blank.

AGENDA ITEM NO.	26
COUNCIL MEETING	05/15/14
APPROVED BY	
	
DEPARTMENT DIRECTOR	
	
CITY MANAGER	

May 15, 2014

FROM: SCOTT L. MOZIER, PE, Director
Public Works Department

BY: ROBERT N. ANDERSEN, PE, Assistant Director
Public Works Department

LAL GOONAWARDENA, PE, Design Service Manager ✓
Public Works Department

SUBJECT: Actions pertaining to the First Street Traffic Synchronization Project from Nees Avenue to Ventura Street rebid – Bid File 3321 (Council Districts 3, 4, 5, 6, and 7)

1. Adopt finding of a Categorical Exemption per staff determination, pursuant to Section 15301(c) of the CEQA Guidelines, for the First Street Traffic Synchronization Project from Nees Avenue to Ventura Street
2. Award a Construction Contract with Kertel Communications Inc., dba Sebastian of Fresno in the amount of \$1,197,058 for the base bid and all add alternates for the First Street Traffic Synchronization Project from Nees Avenue to Ventura Street

RECOMMENDATIONS

Staff recommends that the City Council:

1. Adopt finding of a Categorical Exemption per staff determination, pursuant to Section 15301(c) of the CEQA Guidelines, for the First Street Wireless ITS Project from Nees Avenue to Ventura Street.
2. Award a Construction Contract with Kertel Communications Inc., dba Sebastian of Fresno in the amount of \$1,197,058 for the base bid and add alternates 1 and 2 as the lowest responsive bidder for the First Street Wireless ITS Project from Nees Avenue to Ventura Street.

EXECUTIVE SUMMARY

The First Street traffic signals synchronization project will install a wireless communication system to interconnect the intelligent traffic signal controllers along First Street and synchronize the corridor. This project will result in an efficient responsive coordinated system, improving safety, operations, energy conservation and effective capacity of the First Street corridor, while reducing emissions and improving overall quality of life.

REPORT TO THE CITY COUNCIL

Award Construction Contract for First Street ITS project (rebid)

May 15, 2014

Page 2

BACKGROUND

The First Street traffic signals synchronization project will install a wireless communication system to interconnect the intelligent traffic signal controllers along First Street and synchronize the corridor. This project will result in an efficient responsive coordinated system, improving safety, operations, energy conservation and effective capacity of the First Street corridor, while reducing emissions and improving overall quality of life.

This project was initially bid on October 23, 2013, and bids were opened on December 3, 2013; two bids were received and opened at a public bid opening. After the bid opening, it was determined that the contractor qualification requirements were incorrectly included in the bid documents material specifications without a corresponding requirement on Bidder's checklist. Council rejected the bids per staff request and directed staff to rebid the project as soon as possible.

Public Works Department staff prepared general construction documents for the First Street Wireless ITS Project from Nees Avenue to Ventura Street rebid.

The Notice Inviting Bids was published in the Business Journal on March 14, 2014, and posted on the City's website and faxed to ten (10) building exchanges. The specifications were distributed to eleven (11) prospective bidders. Two (2) sealed bid proposals were received and opened in a public bid opening on April 8, 2014. Kertel Communications dba Sebastian submitted a bid in the amount of \$1,101,638 for the base bid, \$36,366 for the add alternate 1 and \$59,054, for the add alternate 2. Crosstown Electrical & Data Inc. submitted a bid in the amount of \$1,403,822 for the base bid, \$50,632 for the add alternate 1 and \$84,840 for the add alternate 2. Kertel Communications Inc., dba Sebastian of Fresno, California is deemed to be the lowest responsive and responsible bidder for the project. The bids will expire in 64 days from the bid opening date on June 11, 2014.

Staff is recommending the award of a construction contract to Kertel Communications Inc., dba Sebastian of Fresno, California in the amount of \$1,197,058 for the base bid and the add alternates 1 and 2 for the First Street Traffic Synchronization Project from Nees Avenue to Ventura Street as lowest responsive responsible bidder and to authorize the Public Works Director, or his designee to sign and execute the standardized contract on behalf of the City of Fresno.

ENVIRONMENTAL FINDINGS

Staff has performed a preliminary environmental assessment of this project and has determined that it falls within the Categorical Exemption set forth in CEQA Guidelines Section 15301(c) (Existing Facilities) which exempts projects involving a negligible or no expansion of an existing facility. This exemption applies because this project involves improving efficiency of an existing roadway through the coordinating the operation of existing traffic signals to reduce congestion without expansion of the roadway. The relatively small transmitters will be mounted on existing signal mast arms; wiring is run in existing conduit and signal cabinets; and existing cabinets will be replaced without expanding the current space. Staff determined under the CEQA Guidelines this project fits within the definition of existing facilities in 15301(c) Class 1, as Categorically Exempt from further CEQA

REPORT TO THE CITY COUNCIL

Award Construction Contract for First Street ITS project (rebid)

May 15, 2014

Page 3

review. Furthermore, Staff has determined that none of the exceptions to Categorical Exemptions set forth in the CEQA Guidelines, Section 15300.2 apply to this project.

LOCAL PREFERENCE

The local preference was not implemented based on conditions of the Federal Congestion Mitigation Air Quality (CMAQ) grant.

FISCAL IMPACT

The project is located in Council Districts 3, 4, 5, 6 and 7. The overall cost of the project is \$1,692,200 and is funded by \$1,591,960 through Congestion Mitigation Air Quality (CMAQ) Regional Bid funds and \$120,682 Proposition 111 funds. The project will not have any impact to the General Fund.

Construction

CMAQ Regional Bid	\$1,487,600
Proposition 111	<u>70,500</u>
	\$1,558,100

Attachments:

- Bid Evaluation
- Fiscal Impact Statement
- Vicinity Map

This page intentionally left blank.

EVALUATION OF BID PROPOSALS

FOR: FIRST AVENUE WIRELESS ITS PROJECT FROM NEES TO VENTURA - REBID

Bid File No. 3321-11603

Bid Opening 4/08/14:

<u>BIDDER'S</u>		<u>TOTAL NET BID AMOUNT</u>
1. KERTEL COMMUNITATIONS, INC dba SEBASTIAN 12357 N. FRIANT RD FRESNO, CA. 93730	Total Net Base Bid Amount	\$1,101,638.00
	Add Alternate 1	\$36,366.00
	Add Alternate 2	\$59,054.00
	Total Net Base Bid Plus Add Alternates	\$1,197,058.00
2. CROSSTOWN ELECTRICAL & DATA INC. 5463 DIAZ ST. IRWINDALE, CA. 91706	Total Net Base Bid Amount	\$1,403,822.00
	Add Alternate 1	\$50,632.00
	Add Alternate 2	\$84,840.00
	Total Net Base Bid Plus Add Alternates	\$1,539,294.00

Each bidder has agreed to allow the City sixty-four (64) days from date bids are opened to accept or reject their bid proposal. Purchasing requests that you complete the following sections and return this bid evaluation to the Purchasing Division at the latest by Wednesday, May 7, 2014, 5:00 P.M.

The Engineer's Estimate for this expenditure is \$ 1,310,000.00. The contract price is 9 % below the Engineer's Estimate. If the overage is greater than 10% or only one bid was received, give explanation:

BACKGROUND OF PROJECT (To be completed by Evaluating Department/ Division. Explain need for project/equipment):

The signalized intersections along First Street from Nees to Ventura Avenue operate independently without synchronization that contributes to congestion and higher emissions during peak hours. The First Street Wireless ITS Project will construct wireless communication system, install 2070L controllers, install communication cabinets, and advance networking technologies to synchronize the corridor. This will increase mobility and overall drive quality while reducing fuel consumption and greenhouse gas emissions.

DEPARTMENT CONCLUSIONS AND RECOMMENDATION:

Award a contract in the amount of \$1,197,058.00 for the Base Bid plus Add Alternate #1 and Add Alternate #2 to Kertel Communications, Inc. dba Sebastian of Fresno, CA. as the lowest responsive and responsible bidder.

Remarks:

Reject all bids. Reason:

EVALUATION OF BID PROPOSALS

FOR: FIRST AVENUE WIRELESS ITS PROJECT FROM NEES TO VENTURA - REBID

Bid File No. 3321-11603

Bid Opening 4/08/14:

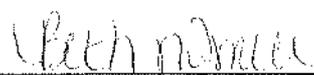
Department Head Approval



Title ASST. Director

Date 4/15/14

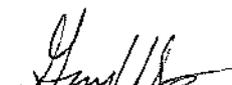
DBE goal of 8% was established for this project. The recommended Contractor complied with the DBE requirements pursuant to the bid specifications.


_____ 4/16/14
DBE Program Coordinator Date

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approve Dept. Recommendation | <input checked="" type="checkbox"/> Approve Finance/Purchasing Recommendation |
| <input type="checkbox"/> Disapprove | <input type="checkbox"/> Disapprove |
| <input type="checkbox"/> See Attachment | |

FINANCE DEPARTMENT

CITY MANAGER


_____ Date


_____ Date


_____ 4/16/2014
Assistant Controller Date

FISCAL IMPACT STATEMENT

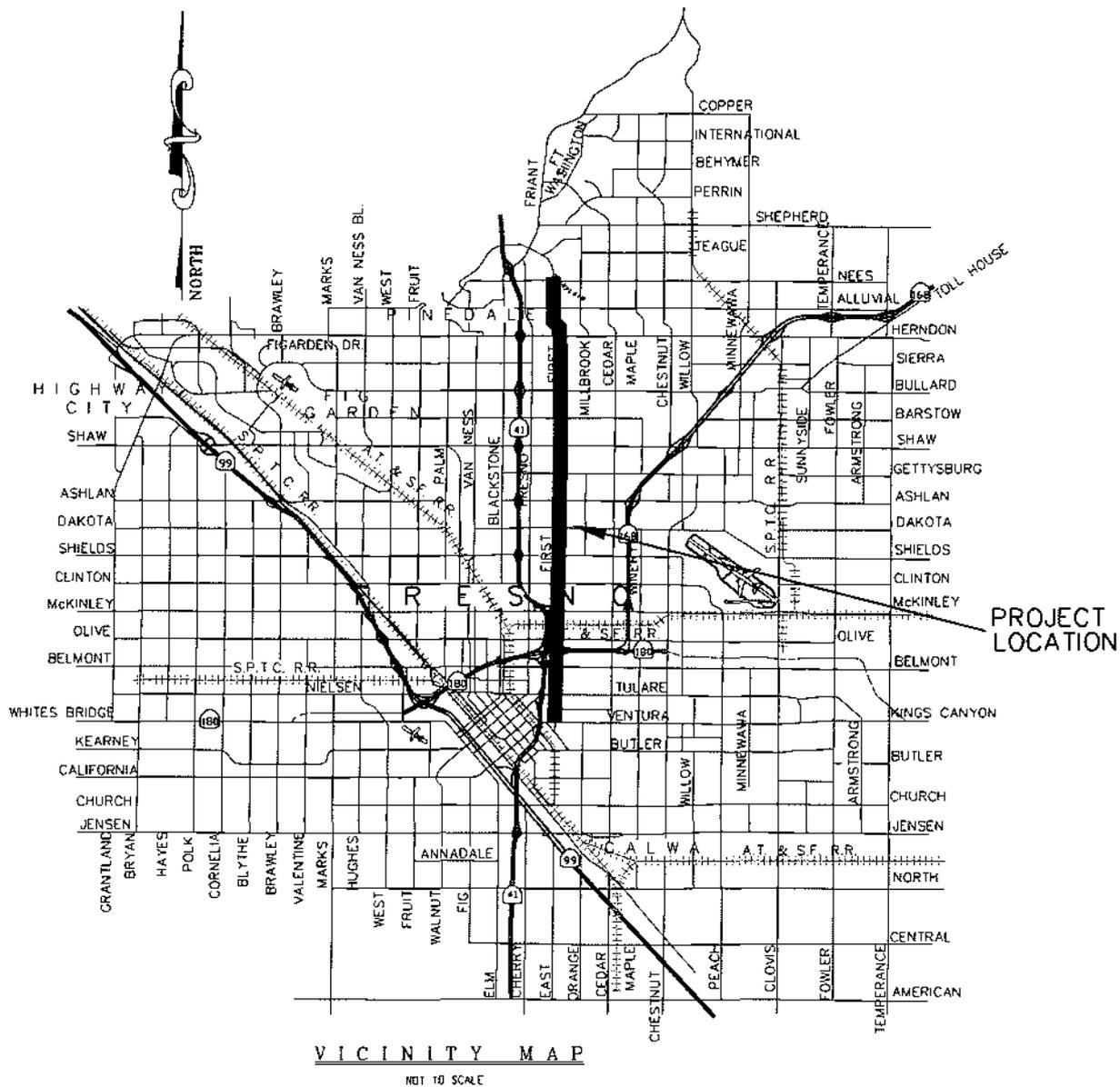
PROGRAM: PW00618, FIRST AVENUE WIRELESS ITS PROJECT FROM NEES TO VENTURA -
REBID

<u>RECOMMENDATION</u>	<u>TOTAL OR CURRENT</u>	<u>ANNUALIZED COST</u>
Direct Cost	\$1,197,058	
Indirect Cost	\$ 495,142	
TOTAL COST	<u>\$1,692,200</u>	
Additional Revenue or Savings Generated		
Net City Cost	<u>\$1,692,200</u>	
Amount Budgeted (If none budgeted, identify source)	<u>\$1,692,200</u>	

Indirect costs consist of the following:

Preliminary Engineering (Includes Overhead)	\$ 134,100
Construction Engineering (Includes Overhead)	\$ 265,300
Contingency	<u>\$ 95,742</u>
TOTAL	\$ 495,142

90.51% of the project costs are funded by Congestion Mitigation Air Quality (CMAQ) funds. 9.49% of the project costs are funded by Proposition 111 Gas Tax funds.



CITY OF FRESNO		DEPT. OF PUBLIC WORKS	
FIRST STREET WIRELESS ITS PROJECT		DR. BY: EWJ	SHT 1 OF 1
		DATE:	



AGENDA ITEM NO.	2H
COUNCIL MEETING	05/15/14
APPROVED BY	

DEPARTMENT DIRECTOR

CITY MANAGER

May 15, 2014

FROM: STEPHEN A. HOGG, Assistant Director
Department of Public Utilities – Wastewater Management Division

BY: KEVIN L. NORGAARD, Supervising Professional Engineer
Department of Public Utilities – Wastewater Management Division

SUBJECT: Actions pertaining to the Fresno/Clovis Regional Wastewater Reclamation Facility Headworks Building Coating Repair and Stop Plate Installation (Bid File No. 3201) (Council District 3)

1. Adopt the 46th Amendment to the Annual Appropriation Resolution No. 2013-98 to appropriate funds
2. Adopt a finding of Class 1 Categorical Exemption, pursuant to Section 15301 (b) and (d) of the California Environmental Quality Act Guidelines
3. Award a \$6,367,960 contract as negotiated to Floyd Johnston Construction Company of Clovis, California for the design and construction thereof

RECOMMENDATIONS

Staff recommends the City Council:

1. Adopt the 46th Annual Appropriation Resolution (AAR) No. 2013-98 to appropriate funds.
2. Adopt a finding of Class 1 Categorical Exemption, pursuant to Section 15301 (b) and (d) of the California Environmental Quality Act (CEQA) Guidelines.
3. Award a \$6,367,960 contract as negotiated, to Floyd Johnston Construction Company, Inc., of Clovis, California, for the design, construction, and maintenance, of the Headworks Building Coating Repair and Stop Plate Installation project at the Fresno/Clovis Regional Wastewater Reclamation Facility (RWRF).

EXECUTIVE SUMMARY

The Department of Public Utilities, Wastewater Management Division is seeking to repair the concrete coatings in the Headworks Building at the Regional Wastewater Reclamation Facility (RWRF) and install two stop plates. Staff recommends that the City Council adopt the 46th AAR No. 2013-98, adopt a finding of Class 1 Categorical Exemption, pursuant to Section 15301 (b) and (d) of

the California Environmental Quality Act (CEQA) Guidelines, and award a contract in the amount of \$6,367,960 to the Floyd Johnston Construction Company Inc.

BACKGROUND

The RWRF Headworks building was constructed in 1996 as part of a facility expansion project. The building has three main sections which require a special coating to protect the concrete from corrosion. The first section is protected with a product known as T-Lock. T-Lock is an extremely durable product and has a very long design life. The T-Lock was cast in place with the concrete during building construction. The second and third sections were coated with a different coating system. The system used was a spray or brush-on system applied after the building concrete was placed and cured. The coating in the third section of the building failed and was replaced in 2004. Currently, the second section (center section of headworks) is experiencing coating failures and is in need of repair. The purpose of this project is to remove any residual old coating material, repair any damage to the concrete and apply a new 100% epoxy coating system. This 100% epoxy coating is similar to that used to repair the third section of the building. While this project is underway but prior to application of the new coating the third section of the headworks building will be inspected for condition assessment.

The reason this project is priced at \$6 million is directly associated with the contractors risk. The contractor must bypass and treat 80 million gallons per day of wastewater flow with temporary equipment. This bypass is necessary due to the current configuration of the building. The current configuration does not allow for isolation of any of the areas stated above. The second part of this project consists of the installation of two removable stop plates. These new stop plates will enable the building to be isolated into two flow channels. The use of one channel will enable the maintenance of the other channel without bypassing the entire building.

Forty one prospective proposals were downloaded from bids online; three were received and opened on August 20, 2013. Evaluation of proposals was based on; technical competence, team work, understanding the City's performance requirements, related experience, record of performance on similar projects, ability to meet identified schedule, conformance to the proposal guidelines, ability to provide performance bond, financial capability, references and price. Interviews of the three different proposers were held on January 21, 2014. The interviews were held at the RWRF. The evaluation committee consisted of four Wastewater Management Division staff, the City of Clovis Assistant Director of Public Utilities, and a Purchasing Division staff member as facilitator. During the interview process each proposing team was evaluated on their approach to the project. The one critical point for the review during the selection phase was the approach taken by each contractor to bypass and temporary treatment of the wastewater flows and the repair of the sewer piping when the project is completed.

The City Attorney has reviewed and approved as to form these contract documents.

ENVIRONMENTAL FINDINGS

Staff has performed an environmental assessment of this project and has determined that it falls within a Class 1 Categorical Exemption set forth in CEQA Guidelines, Section 15301(b) (Existing Facilities) and 15301 (d) (Restoration or Rehabilitation), because this project involves the rehabilitation of an existing structure which has deteriorated to a point where it requires repair.

LOCAL PREFERENCE

Local preference did not impact the award of this project because this is a design build project and not a bid project. Design build projects are awarded based on the best value to the City. Even though local preference did not impact the award it is worth noting that Floyd Johnston Construction is a Clovis based company.

FISCAL IMPACT

This project has no impact to the General Fund and is located in Council District 3. This project is identified in the five-year capital improvement plan and included in the five-year rate model. Funds in the amount of \$2,000,000 for the construction project are budgeted in the 2014 Sewer Enterprise Fund No. 40501. The fiscal impact of this contract will be \$6,512,960. Funds do exist and are available in the Sewer Enterprise Fund 40501. An AAR is necessary to move the additional funding for this project from the Sewer Enterprise Operating Fund.

Attachments:

- Annual Appropriations Resolution
- Report from Evaluation Committee
- Bid Evaluation
- Fiscal Impact Statement

This page intentionally left blank.

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO
ADOPTING THE 46TH AMENDMENT TO THE ANNUAL APPROPRIATION
RESOLUTION NO. 2013-98 APPROPRIATING \$4,458,000 FOR THE
FRESNO/CLOVIS REGIONAL WASTEWATER RECLAMATION FACILITY
HEADWORKS BUILDING COATING REPAIR AND STOP PLATE
INSTALLATION

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FRESNO:

THAT PART III of the Annual Appropriation Resolution No. 2013-98 be and is hereby amended
as follows:

	<u>Increase/(Decrease)</u>
TO: DEPARTMENT OF PUBLIC UTILITIES	
Wastewater Operating	\$ 4,458,000

THAT account titles and numbers requiring adjustment by this Resolution are as follows:

Wastewater Operating

Retained Earnings:	
Account: 25300 Unreserved/Undesignated	<u>\$ 4,458,000</u>
Fund: 40501	
Org Unit: 414501	
Total Retained Earnings	<u>\$ 4,458,000</u>

Appropriations:

Account: 57507 Contract Construction	<u>\$ 4,458,000</u>
Fund: 40501	
Org Unit: 414501	
Project: TC00080	
Total Appropriations	<u>\$ 4,458,000</u>

THAT the purpose is to appropriate \$4,458,000 for the Fresno/Clovis Regional Wastewater
Reclamation Facility Headworks Building coating repair and stop plate installation.

Date Adopted:
Date Approved:
Effective Date:

Resolution No.

CLERK'S CERTIFICATION

STATE OF CALIFORNIA }
COUNTY OF FRESNO } ss.
CITY OF FRESNO }

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing Resolution was adopted by the Council of the City of Fresno, California, at a regular meeting thereof, held on the _____ Day of _____, 2014

AYES:
NOES:
ABSENT:
ABSTAIN:

Mayor Approval: _____, 2014
Mayor Approval/No Return: _____, 2014
Mayor Veto: _____, 2014
Council Override Veto: _____, 2014

YVONNE SPENCE, CMC
City Clerk

Date Adopted:
Date Approved:
Effective Date:

Resolution No.

Report from Evaluation Committee

RFP No. 3201, Design-Build Stop Plate

**REPORT FROM EVALUATION COMMITTEE
REQUEST FOR PROPOSAL FOR
DESIGN-BUILD HEADWORKS BUILDING CONCRETE REPAIR AND STOP PLATE
INSTALLATION**

COMMITTEE MEMBERS:

Stephen Hogg Assistant Director Department of Public Utilities, Wastewater Management
Lisa Koehn, Assistant Public Utilities Director, of Clovis, Ca.
Kevin Norgaard Supervising Professional Engineer, Department of Public Utilities – Wastewater
Barry Schwartz Chief of Wastewater Maintenance Department of Public Utilities, Wastewater

Jean Runnels Senior Buyer City of Fresno, General Services Department **Purchasing Facilitator**

BACKGROUND:

The goal of this Request for Proposal (RFP) was to solicit proposals to provide the design-build of concrete repairs and the installation of two stop plates. The scope of work includes design and the temporary construction necessary to divert flows around the existing bar screen, wet well and grit basins, the design and repair of existing concrete surfaces necessary to restore structural integrity and the application of a coating, coating curing and returning the building to service to repair the deteriorating concrete walls and ceiling and the installation of two new stop plates located in the Headworks building at the City of Fresno Department of Public Utilities Wastewater Management Division at the Regional Wastewater Reclamation Facility 5607 W. Jensen, Fresno 93706..

The work consists of cleaning and rehabilitation of all exposed concrete surfaces within the Headworks Building downstream of the influent pumps up to and including the grit basin outlet box followed by application of a corrosion resistant protective coating.

The intent of this project is to allow the Proposer to select the most reliable cost effective routing of wastewater which will allow continued treatment of the wastewater to a level in accordance with the RWRF Waste Discharge Permit.

EVALUATION BY COMMITTEE:

Forty One prospective proposals were downloaded from bids online and only three were received and opened on August 20, 2013. Evaluation of proposals were based on; technical competence, team work, understanding the City's performance requirements, related experience, record of performance on similar projects, ability to meet identified schedule, conformance to the proposal guidelines, ability to provide performance bond, financial capability, references and Price.

Floyd Johnston.

This proposer met requirements of the RFP and submitted the second lowest proposal with no exceptions for total net guaranteed max price proposal amount. This proposer conformed to all the RFP requirements, and is a local vendor. A vendor presentation was held on January 21, 2014 and the only information lacking from their presentation was how the company would remove grit. Therefore, the City requested that the company provide additional information no later than January 31, 2014. The information submitted was submitted and meet the city's needs to remove grit from the bypass system without using the primary clarifiers. Their submitted references were verified and their financials were reviewed. After careful consideration and evaluation of the proposal, presentation and

Report from Evaluation Committee

RFP No. 3201, Design-Build Stop Plate

additional information the Evaluation Committee believes that Floyd Johnston Constructions proposal is the best value for the City. Overall, the Committee believed Floyd Johnston understood the modifications to the Headworks Building and offered a very comprehensive proposal. This proposer best meets the criteria of the RFP.

C. Overaa & Co.):

This proposer took exceptions to the statement of acceptance of the agreement requirements, which clearly state in the spec doing so may render the proposal non-responsive. This proposer submitted the lowest proposal for total net guaranteed max price proposal amount. A vendor presentation was held on January 21, 2014. The proposer stated they didn't review the technical's as stated in the city's design so therefore they would need to redo their design work and resubmit, they also suggested a product that posed a problem in a past city project and there was an issue with the timeframe specified in the proposal. The Committee was impressed with the experience and qualifications of the proposer. However, this proposer did not clearly convey a full understand the concrete repair and stop plate project. Their submitted references were verified and their financials were reviewed.

Meyers and Sons Construction

This proposer did not take exceptions, but a critical portion of this project consisted of proposers submitting a design that would include the removal of grit. A vendor presentation was held on January 21, 2014. The proposer stated they had no grit removal included in their proposal and they assumed shoring in their proposal. This proposer submitted the third lowest proposal for total net guaranteed max price proposal amount. The Committee was impressed with the experience and qualifications of the proposer. However, this proposer clearly did not understand the concrete repair and stop plate project. Their submitted references were verified and their financials were reviewed.

RECOMMENDATION

1. The Committee recommends award of a contract to Floyd Johnston for \$6,367,960.00

See attached

Summary of Information Submitted by Proposers

REPORT EVALUATION COMMITTEE FOR HEADWORKS BUILDING CONCRETE REPAIR AND STOP PLATE BID FILE 3201

PROPOSERS	Overaa	Floyd	Myers
CRITERIA			
Technical Competence and experience of project team members on project with similar scope and performance requirements	Yes	Yes	Yes
Experience of team working together on previous projects and on development, design/build and operation project similar in scope and performance to this project	Yes	Yes	Yes
Technical soundness to approach to scope of work and understanding of the City's performance requirements.	No	Yes	No
Adquacy, related experience and availability of staffing and in-house or sub-consultant resources.	Yes	Yes	Yes
Satisfactory record of performance on similar projects.	Yes	Yes	Yes
Ability to meet identifiied schedule.	See Page 6.4 they took exceptions	Yes	Yes
Conformance with the proposal guidelines and format outlined in this Request for Proposals.	No	Yes	Yes
Ability to provide performance bond and other secirity for performance for the project.	Yes	Yes	Yes
Financial capability to guarantee cost and bear expenses above that cost.	Yes	Yes	Yes
Financials Submitted to Be Checked	Provided	Provided	Provided
Total Net Guaranteed Max. Price Proposal Amount	\$5,819,000.00	\$6,367,960.00	\$7,011,000.00
References	2 out of 2	1 out of 4	2 out of 3
Proposers Location	Richmond Ca	Clovis, Ca	Sacramento, Ca
REVIEW NOTES:	Sited by OSHA pg 1.11 - Exceptions Pg 1.20 Agreement Requirements-		

12/20/2013 Revised

This page intentionally left blank.

LISTING OF PROPOSERS

FOR: REQUEST FOR PROPOSALS FOR DESIGN-BUILD HEADWORKS BUILDING REPAIR AND STOP PLATE INSALLATION AT FRESNO/CLOVIS WRF

RFP No. 3201
RFP Opening: 10/15/13

PROPOSER'S	TOTAL PROPOSAL AMOUNT
1. C. OVERAA & CO. 200 PARR BOULEVARD RICHMOND, CA. 94801	\$5,819,000.00
2. FLOYD JOHNSTON CONSTRUCTION, CO. INC 2301 HERNDON CLOVIS, CA. 93611	\$6,367,960.00
3. MYERS & SONS CONSTRUCTION, LP 2554 MILLCREEK DRIVE SACRAMENTO, CA. 95833	\$7,011,000.00

Each proposer has agreed to allow the City one hundred sixty (160) days from date proposals were opened to accept or reject their proposal.

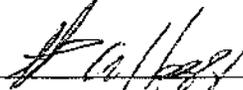
DEPARTMENT CONCLUSIONS AND RECOMMENDATION:

Award a contract in the amount of \$ 6,367,960.00 to Floyd Johnston Construction Company Inc in accordance with the Selection Committee recommendation.

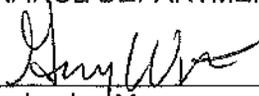
Reject all proposals. Reason:

Remarks:

Division Head Approval


 Title Assistant Director Public Utilities
 Date 4-23-14

- Approve Dept. Recommendation Approve Finance/Purchasing Recommendation
- Disapprove Disapprove
- See Attachment

FINANCE DEPARTMENT

 Purchasing Manager 4/24/14
 Date

CITY MANAGER

 City Manager or Designee 4/24/14
 Date


 Assistant Controller 4/24/2014
 Date

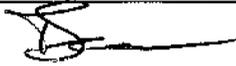
FISCAL IMPACT STATEMENT

PROGRAM: HEADWORKS COATING REPAIR AND STOP PLATE
INSTALLATION

<u>RECOMMENDATION</u>	<u>TOTAL OR CURRENT</u>	<u>ANNUALIZED COST</u>
Direct Cost	\$ 6,367,960.00	_____
Indirect Cost	\$ 145,000.00	_____
TOTAL COST	\$ 6,512,960.00	_____
Additional Revenue or Savings Generated	\$ 0.00	_____
Net City Cost	\$ 6,512,960.00	_____
Amount Budgeted (If none budgeted, identify source)	\$ 2,000,000.00	_____

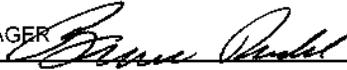
<u>Indirect Costs</u>	
City Inspection	\$50,000
Administration	\$10,000
Contract Compliance	\$35,000
Outside Inspection	\$50,000

AGENDA ITEM NO. 2 I
COUNCIL MEETING 05/15/14
APPROVED BY



DEPARTMENT DIRECTOR

CITY MANAGER



Date: May 15, 2014

FROM: KERRI L. DONIS, Fire Chief
Fire Department

BY: CHERYL CARLSON, Management Analyst III
Fire Department

SUBJECT: Approve application for and acceptance of FY 2013 Staffing for Adequate Fire and Emergency Response (SAFER) grant award for \$2,587,200 through the U.S. Department of Homeland Security

1. Resolution authorizing the application for and acceptance of FY 2013 Cycle Staffing for Adequate Fire and Emergency Response (SAFER) funding issued by the U.S. Department of Homeland Security Grant Program and authorizing completion of all required documents
2. Resolution of the Council of the City of Fresno adopting the 35th amendment to the Annual Appropriation Resolution No. 2013-98 appropriating \$227,200 from the SAFER Grant Program to the Fire Department for funding shift replacement in FY 2014

RECOMMENDATION

It is recommended Council adopt the resolution to accept the SAFER grant for \$2,587,200 and the 35th amendment to AAR No. 2013-98 for \$227,200 to appropriate shift replacement funding to the Fire Department FY 2014 budget.

EXECUTIVE SUMMARY

The department participated in the FY 2013 SAFER grant process with other public safety agencies and in 2014 was awarded \$2,587,200. If accepted by Council, this 2013 SAFER funding is for 12 firefighting positions to enhance minimum daily staffing by placing a fourth firefighter on four additional apparatus for three shifts each day from April 16, 2014, through April 15, 2016. With the adoption of this 2013 SAFER grant, the department will increase its minimum daily staffing from 67 firefighters on duty each day to 71 through September 21, 2014. When the 2011 SAFER grant period, which is currently in effect terminates on September 21, 2014, the minimum daily staffing will be re-evaluated as explained below. This 2013 SAFER grant is for a two-year period and there is no grant matching or retention requirement beyond the two-year period of performance.

REPORT TO CITY COUNCIL

Approve application for and acceptance of FY 2013 Staffing for Adequate Fire and Emergency Response (SAFER) grant award for \$2,587,200 through the U.S. Department of Homeland Security
May 15, 2014

Page 2

BACKGROUND

Under the Department of Homeland Security Appropriations Act of 2013, Congress appropriated \$321 million for SAFER grants. SAFER grants are competitive grants for fire departments for the purpose of hiring, recruiting, and retaining career and volunteer firefighters in communities. Grants are awarded on the basis of need through a competitive, peer-review process.

The department submitted a request for 12 firefighting positions to enhance minimum daily staffing. These additional positions will be utilized in the department's efforts to meet the two-in, two-out industry staffing standards per OSHA and would provide for a fourth firefighter on four apparatus experiencing high-call volume. The department is analyzing current response data to determine the best fire stations to locate the additional staffing.

Understanding unprecedented economic hardships within the city of Fresno precluded the department from recruiting and hiring any new firefighters since February 2008, the department applied for the 2013 SAFER grant under an exemption to the "Hiring of Firefighters" category. Under this exemption, the department will utilize existing firefighters from the relief pool to staff the four new positions daily rather than immediately hire new employees. This is the same criteria for which the department was awarded and implemented the 2011 SAFER grant for 12 positions; the 2011 SAFER two-year grant period ends September 21, 2014.

In an effort to maintain the increased staffing levels afforded by the grants, the FY 2015 proposed budget includes funding to convert the 12 firefighter positions of the 2011 SAFER into a new engine/truck company. This will provide one two-company house within the city of Fresno and start the effort to rebuild the department. To maintain the increased staffing level from September 21 through fiscal year end requires an estimated \$1.0 million in shift replacement and operations funding in FY 2015, and \$1.3 million annually thereafter.

The period of performance for this 2013 SAFER grant is April 16, 2014, through April 15, 2016. During this period, the salaries and benefits of 12 firefighters will be reimbursed from grant funding. This will allow the City to maximize the use of grant funding to enhance metropolitan emergency response efforts, thus providing a safer and more effective response to fire- and life-safety emergencies. To maintain the higher staffing level beyond April 15, 2016, at least \$1.3 million on an annual basis is required. Although the grant does not require retaining the positions beyond the two-year grant term, funding to maintain the higher staffing level has been included in the five-year budget projections presented by the City Manager to Council on March 27.

The department has been successful in being awarded three prior SAFER grants as follows: \$1.0 million in FY 2005 funding to hire ten positions; \$931,500 in FY 2006 funding to hire nine positions; and \$2.5 million in FY 2011 funding for 12 positions through September 21, 2014, which is the end of the FY 2011 SAFER grant two-year period of performance.

REPORT TO CITY COUNCIL

Approve application for and acceptance of FY 2013 Staffing for Adequate Fire and Emergency Response (SAFER) grant award for \$2,587,200 through the U.S. Department of Homeland Security
May 15, 2014

Page 3

ENVIRONMENTAL FINDING

N/A

LOCAL PREFERENCE

N/A

FISCAL IMPACT

The period of performance for this 2013 SAFER grant is April 16, 2014, through April 15, 2016. Expenditures and revenues in the amount of \$227,200 are estimated to be incurred in FY 2014. Full year estimated grant revenues and expenditures in the amount of \$1.3 million have been included in the proposed FY 2015 budget.

Full-year funding in the amount of \$1.3 million annually thereafter would be required to maintain the additional four persons on duty each day. Although not required under the grant guidelines, funding to maintain the enhanced staffing levels has been included in the Mayor's five-year budget projections, thus providing a safer and more effective response to fire- and life-safety emergencies.

Attachments

Resolution: Authorizing Acceptance of SAFER Grant

Resolution: 35th Amendment to the AAR 2013-98

This page intentionally left blank.

RESOLUTION NO. _____

RESOLUTION OF THE COUNCIL OF THE CITY OF
FRESNO, CALIFORNIA AUTHORIZING THE
APPLICATION FOR AND ACCEPTANCE OF FY 2013
CYCLE STAFFING FOR ADEQUATE FIRE AND
EMERGENCY RESPONSE (SAFER) FUNDING ISSUED
BY THE U.S. DEPARTMENT OF HOMELAND SECURITY
GRANT PROGRAM AND AUTHORIZING COMPLETION
OF ALL REQUIRED DOCUMENTS

WHEREAS, the U.S. Department of Homeland Security provides funding for the FY 2013 Cycle Staffing for Adequate Fire and Emergency Response (SAFER) Grant Program ("Program");

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

Section 1. That Council approves acceptance of grant funds for the U.S. Department of Homeland Security for the FY 2013 Cycle Program.

Section 2. To the extent consistent with all Constitution and local law requirements and this resolution, the City certifies that it has or will have sufficient funds to operate and maintain the program.

Section 3. That the City certifies it has reviewed, understands and, to the extent consistent with all Constitutional and local law requirements and this resolution, agrees to the provisions contained in the Application, Award and Program Guidelines.

Section 4. The Fire Chief for the City of Fresno is appointed the agent of the City of Fresno to conduct all negotiations and take any actions necessary for the purpose of obtaining the federal financial assistance hereunder, execute and submit documents including, but not limited to, applications, agreements, memoranda of understanding, payment requests and so on, which may be necessary for the completion of the Program, subject to prior approval as to form by the City Attorney's Office.

///

///

Date Adopted:

Date Approved:

Effective Date:

City Attorney Approval: 

STATE OF CALIFORNIA)
COUNTY OF FRESNO) ss.
CITY OF FRESNO)

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing resolution was adopted by the Council of the City of Fresno, at a regular meeting held on the _____ day of _____, 2014.

AYES :
NOES :
ABSENT:
ABSTAIN:

Mayor Approval: _____, 2014
Mayor Approval/No Return: _____, 2014
Mayor Veto: _____, 2014
Council Override Vote: _____, 2014

YVONNE SPENCE, CMC
City Clerk

BY: _____
Deputy

APPROVED AS TO FORM:
CITY ATTORNEY'S OFFICE

BY: _____
Mary Anne B. Tooke
Deputy

MAT:pn

RESOLUTION NO. _____

A Resolution of the Council of the City of Fresno adopting the 35th Amendment to the Annual Appropriation Resolution No. 2013-98 appropriating \$227,200 from the SAFER Grant Program to the Fire Department to fund shift replacement in FY 2014.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FRESNO:

THAT PART III of the Annual Appropriation Resolution No. 2013-98 be and is hereby amended as follows:

	<u>Increase/(Decrease)</u>
TO: FIRE DEPARTMENT	
General Fund	\$ 227,200

THAT account titles and numbers requiring adjustment by this Resolution are as follows:

General Fund

Revenues:

Account: 33104 Fed-Grant	\$ <u>227,200</u>
Fund: 10101	
Org Unit: 160201	
Total Revenues	\$ <u>227,200</u>

Appropriations:

Account: 51303 Minimum Staffing Pay	\$ <u>227,200</u>
Fund: 10101	
Org Unit: 160201	
Total Appropriations	\$ <u>227,200</u>

THAT the purpose is to appropriate \$227,200 from the SAFER Grant Program to the Fire Department to fund shift replacement in FY 2014.

CLERK'S CERTIFICATION

STATE OF CALIFORNIA
COUNTY OF FRESNO } ss.
CITY OF FRESNO }

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing Resolution was adopted by the Council of the City of Fresno, California, at a regular meeting thereof, held on the _____ Day of _____, 2014

AYES:
NOES:
ABSENT:
ABSTAIN:

Mayor Approval: _____, 2014
Mayor Approval/No Return: _____, 2014
Mayor Veto: _____, 2014
Council Override Veto: _____, 2014

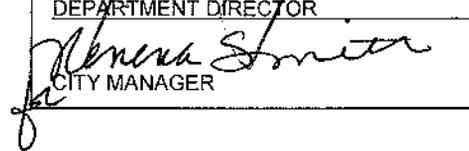
YVONNE SPENCE, CMC
City Clerk

Date Adopted:
Date Approved:
Effective Date:

Resolution No.

AGENDA ITEM NO.	25
COUNCIL MEETING	5/15/14
APPROVED BY	

May 15, 2014


DEPARTMENT DIRECTOR

CITY MANAGER

FROM: Department of Public Utilities

BY: MARTIN A. QUERIN, PE, Assistant Director
Department of Public Utilities – Water Division 

MICHAEL CARBAJAL, Chief Engineering Technician 
Department of Public Utilities – Water Division

SUBJECT: Actions pertaining to the acquisition of CVP Unreleased Restoration Flows and transfer of said Unreleased Restoration Flows to the Orange Cove Irrigation District to assist in mitigation of severe drought conditions

1. Adopt findings that the proposed agreements are not a “project” within the meaning of Public Resources Code Section 21803 (CEQA Guidelines section 15378), that the proposed agreements are also statutorily exempt from CEQA under Public Resources Code Section 21080(b)(4) due to the proclamation of a qualifying state of emergency related to a drought, and that NEPA compliance is complete based upon the United States Bureau of Reclamation’s adopted “finding of no significant impact” covering the Recirculation of Recaptured Water for Water Year 2014-2017 San Joaquin Restoration Flows, “finding of no significant impact” covering the Accelerated Water Transfer Program for Friant Division and Cross Valley Central Valley Project Contractors, 2011-2015, and “finding of no significant impact” covering the Increase in Quantity for the Friant Division and Cross Valley Accelerated Water Transfer Program, 2011-2015
2. Adopt a resolution authorizing the Department of Public Utilities to execute the “Agreement Between the United States Bureau of Reclamation and the City of Fresno for Delivery of Banked Unreleased Restoration Flows, and execute the “Agreement for Transfer and Exchange of Water” between the Orange Cove Irrigation District and the City of Fresno in substantially the form attached.

RECOMMENDATIONS

Staff recommends that City Council:

1. Adopt findings that the proposed agreements are not a "project" within the meaning of Public Resources Code Section 21803 (CEQA Guidelines section 15378), that the proposed agreements are also statutorily exempt from CEQA under Public Resources Code Section 21080(b)(4) due to the proclamation of a qualifying state of emergency related to a drought, and that NEPA compliance is complete based upon the United States Bureau of Reclamation's adopted "finding of no significant impact" covering the Recirculation of Recaptured Water for Water Year 2014-2017 San Joaquin Restoration Flows, "finding of no significant impact" covering the Accelerated Water Transfer Program for Friant Division and Cross Valley Central Valley Project Contractors, 2011-2015, and "finding of no significant impact" covering the Increase in Quantity for the Friant Division and Cross Valley Accelerated Water Transfer Program, 2011-2015.
2. Adopt a resolution authorizing the Department of Public Utilities to execute the "Agreement Between the United States Bureau of Reclamation and the City of Fresno for Delivery of Banked Unreleased Restoration Flows" (Bureau Agreement), in substantially the form attached; and execute the "Agreement for Transfer and Exchange of Water" (OCID Agreement), in substantially the form attached, between the Orange Cove Irrigation District and the City of Fresno to transfer the City's portion of certain unreleased and banked San Joaquin River Restoration Water, to which the City is entitled pursuant to its Central Valley Project Contract, to the Orange Cove Irrigation District.

EXECUTIVE SUMMARY

Pursuant to the City's Central Valley Project (CVP) water supply contract with the Bureau of Reclamation (Bureau), the City has a right to receive Class 1 water from the Friant Division of the CVP (CVP Contract). The City is also entitled to a portion of 12,694 acre-feet of CVP water supplies that the Bureau withheld from releasing as flow restoration water to the San Joaquin River pursuant to the terms of the San Joaquin Settlement and the San Joaquin River Restoration Settlement Act. The Bureau has held back this small increment of restoration flows to benefit disadvantaged communities. The City is entitled to an initial estimate of 710 acre-feet of this "Unreleased Restoration Flows."

Water Year 2014 is a critical dry (drought) year. As a result, certain regional water users do not have access to sufficient water supplies to meet their minimal water requirements. The Orange Cove Irrigation District (OCID) is in jeopardy of losing tens of millions of dollars' worth of permanent plantings because it does not have access to sufficient water supplies.

To assist OCID, as a disadvantaged community, City staff recommends a transfer of the City's share of the Unreleased Restoration Flows to OCID. The City has determined that it has adequate water supplies to meet customer demands during this critical dry year. Additionally, City water rates do not support the higher cost to receive this surface water. This transfer to OCID is subject to prior

approval by the Bureau. Consistent with the Bureau's CVP regulations, the City cannot realize an economic gain from this transfer. The City will receive full reimbursement from OCID for the City's CVP Contract water supply costs for this transfer of the Unreleased Restoration Flows.

BACKGROUND

The City has the right to receive up to 60,000 AF of Class 1 water from the Friant Division of the CVP under Contract No. 14-06-200-8901D. As a result of the extraordinary drought conditions, many communities in the San Joaquin Valley are suffering severe water shortage conditions.

Pursuant to the Central Valley Project Improvement Act of 1992 (CVPIA) and the Bureau's Accelerated Water Transfer Program, the Bureau has established certain accelerated procedures to enable water transfers and exchanges.

In 2006, the Bureau and Friant contractors settled protracted litigation over fisheries and environmental issues, and agreed to the San Joaquin River Environmental Restoration Program. This River Restoration Program includes provisions that allow the Bureau to reallocate some restoration flows for water use during critical dry years.

The Bureau has withheld release of approximately 12,694 acre-feet of CVP water supplies from the Restoration Program, to be used for disadvantaged communities. The City is entitled to an initial estimate of 710 acre-feet of these Unreleased Restoration Flows during Water Year 2014. Even though Water Year 2014 is a critical dry year, the City has determined that it has adequate water supplies to meet customer demands through the use of groundwater and Kings River surface water. Additionally, City water rates do not support the higher cost to receive this surface water. To fully promote the Bureau's AWTP and Restoration Program, staff recommends that the City transfer its share of the Unreleased Restoration Flows to OCID.

The Bureau is requiring all contractors wishing to access their portion of the Unreleased Restoration Flows to execute the attached Bureau Agreement.

The OCID Agreement will provide a simple, single year transfer of the City's portion of the Unreleased Restoration Flows and full reimbursement to the City of all costs associated with the water supply and transfer. The estimated cost to the City under the Bureau Agreement and reimbursement to the City under the OCID agreement is approximately \$413,979.70.

ENVIRONMENTAL FINDINGS

The Bureau Agreement and OCID Agreement (collectively, Agreements) are not a "project" under CEQA and NEPA compliance is complete for the following reasons:

1. NEPA

- a. The Bureau adopted a "finding of no significant impact" covering the Recirculation of Recaptured Water for Water Year 2014-2017 San Joaquin River Restoration Flows.

(The FONSI can be viewed on the Bureau's website at http://www.usbr.gov/mp/nepa/nepa_projdetails.cfm?Project_ID=12690.) The City relies on the FONSI for NEPA compliance for the Agreements.

- b. The Bureau adopted a "finding of no significant impact" covering the Accelerated Water Transfer Program for Friant Division and Cross Valley Central Valley Project Contractors, 2011-2015. (The FONSI can be viewed on the Bureau's website at http://www.usbr.gov/mp/nepa/nepa_projdetails.cfm?Project_ID=6977.) The City relies on the FONSI for NEPA compliance for the Agreements.
 - c. The Bureau adopted a "finding of no significant impact" covering the Increase in Quantity for the Friant Division and Cross Valley Accelerated Water Transfer Program, 2011-2015. (The FONSI can be viewed on the Bureau's website at http://www.usbr.gov/mp/nepa/nepa_projdetails.cfm?Project_ID=6977.) The City relies on the FONSI for NEPA compliance for the Agreements.
2. CEQA – The Agreements are not a "project" within the meaning of Public Resources Code section 21803 (CEQA Guidelines § 15378) because implementation of the Agreements has no reasonable potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. The following facts support these findings:
- a. The City would not enter into the Bureau Agreement to acquire the Unreleased Restoration Flows due to the higher cost to receive this water;
 - b. OCID is an existing water service contractor with the Bureau and has the right to receive water from the CVP;
 - c. No new facilities will be used or required to deliver water pursuant to the Agreements;
 - d. The transfer of the Unreleased Restoration Flows is undertaken in furtherance of the Restoration Program and Accelerated Water Transfer Program described above; and
 - e. The OCID Agreement will:
 - i. provide a short-term, temporary supply of water to OCID;
 - ii. provide OCID with a small incremental increase in its access to water from existing Bureau facilities in a year when OCID would otherwise receive essentially no water from the CVP; and
 - iii. provide OCID with a small, temporary water supply that will be used for existing (no new) uses within its service boundaries, on lands already under irrigation.

3. CEQA – State of Emergency Declaration. As an additional ground, the Agreements are statutorily exempt from CEQA under Public Resources Code Section 21080(b)(4) due to the proclamation of a qualifying state of emergency related to a drought. The Governor issued a Proclamation of a Continued State of Emergency, Proclamation No. 4-25-14, among whose purposes is to protect the safety of persons and property from the natural disaster and extreme peril created by the severe drought conditions currently existing in the State, including community water shortages. The Proclamation was made pursuant to Chapter 7 of Division 1 of the Title 2 of the Government Code, which under Public Resource Code Section 21080(b)(4), allows the Agreements to be exempt from the requirements CEQA.

FISCAL IMPACT

There will be no impact to the City's General Fund. The City will receive full reimbursement from OCID for the costs incurred by the City from the Bureau in relation to the transferred Unreleased Restoration Flows and other expenses incurred by the City to consummate the transfer. These funds will be deposited into the Water Enterprise Fund.

Attachments:

- Resolution
- Bureau Agreement
- OCID Agreement

This page intentionally left blank.

RESOLUTION NO. _____

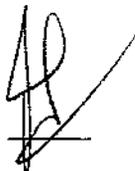
A RESOLUTION OF THE CITY COUNCIL OF FRESNO, CALIFORNIA, AUTHORIZING THE DEPARTMENT OF PUBLIC UTILITIES TO: (1) EXECUTE AN AGREEMENT WITH THE BUREAU OF RECLAMATION FOR ACQUISITION OF CENTRAL VALLEY PROJECT UNRELEASED RESTORATION FLOWS; AND (2) EXECUTE AN AGREEMENT WITH ORANGE COVE IRRIGATION DISTRICT TO TRANSFER THE CITY'S ACQUIRED UNRELEASED RESTORATION FLOWS TO ORANGE COVE IRRIGATION DISTRICT

WHEREAS, pursuant to the City's Central Valley Project (CVP) agreement with the Bureau of Reclamation (Bureau) (Contract No. 14-06-200-8901D), the City has a right to receive Class 1 water from the Friant Division of the CVP (CVP Contract Water); and

WHEREAS, the City is also entitled to a portion of 12,694 acre-feet of CVP water supplies that the Bureau withheld from releasing as flow restoration water to the San Joaquin River pursuant to the terms of the San Joaquin Settlement entered in the litigation, *Natural Resources Defense Council v. Patterson* (No. CIVS 88-1658-LKK-EM) and the San Joaquin River Restoration Settlement Act ("Unreleased Restoration Flows"); and

WHEREAS, the City is entitled to an initial estimate of 710 acre-feet of the Unreleased Restoration Flows and the City desires to execute the agreement titled "Agreement Between The United States Bureau of Reclamation and the City of Fresno For Delivery of Banked Unreleased Restoration Flow" with the Bureau (attached to the staff report accompanying this resolution) (Bureau Agreement) to acquire this water; and

Date Adopted:
Date Approved:
Effective Date:
City Attorney Approval:



1 of 6

Resolution No. _____

WHEREAS, because of severe drought conditions, OCID is in jeopardy of losing tens of millions of dollars' worth of permanent plantings this year due to inadequate water supplies; and

WHEREAS, the City has determined that it has adequate water supplies to meet customer demands during this critical dry year and City water rates do not support the higher cost to acquire the Unreleased Restoration Flows; and

WHEREAS, the City desires to transfer the City's share of the Unreleased Restoration Flows acquired from the Bureau to OCID, subject to prior approval by the Bureau, to assist OCID in meeting its dire water supply shortage;

WHEREAS, the City and Orange Cove Irrigation District intend to enter into an agreement pursuant to which the City shall transfer its Unreleased Restoration Flows to OCID in exchange for full reimbursement for the costs of those supplies (OCID Agreement); and

WHEREAS, consistent with the Bureau's CVP regulations, the City will not realize an economic gain from this transfer, but will receive full reimbursement from OCID for the costs incurred by the City from the Bureau in relation to its portion of the Unreleased Restoration Flows and other expenses incurred by the City to consummate the transfer.

NOW, THEREFORE, the Council of the City of Fresno as finds as follows:
The Bureau Agreement and OCID Agreement (collectively, Agreements) are not a "project" under CEQA, are statutorily exempt from CEQA, and NEPA compliance is complete for the following reasons:

1. NEPA

a. The Bureau adopted a “finding of no significant impact” covering the Recirculation of Recaptured Water Year 2014-2017 San Joaquin River Restoration Flows. (The FONSI can be viewed on the Bureau’s website at http://www.usbr.gov/mp/nepa/nepa_projdetails.cfm?Project_ID=12690.) The City relies on the FONSI for NEPA compliance for the Agreements.

b. The Bureau adopted a “finding of no significant impact” covering the Accelerated Water Transfer Program for Friant Division and Cross Valley Central Valley Project Contractors, 2011-2015. (The FONSI can be viewed on the Bureau’s website at http://www.usbr.gov/mp/nepa/nepa_projdetails.cfm?Project_ID=6977.) The City relies on the FONSI for NEPA compliance for the Agreements.

c. The Bureau adopted a “finding of no significant impact” covering the Increase in Quantity for the Friant Division and Cross Valley Accelerated Water Transfer Program, 2011-2015. (The FONSI can be viewed on the Bureau’s website at http://www.usbr.gov/mp/nepa/nepa_projdetails.cfm?Project_ID=6977.) The City relies on the FONSI for NEPA compliance for the Agreements.

2. CEQA – The Agreements are not a “project” within the meaning of Public Resources Code section 21803 (CEQA Guidelines § 15378) because implementation of the Agreements has no reasonable potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. These following facts support these findings:

- a. The City would not enter into the Bureau Agreement to acquire the Unreleased Restoration Flows due to its higher cost to receive this water;
- b. OCID is an existing water service contractor with the Bureau and has the right to receive water from the CVP;
- c. No new facilities will be used or required to deliver water pursuant to the Agreements;
- d. The transfer of the Unreleased Restoration Flows is undertaken in furtherance of the Restoration Program and Accelerated Water Transfer Program described above; and
- e. The OCID Agreement will:
 - i. Provide a short-term, temporary supply of water to OCID;
 - ii. Provide OCID with a small incremental increase in its access to water from existing Bureau facilities in a year when OCID would otherwise receive essentially no water from the CVP; and
 - iii. Provide OCID with a small, temporary water supply that will be used for existing (no new) uses within its service boundaries, on lands already under irrigation.

3. CEQA – State of Emergency Declaration. As an additional ground, the Agreements are statutorily exempt from CEQA under Public Resources Code Section 21080(b)(4) due to the proclamation of a qualifying state of emergency related to a drought. The Governor issued a Proclamation of a Continued State of Emergency, Proclamation No. 4-25-14, among whose purposes is to protect the safety of persons

and property from the natural disaster and extreme peril created by the severe drought conditions currently existing in the State, including community water shortages. The Proclamation was made pursuant to Chapter 7 of Division 1 of the Title 2 of the Government Code, which under Public Resource Code Section 21080(b)(4), allows the Agreements to be exempt from the requirements CEQA.

NOW, THEREFORE, IT IS RESOLVED by the Council of the City of Fresno as follows:

1. The Director of the Department of Utilities (Director) is authorized to execute on behalf of the City of Fresno the agreement with the Bureau, titled "Agreement Between The United States Bureau of Reclamation and the City of Fresno For Delivery of Banked Unreleased Restoration Flow;" and

2. The Director is authorized to enter into an agreement with OCID under the terms explained in the accompanying staff report to transfer the City's portion of the Unreleased Restoration Flow to which the City is entitled pursuant to its CVP Contract to OCID, subject to City Attorney approval as to form, and to make appropriate applications to the Bureau to effectuate the Agreement.

3. Because the City Council finds that the execution of agreements and actions authorized by this resolution is exempt from CEQA, City staff shall file a notice of exemption with the State Clearinghouse.

This Resolution shall be in full force and effect upon its final passage.

///

///

///

* * * * *

STATE OF CALIFORNIA)
COUNTY OF FRESNO) ss.
CITY OF FRESNO)

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing resolution was adopted by the Council of the City of Fresno, at a regular meeting held on the _____ day of _____, 2014.

AYES :
NOES :
ABSENT :
ABSTAIN :

Mayor Approval: _____, 2014
Mayor Approval/No Return: _____, 2014
Mayor Veto: _____, 2014
Council Override Vote: _____, 2014

YVONNE SPENCE, CMC
City Clerk

BY: _____
Deputy

APPROVED AS TO FORM:
CITY ATTORNEY'S OFFICE

BY: _____
Robert Saperstein, [Date]
Consulting Attorney
Brownstein Hyatt Farber Schreck, LLP

TY:elb [64686elb/ty] Reso 5/2/14

AGREEMENT FOR TRANSFER AND EXCHANGE OF WATER

This **AGREEMENT FOR TRANSFER AND EXCHANGE OF WATER** ("Agreement") is made and effective as of May __, 2014 by and between (i) the **CITY OF FRESNO**, a California municipal corporation ("City") and (ii) the **ORANGE COVE IRRIGATION DISTRICT**, a California irrigation district ("**OCID**") with reference to the following facts:

- A. The City has the right to receive Class 1 water from the Friant Division of the Central Valley Project ("**CVP**") under Contract No. 14-06-200-8901D ("**CVP Contract Water**") with the United States Bureau of Reclamation ("**Reclamation**").
- B. On or about September 13, 2006, a Stipulation of Settlement was entered in the litigation entitled Natural Resources Defense Council, et al. v. Kirk Rodgers, et al., United States District Court, Eastern District of California, No. CIV. S-88-1658-LKK/GGH ("**SJ River Settlement**").
- C. In March 2009, the San Joaquin River Restoration Settlement Act (Public Law 111-11 (H.R. 146) ("**SJ River Restoration Act**") was enacted to implement certain portions of the SJ River Settlement.
- D. Together, the SJ River Settlement and the SJ River Restoration Act provide for certain environmental restoration flows ("**Restoration Flows**") to be released into the main stem of the San Joaquin River.
- E. Pursuant to terms of the SJ River Settlement and the SJ River Restoration Act, Reclamation reduced the 2013 Restoration Flows early resulting in the availability of 12,694 acre-feet of "**Unreleased Restoration Flows**."
- F. Reclamation banked these Unreleased Restoration Flows with Fresno Irrigation District and made this water, less 10-percent required to remain in Fresno Irrigation District's recharge facilities, available to Friant Division Class 1 Contractors to meet critical public health and safety needs and other essential uses for disadvantaged communities.
- G. The City is entitled to a portion of the banked Unreleased Restoration Flows and has entered into an agreement with Reclamation to procure the supply.
- H. The City's initial prorated quantity of the banked Unreleased Restoration Flows is 710 acre feet. This initial amount is subject to incremental increase if other contractors decline their initially prorated quantity.
- I. Because of the critical drought conditions in 2014, OCID is in jeopardy of losing tens of millions of dollars' worth of permanent plantings because it does not have access to sufficient water supplies.
- J. The City desires to assist OCID to minimize those potential losses by transferring its entitlement to the Unreleased Restoration Flows to OCID in exchange for full reimbursement for the costs incurred by the City from the Bureau in relation to the transferred Unreleased Restoration Flows and other expenses incurred by the City to consummate the transfer.
- K. Through this Agreement, the City and OCID intend to coordinate the transfer of the City's entitlement to the Unreleased Restoration Flows to OCID for irrigation of permanent crops within OCID service area.

THEREFORE, the parties agree as follows:

1. Term. This Agreement pertains only to the City's entitlement to the Unreleased Restoration Flows. This Agreement shall terminate upon the completion of the transfer of the City's Unreleased Restoration Flows and the payment of all payments (and any payment reconciliations) provided for herein.

2. Water Transfer. The City shall make available to OCID all of the Unreleased Restoration Flows available to the City in the Friant Kern Canal at the Gould Canal Intertie (Mile Post 27.7). The actual amount of Unreleased Restoration Flows to be transferred to OCID shall be the amount of Unreleased Restoration Flows delivered by Reclamation to the City in the Friant Kern Canal at the Gould Canal Intertie (Mile Post 27.7). The City and OCID shall undertake all reasonable efforts necessary to effectuate the transfer of the City's Unreleased Restoration Flows to OCID as provided in this Agreement. OCID shall take all reasonable steps to take delivery of and make reasonable and beneficial use of the full quantity of Unreleased Restoration Flows transferred from the City.

3. Payment.

a. OCID shall reimburse the City for all costs incurred by the City from Reclamation in relation to the transfer of the City's Unreleased Restoration Flows to OCID together with reasonably incurred administrative costs incurred by the City to consummate the transfer (collectively, "Transfer Costs"). The Parties anticipate that the full payment to the City to reimburse the City's Transfer Costs will be approximately \$413,979.70 (four hundred thirteen thousand, nine hundred seventy nine dollars and seventy cents).

b. Within five (5) calendar days of the effective date of this Agreement, OCID shall pay to the City the sum of \$413,979.70 (four hundred thirteen thousand, nine hundred seventy nine dollars and seventy cents). Within thirty (30) days of completion of the transfer of the City's Unreleased Restoration Flows to OCID, the City shall provide to OCID a full accounting of the City's Transfer Costs and shall invoice or reimburse OCID to achieve a reconciliation of all payments owed by, or reimbursable to, OCID. If OCID owes additional sums to the City pursuant to an invoice made for the reimbursement of additional Transfer Costs, OCID shall tender full payment of that invoice within thirty (30) days of its receipt of the invoice.

c. In addition to the payments provided in sections 3.a and 3.b, above, OCID shall be responsible for any and all conveyance losses and costs associated with the delivery and use of the Unreleased Restoration Flows from the Friant Kern Canal to its distribution system.

4. Transfer Instructions. To accomplish the transfer of the City's Unreleased Restoration Flows, the City and OCID shall deliver a copy of this Agreement to Reclamation as notice of the Parties' authorization for the transfer provided for by this Agreement.

5. Counterparts. This Agreement may be executed in counterparts by the parties. Facsimile signatures shall be binding.

6. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. All prior agreements with respect to that subject matter, whether verbal or written, are hereby superseded in their entirety by this Agreement and are of no further force or effect. Amendments to this Agreement shall be effective only if in writing, and then only when signed by the authorized representatives of the respective parties.

7. Specific Performance. The parties acknowledge that the water to be transferred and exchanged under this Agreement is unique, and that the failure of the City or OCID to perform under this Agreement may not be readily compensable in monetary damages. Therefore, in addition to any other remedies available at law or in equity, in the event of a breach or threatened breach of this Agreement, the City and OCID shall each be entitled to specific performance of this Agreement.

8. Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be void or unenforceable, and that provision cannot be reformed to be enforceable consistent with the overall intent of this Agreement, the entire Agreement shall be void and unenforceable.

9. Ambiguities. This Agreement shall be interpreted as if it had been jointly drafted by both parties. Therefore, the normal rule of construction that ambiguities are construed against the drafter is hereby waived.

10. Notices. All notices under this Agreement shall be effective (i) when personally delivered, (ii) when sent by facsimile on a business day between the hours of 8 a.m. and 5 p.m. (with written confirmation of transmission), at the numbers set forth below, provided that a copy is mailed as indicated below, or (iii) three business days after deposit in the United States mail, registered or certified, postage fully prepaid and addressed to the respective parties as follows:

To City: Martin A. Querin, PE, Assistant Director of Public Utilities
City of Fresno, Department of Public Utilities
2600 Fresno Street
Fresno, CA 93721
Facsimile No.: (559) 488-1024
Telephone No.: (559) 621-8600

To OCID: Fergus Morrissey, Engineer Manager
1130 Park Blvd
Orange Cove, CA 93646
Facsimile No.: (559) 626-4463
Telephone No.: (559) 626-4461

or such other address or facsimile number as the parties may from time to time designate in writing. As a matter of convenience, however, communications between the City and OCID shall, to the extent feasible, be conducted orally by telephone or in person, and/or through the parties' respective counsel, with such communications to be confirmed and made effective in writing as set forth above provided no such oral notice or communication shall be effective unless so confirmed in writing.

16. Further Action. The parties agree to perform all further acts, and to execute, acknowledge, and deliver any documents that may be reasonably necessary, appropriate or desirable to carry out the purposes of this Agreement.

17. No Third Party Beneficiaries. This Agreement does not create, and shall not be construed to create, any rights enforceable by any person, partnership, corporation, joint venture, limited liability company or other form of organization or association of any kind that is not a party to this Agreement.

18. Environmental Compliance. The obligations of the parties under this Agreement are expressly conditioned upon: (i) compliance with the California Environmental Quality Act ("CEQA"), the National Environmental Protection Act ("NEPA") and all other applicable environmental laws with respect to the actions contemplated by this Agreement, and (ii) the receipt of all necessary governmental consents and approvals for those actions. Each party shall promptly prepare all appropriate environmental documents, if any are required, for it to undertake the actions contemplated in this Agreement. The parties shall cooperate to diligently complete all environmental review required in order to implement this Agreement, and shall use reasonable efforts to reduce any overlap in analyzing, mitigating, or studying environmental impacts associated with the actions proposed in this Agreement. Notwithstanding any other provision of this Agreement, no action shall be taken to effect the actions contemplated by this Agreement, and no other action shall be taken that commits any material resources of any party, until all required environmental review is completed and all parties have independently made all findings required by CEQA and other applicable environmental laws. If, upon completion of such environmental review, a party finds one or more significant, unmitigated environmental impacts resulting from the actions contemplated by this Agreement and cannot make a finding that the benefits of the proposed project outweigh the impact or impacts, or that the impacts can be mitigated to a level below significance, then this Agreement shall terminate without further obligation or liability of any party. Neither

the execution of this Agreement, nor any preliminary steps taken to implement this Agreement, shall be taken into account in determining whether mitigating or avoiding any significant impact is feasible.

19. Attorneys' Fees. In the event of any action between the parties seeking enforcement or interpretation of any of the terms and conditions of this Agreement, the prevailing party in such action shall be awarded its reasonable costs and expenses, including, but not limited to, reasonable attorneys' fees and costs.

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

CITY OF FRESNO,
a California municipal corporation

ORANGE COVE IRRIGATION DISTRICT,
a California irrigation district

By: _____
Martin A. Querin, PE
Public Utilities

By: _____
Fergus Morrissey
Engineer Manager

ATTEST:

YVONNE SPENCE, CMC
City Clerk, City of Fresno

By: _____
Deputy

APPROVED AS TO FORM:

DOUGLAS SLOAN
City Attorney

By: _____
Print Name: Robert J. Saperstein
Title: Special Counsel to the City Attorney

**AGREEMENT BETWEEN THE UNITED STATES BUREAU OF RECLAMATION
AND THE CITY OF FRESNO FOR
DELIVERY OF BANKED UNRELEASED RESTORATION FLOWS**

THIS AGREEMENT is made and effective as of April __, 2014 by and between the United States of America, acting by and through its Bureau of Reclamation (Reclamation) and the City of Fresno (Contractor), a Central Valley Project (CVP) Friant Division contractor, pursuant to the Act of June 17, 1902, (32 Stat. 388), and acts amendatory or supplementary thereto, including but not limited to: Title X, Subtitle A, of the Act of March 30, 2009 (123 Stat. 1349), also referred to as the San Joaquin River Restoration Settlement Act hereinafter referred to as SJRRSA.

WITNESSETH, That:

A. Pursuant to the Stipulation of Settlement in *Natural Resources Defense Council, et. al., v. Kirk Rodgers, et. al.* (Settlement) and the SJRRSA, Reclamation is directed to implement a program that releases Interim and Restoration flows from Friant Dam. Pursuant to Paragraph 13(i) of the Settlement, full Restoration Flows commenced on January 1, 2014, and Reclamation, in consultation with the Restoration Administrator, shall use the amount of the Restoration Flows not released in any such year, if any, by taking prescribed steps to best achieve the Restoration Goal.

B. In consideration of the unprecedented dry conditions in the San Joaquin Valley, the Restoration Administrator, in coordination with the Settling Parties, recommended the early reduction of 2013 Restoration Flows starting February 1. This early reduction in releases resulted in the availability of 12,694 acre-feet of Unreleased Restoration Flows, which is water developed by Reclamation pursuant to the SJRRSA.

C. Reclamation has banked these Unreleased Restoration Flows with Fresno Irrigation District (Fresno ID) and is making this water, less 10-percent required to remain in Fresno ID's recharge facilities, herein after referred to as "SJRRP Water", available for sale to further achieve the Restoration Goal and to provide water in 2014 to Friant Division Class 1 (Class 1) Contractors to first meet critical public health and safety needs and then agricultural needs.

D. Reclamation and Fresno ID have completed environmental documentation and constructed facilities providing for the ability to exchange up to 40 cubic feet per second (cfs) of water into the Friant Kern Canal. In addition, Reclamation and Fresno ID have entered into an agreement for the recovery of costs associated with banking the SJRRP Water and construction and operation of the temporary facilities.

E. As of the date of this agreement, Reclamation has determined the Friant Division 2014 water supply allocation is zero percent of Class 1 and Class 2. A portion of the public health and safety supply will be made available from SJRRP Water.

THEREFORE, the parties agree as follows:

1. The Program Manager will make available for delivery to the Contractor up to 710 acre-feet of SJRRP Water, which amount may be modified upon mutual agreement of the parties and updated in Exhibit A. The Contractor shall utilize the SJRRP Water in accordance with all legal requirements, including reasonable and beneficial uses.

2. Within five business days of execution of this Agreement, the Contractor shall submit a written schedule to The Program Manager showing the delivery of the total volume of SJRRP Water broken down by month or other such time intervals as required by The Program Manager. The Program Manager shall use all reasonable means to deliver SJRRP Water according to the approved schedule. If The Program Manager determines, at its sole discretion, that it cannot meet the Contractor's schedule, The Program Manager shall request a revised schedule from the Contractor, which the Contractor shall provide to The Program Manager within two business days. The Contractor shall not receive water unless and until the schedule and any revision(s) thereof have been approved by The Program Manager.

3. SJRRP Water to meet critical public health and safety shall at all times have priority to the capacity of Fresno ID's temporary facilities. Priority of Fresno ID's temporary facilities for delivery of all other SJRRP Water shall be determined by the Program Manager, in coordination with the Contractor.

4. SJRRP Water scheduled pursuant to this Agreement shall be delivered to the Contractor into the Friant Kern Canal at the Gould Canal Intertie (Mile Post 27.7). The Contractor shall be responsible for any conveyance losses and costs associated with diverting the SJRRP Water from the Friant Kern Canal into its distribution system. The Program Manager shall make all reasonable efforts to maintain sufficient flows and levels of water in the Friant Kern Canal to deliver SJRRP Water, but does not guarantee that the levels will be sufficient for diversion at the Contractor's turnout without modification by the Contractor. Any costs to modify turnout facilities shall be the responsibility of the Contractor.

5. The Contractor shall ensure that all SJRRP Water conveyed to the Contractor pursuant to this Agreement shall be measured and recorded with equipment furnished, installed, operated and maintained at no cost the United States. The Contractor shall provide the Program Manager delivery records within 20 days following a month when SJRRP Water was scheduled by the Contractor. The accuracy and recording of all such measurements shall be determined by the Program Manager and shall be conclusive of the volume of water diverted by the Contractor pursuant to this Agreement. For any period of time when accurate measurements have not been made, the Program Manager shall consult with the Contractor prior to making a final determination of the quantity delivered for that period of time. The Program Manager shall provide the Contractor with a weekly update of SJRRP Water delivered and scheduled pursuant to this Agreement. For the purpose of determining the volume of SJRRP Water delivered to the Contractor pursuant to this Agreement, the weekly update shall be the record of the water delivered. Any discrepancy between the weekly update and the Contractor's delivery record, shall be reconciled by the Program Manager.

6. The Contractor agrees to purchase the SJRRP Water and pay:

a. \$150.00 per acre-foot in consideration of expenses incurred for use of Fresno ID's recharge basins. Payment for this item shall be made directly by the Contractor to Fresno ID.

b. An estimated \$75.00 per acre-foot for (i) all reasonable costs incurred by Fresno ID to construct any facilities required to deliver SJRRP Water back into the Friant Kern Canal and (ii) all of Fresno ID's actual costs incurred to return and deliver SJRRP Water into the Friant Kern Canal. Payment for this item shall be made directly by the Contractor to Fresno ID.

c. An estimated \$8.07 per acre-foot for canal conveyance and O&M costs. Payment for this item shall be made directly by the Contractor to the Friant Water Authority, herein referred to as the "Operating Non-Federal Entity."

d. United States the sum of \$350.00 per acre-foot. All payments made by the Contractor to the United States pursuant to this Article shall be deposited into the Restoration Fund pursuant to Section 10009 of the SJRRSA.

7. At the time the Contractor submits the initial schedule, or any revision(s) thereof pursuant to this Agreement, the Contractor shall make advance payments to the United States, Fresno ID, and the Operating Non-Federal Entity equal to the total amount payable pursuant to the applicable rate shown in Article 6 for each acre-foot of SJRRP Water to be delivered pursuant to this Agreement. SJRRP Water shall not be made available prior to such payments by the Contractor. Final adjustments between the advanced payments and the actual SJRRP Water delivered pursuant to this Agreement shall be made as soon as practicable, but no later than April 30, 2015.

8. Unless approved in writing by the Program Manager in advance: (i) the Contractor shall not deliver SJRRP Water to land outside the Contractor's Service Area, as defined in its CVP contract; or (ii) the Contractor shall not sell, transfer, or exchange the SJRRP Water to others. If the Program Manager determines the Contractor has violated the terms of this Article, the Contractor shall pay an additional \$3000.00 per acre-foot to the United States for all SJRRP Water pursuant to this Agreement. All payments made by the Contractor to the United States pursuant to this Article shall be deposited into the Restoration Fund pursuant to Section 10009 of the SJRRSA.

9. SJRRP Water delivered to the Contractor pursuant to this Agreement shall be considered an offset to the Contractor's Recovered Water Account pursuant to Paragraph 16(b) of the Settlement.

10. The Program Manager may temporarily discontinue or reduce the quantity of SJRRP Water delivered to the Contractor as herein provided for the purposes of investigation, inspection, maintenance, repair, or replacement of any of the facilities or any part thereof necessary for the delivery of SJRRP Water to the Contractor, but so far as feasible the Program Manager or the Operating Non-Federal Entity will give the Contractor due notice in advance of such temporary discontinuance or reduction, except in case of emergency, in which case no notice need be given; *Provided*, That the The Program Manager shall use its best efforts to avoid any discontinuance or reduction in such service. Upon resumption of service after such reduction or discontinuance, and if requested by the Contractor, The Program Manager will, if possible, deliver the quantity of SJRRP Water which would have been delivered hereunder in the absence of such discontinuance or reduction.

11. CVP facilities used to make available and deliver water to the Contractor shall be operated and maintained in the most practical manner to maintain the quality of the water at the highest level possible as determined by Reclamation: *Provided*, That the United States does not

warrant the quality of the water delivered to the Contractor and is under no obligation to furnish or construct water treatment facilities to maintain or improve the quality of water delivered to the Contractor. The Contractor shall comply with all applicable water and air pollution laws and regulations of the United States and the State of California; and shall obtain all required permits or licenses from the appropriate Federal, State, or local authorities necessary for the delivery of water by the Contractor; and shall be responsible for compliance with all Federal, State, and local water quality standards applicable to surface and subsurface drainage and/or discharges generated through the use of Federal or Contractor facilities or project water provided by the Contractor within the Contractor's CVP Service Area.

12. The Program Manager shall have the right to make determinations necessary to administer this Agreement that are consistent with the provisions of this Agreement, the laws of the United States and the State of California, and the rules and regulations promulgated by the Secretary. Such determinations shall be made in consultation with the Contractor to the extent reasonably practicable.

13. The Contractor shall be subject to interest, administrative and penalty charges on delinquent installments or payments. When a payment is not received by the due date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond the due date. When a payment becomes sixty (60) days delinquent, the Contractor shall pay an administrative charge to cover additional costs of billing and processing the delinquent payment. When a payment is delinquent ninety (90) days or more, the Contractor shall pay an additional penalty charge of six (6%) percent per year for each day the payment is delinquent beyond the due date. Further, the Contractor shall pay any fees incurred for debt collection services associated with a delinquent payment.

14. The Contractor shall establish and maintain accounts and other books and records pertaining to administration of the terms and conditions of this Agreement. Reports thereon shall be furnished to the Program Manager in such form and on such date or dates as the Program Manager may require. Subject to applicable Federal laws and regulations, each party to this Agreement shall have the right during office hours to examine and make copies of the other party's books and records relating to matters covered by this Agreement.

15. All payments from the Contractor to the United States, Fresno ID, and the Operating Non-Federal Entity under this Agreement shall be by the medium requested by the United States on or before the date payment is due. The required method of payment may include checks, wire transfers, or other types of payment specified by the United States. Upon execution of the Agreement, the Contractor shall furnish Reclamation with the Contractor's taxpayer's identification number (TIN).

16. The obligation of the Contractor to pay the United States, Fresno ID, and the Operating Non-Federal Entity as provided in this Agreement is a general obligation of the Contractor notwithstanding the manner in which the obligation may be distributed among the Contractor's water users and notwithstanding the default of individual water users in their obligation to the Contractor. The payment of charges becoming due pursuant to this Agreement is a condition precedent to receiving benefits under this Agreement. The Program Manager shall not deliver SJRRP Water available to the Contractor through CVP Facilities during any period in which the Contractor is in arrears in the advance payment of Rates and charges due the United States.

17. Neither Reclamation nor Fresno ID shall be responsible for the control, carriage, handling, use, disposal, or distribution of SJRRP Water delivered to the Contractor pursuant to this Agreement. The Contractor shall indemnify the United States, its officers, employees, agents, and assigns, including Fresno ID, on account of damage or claim of damage of any nature whatsoever for which there is legal responsibility, including property damage, personal injury, or death arising out of: (i) acts or omissions of Reclamation or any of its officers, employees, agents, or assigns, including Fresno ID, with the intent of creating the situation resulting in any damage or claim; (ii) willful misconduct of Reclamation or any of its officers, employees, agents, or assigns, including Fresno ID; (iii) negligence of Reclamation or any of its officers, employees, agents, or assigns including Fresno ID; or (iv) damage or claims resulting from a malfunction of facilities owned and/or operated by the United States or Fresno ID.

18. The expenditure of any money or the performance of any obligation of the United States shall be contingent upon appropriation or allotment of funds. No liability shall accrue to the United States for failure to perform any obligation in the event that funds are not appropriated or allotted.

19. No Member of or Delegate to the Congress, Resident Commissioner, or official of the District shall benefit from this Agreement other than as a water user or landowner in the same manner as other water users or landowners.

20. This Agreement has been negotiated and reviewed by the parties hereto, each of whom is sophisticated in the matters to which this Agreement pertains and no one party shall be considered to have drafted the stated articles

21. This Agreement will become effective upon execution by both parties and will continue until the obligations of the parties have been fully discharged. However, notwithstanding any other provision of this Agreement, if at any time either party determines in its sole and absolute discretion that the continued implementation of this Agreement would be detrimental to such party, it may terminate this Agreement upon 30 days written notice to the other. Any adjustments between actual and scheduled deliveries shall be made pursuant to Article 7 of this Agreement.

22. The Contractor, after the execution of this Agreement, shall promptly provide to the Program Manager a Board Resolution confirming the execution of this Agreement. The Contractor shall furnish the Program Manager a certified copy of the Board Resolution and all pertinent supporting records.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

THE UNITED STATES OF AMERICA

By: _____
Program Manager, San Joaquin River
Restoration Program

Date: _____

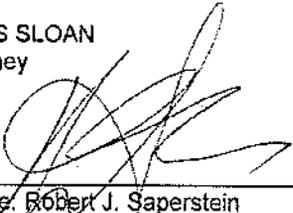
CITY OF FRESNO

By: _____
Director of Public Utilities

Date: _____

APPROVED AS TO FORM:

DOUGLAS SLOAN
City Attorney

By: 
Print Name: Robert J. Saperstein
Title: Special Counsel to the City Attorney

ITEM NO. 3 A

DATE : 5/15/2014

**NO MATERIAL AT THE
TIME OF PRINTING**

Council Boards and Commissions Communications, Reports, Assignments and/or Appointments, Reappointments, Removals to/from City and non-City Boards and Commissions

This page intentionally left blank.



DEPARTMENT DIRECTOR

CITY MANAGER 

May 15, 2014

FROM: JENNIFER K. CLARK, AICP, DIRECTOR
Development and Resource Management Department

THROUGH: MIKE SANCHEZ, Planning Manager
Development Services Division 

BY: SOPHIA PAGOULATOS, Supervising Planner
WILL TACKETT, Supervising Planner
Development Services Division 

SUBJECT: CONSIDERATION OF PLAN AMENDMENT APPLICATION NO. A-11-003, REZONE APPLICATION NO. R-11-003, AND RELATED ENVIRONMENTAL FINDING FOR PROPERTY LOCATED ON THE NORTHEAST CORNER OF NORTH FOWLER AND EAST CLINTON AVENUES (**PROPERTY LOCATED IN DISTRICT 4**) – DEVELOPMENT AND RESOURCE MANAGEMENT DEPARTMENT

1. Consider the environmental finding of Environmental Assessment No. A-11-003 /R-11-003/C-13-092/T-6033, a finding of a Mitigated Negative Declaration, dated March 21, 2014.
2. **RESOLUTION**—Approving Plan Amendment Application No. A-11-003 to amend the 2025 Fresno General Plan and the McLane Community Plan for ± 34.01 net acres of property located on the northeast corner of North Fowler and East Clinton Avenues from the light industrial planned land use to the neighborhood commercial planned land use designation for 2.14 acres and to the medium density residential planned land use designation for 31.87 acres.
3. **BILL**—Amending the Official Zone Map to reclassify ± 34.01 net acres of property located on the northeast corner of North Fowler and East Clinton Avenues from the C-M/UGM/cz (*Commercial and Light Manufacturing/Urban Growth Management/with conditions of zoning*) zone district to the C-1/UGM/cz (*Neighborhood Shopping Center/Urban Growth Management/conditions of zoning*) for 2.14 acres and to the R-1/UGM/cz (*Single Family Residential/Urban Growth Management/conditions of zoning*) zone district for 31.87 acres.

REPORT TO THE CITY COUNCIL

Plan Amendment Application No. A-11-003

Rezone Application No. R-11-003

May 15, 2014

Page 2

RECOMMENDATION

Staff recommends the City Council take the following action:

1. ADOPT the environmental finding of Environmental Assessment No. A-11-003/R-11-003/C-13-092/T-6033, a finding of a Mitigated Negative Declaration, dated March 21, 2014.
2. ADOPT RESOLUTION for Plan Amendment Application No. A-11-003 to amend the 2025 Fresno General Plan and the McLane Community Plan for ± 34.01 net acres of property located on the northeast corner of North Fowler and East Clinton Avenues from the light industrial planned land use to the neighborhood commercial planned land use designation for 2.14 acres and to the medium density residential planned land use designation for 31.87 acres.
3. ADOPT ORDINANCE BILL amending the Official Zone Map to reclassify ± 34.01 net acres of property located on the northeast corner of North Fowler and East Clinton Avenues from the C-M/UGM/cz (*Commercial and Light Manufacturing/Urban Growth Management/with conditions of zoning*) zone district to the C-1/UGM/cz (*Neighborhood Shopping Center/Urban Growth Management/conditions of zoning*) for 2.14 acres and to the R-1/UGM/cz (*Single Family Residential/Urban Growth Management/conditions of zoning*) zone district for 31.87 acres.

EXECUTIVE SUMMARY

Granville Homes has filed Plan Amendment Application No. A-11-003 and Rezone Application No. R-11-003 pertaining to approximately ± 34.01 net acres of property located on the northeast corner of North Fowler and East Clinton Avenues (See Exhibits A and B).

Plan Amendment Application No. A-11-003 proposes to amend the 2025 Fresno General Plan and McLane Community Plan to change the planned land use designation for an approximately 2.14 acre portion of the subject property (APN 310-041-39) from Light Industrial to Neighborhood Commercial and to change the planned land use designation for an approximately 31.87 acre portion of the subject property (APN 310-041-38) from Light Industrial to Medium Density Residential (see Exhibits C and D).

Rezone Application No. R-11-003 proposes to reclassify the approximately 2.14 acre portion of the subject property from the C-M/UGM/cz (*Commercial and Light Manufacturing/Urban Growth Management/with conditions of zoning*) zone district to the C-1/UGM/cz (*Neighborhood Shopping Center/Urban Growth Management/conditions of zoning*) zone district; and to reclassify the approximately 31.87 acre portion of the subject property from the C-M/UGM/cz (*Commercial and Light Manufacturing/Urban Growth Management/with conditions of zoning*)

REPORT TO THE CITY COUNCIL

Plan Amendment Application No. A-11-003

Rezone Application No. R-11-003

May 15, 2014

Page 3

zone district to the R-1/UGM/cz (*Single Family Residential/Urban Growth Management/conditions of zoning*) zone district (see Exhibits D and E).

The plan amendment and rezone applications have been filed in order to facilitate approval of a proposed 169-lot single family residential public street planned development subdivision of the property in accordance with Conditional Use Permit Application No. C-13-092 and Vesting Tentative Tract Map No. 6033/UGM. The Planning Commission's approval of the aforementioned conditional use permit and tract map at its April 16th, 2014 meeting will become effective upon City Council approval of the proposed plan amendment and rezone applications.

Staff recommends approval of these applications.

Project Information

PROJECT	See description above in executive summary
APPLICANT	Jeffrey T Roberts. on behalf of Granville Homes, Inc.
LOCATION	Located on the northeast corner of North Fowler and East Clinton Avenues (Council District 4, Councilmember Caprioglio)
SITE SIZE	Approximately 34.01 net acres
LAND USE	<u>Existing</u> - Light Industrial for APNs 310-041-38 and -39 <u>Proposed</u> - Medium Density Residential for APN 310-041-38 (31.87 ac) and Neighborhood Commercial for APN 310-041-39 (2.1 ac)
ZONING	<u>Existing</u> - C-M/UGM/cz (<i>Commercial and Light Manufacturing/Urban Growth Management/with conditions of zoning</i>) for APNs 310-041-38 (portion) and -39 <u>Proposed</u> - R-1/UGM/cz (<i>Single Family Residential/Urban Growth Management/conditions of zoning</i>) for portion of APN 310-041-38 and C-1/UGM/cz (<i>Neighborhood Shopping Center/Urban Growth Management/conditions of zoning</i>) for APN 310-041-39

REPORT TO THE CITY COUNCIL

Plan Amendment Application No. A-11-003

Rezone Application No. R-11-003

May 15, 2014

Page 4

PLAN DESIGNATION
AND CONSISTENCY

Pursuant to Table 2 (Planned Land Use and Zone District Consistency Matrix) of the 2025 Fresno General Plan and Section 12-403-B-1 (Zone District Consistency Table) of the Fresno Municipal Code (FMC), the proposed C-1 and R-1 zone district classifications for the subject property and the proposed Neighborhood Commercial and Medium Density Residential planned land use designations for the subject property may be found consistent.

ENVIRONMENTAL
FINDING

Mitigated Negative Declaration dated March 21, 2014.

PLAN COMMITTEE
RECOMMENDATION

The District 4 Plan Implementation Committee recommended approval of the proposed plan amendment and rezone applications on April 14, 2014.

STAFF
RECOMMENDATION

Approval of the proposed plan amendment and rezone applications and environmental finding subject to conditions of zoning.

Bordering Property Information

	Planned Land Use	Existing Zoning	Existing Land Use
North	Light Industrial	C-M/UGM/cz <i>C-M/UGM/cz (Commercial and Light Manufacturing/ Urban Growth Management/with conditions of zoning) district</i>	Vacant
South	Light Industrial	AE-20 <i>Exclusive 20-Acre Agricultural District [Fresno County]</i>	Single Family Rural Residences & Vacant Land
East	Medium and Low Density Residential	R-1/UGM/cz <i>Single Family Residential District/Urban Growth Management/conditions of zoning district</i> R-1-AH <i>Single Family Residential – Horses district</i>	Rural Single Family Residence & Vacant Tract (T-5717)

West	Light Industrial	M-1 <i>Light Manufacturing District</i>	Church & Vacant Land
-------------	------------------	---	-------------------------

BACKGROUND / ANALYSIS

Land Use/Industrial

Objective C-13 of the 2025 Fresno General Plan calls for the planning and support of industrial development to promote job growth while enhancing Fresno's urban environment. Related policies call for the planning of industrial land use clusters with respect to their common needs and concern for compatibility of uses in order to maximize the operational efficiency of similar activities.

The following discussion outlines staff rationale for finding the proposed project to be consistent with the above objective:

The 34 acre site that that is the subject of these applications was a portion of a previous entitlement request submitted in 2006 (and approved in 2007) that included 140 acres: nearly the entire quarter section bounded by Fowler, Armstrong, Shields and Clinton Avenues. The proposal was controversial at the time because it proposed converting 20 acres of planned light industrial land to medium low density residential use in an area that was considered optimal vacant land for industrial development. Although the land was not served by infrastructure, it was well-served by all modes of transportation.

In exchange for allowing the conversion and approving the plan amendment, conditions of zoning were required (see Exhibit E). These conditions of zoning were also mitigation measures. Most were tied to the development of those controversial 20 acres (portion of T-5717, adjacent to the subject property to the east), however they also affect the property that is the subject of the current applications because the subject property was expected to remain as light industrial property and be made "shovel ready" by the installation of infrastructure.

Staff is now recommending approval of the plan amendment and rezone because in the 7 years since the property was conditioned, additional studies have been conducted that indicate the property is no longer critical to the city's supply of vacant industrial property. Specifically:

1. New studies conducted in preparation for the update of the GP refined the location of the significant clusters of vacant land designated for industrial and business park use and identified these clusters (over 3,000 acres) in Figure ED-1 as sufficient to accommodate projected growth and economic development goals (see Exhibit F). The subject property was not among those properties identified.

REPORT TO THE CITY COUNCIL

Plan Amendment Application No. A-11-003

Rezone Application No. R-11-003

May 15, 2014

Page 6

2. The 34 acres of industrial land that would be removed by these applications would be more than compensated for by the additional industrial land being proposed in the southern portion of the Southeast Growth Area (over 1,200 acres in Regional Business Park use).
3. Approval of the proposed land use change would eliminate the longest interface (approximately 1,300 feet) between industrial and residential land that will occur if the subject property remains industrial, as residential land exists along the eastern property boundary with no street or natural barrier between the two land uses. The proposed conversion of the acreage from industrial to residential would eliminate this adjacency and leave North Fowler Avenue as the dividing buffer between the newly approved residential and the industrial uses west of North Fowler Avenue. This arterial, with its required trail, would be a more effective buffer than one created by internal setbacks on directly adjacent industrial and residential properties. The street right-of-way plus trail and landscaping would result in an approximate 140-foot buffer between the residential properties in the subdivision and the existing industrial property on the west side of North Fowler Avenue (not counting the setbacks on the industrial land).
4. A 2012 Fresno County Employment study documented numerous obstacles that employers identified as constraints to doing business, expanding business and creating more jobs in Fresno. The lack of shovel ready land was not among the responses. The most frequently occurring response (24%) was "market conditions," including a tight banking climate, low sales, and customers' difficulty in accessing financing. Labor availability was also among the most frequent responses.
5. The conditions of zoning still obligate the developer to submit a plan amendment and rezone application for 40 acres of non-industrial land to facilitate conversion to light industrial M-1 or C-M zoned land to replace the conversion of the initial 20 acres that was approved for residential use in 2006.

In summary, staff finds that approval of the project is consistent with the **Objective C-13** and related goals and policies of the 2025 Fresno General Plan.

Land Use/Residential

As proposed, the project would also be consistent with the following 2025 General Plan objectives related to residential land use:

Objective C-9 of the 2025 Fresno General Plan directs planning for the diversity and quality of residential housing, at locations necessary to provide for adequate and affordable housing opportunities. Housing patterns should support balanced urban growth, and should make efficient use of resources and public facilities. Supporting policies C-9-i and C-9-j recommend that Medium-Low and Medium Density Residential uses shall provide transition between low and medium density residential and shall be developed to maximize the efficient use of land.

REPORT TO THE CITY COUNCIL

Plan Amendment Application No. A-11-003

Rezone Application No. R-11-003

May 15, 2014

Page 7

In this case, approval of the project in this location eliminates a direct adjacency between residential and industrial land and results in moving this interface to North Fowler Avenue, a natural buffer.

Furthermore, **Objective C-10** of the 2025 Fresno General Plan promotes the development of more compact friendly, single-family residential projects to aid in the conservation of resources such as land, energy, and materials. Supporting policy C-10-a recommends facilitating the construction of higher density single family residential development while maintaining a pleasant living environment. Policy C-10-d encourages the development of two-story homes as a means to conserve land, maintain open space on residential lots, and provide adequate living space.

Similarly, the goals of the **McLane Community Plan** are directed toward: (1) The provision of a diversity of housing types and housing opportunities to meet the needs of all ages and income levels; (2) Providing for efficient use of land while protecting the integrity of established neighborhoods; (3) Encouraging a mix of uses along major transportation corridors; (4) Providing for safe, clean and aesthetically pleasing neighborhoods; and, (5) Providing for compatible relationships between differing housing types and densities. Goals for commercial uses include distributing new commercial land use designations at logical, marketable, convenient and accessible locations.

The proposed medium density planned land use provides a density transition from the medium low and low single family densities east and south of the project site, gradually increasing density as one moves westward toward the city center. The 2-acre commercial site in the southwest corner of the project site will provide an opportunity for some convenience retail within walking distance of the residential uses. Project conditions and mitigation measures will require adequate screening, buffering and noise protection between the residential and commercial uses to protect the residential character of the subdivision.

The proposed project will also be connected to its neighbors. A planned bicycle/pedestrian trail runs along the western boundary of the project, North Fowler Avenue, and the project will be conditioned to construct the portion of the trail along the project frontage. A street connection to the adjacent subdivision to the east is required, in addition to a pedestrian connection to the commercial property on the corner. The project is also served by public transit FAX Route 45, which stops at East Princeton and North Fowler Avenues and connects to Route 30 at Blackstone and Ashlan, with connections both north and south. A bus bay will be required at the northeast corner of North Fowler and East Clinton Avenues to facilitate future bus service.

Furthermore, the project is within two miles of the planned regional Fancher Creek shopping center, to the southwest (Tulare and Clovis Avenues), within ¼ mile of a neighborhood park, and within a mile of several planned elementary schools.

REPORT TO THE CITY COUNCIL

Plan Amendment Application No. A-11-003

Rezone Application No. R-11-003

May 15, 2014

Page 8

Land Use/Commercial

Policy C-12-a of the 2025 Fresno General Plan states that the City shall "...ensure that all commercial land uses are developed and maintained in a manner complimentary to and compatible with adjacent residential land uses, to minimize interface problems with surrounding environment and to be compatible with public facilities and services."

The proposed project will still include two interfaces with non-residential property: a 637-foot interface with the proposed 2.14 acre neighborhood commercial site on the corner of North Fowler and East Clinton Avenues, and an 820-foot interface with the light industrial remainder along a portion of the northern project boundary (this property is zoned C-M, *Commercial and Light Manufacturing*). To ensure that there are no spillover effects from non-residential properties onto residential property, project specific mitigation measures are required to implement proper design. Such measures include sound walls, landscape buffers and minimum distances of potential noise generators such as loading areas and trash enclosures. These measures will reduce the noise, light or other visual effects that could impact the residential properties that are proposed along these interface areas.

With incorporation of project specific mitigation measures it is staff's opinion that the proposed project is consistent with respective general and community plan objectives and policies and will not conflict with any applicable land use plan, policy or regulation of the City of Fresno. Furthermore, the proposed project, including the design and improvement of the subject property, is found (1) to be consistent with the goals, objectives and policies of the applicable 2025 Fresno General Plan and McLane Community Plan; (2) to be suitable for the type and density of development; (3) to be safe from potential cause or introduction of serious public health problems; and, (4) to not conflict with any public interests in the subject property or adjacent lands.

Transportation

The project is a plan amendment and rezone to facilitate development of a 169-lot single family residential public street planned development on approximately 31.87 acres of property, which is proposed to be developed at an overall density of approximately 5.30 dwelling units per acre. Applying the factors outlined in the Institute of Traffic Engineers (ITE) Trip Generation Manual, the Department of Public Works, Traffic Engineering Division has assessed that the proposed single family residential planned development and the approximately 2.14 ac. portion of property proposed to be designated for neighborhood commercial uses is projected to generate 2,515 average daily trips (ADT); 148 vehicle trips during the morning (7 to 9 a.m.) peak hour travel period and 248 vehicle trips during the evening (4 to 6 p.m.) peak hour travel period. By comparison, the existing light industrial land use would generate 4,130 ADT with AM peak volumes of 545 trips and PM peak volumes of 575 trips. Therefore the proposed project would generate fewer vehicular trips than the existing land use.

The Public Works Department, Traffic Engineering Division has reviewed the proposed plan amendment, rezone, conditional use permit and tentative tract map applications and has

REPORT TO THE CITY COUNCIL

Plan Amendment Application No. A-11-003

Rezone Application No. R-11-003

May 15, 2014

Page 9

determined that the streets adjacent to and near the subject site will be able to accommodate the quantity and kind of traffic generated upon implementation of the traffic related mitigation measures of the MEIR and completion of the adjacent street segments and intersections in accordance with the transportation element of the 2025 Fresno General Plan.

The developer of this project will be required to pay the Traffic Signal Mitigation Impact (TSMI) Fee of \$47.12 per average daily trip at the time of building permit, based on the trip generation rates set forth in the latest edition of the ITE Trip Generation Manual and the Master Fee Schedule. The project will also be required to pay all applicable New Growth Area fees including the Fresno Major Street Impact (FMSI) Fee and City-wide regional street impact fees. The California Department of Transportation (Caltrans) has indicated that the proposed project will mitigate any potential project related traffic impacts to State facilities through payment of the applicable City Fees and subject to payment of the Regional Traffic Mitigation Fee (RTMF).

The area street plans are the product of careful planning that projects traffic capacity needs based on the densities and intensities of planned land uses anticipated at build-out of the planned area. Based upon the project requirements for street dedications, improvements, and contributions to the City wide impact fee system, the adjacent and interior streets will provide adequate access to, and recognize the traffic generating characteristics of, individual properties and, at the same time, afford the community an adequate and efficient circulation system.

Public Notice and Comment

March 21, 2014 – Environmental Assessment published in the Fresno Bee

April 4, 2014 – Public Hearing Notice published in Fresno Bee, mailed to all property owners within 500 feet of project site (see Exhibit G) and to any interested parties, and posted on the property.

April 9, 2014 - Telephone call was received from a property owner to the south of the project site (Wallace "Bob" Sheesley at 6137 East Clinton Avenue). The property owner was supportive of the land use change from light industrial to residential, however requested that the maximum density be reduced to 4 dwelling units per acre. Similar phone calls were received from approximately 3 additional property owners on the south side of East Clinton Avenue.

Neither staff nor Planning Commission recommends any changes based on this comment, as staff believes the proposed density of 5.3 dwelling units to the acre is appropriate for the project site. The tract to the east of the project site (T-5717) is planned medium low density and is approved for 4.3 dwelling units to the acre. The proposed project is a gradual density transition to the west and its slightly higher density is consistent with general plan goals of efficient use of land and optimizing the density at appropriate locations.

REPORT TO THE CITY COUNCIL

Plan Amendment Application No. A-11-003

Rezone Application No. R-11-003

May 15, 2014

Page 10

April 14, 2014 - The Council District 4 Plan Implementation Committee considered the proposed project at its regularly scheduled meeting. The committee recommended approval of the applications with a recommendation that properties to the south of the proposed residential subdivision be screened from any possible light spillover.

April 16, 2014 – Planning Commission approved the Conditional Use Permit Application No. C-13-092 and Vesting Tentative Tract Map No. T-6033/UGM subject to City Council approval of the related Plan Amendment Application No. A-11-003 and Rezone Application No. R-11-003. The Planning Commission also recommended approval to the City Council of the aforementioned plan amendment and rezone applications. The vote on these actions was 5-1-0.

May 2, 2014 – Public Hearing Notice published in Fresno Bee, mailed to all property owners within 500 feet of project site (see Exhibit G) and to any interested parties, and posted on the property.

ENVIRONMENTAL FINDING

An environmental assessment initial study was prepared for this project in accordance with the requirements of the California Environmental Quality Act (CEQA) Guidelines (see Exhibit K). This process included the distribution of requests for comment from other responsible or affected agencies and interested organizations.

Preparation of the environmental assessment necessitated a thorough review of the proposed project and relevant environmental issues and considered previously prepared environmental and technical studies pertinent to the McLane Community Plan area, including the Master Environmental Impact Report (MEIR) No. 10130 for the 2025 Fresno General Plan (SCH#2001071097) and Mitigated Negative Declaration (MND) No. A-09-02 (SCH#2009051016). These environmental and technical studies have examined projected sewage generation rates of planned urban uses, the capacity of existing sanitary sewer collection and treatment facilities, and optimum alternatives for increasing capacities; groundwater aquifer resource conditions; water supply production and distribution system capacities; traffic carrying capacity of the planned major street system; and student generation projections and school facility site location identification.

The proposed amendment of the adopted 2025 Fresno General Plan has been determined to not be fully within the scope of MEIR No. 10130 as provided by the CEQA, as codified in the Public Resources Code (PRC) Section 21157.1(d) and the CEQA Guidelines Section 15177(c). It has been further determined that all applicable mitigation measures of MEIR No. 10130 and MND No. A-09-02 have been applied to the project, together with project specific mitigation measures necessary to assure that the project will not cause significant adverse cumulative impacts, growth inducing impacts and irreversible significant effects beyond those identified by MEIR No. 10130 or MND No. A-09-02 as provided by CEQA Section 15178(a). In addition, pursuant to Public Resources Code, Section 21157.6(b)(1), staff has determined that no substantial changes have occurred with respect to the circumstances under which the MEIR was

REPORT TO THE CITY COUNCIL

Plan Amendment Application No. A-11-003

Rezone Application No. R-11-003

May 15, 2014

Page 11

certified and that no new information, which was not known and could not have been known at the time that the MEIR was certified as complete, has become available. Therefore, it has been determined based upon the evidence in the record that the project will not have a significant impact on the environment and that the filing of a mitigated negative declaration is appropriate in accordance with the provisions of CEQA Section 21157.5(a)(2) and CEQA Guidelines Section 15178(b)(1) and (2).

Based upon the attached environmental assessment and the list of identified mitigation measures, staff has determined that there is no evidence in the record that the project may have a significant effect on the environment and has prepared a draft mitigated negative declaration for this project. A public notice of the attached mitigated negative declaration finding for Environmental Assessment Application No. A-11-003/R-11-003/C-13-092/T-6033/UGM was published on March 21, 2014 with no comments or appeals received to date.

LOCAL PREFERENCE

N/A.

FISCAL IMPACT

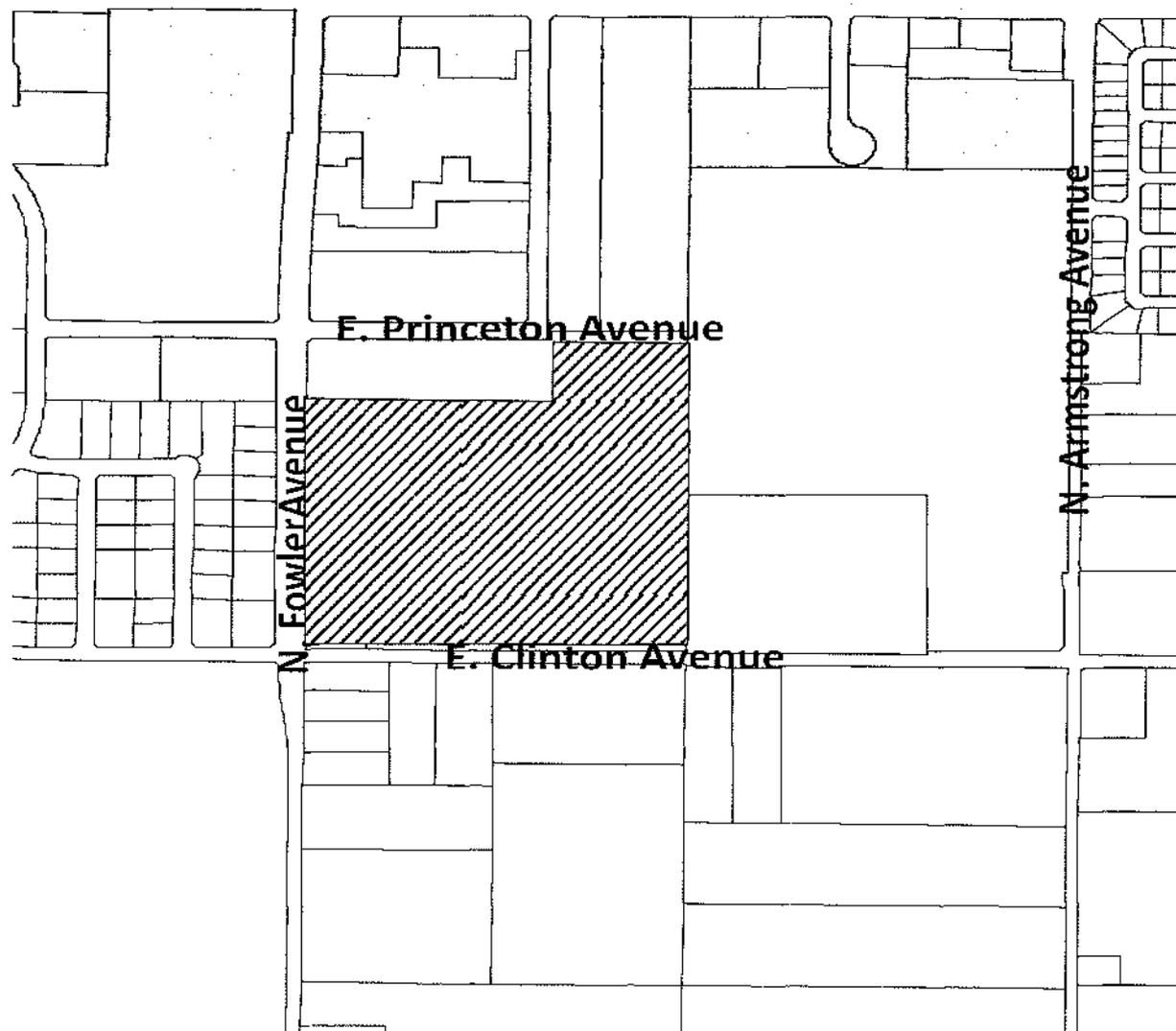
Affirmative action by the Council will result in timely deliverance of the review and processing of the application as is reasonably expected by the applicant/customer. Prudent financial management is demonstrated by the expeditious completion of this land use application inasmuch as the applicant/customer has paid to the city a fee for the processing of this application and that fee is, in turn, funding the respective operations of the Development and Resource Management Department.

Exhibits:

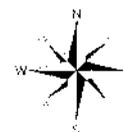
- Exhibit A: Vicinity Map
- Exhibit B: 2012 Aerial Photograph
- Exhibit C: 2025 Fresno General Plan Planned Land Use Map
- Exhibit D: Proposed Planned Land Use Map
- Exhibit E: Conditions of Zoning
- Exhibit F: Figure ED-1: Significant Clusters of Vacant Land...
- Exhibit G: Noticing Map
- Exhibit H: Vesting Tentative Tract Map No. T-6033/UGM
- Exhibit I: Exhibits for Conditional Use Permit Application No. C-13-092
- Exhibit J: Environmental Assessment No. A-11-003/R-11-003/T-6033/UGM, finding of a Mitigated Negative Declaration dated March 21, 2104.
- Exhibit K: Planning Commission Resolutions
- Exhibit L: City Council Resolution
- Exhibit M: Ordinance Bill

This page intentionally left blank.

Exhibit A
Vicinity Map



Subject Property



Not To Scale

VICINITY MAP

Plan Amendment No. A-11-003,
Rezone No. R-11-003

PROPERTY ADDRESS

6208 E. Clinton Avenue
2534 N. Fowler Avenue

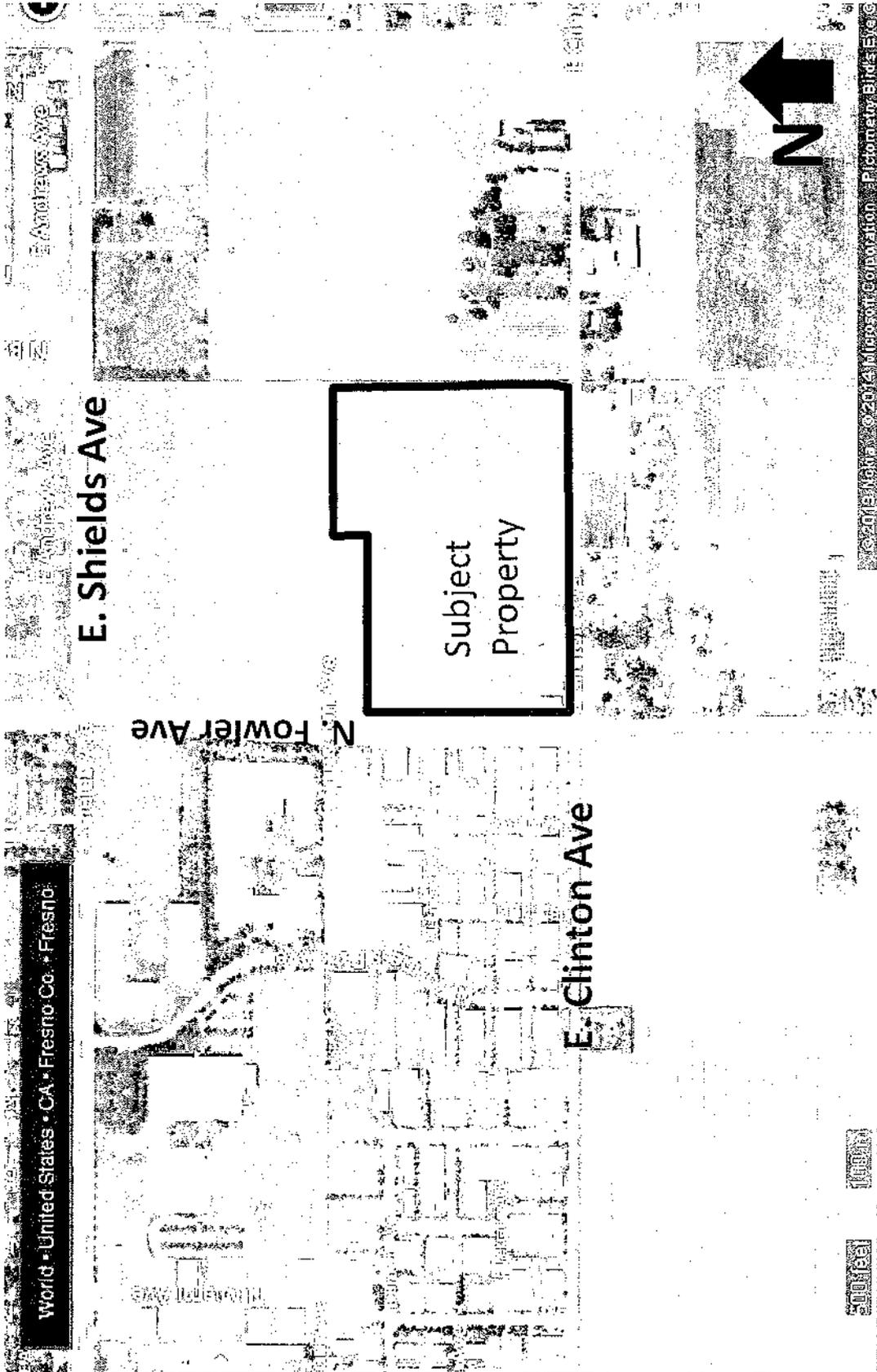
DEVELOPMENT AND RESOURCE MANAGEMENT DEPARTMENT

APN: 310-041-38 & -39

Zone District: C-M/UGM/cz
(Commercial and Light
Manufacturing/Urban Growth
Management/with conditions of
zoning)

By: S. Pagoulatos, March 21, 2014

Exhibit B
Aerial Photograph



E. Shields Ave

N. Fowler Ave

Subject
Property

E. Clinton Ave

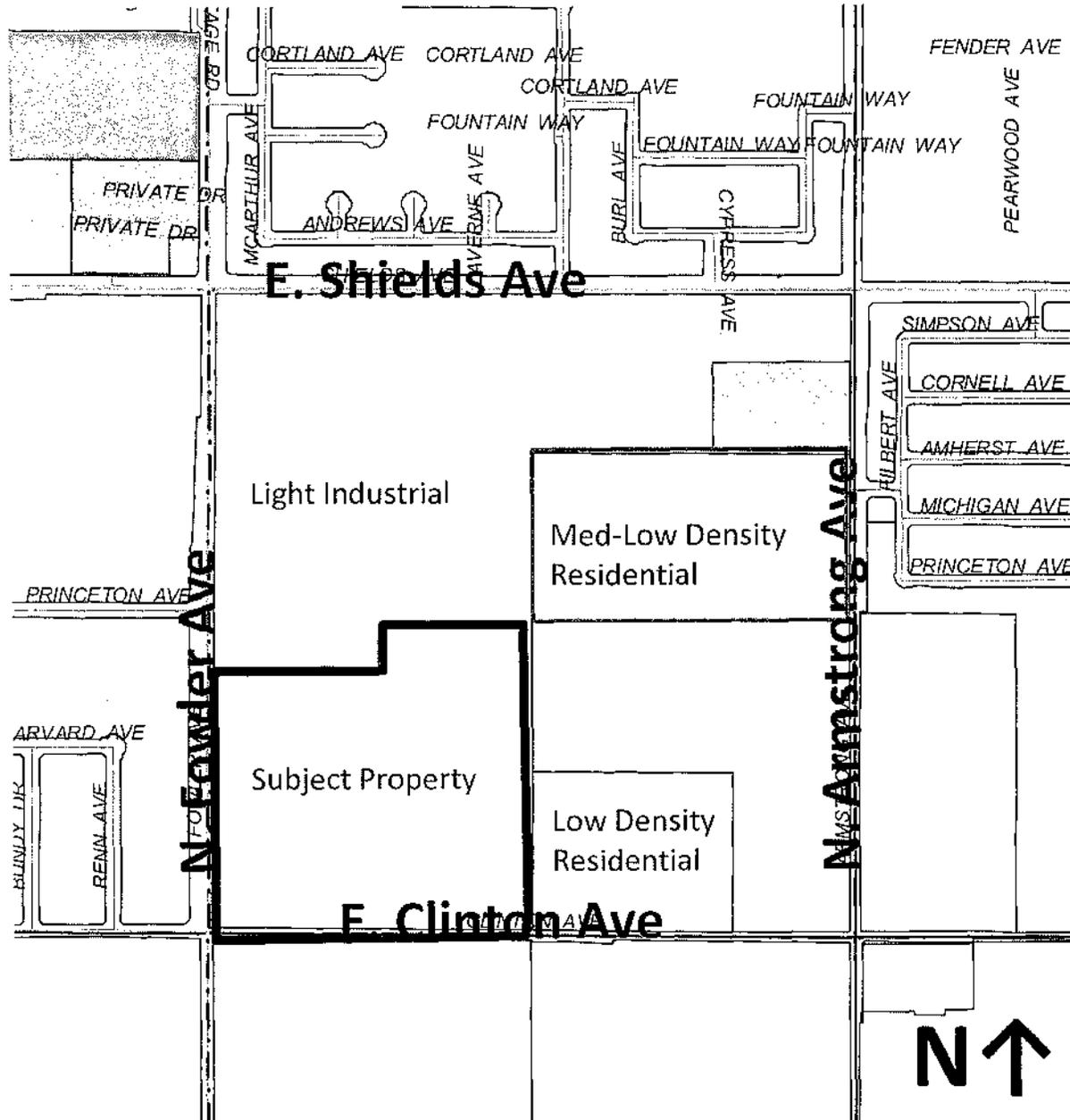


World • United States • CA • Fresno Co. • Fresno

© 2014 Esri, Inc. All rights reserved. Microsoft Corporation. Microsoft Bid/Elec

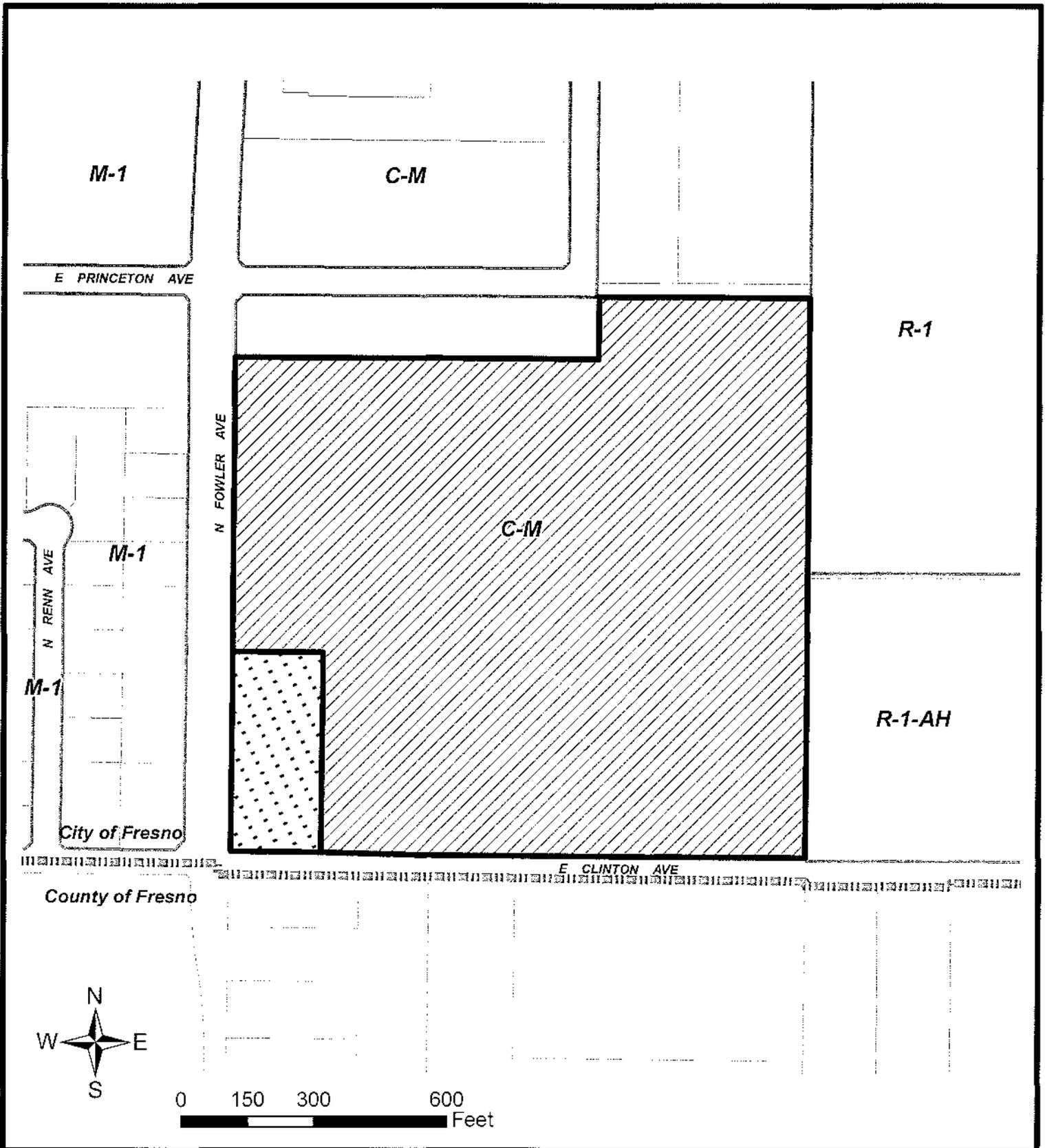
2014 Aerial Photo

Exhibit C
2025 Fresno General Plan Existing Land Use Map



2025 Fresno General Plan Land Use Map

Exhibit D:
Proposed Land Use and Zoning Map



R-11-003 and A-11-003
APN: 310-041-38 (portion)
310-041-39
2196 North Fowler Avenue



C-M/UGM/cz to C-1/UGM/cz, 2.14 Acres
 Light Industrial to Neighborhood Commercial



C-M/UGM/cz to R-1/UGM/cz, 31.87 Acres
 Light Industrial to Medium Density Residential

Exhibit E
Conditions of Zoning

Conditions of Zoning /Mitigation Measures for Plan Amendment A-06-002, Rezone Application No. R-06-028

#	Condition of Zoning/Mitigation Measure	Status
1.	The applicant shall participate with the City Planning and Development and Economic Development Departments in the preparation and submittal of applications for a 40-acre plan amendment and rezoning (to either the C-M or M-1 zone district) to accommodate a future industrial user. The applicant shall pay all (100%) of the costs of the application submittal. Said costs shall include City processing fees, engineering fees incurred in application submittal, graphics, and other incidental costs. The City of Fresno Planning and Development and Economic Development Departments shall be responsible for selecting the property that will be the subject of the applications. The application shall be submitted and paid in full prior to the issuance of the first building permit for the northerly 20 acres of the residential portion (T-5717) of the project proposed by Plan Amendment A-06-02 and Rezone Application No. R-06-028 (<i>see map on page 3</i>).	In Process. This has not been completed yet but would remain a condition. The deadline is tied to construction of T-5717, which is not part of the current applications (it is adjacent to the east) and has not yet commenced.
2.	Prior to the issuance of the first building permit on the northerly 20 acres proposed for medium low density residential uses by Plan Amendment A-06-02 and Rezone Application No. R-06-028, all infrastructure for the northern 40 acres planned light industrial and proposed for C-M zoning shall be installed.	Completed.
3.	Prior to issuance of certificate of occupancy for the last home on the northerly 20 acres proposed for medium low density residential uses by Plan Amendment A-06-02 and Rezone Application No. R-06-028, the infrastructure for the southerly 40 acres planned for light industrial and proposed for C-M zoning shall be installed.	In Process. Infrastructure would be provided to serve the proposed development, 31.87 acres of residential property and 2.14 acres of commercial property.
4.	The applicant shall submit a site plan review application for the light industrial development that is designed for uses that create a minimum of 15 jobs per acre.	Completed. Site Plan Review Applications S-07-009 and S-08-038 were approved by DARM.

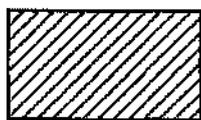
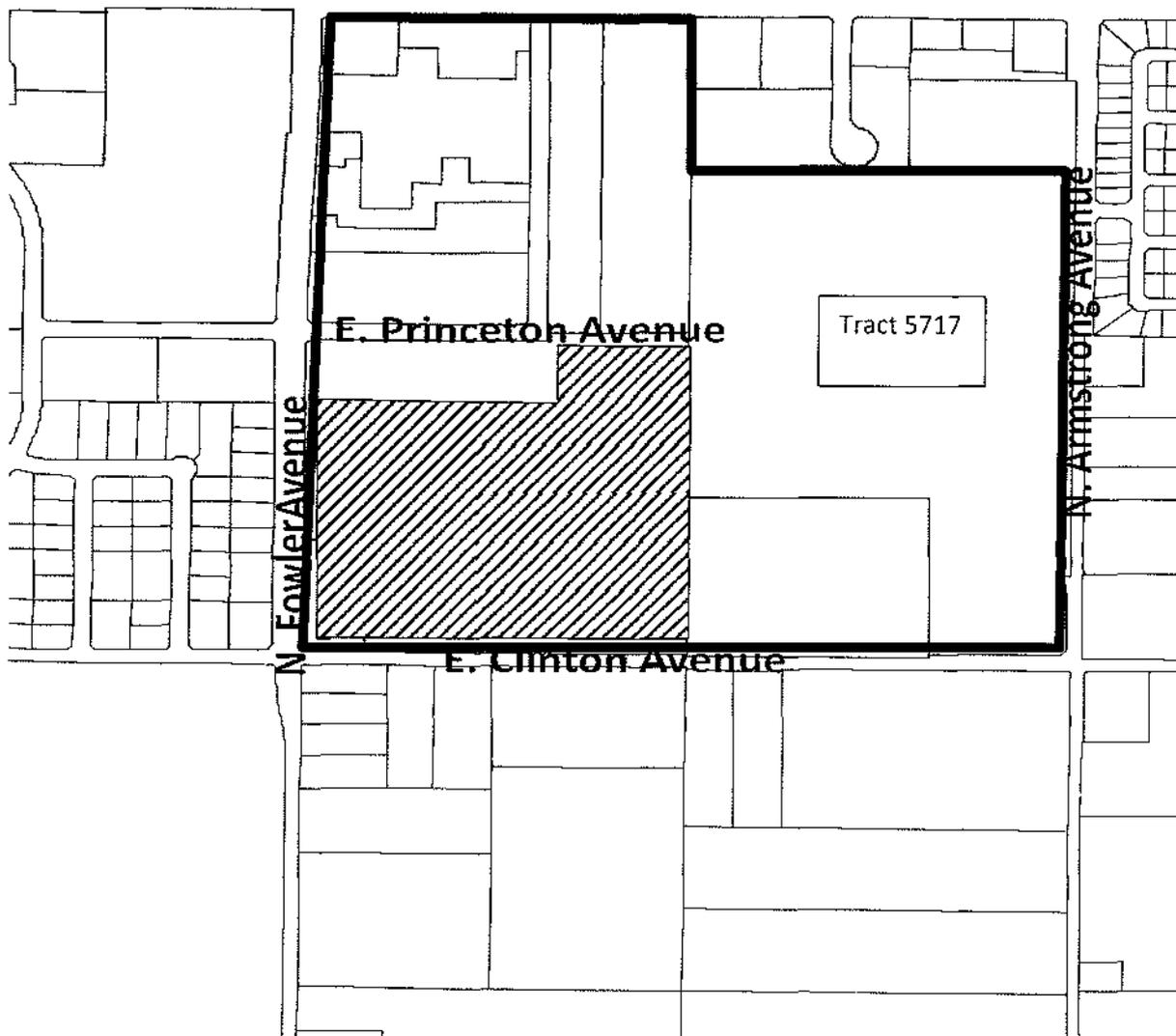
These conditions of zoning are the same as those that were on the previous Rezone on this property (R-06-028); they are being carried forward.

Conditions of Zoning /Mitigation Measures for Plan Amendment A-06-002, Rezone Application No. R-06-028

5.	<p>Prior to the recordation of the first final map, the applicant shall actively participate in the development of a "Vacant Industrial Land Inventory" document that will be distributed by the Economic Development Department of the City of Fresno. This document will provide the updated basis for those involved with Economic Development to attract new and growing businesses to the City of Fresno</p>	<p>In Process. This condition has not yet been met but applicant is still willing to work with the City to fulfill it. It is tied to T-5717.</p>
6.	<p>The applicant shall, in coordination with the City of Fresno, support and promote the addition of light industrial land within the Southeast Growth Area, as appropriate, and shall, upon the request of the Economic Development Department of the City of Fresno, participate with the EDC and/or the City of Fresno at out of town conferences, seminars, trade shows (for a two-year period) in an effort to attract industrial users to the City of Fresno.</p>	<p>The applicant was not asked for this support in the first two years after approval so this condition is no longer in effect, however applicant still willing to assist.</p>

These conditions of zoning are the same as those that were on the previous Rezone on this property (R-06-028); they are being carried forward.

Conditions of Zoning /Mitigation Measures for Plan Amendment A-06-002, Rezone Application No. R-06-028



Subject Property

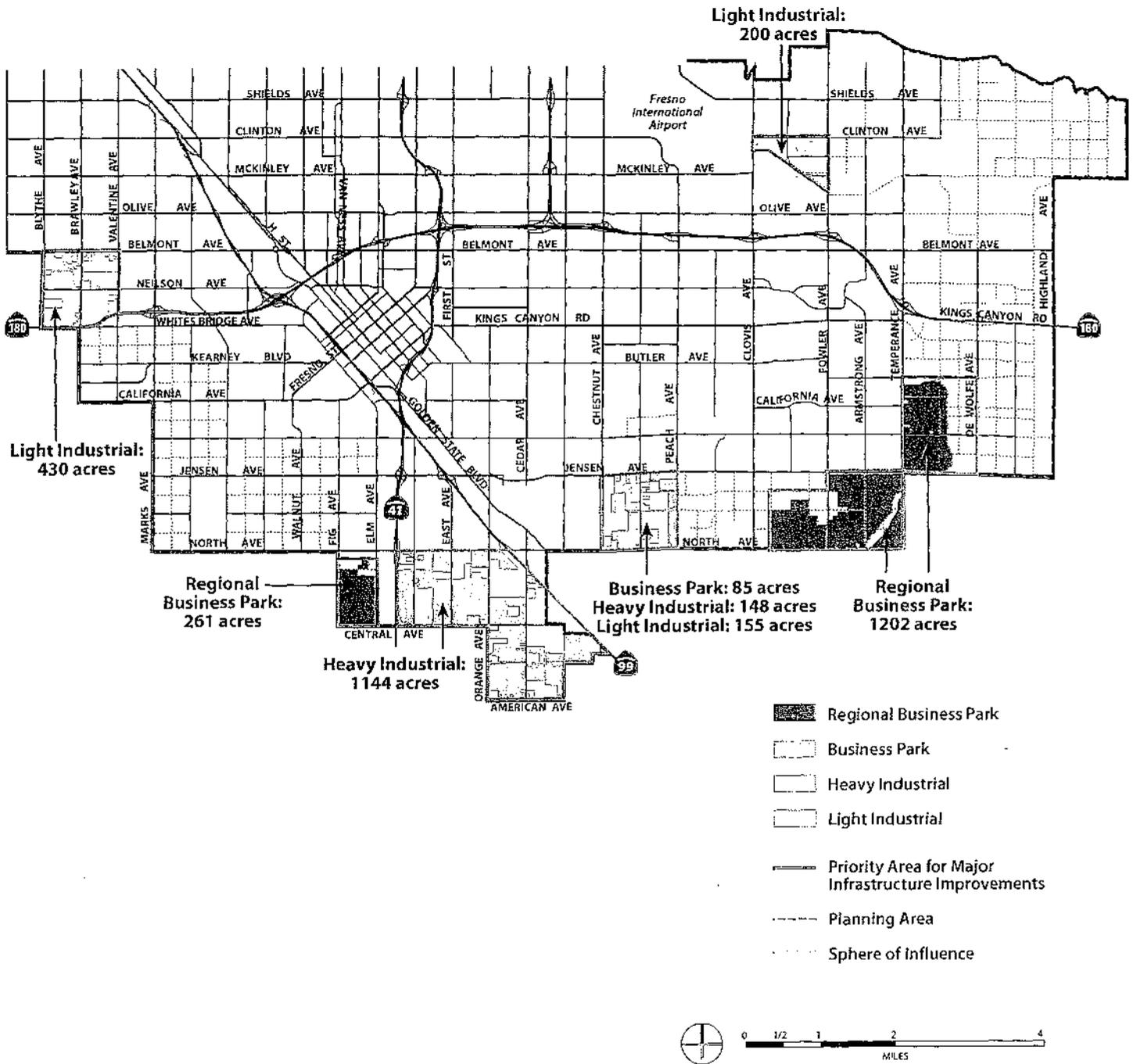


Area of Plan
Amendment A-06-002,
R-06-028

These conditions of zoning are the same as those that were on the previous Rezone on this property (R-06-028); they are being carried forward.

Exhibit F
Figure ED-1: Significant Clusters of Vacant Land...

Figure ED-1:
Significant Clusters of Vacant Land Designated for Industrial and Business Park Use

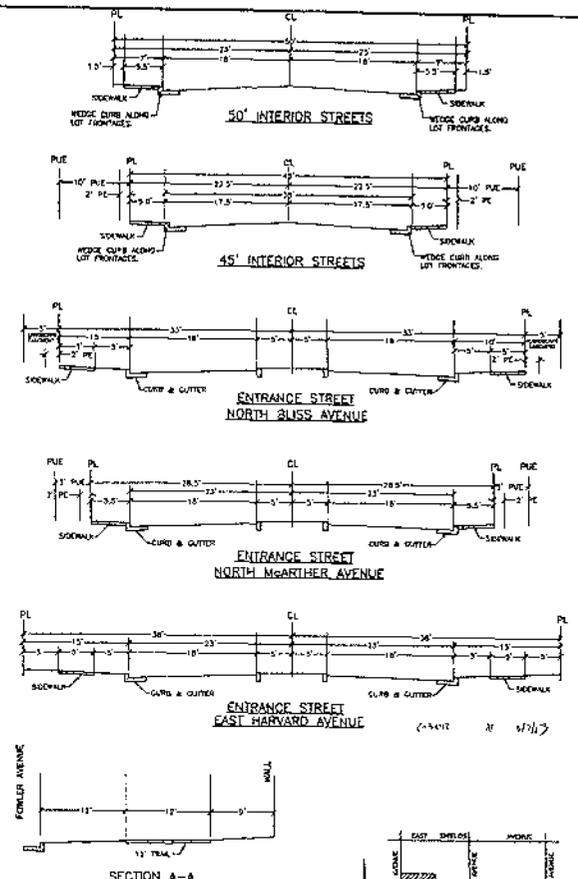
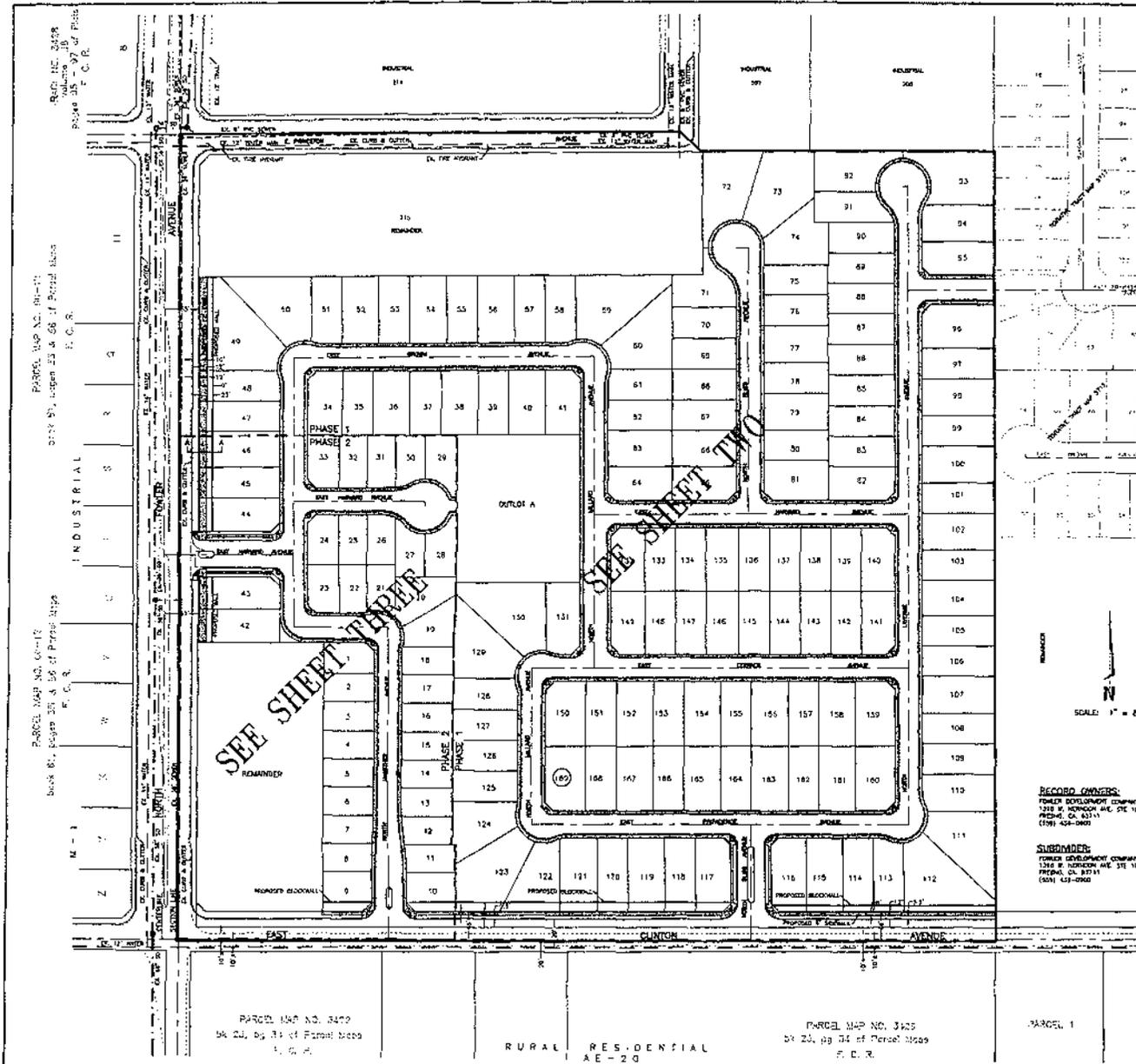


Source: City of Fresno

Exhibit G
Noticing Map

Exhibit H
Vesting Tentative Tract Map No. T-6033/UGM

Exhibit I
Exhibits for Conditional Use Permit Application No. C-13-092

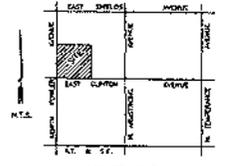


RECORD OWNER:
 FOMER DEVELOPMENT COMPANY INC.
 1310 W. HENRIKSON AVE. STE 101
 FRESNO, CA 93711
 (509) 434-0960

SUBMITTER:
 FOMER DEVELOPMENT COMPANY INC.
 1310 W. HENRIKSON AVE. STE 101
 FRESNO, CA 93711
 (509) 434-0960

- NOTES:**
1. PROPOSED LAND USE: MEDIUM DENSITY RESIDENTIAL
 2. EXISTING ZONING: C-M/MD/JL/LL
 3. PROPOSED ZONING: R-1/LRM

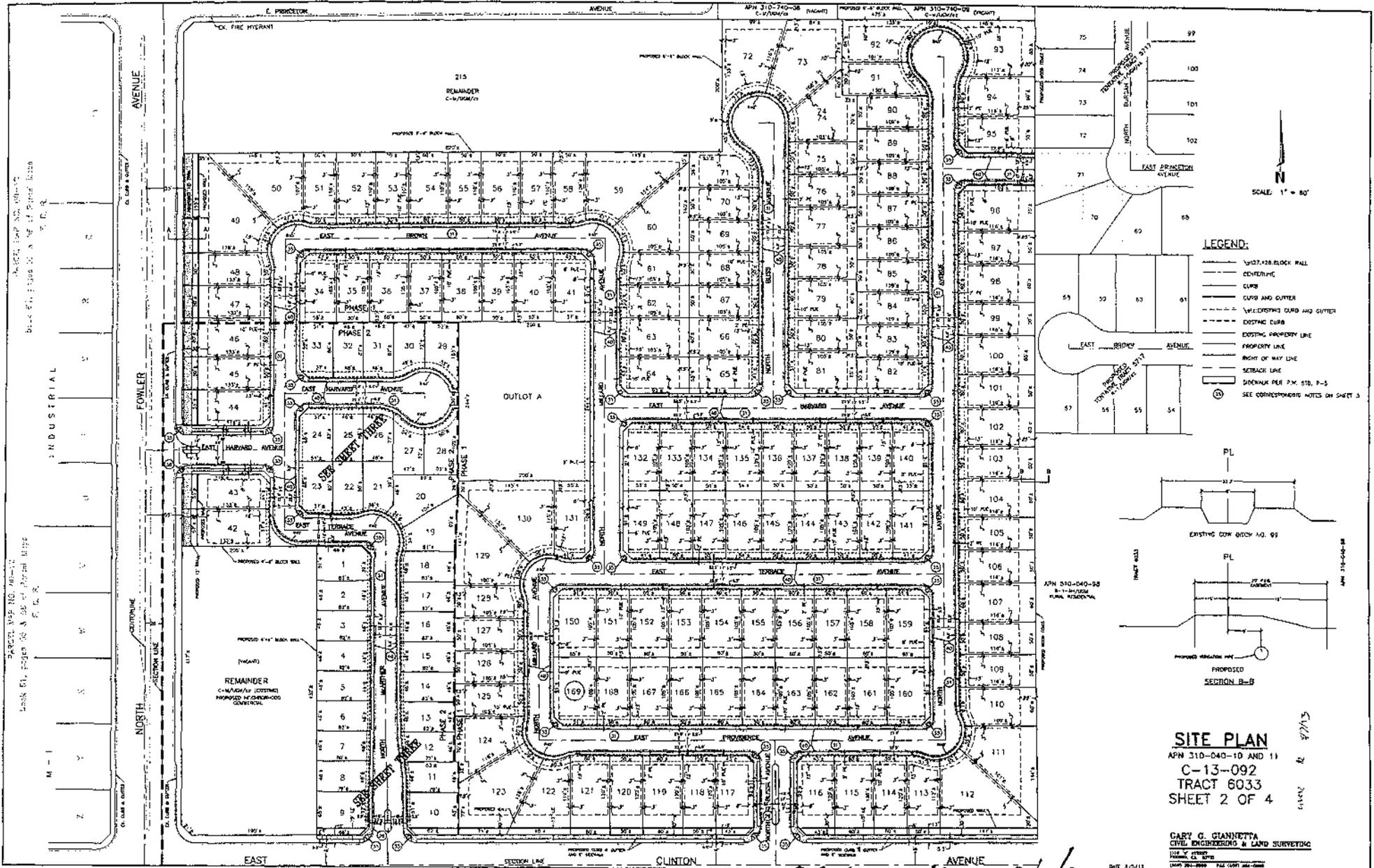
- LEGEND:**
- WORKSHEET/URDEN WALL
 - CENTERLINE
 - CURB
 - CURB AND GUTTER
 - EXISTING CURB AND GUTTER
 - EXISTING CURB
 - EXISTING PROPERTY LINE
 - PROPERTY LINE
 - SETBACK LINE
 - SIDEWALK PER P.W. STD. P-5
 - SITE BOUNDARY LINE



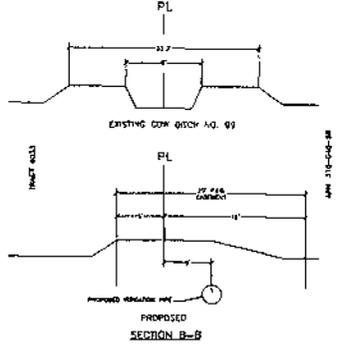
SITE PLAN
 APN 310-040-10 AND 11
 C-13-092
 TRACT 6033
 SHEET 1 OF 4
 NET AREA = 31.87 ACRES
 GROSS AREA = 32.79 ACRES

GARY G. CIANNETTA
 CIVIL ENGINEERING & LAND SURVEYING
 1000 N. G STREET
 FRESNO, CA 93703
 (509) 266-2990 FAX 509 266-2999

APPL. NO. C-13-092 EXHIBIT A1 DATE 08/11/15
 PROJ. ENG. _____ DATE _____
 TRAFFIC ENG. _____ DATE _____
 COND. APPROVED BY _____ DATE _____
 CITY OF FRESNO PLANNING & DEVELOPMENT DEPT



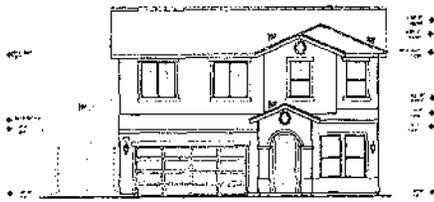
- LEGEND:**
- 1/2" x 2" BLOCK WALL
 - CENTERLINE
 - CURB
 - CURB AND GUTTER
 - EXISTING CURB AND GUTTER
 - EXISTING CURB
 - EXISTING PROPERTY LINE
 - PROPERTY LINE
 - RIGHT OF WAY LINE
 - SETBACK LINE
 - SIDEWALK PER P.M. STD. P-5
- ① SEE CORRESPONDING NOTES ON SHEET 3



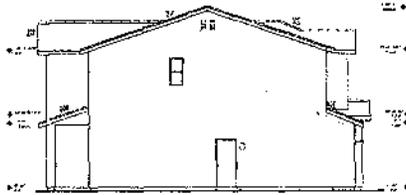
SITE PLAN
 APN 310-040-10 AND 11
 C-13-092
 TRACT 6033
 SHEET 2 OF 4

CARY G. GIANNETTA
 CIVIL ENGINEERING & LAND SURVEYING
 1115 N. G STREET
 FRESNO, CA 93705
 (509) 281-8888 FAX (509) 281-8888

APPL. NO. C-13-092 EXHIBIT AC DATE 08/11/15
 PROJ. ENG. _____ DATE _____
 TRAFFIC ENG. _____ DATE _____
 COND. APPROVED BY _____ DATE _____
 CITY OF FRESNO PLANNING & DEVELOPMENT DEPT



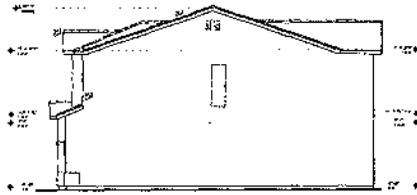
HANNAH
"SANTA BARBARA" FRONT ELEVATION



HANNAH
left ELEVATION



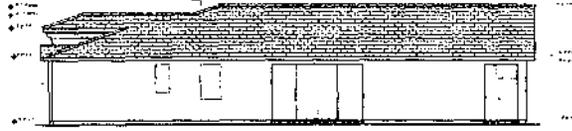
HANNAH
REAR ELEVATION



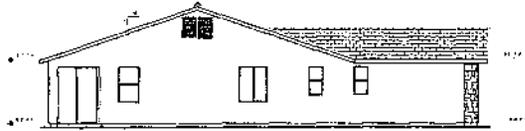
HANNAH
RIGHT ELEVATION



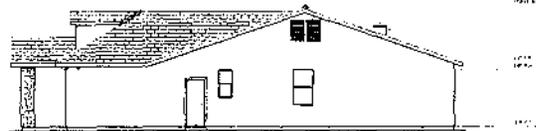
ENCORE
LEFT ELEVATION



ENCORE
RIGHT ELEVATION



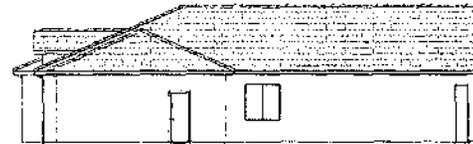
OVERTURE
"TRADITIONAL" LEFT SIDE ELEVATION



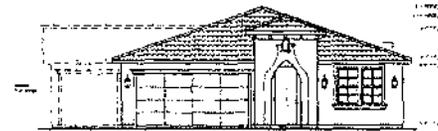
OVERTURE
"TRADITIONAL" RIGHT SIDE ELEVATION



PASATIEMPO
"SANTA BARBARA" LEFT SIDE ELEVATION



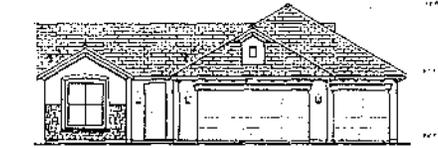
PASATIEMPO
"SANTA BARBARA" RIGHT SIDE ELEVATION



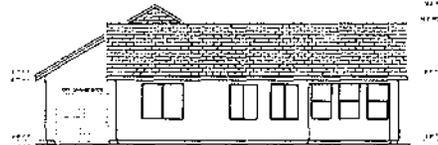
ENCORE
"ANDALUSIAN" FRONT ELEVATION



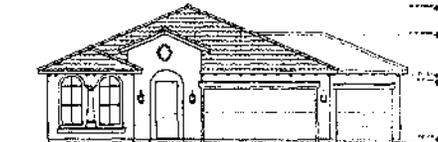
ENCORE
REAR ELEVATION



OVERTURE
"TRADITIONAL" FRONT ELEVATION



OVERTURE
"TRADITIONAL" REAR ELEVATION



PASATIEMPO
"SANTA BARBARA" FRONT ELEVATION



PASATIEMPO
"SANTA BARBARA" REAR ELEVATION

APPL. NO. C-13-092 EXHIBIT E1 DATE 08/12/13
PROJ. ENG. _____ DATE _____
TRAFFIC ENG. _____ DATE _____
COND. APPROVED BY _____ DATE _____
CITY OF FRESNO PLANNING & DEVELOPMENT DEPT



CRANMILL HOMES, INC. IS AN EQUAL OPPORTUNITY HOMEOWNERS SATISFACTION GUARANTEE. 100% CUSTOMER SERVICE GUARANTEE. SEE WEBSITE FOR DETAILS.

Models

ELEVATIONS

Revisions

Project #

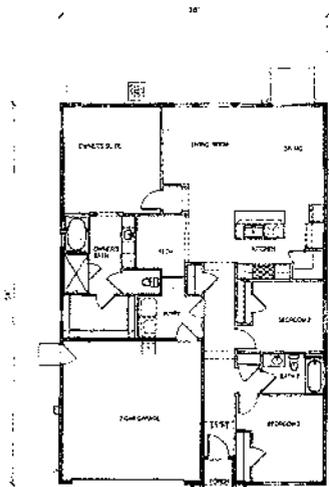
Date

Drawn

Checked

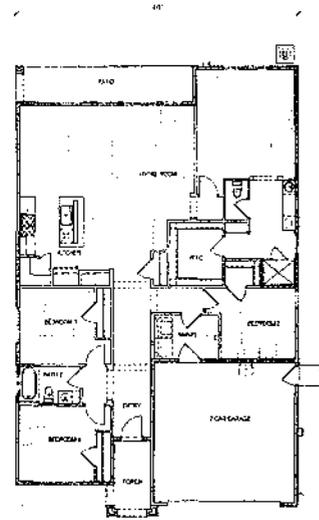
Sheet Number

A3



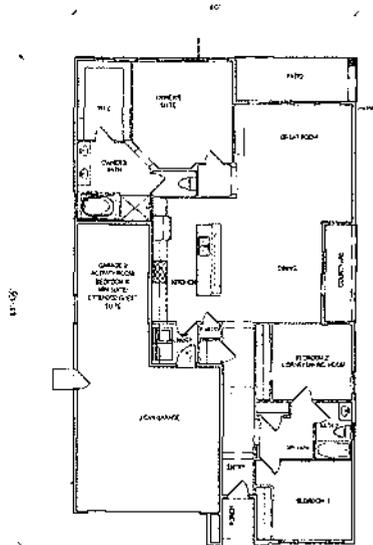
LEYA PLAN

SCALE = 1/8"=1'-0"



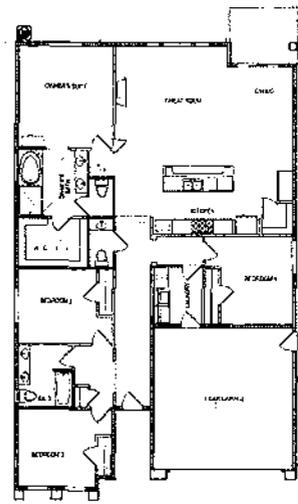
LACEY PLAN

SCALE = 1/8"=1'-0"



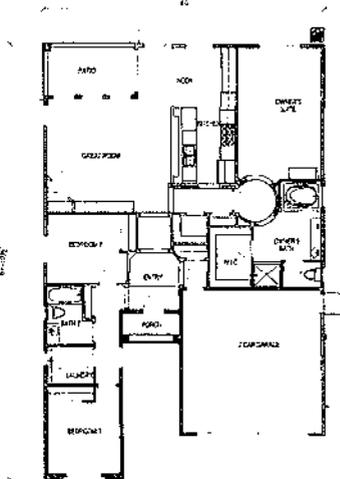
ENCORE PLAN

SCALE = 1/8"=1'-0"



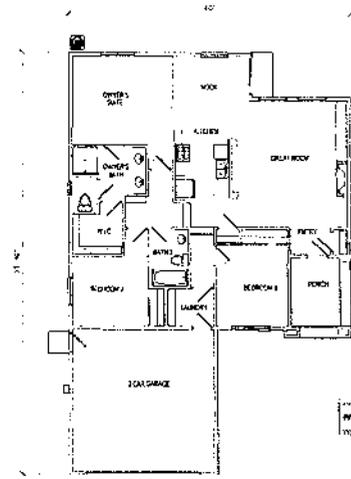
PASATIEMPO

SCALE = 1/8"=1'-0"



OVERTURE PLAN

SCALE = 1/8"=1'-0"



MINUET PLAN

SCALE = 1/8"=1'-0"

APPL. NO. C-13-092 EXHIBIT FD DATE 08/17/13
 PROJ. ENG. _____ DATE _____
 TRAFFIC ENG. _____ DATE _____
 COND. APPROVED BY _____ DATE _____
 CITY OF FRESNO PLANNING & DEVELOPMENT DEPT



CRAMMILL HOMES
 1708 W. HENNING AVE. SUITE 100, FRESNO, CA 93711
 508.438.3333
 www.crammillhomes.com

Models

FLOOR PLAN

Revision	Date	By

Project #: _____
 Date: 08-05-13
 Drawn: _____
 Checked: _____
 Sheet Number: **A1**

This page intentionally left blank.

Exhibit J:
Environmental Assessment A-11-003, R-11-003, C-13-092,
T-6033

CITY OF FRESNO

MITIGATED NEGATIVE DECLARATION

Notice of Intent was filed with:

FRESNO COUNTY CLERK
2221 Kern Street
Fresno, California 93721

on

March 21, 2014

The full Initial Study and the Master Environmental Impact Report No. 10130 are on file in the Development and Resource Management Department, Fresno City Hall, 3rd Floor 2600 Fresno Street Fresno, California 93721 (559) 621-8277

ENVIRONMENTAL ASSESSMENT NUMBER:

A-11-003, R-11-003, C-13-092, T-6033

APPLICANT:

Granville Homes
Jeffrey T. Roberts
1396 W. Herndon #101
Fresno, CA 93711

PROJECT LOCATION:

± 34.01net acres of property located at 6208 E. Clinton Avenue and 2534 N. Fowler Avenue on the northeast corner of E. Clinton and N. Fowler Avenues, in the City and County of Fresno, California

Assessor's Parcel Number: 310-041-38 & -39

36°46'24.391" N Latitude, - 119°40'46.676" W Longitude
36°46'21.486" N Latitude, - 119°40'54.2526" W Longitude

PROJECT DESCRIPTION:

Granville Homes has filed Plan Amendment Application No. A-11-003, Rezone Application No. R-11-003, Conditional Use Permit Application No. C-13-092, and Vesting Tentative Tract Map No. 6033/UGM pertaining to approximately 34.01acres of property located on the northeast corner of North Fowler and East Clinton Avenues.

Plan Amendment Application No. A-11-003 proposes to amend the 2025 Fresno General Plan and McLane Community Plan to change the planned land use designation for an approximately 2.14 acre portion of the subject property from Light Industrial to Neighborhood Commercial and to change the planned land use designation for an approximately 31.87 acre portion of the subject property from Light Industrial to Medium Density Residential.

Rezone Application No. R-11-003 proposes to rezone the approximately 2.14 acre portion of the subject property from the C-M/UGM/cz (*Commercial and Light Manufacturing/Urban Growth Management/with conditions of zoning*) zone district to the C-1/UGM/cz (*Neighborhood Shopping Center/Urban Growth Management/conditions of zoning*) zone district and to rezone the approximately 31.87 acre portion of the subject property from the C-M/UGM/cz (*Commercial and Light Manufacturing/Urban Growth Management/with conditions of zoning*) zone district to the R-1/UGM/cz (*Single Family Residential/Urban Growth Management/conditions of zoning*) zone district.

The plan amendment and rezone applications have been filed in order to facilitate approval of a proposed 169-lot single family residential public street planned development subdivision of the property in accordance with Conditional Use Permit Application No. C-13-092 and Vesting Tentative Tract Map No. 6033/UGM.

The City of Fresno has conducted an initial study and proposes to adopt a Mitigated Negative Declaration for the above-described project. The environmental analysis contained in the Initial Study and this Mitigated Negative Declaration is tiered from Master Environmental Impact Report No. 10130 (SCH # 2001071097) prepared for the 2025 Fresno General Plan ("MEIR") and Mitigated Negative Declaration No. A-09-02 (SCH # 2009051016) prepared for the 2025 Fresno General Plan ("Air Quality MND"). A copy of the MEIR and Air Quality MND may be reviewed in the City of Fresno Development and Resource Management Department as noted above. The proposed project has been determined to be a subsequent project that is not fully within the scope of the Master Environmental Impact Report No. 10130 ("MEIR) or Mitigated Negative Declaration No. A-09-02 (Air Quality MND) prepared for the 2025 Fresno General Plan. Pursuant to Public Resources Code §21157.1 and California Environmental Quality Act (CEQA) Guidelines §15177, this project has been evaluated with respect to each item on the attached environmental checklist to determine whether this project may cause any additional significant effect on the environment which was not previously examined in the MEIR. After conducting a review of the adequacy of the MEIR pursuant to Public Resources Code, Section 21157.6(b)(1), the Development and Resource Management Department, as lead agency, finds that no substantial changes have occurred with respect to the circumstances under which the MEIR was certified and that no new information, which was not known and could not have been known at the time that the MEIR was certified as complete, has become available.

This completed environmental impact checklist form, its associated narrative, and proposed mitigation measures reflect applicable comments of responsible and trustee agencies and research and analysis conducted to examine the interrelationship between the proposed project and the physical environment. The information contained in the project application and its related environmental assessment application, responses to requests for comment, checklist, initial study narrative, and any attachments thereto, combine to form a record indicating that an initial study has been completed in compliance with the State CEQA Guidelines and the CEQA.

All new development activity and many non-physical projects contribute directly or indirectly toward cumulative impacts on the physical environment. It has been determined that the incremental effect contributed by this project toward cumulative impacts is not considered substantial or significant in itself, and/or that cumulative impacts accruing from this project may be mitigated to less than significant with application of feasible mitigation measures.

Based upon the evaluation guided by the environmental checklist form, it was determined that there are foreseeable impacts from the Project that are additional to those identified in the MEIR, and/or impacts which require mitigation measures not included in the MEIR Mitigation Measure Checklist.

The completed environmental checklist form indicates whether an impact is potentially significant, less than significant with mitigation, or less than significant.

For some categories of potential impacts, the checklist may indicate that a specific adverse environmental effect has been identified which is of sufficient magnitude to be of concern. Such an effect may be inherent in the nature and magnitude of the project, or may be related to the design and characteristics of the individual project. Effects so rated are not sufficient in themselves to require the preparation of an Environmental Impact Report, and have been mitigated to the extent feasible. With the project specific mitigation imposed, there is no substantial evidence in the record that this project may have additional significant, direct, indirect or cumulative effects on the environment that are significant and that were not identified and analyzed in the MEIR. Both the MEIR mitigation checklist measures and the project-specific mitigation checklist measures will be imposed on this project.

The initial study has concluded that the proposed project will not result in any adverse effects which fall within the "Mandatory Findings of Significance" contained in Section 15065 of the State CEQA

Guidelines.

The finding is, therefore, made that the proposed project will not have a significant adverse effect on the environment.

PREPARED BY:

Sophia Pagoulatos, Supervising
Planner

SUBMITTED BY:

Sag for Mike Sanchez
Mike Sanchez, Planning Manager

DEVELOPMENT & RESOURCE MANAGEMENT DEPARTMENT

DATE: March 21, 2014

Attachments:

- Notice of Intent
- Vicinity Map
- Initial Study (Appendix G)
- Memorandum from City of Fresno Airports Department
- Master Environmental Impact Report Review Summary
- Master Environmental Impact Report No. 10130-2025 Fresno General Plan Mitigation Monitoring Checklist dated March 21, 2014
- Project Specific Mitigation Monitoring Checklist dated March 21, 2014

CITY OF FRESNO**NOTICE OF INTENT TO ADOPT A
MITIGATED NEGATIVE DECLARATION**

Filed with:

FILED

MAR 21 2014

FRESNO COUNTY CLERK
By Blanca H. Amador
DEPUTY

EA No. A-11-003, R-11-003, C-13-092, T-6033 for a Plan Amendment, Rezone, Conditional Use Permit and Tentative Tract Map to facilitate development of a 2.14 acre commercial property and 169 single family residential units.

APPLICANT:

Granville Homes
Jeffrey T. Roberts
1396 W. Herndon #101
Fresno, CA 93711

FRESNO COUNTY CLERK
2221 Kern Street, Fresno, CA 93721

PROJECT LOCATION:

± 37.87 net acres of property located at 6208 E. Clinton Avenue and 2534 N. Fowler Avenue on the northeast corner of E. Clinton and N. Fowler Avenues, in the City and County of Fresno, California

Assessor's Parcel Numbers: 310-041-38 & -39

36°46'24.391" N Latitude, - 119°40'46.676" W Longitude

36°46'21.486" N Latitude, - 119°40'54.2526" W Longitude

PROJECT DESCRIPTION:

Granville Homes has filed Plan Amendment Application No. A-11-003, Rezone Application No. R-11-003, Conditional Use Permit Application No. C-13-092, and Vesting Tentative Tract Map No. 6033/UGM pertaining to approximately 37.87 acres of property located on the northeast corner of North Fowler and East Clinton Avenues.

Plan Amendment Application No. A-11-003 proposes to amend the 2025 Fresno General Plan and McLane Community Plan to change the planned land use designation for an approximately 2.14 acre portion of the subject property from Light Industrial to Neighborhood Commercial and to change the planned land use designation for an approximately 31.87 acre portion of the subject property from Light Industrial to Medium Density Residential.

Rezone Application No. R-11-003 proposes to rezone the approximately 2.14 acre portion of the subject property from the C-M/UGM/cz (*Commercial and Light Manufacturing/Urban Growth Management/with conditions of zoning*) zone district to the C-1/UGM/cz (*Neighborhood Shopping Center/Urban Growth Management/conditions of zoning*) zone district and to rezone the approximately 31.87 acre portion of the subject property from the C-M/UGM/cz (*Commercial and Light Manufacturing/Urban Growth Management/with conditions of zoning*) zone district to the R-1/UGM/cz (*Single Family Residential/Urban Growth Management/conditions of zoning*) zone district.

The plan amendment and rezone applications have been filed in order to facilitate approval of a proposed 169-lot single family residential public street planned development subdivision of the property in accordance with Conditional Use Permit Application No. C-13-092 and Vesting Tentative Tract Map No. 6033/UGM.

The City of Fresno has conducted an initial study of the above-described project and it has been determined to be a subsequent project that is not fully within the scope of the Master Environmental Impact Report No. 10130 (MEIR) prepared for the 2025 Fresno General Plan (SCH # 2001071097) and Mitigated Negative Declaration prepared for Plan Amendment No. A-09-02 (SCH # 2009051016) (Air Quality MND). Therefore, the Development and Resource Management Department proposes to adopt a Mitigated Negative Declaration for this project.

With the project specific mitigation imposed, there is no substantial evidence in the record that this project may have additional significant, direct, indirect or cumulative effects on the environment that are significant and that were not identified and analyzed in the MEIR or Air Quality MND. After conducting a review of the adequacy of the MEIR and Air Quality MND pursuant to Public Resources Code, Section 21157.6(b)(1), the Development and Resource Management Department, as lead agency, finds that no substantial changes have occurred with respect to the circumstances under which the MEIR was certified and the Air Quality MND was adopted and that no new information, which was not known and could not have been known at the time that the MEIR was certified as complete and the Air Quality MND was adopted, has become available. The project is not located on a site which is included on any of the lists enumerated under Section 65962.5 of the Government Code including, but not limited to, lists of hazardous waste facilities, land designated as hazardous waste property, hazardous waste disposal sites and others, and the information in the Hazardous Waste and Substances Statement required under subdivision (f) of that Section.

Additional information on the proposed project, including the MEIR/Air Quality MND proposed environmental finding of a mitigated negative declaration and the initial study may be obtained from the Development and Resource Management Department, Fresno City Hall, 2600 Fresno Street, 3rd Floor Fresno, Room 3070, California 93721-3604. Please contact Sophia Pagoulatos at (559) 621-8506 or Sophia Pagoulatos at (559) 621-8062 for more information.

ANY INTERESTED PERSON may comment on the proposed environmental finding. Comments must be in writing and must state (1) the commentor's name and address; (2) the commentor's interest in, or relationship to, the project; (3) the environmental determination being commented upon; and (4) the specific reason(s) why the proposed environmental determination should or should not be made. Any comments may be submitted at any time between the publication date of this notice and close of business on **April 14, 2014 at 5:00 p.m.** Please direct comments to Sophia Pagoulatos, Planner, City of Fresno Development and Resource Management Department, City Hall, 2600 Fresno Street, Room 3076, Fresno, California, 93721-3604; or by email to Sophia.Pagoulatos@fresno.gov; or comments can be sent by facsimile to (559) 498-1026.

The applications and environmental finding for the project have been scheduled to be heard by the Planning Commission on April 16, 2014 at 6:00 p.m. or thereafter. The hearing will be held in the Fresno City Council Chambers located at Fresno City Hall, 2nd Floor, 2600 Fresno Street, Fresno, California, 93721. Your written and oral comments are welcomed at the hearing and will be considered in the final decision.

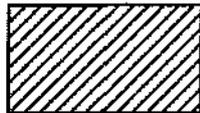
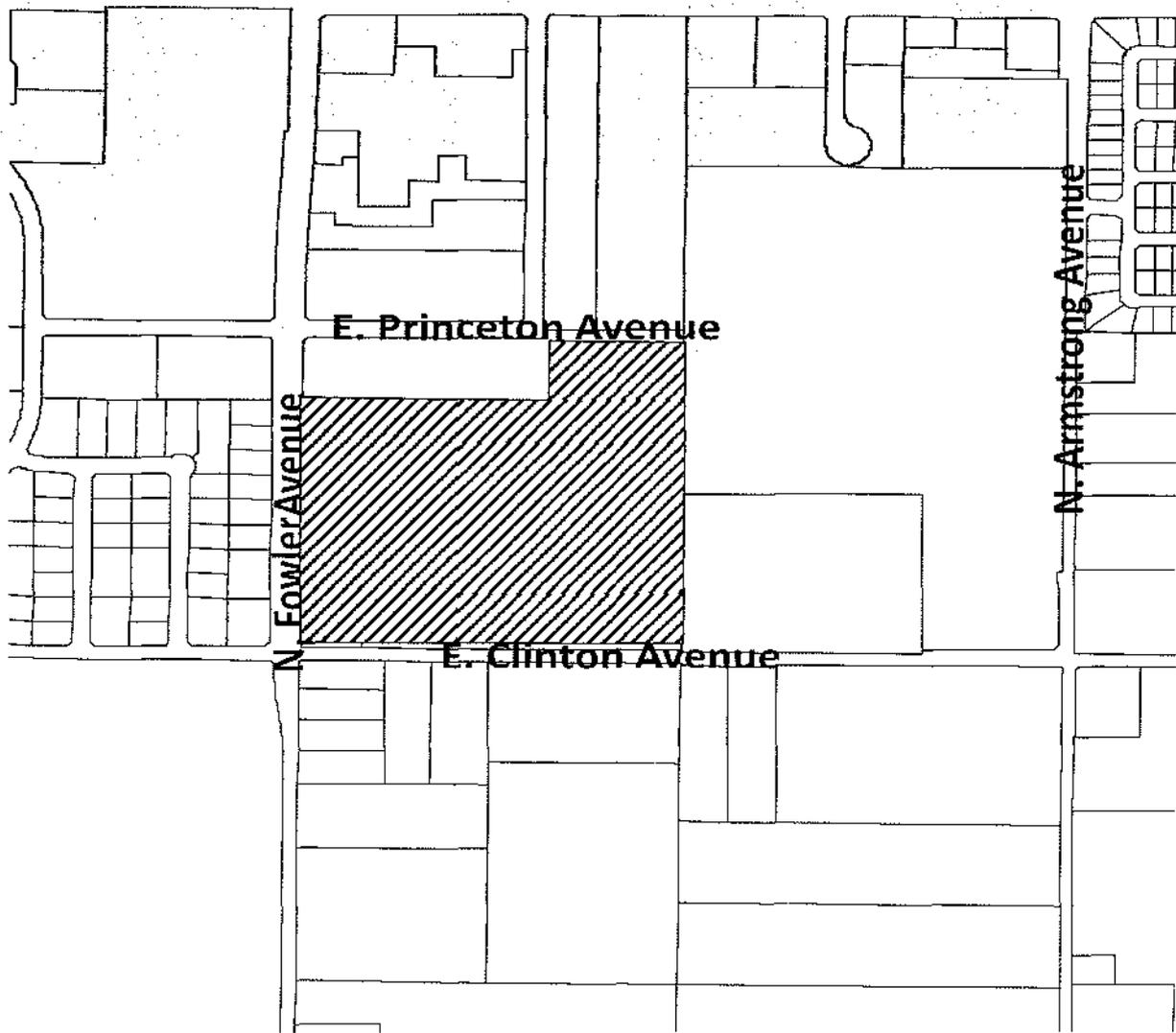
INITIAL STUDY PREPARED BY:
Sophia Pagoulatos, Supervising Planner

SUBMITTED BY:

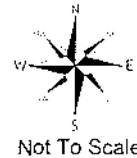
Mike Sanchez, Planning Manager

CITY OF FRESNO DEVELOPMENT AND
RESOURCE MANAGEMENT
DEPARTMENT

DATE: March 21, 2014



Subject Property



VICINITY MAP

DEVELOPMENT AND RESOURCE MANAGEMENT DEPARTMENT

lan Amendment No. A-11-003, Rezone No. R-1-003, Conditional Use Permit No. C-13-092 and Tentative Tract Map No. T-6033

PROPERTY ADDRESS

6208 E. Clinton Avenue
2534 N. Fowler Avenue

APN: 310-041-38 & -39

Zone District: C-M/UGM/cz
(Commercial and Light
Manufacturing/Urban Growth
Management/with conditions of
zoning)

By: S. Pagoulatos, March 21, 2014

This page intentionally left blank.

**APPENDIX G TO ANALYZE
SUBSEQUENT PROJECT IDENTIFIED IN MEIR NO. 10130 / MND FOR PLAN
AMENDMENT A-09-02 (AIR QUALITY MND) / INITIAL STUDY**

Environmental Checklist Form

For EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

1. Project title:

Plan Amendment Application No. A-11-003
Rezone Application No. R-11-003
Conditional Use Permit Application No. C-13-092
Vesting Tentative Tract Map No. T-6033/ugm

2. Lead agency name and address:

City of Fresno
Development and Resource Management Department
2600 Fresno Street, Room 3076
Fresno, CA 93721

3. Contact person and phone number:

Sophia Pagoulatos, Supervising Planner
City of Fresno
Development and Resource Management Department
(559) 621-8062

4. Project location:

6208 E. Clinton Avenue (portion) and 2534 N. Fowler Avenue; located on the
northeast corner of North Fowler and East Clinton Avenues, in the City and County of
Fresno, California

Assessor's Parcel Number(s): 310-041-38 & 310-041-39

Site Latitudes: 36°50'17.055" N & 36°50'14.6466"

Site Longitudes: - 119°54'9.972" W & - 119°54'3.7152" W

Mount Diablo Base & Meridian, Township 13 S, Range 21 E, Sections 27

5. **Project sponsor's name and address:**

Granville Homes
Jeffrey T. Roberts
1396 W. Herndon #101
Fresno, CA 93711

6. **General plan designation:**

Existing: ± 34.01 acres of Light Industrial

Proposed: ± 31.87 acres of Medium Density Residential and ± 2.14 acres of Neighborhood Commercial

7. **Zoning:**

Existing: ± C-M/UGM/cz (Commercial and Light Manufacturing/Urban Growth Management/with conditions of zoning)

Proposed: ± 31.87 acres of R-1/UGM/cz (Single Family Residential/Urban Growth Management/conditions of zoning) and 2.14 acres of C-1/UGM/cz (Neighborhood Shopping Center/Urban Growth Management/conditions of zoning)

8. **Description of project:**

Granville Homes has filed Plan Amendment Application No. A-11-003, Rezone Application No. R-11-003, Conditional Use Permit Application No. C-13-092, and Vesting Tentative Tract Map No. 6033/UGM pertaining to approximately 34.01 acres of property located on the northeast corner of North Fowler and East Clinton Avenues.

Plan Amendment Application No. A-11-003 proposes to amend the 2025 Fresno General Plan and McLane Community Plan to change the planned land use designation for an approximately 2.14 acre portion of the subject property from Light Industrial to Neighborhood Commercial and to change the planned land use designation for an approximately 31.87 acre portion of the subject property from Light Industrial to Medium Density Residential.

Rezone Application No. R-11-003 proposes to rezone the approximately 2.14 acre portion of the subject property from the C-M/UGM/cz (*Commercial and Light Manufacturing/Urban Growth Management/with conditions of zoning*) zone district to the C-1/UGM/cz (*Neighborhood Shopping Center/Urban Growth Management/conditions of zoning*) zone district and to rezone the approximately 31.87 acre portion of the subject property from the C-M/UGM/cz (*Commercial and Light Manufacturing/Urban Growth Management/with conditions of zoning*) zone district to the R-1/UGM/cz (*Single Family Residential/Urban Growth*

Management/conditions of zoning) zone district.

The plan amendment and rezone applications have been filed in order to facilitate approval of a proposed 169-lot single family residential public street planned development subdivision of the property in accordance with Conditional Use Permit Application No. C-13-092 and Vesting Tentative Tract Map No. 6033/UGM.

9. **Surrounding land uses and setting:**

	Planned Land Use	Existing Zoning	Existing Land Use
North	Light Industrial	C-M/UGM/cz <i>(Commercial and Light Manufacturing/Urban Growth Management/with conditions of zoning)</i>	Vacant Land & Partially developed retail center with a drug store
South	Light Industrial	AE-20 (County) <i>20-Acre Agricultural Exclusive</i>	Rural Residential
East	Medium Low and Low Density Residential	R-1//UGM/cz <i>Single Family Residential/ Urban Growth Management /conditions of zoning</i>	Vacant Land and Rural Residential
West	Light Industrial	M-1 <i>Light Manufacturing</i>	Developed light industrial uses

10. Other public agencies whose approval is required (e.g., permits, financing approval, or participation agreement):

City of Fresno (COF) Department of Public Works; COF Department of Public Utilities; COF Building and Safety Services Division; COF Fire Department; Fresno Metropolitan Flood Control District; County of Fresno Department of Public Health; Fresno Unified School District; and, San Joaquin Valley Air Pollution Control District; California Regional Water Quality Control Board, State Department of Health Services, Division of Drinking Water and Environmental Management.

ENVIRONMENTAL FACTORS POTENTIALLY AFFECTED:

Pursuant to Public Resources Code Section 21157.1(b) and the California Environmental Quality Act (CEQA) Guidelines 15177(b)(2), the purpose of this Master Environmental Impact Report (MEIR) initial study is to analyze whether the subsequent project was described in the MEIR No. 10130 and whether the subsequent project may cause any additional significant effect on the environment, which was not previously examined in MEIR No. 10130 or the Mitigated Negative Declaration prepared for Plan Amendment A-09-02 to amend the Air Quality Element of the 2025 Fresno General Plan (SCH # 2009051016) ("Air Quality MND").

The environmental factors checked below would be potentially affected by this project, involving at least one impact that is a "Potentially Significant Impact" as indicated by the checklist on the following pages.

<input type="checkbox"/> Aesthetics	<input type="checkbox"/> Agriculture and Forestry Resources	<input type="checkbox"/> Air Quality
<input type="checkbox"/> Biological Resources	<input type="checkbox"/> Cultural Resources	<input type="checkbox"/> Geology /Soils
<input type="checkbox"/> Greenhouse Gas Emissions	<input type="checkbox"/> Hazards & Hazardous Materials	<input type="checkbox"/> Hydrology/Water Quality
<input type="checkbox"/> Land Use/Planning	<input type="checkbox"/> Mineral Resources	<input type="checkbox"/> Noise
<input type="checkbox"/> Population /Housing	<input type="checkbox"/> Public Services	<input type="checkbox"/> Recreation
<input type="checkbox"/> Transportation/Traffic	<input type="checkbox"/> Utilities/Service Systems	<input type="checkbox"/> Mandatory Findings of Significance

DETERMINATION: (To be completed by the Lead Agency)

On the basis of this initial evaluation:

I find that the proposed project is a subsequent project identified in the MEIR and that it is fully within the scope of the MEIR and Air Quality MND because it would have no additional significant effects that were not examined in the MEIR or the Air Quality MND such that no new additional mitigation measures or alternatives may be required. All applicable mitigation measures contained in the Mitigation Monitoring Checklist shall be imposed upon the proposed project. A FINDING OF CONFORMITY will be prepared.

I find that the proposed project is a subsequent project identified in the MEIR and Air Quality MND but that it is not fully within the scope of the MEIR and Air Quality MND because the proposed project could have a significant effect on the environment that was not examined in the MEIR or Air Quality MND. However, there will not be a significant effect in this case because revisions in

the project have been made by or agreed to by the project proponent. The project specific mitigation measures and all applicable mitigation measures contained in the MEIR Mitigation Monitoring Checklist will be imposed upon the proposed project. A MITIGATED NEGATIVE DECLARATION will be prepared.

— I find that the proposed project is a subsequent project identified in the MEIR but that it MAY have a significant effect on the environment that was not examined in the MEIR or Air Quality MND, and an ENVIRONMENTAL IMPACT REPORT is required to analyze the potentially significant effects not examined in the MEIR or Air Quality MND pursuant to Public Resources Code Section 21157.1(d) and CEQA Guidelines 15178(a).


Sophia Pagoulatos, Supervising Planner

3/21/14
Date

EVALUATION OF ADDITIONAL ENVIRONMENTAL IMPACTS NOT ASSESSED IN THE MEIR or Air Quality MND:

1. For purposes of this MEIR Initial Study, the following answers have the corresponding meanings:
 - a. "No Impact" means the subsequent project will not cause any additional significant effect related to the threshold under consideration which was not previously examined in the MEIR or Air Quality MND.
 - b. "Less Than Significant Impact" means there is an impact related to the threshold under consideration that was not previously examined in the MEIR or Air Quality MND, but that impact is less than significant;
 - c. "Less Than Significant with Mitigation Incorporation" means there is a potentially significant impact related to the threshold under consideration that was not previously examined in the MEIR or Air Quality MND, however, with the mitigation incorporated into the project, the impact is less than significant.
 - d. "Potentially Significant Impact" means there is an additional potentially significant effect related to the threshold under consideration that was not previously examined in the MEIR or Air Quality MND.
2. A brief explanation is required for all answers except "No Impact" answers that are adequately supported by the information sources a lead agency cites in the parentheses following each question. A "No Impact" answer is adequately supported if the referenced information sources show that the impact simply does not apply to projects like the one involved (e.g., the project falls outside a fault rupture zone). A "No Impact" answer should be explained where it is based on project-specific factors

as well as general standards (e.g., the project will not expose sensitive receptors to pollutants, based on a project-specific screening analysis).

3. All answers must take account of the whole action involved, including off-site as well as on-site, cumulative as well as project-level, indirect as well as direct, and construction as well as operational impacts.
4. Once the lead agency has determined that a particular physical impact may occur, then the checklist answers must indicate whether the impact is potentially significant, less than significant with mitigation, or less than significant. "Potentially Significant Impact" is appropriate if there is substantial evidence that an effect may be significant. If there are one or more "Potentially Significant Impact" entries when the determination is made, an EIR is required.
5. A "Finding of Conformity" is a determination based on an initial study that the proposed project is a subsequent project identified in the MEIR and that it is fully within the scope of the MEIR and Air Quality MND because it would have no additional significant effects that were not examined in the MEIR or the Air Quality MND.
6. "Negative Declaration: Less Than Significant With Mitigation Incorporated" applies where the incorporation of mitigation measures has reduced an effect from "Potentially Significant Impact" to a "Less Than Significant Impact." The lead agency must describe the mitigation measures, and briefly explain how they reduce the effect to a less than significant level (mitigation measures from Section XVII, "Earlier Analyses," may be cross-referenced).
7. Earlier analyses may be used where, pursuant to the tiering, program EIR or MIER, or other CEQA process, an effect has been adequately analyzed in an earlier EIR or negative declaration. Section 15063(c)(3)(D). In this case, a brief discussion should identify the following:
 - a. Earlier Analysis Used. Identify and state where they are available for review.
 - b. Impacts Adequately Addressed. Identify which effects from the above checklist were within the scope of and adequately analyzed in the MEIR or another earlier document pursuant to applicable legal standards, and state whether such effects were addressed by mitigation measures based on the earlier analysis.
 - c. Mitigation Measures. For effects that are "Less than Significant with Mitigation Measures Incorporated," describe the mitigation measures which were incorporated or refined from the earlier document and the extent to which they address site-specific conditions for the project.
8. Lead agencies are encouraged to incorporate into the checklist references to information sources for potential impacts (e.g., general plans, zoning ordinances).

Reference to a previously prepared or outside document should, where appropriate, include a reference to the page or pages where the statement is substantiated.

9. Supporting Information Sources: A source list should be attached, and other sources used or individuals contacted should be cited in the discussion.

10. This is only a suggested form, and lead agencies are free to use different formats; however, lead agencies should normally address the questions from this checklist that are relevant to a project's environmental effects in whatever format is selected.

11. The explanation of each issue should identify:

- a. The significance criteria or threshold, if any, used to evaluate each question; and
- b. The mitigation measure identified, if any, to reduce the impact to less than significance

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
I. AESTHETICS -- Would the project:				
a) Have a substantial adverse effect on a scenic vista?				X
b) Substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings within a state scenic highway?				X
c) Substantially degrade the existing visual character or quality of the site and its surroundings?		X		
d) Create a new source of substantial light or glare which would adversely affect day or nighttime views in the area?			X	

The subject sites are currently undeveloped with no notable vegetation. There are no public or scenic vistas which will be obstructed by the development of the subject sites and no valuable vegetation will be removed. The project will not damage any scenic resources nor will it degrade the visual character or quality of the sites and their

surroundings, given that the subject sites are in an area comprised of vacant land, rural residential, and light industrial uses. The development will add to the aesthetic appeal of the area by improving the streetscapes of N. Clinton and N. Fowler Avenues. A planned trail will be added along the project frontage of N. Fowler Avenue. It will also provide several varying house plans consisting of five single story models, two 2-story models and three elevation themes. This will provide a unified variation in the architecture of the neighborhood. The staggered garages will also contribute to the varying streetscape and the series of passive pocket parks will add to the overall appearance of the development. The approximately 1-acre open space feature (Outlot A) will be visible as an entry feature from the subdivision entrance off of North Fowler Avenue.

The development of the site will not create a new source of substantial light or glare which would affect day or night time views in the project area, as the project conditions require any site lighting on commercial properties to be downward directed and designed not to spill over into neighboring properties.

Where the property abuts non-residential property, additional interface and screening mitigation measures are required (see Section X, LAND USE). Therefore, with mitigation incorporated, the project will have a less than significant impact on aesthetics.

Mitigation Measures

1. The proposed project shall implement and incorporate, as applicable, the aesthetic related mitigation measures as identified in the attached Master Environmental Impact Report No. 10130--2025 Fresno General Plan Mitigation Monitoring Checklist dated March 21, 2014.
2. The proposed project shall implement and incorporate the aesthetics related mitigation measures as identified in the attached Project Specific Monitoring Checklist dated March 21, 2014.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
<p>II. AGRICULTURE AND FORESTRY RESOURCES: In determining whether impacts to agricultural resources are significant environmental effects, lead agencies may refer to the California Agricultural Land Evaluation and Site Assessment Model (1997) prepared by the California Dept. of Conservation as an optional model to use in assessing impacts on agriculture and farmland. -- Would the project:</p>				
<p>a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use?</p>				X
<p>b) Conflict with existing zoning for agricultural use, or a Williamson Act contract?</p>				X
<p>c) Conflict with existing zoning for, or cause rezoning of, forest land (as defined in Public Resources Code section 12220(g)), timberland (as defined by Public Resources Code section 4526), or timberland zoned Timberland Production (as defined by Government Code section 51104(g))?</p>				X
<p>d) Result in the loss of forest land or conversion of forest land to non-forest use?</p>				X

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
e) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland, to non-agricultural use?				X

The subject site is designated as “Farmland of Local Importance by the 2008 Rural Land Mapping Edition: Fresno County Important Farmland Map, and thus has no farmland considered to be prime farmland, farmland of statewide importance, or unique farmland. The subject sites are not currently under cultivation and have not been since at least 2008. The land surrounding the sites to the north, east and west are designated as “Urban and Built-Up Land” and property to the south is designated “Farmland of Local Importance” by the above mentioned map. The 2008 Rural Mapping Edition: Fresno County Important Farmland Map states that “Farmland of Local Importance” includes land that does not meet the definition of prime, statewide, or unique farmland. Therefore, the proposed project will not have an impact on prime farmland, farmland of statewide importance, or unique farmland

The subject sites are not under a Williamson Act contract and are not surrounded by sites under a Williamson Act contract. The proposed applications do not conflict with any forest land or Timberland Production or result in any loss of forest land. The proposed project does not include any changes which will affect the existing environment and result in the conversion of Farmland to non-agricultural uses. Therefore, no environmental impacts related to agriculture are anticipated as a result of the proposed project.

Mitigation Measures

1. The proposed project shall implement and incorporate, as applicable, the agriculture and forestry resource related mitigation measures as identified in the attached Master Environmental Impact Report No. 10130--2025 Fresno General Plan Mitigation Monitoring Checklist dated March 21, 2014.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
<p>III. AIR QUALITY AND GLOBAL CLIMATE CHANGE - (Where available, the significance criteria established by the applicable air quality management or air pollution control district may be relied upon to make the following determinations.) --</p> <p>Would the project:</p>				
<p>a) Conflict with or obstruct implementation of the applicable air quality plan (e.g., by having potential emissions of regulated criterion pollutants which exceed the San Joaquin Valley Air Pollution Control Districts adopted thresholds for these pollutants)?</p>			X	
<p>b) Violate any air quality standard or contribute substantially to an existing or projected air quality violation?</p>				X
<p>c) Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is non-attainment under an applicable federal or state ambient air quality standard (including releasing emissions which exceed quantitative thresholds for ozone precursors)?</p>		X		
<p>d) Expose sensitive receptors to substantial pollutant concentrations?</p>			X	
<p>e) Create objectionable odors affecting a substantial number of people?</p>				X

Setting

The subject sites are located in Fresno County and within the San Joaquin Valley Air Basin (SJVAB). This region has had chronic non-attainment of federal and state clean air standards for ozone/oxidants and particulate matter due to a combination of topography and climate.

Regional factors affect the accumulation and dispersion of air pollutants within the SJVAB. The SJVAB is approximately 250 miles long and averages 35 miles wide, and is the second largest air basin in the state. The SJVAB is defined by the Sierra Nevada in the east (8,000 to 14,000 feet in elevation), the Coast Ranges in the west (averaging 3,000 feet in elevation), and the Tehachapi mountains in the south (6,000 to 8,000 feet in elevation). The Valley is basically flat with a slight downward gradient to the northwest. The Valley opens to the sea at the Carquinez Straits where the San Joaquin-Sacramento Delta empties into San Francisco Bay. The Valley, thus, could be considered a "bowl" open only to the north.

During the summer, wind speed and direction data indicate that summer wind usually originates at the north end of the Valley and flows in a south-southeasterly direction through the Valley, through Tehachapi pass, into the Southeast Desert Air Basin. In addition, the Altamont Pass also serves as a funnel for pollutant transport from the San Francisco Bay Area Air Basin into the region.

During the winter, wind speed and direction data indicate that wind occasionally originates from the south end of the Valley and flows in a north-northwesterly direction. Also during the winter months, the Valley generally experiences light, variable winds (less than 10 mph). Low wind speeds, combined with low inversion layers in the winter, create a climate conducive to high carbon monoxide (CO) and particulate matter (PM10 and PM2.5) concentrations. The SJVAB has an "Inland Mediterranean" climate averaging over 260 sunny days per year. The Valley floor is characterized by warm, dry summers and cooler winters. For the entire Valley, high daily temperature readings in summer average 95°F. Temperatures below freezing are unusual. Average high temperatures in the winter are in the 50s, but highs in the 30s and 40s can occur on days with persistent fog and low cloudiness. The average daily low temperature is 45°F.

The vertical dispersion of air pollutants in the Valley is limited by the presence of persistent temperature inversions. Solar energy heats up the Earth's surface, which in turn radiates heat and warms the lower atmosphere. Therefore, as altitude increases, the air temperature usually decreases due to increasing distance from the source of heat. A reversal of this atmospheric state, where the air temperature increases with height, is termed an inversion. Inversions can exist at the surface or at any height above the ground, and tend to act as a lid on the Valley, holding in the pollutants that are generated here.

Regulations

The San Joaquin Valley Air Pollution Control District (SJVAPCD) is the local regional jurisdictional entity charged with attainment planning, rule making, rule enforcement, and monitoring under Federal and State Clean Air Acts and Clean Air Act Amendments.

The SJVAPCD has developed the San Joaquin Valley 1991 California Clean Air Act Air Quality Attainment Plan (AQAP), which continues to project nonattainment levels for pollutants in the future. This project will be subject to applicable SJVAPCD rules, regulations, and strategies. In addition, the project may be subject to the SJVAPCD Regulation VIII, Fugitive Dust Rules, related to the control of dust and fine particulate matter. This rule mandates the implementation of dust control measures to reduce the potential for dust to the lowest possible level. The plan includes a number of strategies to improve air quality including a transportation control strategy and a vehicle inspection program.

The proposed project is subject to District Rule 9510 (Indirect Source Review) and will therefore be required to submit an Air Impact Assessment (AIA) application to the District which may result in further requirements for project design elements and/or payment of applicable off-site mitigation fees.

Consistent with MEIR mitigation measure C-1-c, the project has been analyzed using the most recent air quality model (CaleeMod, 2011 version, results available upon request). The model analyzed both construction and operational emissions (operational emissions are mostly comprised of emissions created by the project related vehicular trips at buildout). All pollutants were below the significance thresholds when project-specific mitigation measures were incorporated. Such measures include dust control measures, prohibition of woodburning fireplaces, water conservation measures, and installation of landscaping and trees.

The proposed project on the subject sites will not expose sensitive receptors to substantial pollutant concentrations. The proposed project is not proposing a use which will create objectionable odors. Therefore, with mitigation measure incorporated, there are no air quality or global climate change impacts expected to occur as a result of the proposed project.

Mitigation Measures

1. The proposed project shall implement and incorporate, as applicable, the air quality related mitigation measures as identified in the attached Master Environmental Impact Report No. 10130--2025 Fresno General Plan Mitigation Monitoring Checklist dated March 21, 2014.
2. The proposed project shall implement and incorporate the air quality related mitigation measures as identified in the attached Project Specific Monitoring Checklist dated March 21, 2014.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
IV. BIOLOGICAL RESOURCES -- Would the project:				
a) Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?				X
b) Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, regulations or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?				X

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
c) Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marsh, vernal pool, coastal, etc.) through direct removal, filling, hydrological interruption, or other means?				X
d) Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites?				X
e) Conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance?				X
f) Conflict with the provisions of an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, regional, or state habitat conservation plan?				X

The subject sites are currently undeveloped with no notable vegetation. The proposed project would not directly affect any sensitive, special status, or candidate species, nor would it modify any habitat that supports them. There is no riparian habitat or any other sensitive natural community identified in the vicinity of the proposed project by the California Department of Fish and Game or the U.S. Fish and Wildlife Service. No federally protected wetlands are located on the subject site. Therefore, there would be no impacts to species, riparian habitat or other sensitive communities and wetlands. The proposed project would have no impact on the movement of migratory fish or wildlife species or on established wildlife corridors or wildlife nursery sites. No local policies regarding biological resources are applicable to the subject site and there would be no impacts with regard to those plans.

No habitat conservation plans or natural community conservation plans in the region pertain to natural resources, which exist on the subject sites or in its immediate vicinity.

Therefore, no actions or activities resulting from the implementation of the proposed project would have the potential to affect floral, or faunal species; or, their habitat. Therefore, there would be no impacts.

Mitigation Measures

1. The proposed project shall implement and incorporate, as applicable, the biological resource related mitigation measures as identified in the attached Master Environmental Impact Report No. 10130--2025 Fresno General Plan Mitigation Monitoring Checklist dated March 21, 2014.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
V. CULTURAL RESOURCES -- Would the project:				
a) Cause a substantial adverse change in the significance of a historical resource as defined in '15064.5?				X
b) Cause a substantial adverse change in the significance of an archaeological resource pursuant to '15064.5?				X
c) Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature?				X
d) Disturb any human remains, including those interred outside of formal cemeteries?				X

There are no structures which exist on or within the immediate vicinity of the sites that are listed on, or considered to be eligible to the National or Local Register of Historic Places, and the subject site is not within either a designated or proposed historic district.

There is no evidence that cultural resources of any type (including historical, archaeological, paleontological, or unique geologic features) exist on the subject sites.

Past record searches for the region have not revealed the likelihood of cultural resources on the subject property or in its immediate vicinity. Therefore, it is not expected that the proposed project may impact cultural resources. It should be noted however that lack of surface evidence of historical resources does not preclude the subsurface existence of archaeological resources. Therefore, due to the ground disturbing activities that will occur as a result of the project, the measures within the Master Environmental Impact Report No. 10130/SCH No. 2001071097 for the 2025 Fresno General Plan, Mitigation Monitoring Checklist to address archaeological resources, paleontological resources, and human remains will be employed to guarantee that should archaeological and/or animal fossil material be encountered during project excavations, then work shall stop immediately; and, that qualified professionals in the respective field are contacted and consulted in order to insure that the activities of the proposed project will not involve physical demolition, destruction, relocation, or alteration of historic, archaeological, or paleontological resources.

Mitigation Measures

1. The proposed project shall implement and incorporate, as applicable, the cultural resource related mitigation measures as identified in the attached Master Environmental Impact Report No. 10130- 2025 Fresno General Plan Mitigation Monitoring Checklist dated March 21, 2014.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
VI. GEOLOGY AND SOILS -- Would the project:				
a) Expose people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:				
i) Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault? Refer to Division of Mines and Geology Special Publication 42.				X
ii) Strong seismic ground shaking?				X

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
iii) Seismic-related ground failure, including liquefaction?				X
iv) Landslides?				X
b) Result in substantial soil erosion or the loss of topsoil?				X
c) Be located on a geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on- or off-site landslide, lateral spreading, subsidence, liquefaction or collapse?				X
d) Be located on expansive soil, as defined in Table 18-1-B of the Uniform Building Code (1994), creating substantial risks to life or property?				X
e) Have soils incapable of adequately supporting the use of septic tanks or alternative waste water disposal systems where sewers are not available for the disposal of waste water?				X

There are no known geologic hazards or unstable soil conditions known to exist on the site. The existing topography is flat with no apparent unique or significant land forms such as vernal pools. Development of the property requires compliance with grading and drainage standards of the City of Fresno and Fresno Metropolitan Flood Control District Standards. Grade differentials at property lines must be limited to one foot or less, or a cross-drainage covenant must be executed with affected adjoining property owners.

Fresno has no known active earthquake faults, and is not in any Alquist-Priolo Special Studies Zones. The immediate Fresno area has extremely low seismic activity levels, although shaking may be felt from earthquakes whose epicenters lie to the east, west, and south. Known major faults are over 50 miles distant and include the San Andreas Fault, Coalinga area blind thrust fault(s), and the Long Valley, Owens Valley, and White

Wolf/Tehachapi fault systems. The most serious threat to Fresno from a major earthquake in the Eastern Sierra would be flooding that could be caused by damage to dams on the upper reaches of the San Joaquin River.

Fresno is classified by the State as being in a moderate seismic risk zone, Category “C” or “D,” depending on the soils underlying the specific location being categorized and that location’s proximity to the nearest known fault lines. All new structures are required to conform to current seismic protection standards in the California Building Code.

Mitigation Measures

1. The proposed project shall implement and incorporate, as applicable, the geology and soils related mitigation measures as identified in the attached Master Environmental Impact Report No. 10130--2025 Fresno General Plan Mitigation Monitoring Checklist dated March 21, 2014.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
VII. GREENHOUSE GAS EMISSIONS -- Would the project:				
a) Generate greenhouse gas emissions, either directly or indirectly, that may have a significant impact on the environment?			X	
b) Conflict with an applicable plan, policy or regulation adopted for the purpose of reducing the emissions of greenhouse gases?				X

The proposed project will not occur at a scale or scope with potential to contribute substantially or cumulatively to the generation of greenhouse gas emissions, either directly or indirectly. Under the MEIR and General Plan mitigation measures and policies for reducing all forms of air pollution, levels of greenhouse gases will be reduced along with other regulated air pollutants. At this point in time, detailed analyses and conclusions as to the significance of greenhouse gas emissions and strategies for mitigation are still not feasible, because the legislatively-mandated greenhouse gas inventory benchmarking and the environmental analysis policy formulation tasks are not completed.

Mitigation Measures

1. The proposed project shall implement and incorporate, as applicable, the greenhouse gas emission related mitigation measures as identified in the attached Master Environmental Impact Report No. 10130--2025 Fresno General Plan Mitigation Monitoring Checklist dated March 21, 2014.
2. The proposed project shall implement and incorporate the air quality related mitigation measures as identified in the attached Project Specific Monitoring Checklist dated March 21, 2014. These measures will result in the reduction of greenhouse gas emissions as well as criteria pollutants.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
VIII. HAZARDS AND HAZARDOUS MATERIAL -- Would the project:				
a) Create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials?				X
b) Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment?				X
c) Emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed school?				X
d) Be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government Code Section 65962.5 and, as a result, would it create a significant hazard to the public or the environment?				X

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area?				X
f) For a project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area?				X
g) Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan?				X
h) Expose people or structures to a significant risk of loss, injury or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands?				X

Hazardous Materials. The project will not create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials, as the project consists of residential and commercial development. The proposed zoning for the commercial site, C-1 (*Neighborhood Shopping Center District*), allows uses that are intended to “fit into the residential pattern of development and create no architectural or traffic conflicts”...and further are intended to “protect the residential environment...” (Section 12-217 of the Fresno Municipal Code). Any allowed use that would utilize a potentially hazardous substance, such as an automobile service station, would require a conditional use permit and would be conditioned to prevent any hazards to the public.

Airports. The project site is located within the vicinity of the Fresno Yosemite Airport, whose environs are governed by the Fresno Yosemite Airport Land Use Compatibility Plan (2012). The project site is located outside of the Airport Influence Area, the 60 CNEL noise contour, and the safety zones, but is located within the traffic pattern zone, which has a maximum elevation at the site of 486 feet. Since the zoning limits heights on the property to 35 feet, the project is considered compatible with the land use surrounding the airport and no risks or hazards would result from constructing the project in the proposed location. See attached memorandum dated March 10, 2014 from Mark Davis, Capital Development Specialist at Fresno Yosemite International Airport for details.

Mitigation Measures

1. The proposed project shall implement and incorporate, as applicable, the hazards and health related mitigation measures as identified in the attached Master Environmental Impact Report No. 10130--2025 Fresno General Plan Mitigation Monitoring Checklist dated March 21, 2014.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
IX. HYDROLOGY AND WATER QUALITY -- Would the project:				
a) Violate any water quality standards or waste discharge requirements?				X
b) Substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)?		X		

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
c) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on- or off-site?			X	
d) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner which would result in flooding on- or off-site?			X	
e) Create or contribute runoff water which would exceed the capacity of existing or planned stormwater drainage systems or provide substantial additional sources of polluted runoff?		X		
f) Otherwise substantially degrade water quality?			X	
g) Place housing within a 100-year flood hazard area as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map?				X
h) Place within a 100-year flood hazard area structures which would impede or redirect flood flows?				X

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
i) Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam?				X
j) Inundation by seiche, tsunami, or mudflow?				X

Fresno is one of the largest cities in the United States still relying primarily on groundwater for its public water supply. Surface water treatment and distribution has been implemented in the northeastern part of the City, but the city is still subject to an EPA Sole Source Aquifer designation. While the aquifer underlying Fresno typically exceeds a depth of 300 feet and is capacious enough to provide adequate quantities of safe drinking water to the metropolitan area well into the twenty-first century, groundwater degradation, increasingly stringent water quality regulations, and a historic trend of high consumptive use of water on a per capita basis (some 250 gallons per day per capita), have resulted in a general decline in aquifer levels, increased cost to provide potable water, and localized water supply limitations.

Fresno has attempted to address these issues through metering and revisions to the City's Urban Water Management Plan (UWMP). The Fresno Metropolitan Water Resource Management Plan, which has been adopted and the accompanying Final EIR (SCH #95022029) certified, is also under revision. The purpose of these management plans is to provide safe, adequate, and dependable water supplies in order to meet the future needs of the metropolitan area in an economical manner; protect groundwater quality from further degradation and overdraft; and, provide a plan of reasonably implementable measures and facilities. City water wells, pump stations, recharge facilities, water treatment and distribution systems have been expanded incrementally to mitigate increased water demands and respond to groundwater quality challenges.

The adverse groundwater conditions of limited supply and compromised quality have been well- documented by planning, environmental impact report and technical studies over the past 20 years including the Master Environmental Impact Report No. 10130 (MEIR) for the 2025 Fresno General Plan, Final EIR No.10100, Final EIR No.10117, and Final EIR No. SCH 95022029 (Fresno Metropolitan Water Resource Management Plan), et al. These conditions include water quality degradation due to DBCP, arsenic, iron, and manganese concentrations; low water well yields; limited aquifer storage capacity and recharge capacity; and, intensive urban or semi-urban development occurring upgradient from the Fresno Metropolitan Area.

In accordance with the provisions of the 2025 Fresno General Plan and MEIR No. 10130 mitigation measures, project specific water supply and distribution requirements must assure that an adequate source of water is available to serve the project. The City has indicated that groundwater wells, pump stations, recharge facilities, water treatment and distribution systems shall be expanded incrementally to mitigate increased water demands. According to the City of Fresno UWMP, a water allocation of up to 60 af/yr exists for the project site based upon the planned land uses designated in the 2025 Fresno General Plan. With approval of Plan Amendment Application No. A-11-003 and Rezone Application No. R-11-003, the proposed project has the potential to increase the water demand for the project sites to 111 af/yr (UWMP, Table 6-4, 2008). The applicant has estimated that water demand for the project to be in the range of 79-98 af/yr. With mitigation measures imposed the water demand for the project should be brought to within 10% of the existing allocation, which is considered less than significant.

In addition, the proposed project must contribute to the completion of the Fresno Metropolitan Flood Control District's (FMFCD) master planned storm drainage facilities. Stormwater ponding basins provide significant opportunity for recharge groundwater with collected storm water run-off and surface water obtained from the Fresno Irrigation District (FID) and United States Bureau of Reclamation on the northern edge of the current urban limit boundary.

The mitigation measures of MEIR No. 10130 are incorporated herein by reference and are required to be implemented by the attached mitigation monitoring checklist. In summary, these mitigation measures require participation in the development of groundwater recharge in an amount equal to the project's estimated water consumption. Alternative measures to satisfy this requirement include paying fees established by the city for construction of recharge facilities, the construction of recharge facilities directly by the project, or participation in augmentation/ enhancement/enlargement of the recharge capability of FMFCD storm water ponding basins. While the proposed project may be served by conventional groundwater pumping and distribution systems, full development of the 2025 Fresno General Plan boundaries may necessitate utilization of treated surface water due to inadequate groundwater aquifer recharge capabilities.

The DPU works with the FMFCD to utilize suitable ponding (drainage) basins for the groundwater recharge program, and works with FID to ensure that the City's allotment of surface water is put to the best possible use for recharge. The project is located in FMFCD drainage area "BS," and the District's proposed Master Plan drainage system can accommodate the proposed project (March 28, 2014 memo from G. Chapman to S. Pagoulatos).

In addition, FID's GOW Canal 99 parallels the eastern boundary of the project site and will be required to be undergrounded. Project specific mitigation measures and conditions are applied to the project to ensure piping and location of the canal consistent with FID requirements (see Exhibit J in staff report).

When development permits are issued, the subject site will be required to contribute to the completion of the FMFCD's master planned storm drainage facilities, and to preserve the patency of irrigation canals and pipelines for delivering surface water to recharge/percolation basins. Fees to support expansions and service enhancements of the City's water utility, including recharge activities, are also imposed as conditions of approval for special permits.

Occupancy of this site will generate wastewater containing human waste, which is required to be conveyed and treated by the Fresno-Clovis Regional Wastewater Treatment and Reclamation Facility. There will not be any onsite wastewater treatment system. The proposed project will be required to install sewer branches, and to pay connection and sewer facility fees to provide for reimbursement of preceding investments in sewer trunks to connect this site to a public system.

Mitigation Measures

1. The proposed project shall implement and incorporate, as applicable, the hydrology and water quality related mitigation measures as identified in the attached Master Environmental Impact Report No. 10130--2025 Fresno General Plan Mitigation Monitoring Checklist dated March 21, 2014.
2. The proposed project shall implement and incorporate the hydrology and water quality related mitigation measures as identified in the attached Project Specific Monitoring Checklist dated March 21, 2014.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
X. LAND USE AND PLANNING - Would the project:				
a) Physically divide an established community?				X
b) Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect?			X	

c) Conflict with any applicable habitat conservation plan or natural community conservation plan?				X
---	--	--	--	---

Land Use/Industrial

Objective C-13 of the 2025 Fresno General Plan calls for the planning and support of industrial development to promote job growth while enhancing Fresno’s urban environment. Related policies call for the planning of industrial land use clusters with respect to their common needs and concern for compatibility of uses in order to maximize the operational efficiency of similar activities.

The proposed plan amendment would reduce the acreage of vacant industrial land available in the City of Fresno by 34.01 acres. However, this location is no longer considered optimal for reasons noted below:

1. New studies conducted in preparation for the update of the GP refined the location of the significant clusters of vacant land designated for industrial and business park use and identified these clusters (over 3,000 acres) in Figure ED-1 as sufficient to accommodate projected growth and economic development goals (see Exhibit G in staff report). The subject property was not among those properties identified.
2. The 34 acres of industrial land that would be removed by these applications would be more than compensated for by the additional industrial land being proposed in the southern portion of the Southeast Growth Area (over 1,200 acres in Regional Business Park use).
3. Approval of the proposed land use change would eliminate the longest interface (approximately 1,300 feet) between industrial and residential land that will occur if the subject property remains industrial, as residential land exists along the eastern property boundary with no street or natural barrier between the two land uses. The proposed conversion of the acreage from industrial to residential would eliminate this adjacency and leave North Fowler Avenue as the dividing buffer between the newly approved residential and the industrial uses west of North Fowler Avenue. This arterial, with its required trail, would be a more effective buffer than one created by internal setbacks on directly adjacent industrial and residential properties. The street right-of-way plus trail and landscaping would result in an approximate 140-foot buffer between the residential properties in the subdivision and the existing industrial property on the west side of North Fowler Avenue (not counting the setbacks on the industrial land).
4. A 2012 Fresno County Employment study documented numerous obstacles that employers identified as constraints to doing business, expanding business and creating more jobs in Fresno. The lack of shovel ready land was not among the responses. The most frequently occurring response (24%) was “market

conditions," including a tight banking climate, low sales, and customers' difficulty in accessing financing. Labor availability was also among the most frequent responses.

5. Existing mitigation measures still obligate the developer to submit a plan amendment and rezone application for 40 acres of non-industrial land to facilitate conversion to light industrial M-1 or C-M zoned land to replace the conversion of the initial 20 acres back in 2006 (see Exhibit F in staff report).

Land Use/Residential

As proposed, the project would be consistent with the following 2025 General Plan objectives:

Objective C-9 of the 2025 Fresno General Plan directs planning for the diversity and quality of residential housing, at locations necessary to provide for adequate and affordable housing opportunities. Housing patterns should support balanced urban growth, and should make efficient use of resources and public facilities. Supporting policies C-9-i and C-9-j recommend that Medium-Low and Medium Density Residential uses shall provide transition between low and medium density residential and shall be developed to maximize the efficient use of land.

Objective C-10 of the 2025 Fresno General Plan promotes the development of more compact friendly, single-family residential projects to aid in the conservation of resources such as land, energy, and materials. Supporting policy C-10-a recommends facilitating the construction of higher density single family residential development while maintaining a pleasant living environment. Policy C-10-d encourages the development of two-story homes as a means to conserve land, maintain open space on residential lots, and provide adequate living space.

Similarly, the goals of the **McLane Community Plan** are directed toward: (1) The provision of a diversity of housing types and housing opportunities to meet the needs of all ages and income levels; (2) Providing for efficient use of land while protecting the integrity of established neighborhoods; (3) Encouraging a mix of uses along major transportation corridors; (4) Providing for safe, clean and aesthetically pleasing neighborhoods; and, (5) Providing for compatible relationships between differing housing types and densities. Goals for commercial uses include distributing new commercial land use designations at logical, marketable, convenient and accessible locations.

The proposed medium density planned land use provides a density transition from the medium low and low single family densities east and south of the project site, gradually increasing density as one moves toward the city center and more intense urbanization. The proposed 2-acre commercial site in the southwest corner of the project site will provide an opportunity for some convenience retail within walking distance of the residential uses.

The proposed project will also be connected to its neighbors. A planned bicycle/pedestrian trail runs along the western boundary of the project, North Fowler Avenue, and the project will be conditioned to construct the portion of the trail along the project frontage. A street connection to the adjacent subdivision to the east is also required, in addition to a pedestrian connection to the commercial property on the corner. The project is also served by public transit FAX Route 45, which stops at East Princeton and North Fowler Avenues and connects to Route 30 at Blackstone and Ashlan, with connections both north and south.

Furthermore, the project is within two miles of the planned regional Fancher Creek shopping center, to the southwest (Tulare and Clovis Avenues), within ¼ mile of a neighborhood park, and within a mile of several planned elementary schools.

Land Use/Commercial

Policy C-12-a of the 2025 Fresno General Plan states that the City shall, "ensure that all commercial land uses are developed and maintained in a manner complimentary to and compatible with adjacent residential land uses, to minimize interface problems with surrounding environment and to be compatible with public facilities and services."

The proposed project will still include two interfaces with non-residential property: a 637-foot interface with the proposed 2.14 acre neighborhood commercial site on the corner of North Fowler and East Clinton Avenues, and an 820-foot interface with the light industrial remainder along a portion of the northern project boundary (this property is zoned C-M, *Commercial and Light Manufacturing*). To ensure that there are no spillover effects from non-residential properties onto the residential subdivision, project specific mitigation measures are required to ensure proper design. Such measures include sound walls, landscape buffers and minimum distances of potential noise generators such as loading areas and trash enclosures. These measures will ensure that no noise, light or other visual effects will impact the residential properties that are proposed along these interface areas.

With incorporation of project specific mitigation measures, it is staff's opinion that the proposed project is consistent with respective general and community plan objectives and policies and will not conflict with any applicable land use plan, policy or regulation of the City of Fresno. Furthermore, the proposed project, including the design and improvement of the subject property, is found; (1) to be consistent with the goals, objectives and policies of the applicable 2025 Fresno General Plan and McLane Community Plan; (2) to be suitable for the type and density of development; (3) to be safe from potential cause or introduction of serious public health problems; and, (4) to not conflict with any public interests in the subject property or adjacent lands.

The project will not conflict with any conservation plans since it is not located within any conservation plan areas.

Mitigation Measures

1. The proposed project shall implement and incorporate, as applicable, the land use related mitigation measures as identified in the attached Master Environmental Impact Report No. 10130--2025 Fresno General Plan Mitigation Monitoring Checklist dated March 21, 2014.
2. The proposed project shall implement and incorporate the land use related mitigation measures as identified in the attached Project Specific Monitoring Checklist dated March 21, 2014.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
XI. MINERAL RESOURCES -- Would the project:				
a) Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state?				X
b) Result in the loss of availability of a locally-important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan?				X

The subject sites are not located in an area designated for mineral resource preservation or recovery. Therefore there are no impacts to mineral resources.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
XII. NOISE -- Would the project result in:				

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
a) Exposure of persons to or generation of noise levels in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies?			X	
b) Exposure of persons to or generation of excessive groundborne vibration or groundborne noise levels?			X	
c) A substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?			X	
d) A substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?			X	
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project expose people residing or working in the project area to excessive noise levels?				X
f) For a project within the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels?				X

In developed areas of the community, noise conflicts often occur when a noise sensitive land use is located adjacent to a noise generator. Noise in these situations frequently stems from on-site operations, use of outdoor equipment, uses where large numbers of

persons assemble, and vehicular traffic. Some land uses, such as residential dwellings, are considered noise sensitive receptors and involve land uses associated with indoor and/or outdoor activities that may be subject to stress and/or significant interference from noise.

The City of Fresno Noise Element of the 2025 Fresno General Plan sets noise compatibility standards for transportation and stationary noise sources. Traffic on North Fowler and East Clinton Avenues is considered to be a possible transportation noise source. Noise sources not related to traffic on public roadways, railroads or airports are considered to be stationary noise sources.

For transportation sources, the Noise Element establishes land use compatibility criteria in terms of the Day-Night Average Level (DNL). The exterior noise exposure criterion is 60 dB DNL within outdoor activity areas of residential land uses. Outdoor activity areas generally include back yards of single family residences, individual patios or decks of multi-family developments and common outdoor recreation areas of multiple family residential developments. The intent of the exterior noise level requirement is to provide an acceptable noise environment for outdoor activities and recreation.

The Noise Element also requires that interior noise levels attributable to exterior transportation noise sources not exceed 45 dB DNL. The intent of the interior noise level standard is to provide an acceptable noise environment for indoor communication and sleep.

For stationary noise sources, the noise element establishes noise compatibility criteria in terms of the exterior hourly equivalent sound level (L_{eq}) and maximum sound level (L_{max}). The standards are more restrictive during the nighttime hours, defined as 10:00 p.m. to 7:00 a.m. The standards may be adjusted upward (less restrictive) if the existing ambient noise level without the source of interest already exceeds these standards. The Noise Element standards for stationary noise sources are: (1) 50 dBA L_{eq} for the daytime and 45 dBA L_{eq} for the nighttime hourly equivalent sound levels; and, (2) 70 dBA L_{max} for the daytime and 65 dBA L_{max} for the nighttime maximum sound levels. If the existing ambient noise levels equal or exceed these levels, mitigation is required to limit noise to the ambient noise level plus 5 dB. Since the subject site currently is vacant, the proposed project will result in an increase in temporary and/or periodic ambient noise levels in the project vicinity above existing levels. However, as discussed above, this increase in noise will be mitigated to an acceptable level. Some increases in ambient noise levels will occur during the time of construction, but project construction will be limited to normal business hours (7 a.m. to 7 p.m.) to minimize the impact on the adjacent neighborhood.

Construction activities associated with the development of the proposed project could expose persons or structures to excessive groundborne vibration or noise levels. However, this would only be during the construction phase of the proposed project and thus, this is a less than significant impact.

Conditions of approval respective to construction related activity will require incorporation of noise reduction measures into construction activity as well as construction of 6 foot high masonry walls along North Fowler and East Clinton Avenues.

The project is also located outside of the 60 CNEL noise contour of the Fresno Yosemite International Airport

Therefore, the proposed project will not expose persons to excessive noise levels. Although the project will create additional activity in the area, the project will be required to comply with all noise policies from the 2025 Fresno General Plan and noise ordinance of the Fresno Municipal Code. Therefore with MEIR mitigation measures incorporated, noise impacts are less than significant.

Mitigation Measures

1. The proposed project shall implement and incorporate, as applicable, the noise related mitigation measures as identified in the attached Master Environmental Impact Report No. 10130--2025 Fresno General Plan Mitigation Monitoring Checklist dated March 21, 2014.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
XIII. POPULATION AND HOUSING -- Would the project:				
a) Induce substantial population growth in an area, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of roads or other infrastructure)?			X	
b) Displace substantial numbers of existing housing, necessitating the construction of replacement housing elsewhere?				X
c) Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere?				X

The project proposes 169 dwelling units on 31.87 acres of currently designated vacant industrial land. With a census-based household size of 3.2 persons per household, the project could generate an estimated 540 persons.

The 2025 Fresno General Plan anticipated that the McLane community plan area would grow from a population of 46,440 in 2000 to 64,829 in 2025, or 735 persons per year. Using a straight line projection, this would bring the 2014 population to 56,737. New data from 2012 (American Community Survey) estimated McLane population to be around 58,000, which is slightly higher than the general plan projection (2%). Adjusting for this data, remaining allocated population in the area would be 6,829 from 2012 to 2025, or 525 persons per year with a straight line increase. The addition of the estimated 540 person associated with the proposed project is less than 10% of the remaining projected increase in the McLane plan area and is considered less than significant, as infrastructure is available to serve the projected population. In addition, this population does not increase the overall population projected by the 2025 Fresno General Plan.

Therefore, it can be concluded that the population in this area has grown as anticipated, and that there is adequate capacity to accommodate the 169 dwelling units and the accompanying population estimate of 540 in this location.

No persons or housing would be displaced by this project, and no infrastructure is being constructed that was previously unplanned or that would be growth inducing. Therefore, population and housing impacts would be less than significant.

Mitigation Measures

1. The proposed project shall implement and incorporate, as applicable, the land use related mitigation measures as identified in the attached Master Environmental Impact Report No. 10130--2025 Fresno General Plan Mitigation Monitoring Checklist dated March 21, 2014.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
XIV. PUBLIC SERVICES --				
a) Would the project result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities, need for new or physically altered governmental facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times or other performance objectives for any of the public services:				
Fire protection?			X	
Police protection?			X	
Drainage and flood control?			X	
Parks?			X	
Schools?			X	
Other public services?			X	

The Department of Public Utilities has reviewed the proposed project and has determined that adequate sewer, water, and solid waste facilities are available subject to compliance with the conditions submitted by the Department of Public Utilities for this project. City police and fire protection services are also available to serve the proposed project. Finally, the Fresno Metropolitan Flood Control District has indicated that there are adequate facilities to serve the proposed project subject to compliance with the conditions submitted by the District for the proposed project. Fresno Irrigation District has provided conditions for undergrounding and possible relocation of its facilities on the eastern boundary of the project site. These departments and agencies have all submitted conditions that will be required as Conditions of Approval for the subject entitlement applications (conditional use permits and tract maps, see Exhibit J in staff report). These conditions of approval will ensure that the proposed project will have a less than significant impact to urban services. All conditions of approval must be complied with prior to occupancy.

The demand for parks generated by the project is within planned services levels of the City of Fresno Parks and Community Services Department and the applicant will pay any required impact fees at the time building permits are pulled.

Any urban residential development occurring as a result of the proposed project will have an impact on the Clovis Unified School District's student housing capacity. The District, through local funding, is in a position to mitigate its shortage of classrooms to accommodate planned population growth for the foreseeable future. However, the District recognizes that the legislature, as a matter of law, has deemed under Government Code Section 65996, that all school facilities impacts are mitigated as a consequence of SB 50 Level 1, 2 and 3 developer fee legislative provisions. The developer will pay appropriate impact fees at time of building permits.

Therefore, the proposed project will not affect public services beyond what was analyzed in the Master Environmental Impact Report No. 10130/SCH No. 2001071097 for the 2025 Fresno General Plan.

Mitigation Measures

1. The proposed project shall implement and incorporate, as applicable, the public service related mitigation measures as identified in the attached Master Environmental Impact Report No. 10130--2025 Fresno General Plan Mitigation Monitoring Checklist dated March 21, 2014.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
XV. RECREATION --				
a) Would the project increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?			X	
b) Does the project include recreational facilities or require the construction or expansion of recreational facilities which might have an adverse physical effect on the environment?				X

The proposed project will increase the use of the existing parks; however, developments will also incorporate open space areas for residents to use, in this case, a 1.1 acre outlot in the center of the subdivision. The developer will be required to pay park impact fees for the development. The fees will address any physical deterioration of existing parks or recreational facilities. The development will not require expansion of existing recreational facilities.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
XVI. TRANSPORTATION/TRAFFIC -- Would the project:				
a) Conflict with an applicable plan, ordinance or policy establishing measures of effectiveness for the performance of the circulation system, taking into account all modes of transportation including mass transit and non-motorized travel and relevant components of the circulation system, including but not limited to intersections, streets, highways and freeways, pedestrian and bicycle paths and mass transit?			X	
b) Conflict with an applicable congestion management program, including but not limited to level of service standards and travel demand measures or other standards established by the county congestion management agency for designated roads or highways?				X

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
c) Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location that result in substantial safety risks?				X
d) Substantially increase hazards due to a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)?				X
e) Result in inadequate emergency access?				X
f) Conflict with adopted policies, plans, or programs regarding public transit, bicycle, or pedestrian facilities, or otherwise decrease the performance or safety of such facilities?		X		

The project is located on the northeast corner of North Fowler and East Clinton Avenues. The 2025 Fresno General Plan designates North Fowler Avenue as an arterial and East Clinton Avenue as a collector. North Fowler Avenue is also planned for a multi-purpose trail.

The mitigation measures established by the certification of MEIR No. 10130 stipulate that all plan amendments are required to prepare a traffic impact study (TIS). A TIS dated January 2014 (with addendum dated March 17, 2014), was prepared for the project by Quad Knopf, Inc. The study applied the factors outlined in the Institute of Traffic Engineers (ITE) Trip Generation Manual. The development of 169 single family residential lots and 21,000 square feet of commercial development on the subject sites is expected to generate an average of approximately 2,515 average daily trips (ADT). Of these vehicle trips it is projected that 148 will occur during the morning (7 to 9 a.m.) peak hour travel period and 248 will occur during the evening (4 to 6 p.m.) peak hour travel period. By comparison, the existing light industrial land use would generate 4,130 average daily trips (ADT), with AM peak volumes of 545 trips and PM peak volumes of 575 trips. Therefore the proposed project would generate fewer vehicular trips than the existing land use.

The proposed planned development subdivision, with the proximity and connectivity of residential, open space, and commercial land uses, provides for a pattern of development which is consistent with current city plans and policies. The proposed development includes a commercial component and is located in proximity to commercial and open space uses. In addition, it is served by public transportation (FAX) and a multipurpose trail. This pattern of development provides opportunities for use of alternative modes of transportation and could result in vehicle trip reduction.

The Public Works Department, Traffic Engineering Division has reviewed the proposed project and potential traffic related impacts for the plan amendment, rezone, conditional use permit and vesting tentative tract map applications and has determined that the streets adjacent to and near the subject sites will be able to accommodate the quantity and kind of traffic which may be potentially generated subject to the requirements stipulated within the memoranda from the City Engineer dated March 21, 2014 (available upon request at City Hall-Third Floor, 2600 Fresno Street, Fresno, CA 93721). These requirements generally include: (1) Public street improvements including street dedications on North Fowler and East Clinton Avenues and installation of a multipurpose trail along North Fowler Avenue; (2) Installation of a sidewalks within and around the subdivision; (3) Installation of bike lanes; and, (4) Payment of applicable impact fees (including, but not limited to, the Traffic Signal Mitigation Impact (TSMI) Fee, Fresno Major Street Impact (FMSI) Fee, and the Regional Transportation Mitigation Fee (RTMF) Fee. Previous mitigation measures require the installation of traffic signals at the intersections of East Clinton/ North Fowler Avenues and East Clinton/ North Armstrong Avenues.

The area street plans are the product of careful planning that projects traffic capacity needs based on the densities and intensities of planned land uses anticipated at build-out of the planned area. These streets will provide adequate access to, and recognize the traffic generating characteristics of, individual properties and, at the same time, afford the community an adequate and efficient circulation system.

Therefore, no substantial increase in transportation or traffic is expected to result with incorporation of mitigation measures.

Mitigation Measures

1. The proposed project shall implement and incorporate, as applicable, the traffic related mitigation measures as identified in the attached Master Environmental Impact Report No. 10130--2025 Fresno General Plan Mitigation Monitoring Checklist dated March 21, 2014.
2. The proposed project shall implement and incorporate the traffic related mitigation measures as noted in the attached Project Specific Monitoring Checklist dated March 21, 2014.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
XVII. UTILITIES AND SERVICE SYSTEMS -- Would the project:				
a) Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board?				X
b) Require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?				X
c) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?				X

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
d) Have sufficient water supplies available to serve the project from existing entitlements and resources, or are new or expanded entitlements needed?		X		
e) Result in a determination by the wastewater treatment provider which serves or may serve the project that it has adequate capacity to serve the project's projected demand in addition to the provider's existing commitments?				X
f) Be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs?				X
g) Comply with federal, state, and local statutes and regulations related to solid waste?				X

The Department of Public Utilities has determined that adequate sanitary sewer and water services will be available to serve the proposed project subject to the provision identified within the attached memoranda from the Department of Public Utilities, Sewer and Water and divisions dated September 16, 2013 and September 20, 2013, respectively (see Exhibit J in staff report). The project site will also be serviced by the Solid Waste Division.

The proposed project is not expected to exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board. The impact to storm drainage facilities will be less than significant given that the developer will be required to provide drainage services.

Mitigation Measures

1. The proposed project shall implement and incorporate, as applicable, the sewer and water related mitigation measures as identified in the attached Master Environmental Impact Report No. 10130--2025 Fresno General Plan Mitigation

Monitoring Checklist dated October 25, 2013.

2. The proposed project shall implement and incorporate the sewer and water related mitigation measures as noted in the attached Project Specific Monitoring Checklist dated March 21, 2014.

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
XVIII. MANDATORY FINDINGS OF SIGNIFICANCE --				
a) Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory?				X

ENVIRONMENTAL ISSUES	Potentially Significant Impact	Less Than Significant with Mitigation Incorporated	Less Than Significant Impact	No Impact
b) Does the project have impacts that are individually limited, but cumulatively considerable? ("Cumulatively considerable" means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects)?				X
c) Does the project have environmental effects which will cause substantial adverse effects on human beings, either directly or indirectly?				X

The proposed project is considered to be proposed at a size and scope which is neither a direct or indirect detriment to the quality of the environment through reductions in habitat, populations, or examples of local history (through either individual or cumulative impacts).

The proposed project does not have the potential to degrade the quality of the environment or reduce the habitat of wildlife species and will not threaten plant communities or endanger any floral or faunal species. Furthermore the project has no potential to eliminate important examples of major periods in history.

Therefore, as noted in preceding sections of this Initial Study, there is no evidence in the record to indicate that incremental environmental impacts facilitated by this project would be cumulatively significant. There is also no evidence in the record that the proposed project would have any adverse impacts directly, or indirectly, on human beings.

K:\Master Files - Tract Maps\6000 to 6100\Tract 6052 - (NWC Herndon & Hayes) (A-13-004, R-13-011, C-13-098) - McK\EA\Appendix G.docx

This page intentionally left blank.

This page intentionally left blank.

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) REVIEW SUMMARY

Projected Population and Housing. The City of Fresno experienced a period of notable growth in the construction of single family residences over the first five-year period of the 2025 Fresno General Plan (2003 through 2007). However, this development has occurred within the parameters anticipated by the General Plan and the mitigation measures established by Master Environmental Impact Report (MEIR 10130/SCH 2001071097). The General Plan and its MEIR utilized a projected population growth rate for purposes of land use and resource planning. This projection anticipated an annual average population growth of approximately 1.9 percent over the 23-year planning period. Population estimates provided by the State of California Department of Finance (DOF) indicate a population growth of approximately 60, 000 people between 2002 and 2007 with a growth rate varying from 1.47 to 1.97 percent per year. These estimates are well within the growth projections of the General Plan and MEIR.

As of May 2013, the City has processed 136 plan amendment applications since the adoption of the 2025 Fresno General Plan. These applications have resulted in changes of planned land use that affected approximately 1,586 acres, representing approximately one percent of the land area within the 2025 Fresno General Plan boundary. The impacts of these amendments are minimal and not significant in relation to the balance of the density and intensity of the land uses impacted by the plan amendment applications.

Based upon this, many of the assumptions relied upon for the MEIR to address other impacts, such as traffic, air quality, need for public utilities, services and facilities and water supplies are still valid to the extent that these assumptions relied upon projected population growth during the General Plan planning period. For this reason and the others provided below, the Staff finds that the circumstances have not changed from the time the MEIR was certified and/or new information is not known pursuant to CEQA Guideline Section 15179(b)(1) and the MEIR may still be relied upon.

Transportation and Circulation. Subsequent to the certification of the MEIR the City of Fresno has required the preparation of approximately 200 site specific traffic impact studies and had required the provision of street, intersection signalization and transportation improvements in accordance with the adopted mitigation measures of the MEIR. The City's Traffic Engineer reports that through review of these approximately 200 traffic impact studies, the City has not seen traffic counts substantially different than those predicted by the MEIR. Concurrently with these efforts, the City adopted a new program for traffic signal and major street impact fees to pay for planned improvements throughout Fresno (not just in new growth areas, as has been the case with the previous impact fee program). These fees will more comprehensively provide for meeting transportation infrastructure needs and will expedite reimbursement for

developments, which construct improvements that exceed the project's proportionate share of the corresponding traffic or transportation capacity needs.

In addition to the local street system, the City has entered into an agreement with the California Department of Transportation to collect impact fees for state highway facilities which may be impacted by new development projects. The City participates in the Fresno County Transportation Authority, which recently was successful in obtaining voter re-authorization of a half-cent sales tax to be dedicated to a wide range of transportation facilities and programs (including mass transit). The City is also an active participant in ongoing regional transportation planning efforts, such as a freeway deficiency study, a corridor study for one or more additional San Joaquin River crossings, and the State's "Blueprint for the Valley" process. All these studies were commenced after the MEIR was certified, but none of them is yet completed. Therefore, it cannot be concluded that Fresno's environmental setting or the MEIR analysis of traffic and circulation have materially changed since November of 2002.

Therefore, Staff finds that the circumstances have not changed from the time the MEIR was certified and/or new information is not known based upon traffic impacts pursuant to CEQA Guideline Section 15179(b)(1).

Air Quality and Global Climate Change Staff has worked closely with the regional San Joaquin Valley Air Pollution Control District (SJVAPCD) since the November 2002 certification of the 2025 Fresno General Plan Master Environmental Impact Report (MEIR). Potential air quality impacts have been analyzed for every environmental assessment initial study done for City development projects. Projects are required to comply with SJVAPCD rules and regulations via conditions of approval and mitigation measures formulated in the MEIR.

Overall, revisitation of these issues leads to the conclusion that, while there have been changes in air quality laws, planning requirements, and rules and regulations since certification of the MEIR, the actual environmental setting has not evidenced degradation of air quality. (Because air quality and global climate change are matters of some public controversy, additional documentation has been supplied on this issue; please refer to the appended full analysis with supporting data.)

In conjunction with SJVAPCD attainment plans and attendant rules and regulations that were adopted prior to the certification of the MEIR, policies in the 2025 Fresno General Plan and MEIR mitigation measures aimed at improving air quality appear to be working. Since 2002, data show that pollutant levels have been steadily decreasing for ozone/oxidants and for particulate matter (10 microns and 2 microns in size). Recent adoption of new air quality attainment plans by SJVAPCD, calling for broader and more stringent rules and regulations to achieve compliance with national and state standards, is expected to accelerate progress toward attainment of clean air act standards.

Analysis of global climate change analysis was not part of the MEIR in 2002, due to lack of scientific consensus on the matter and a lack of analytical tools. However, under the MEIR and General Plan mitigation measures and policies for reducing all forms of air pollution, levels of greenhouse gases have been reduced along with the other regulated air pollutants. At this point in time, detailed analysis and conclusions as to the significance of greenhouse gas emissions and strategies for mitigation are still not feasible, because the legislatively-mandated greenhouse gas inventory benchmarking and the environmental analysis policy formulation tasks of the California Environmental Protection Agency Air Resources Board and the Governor's Office of Planning and research are not completed. The information available does not support any conclusion that Plan Amendment Application Nos. A-13-004 & A-13-005, Rezone Application Nos. R-13-011 & R-13-012, Conditional Use Permit Application No. C-13-098 & C-13-099, and Vesting Tentative Tract Map No. T-6052/UGM & T-6053/UGM or other City projects would have a significantly adverse impact on global climate change. Similarly, there is insufficient information to conclude that global climate change would have a significantly adverse impact upon the City of Fresno or specific development projects.

Staff is not aware of any particular circumstance or information that would make impacts to air quality a reasonably foreseeable impact or more severe impact from that identified in the MEIR. Therefore, Staff finds that the circumstances have not changed from the time the MEIR was certified and/or new information is not known based upon air quality impacts pursuant to CEQA Guideline Section 15179(b)(1).

Water Supply, Quality and Hydrology. The City of Fresno has initiated, continued and completed numerous projects addressing general plan and MEIR provisions relating maintaining an adequate supply of safe drinking water to serve present and future projected needs. A water meter retrofit program to meter service to all consumers by the end of the year 2012 is underway, in compliance with State law that predated the MEIR and with new regulations affecting the U.S. Bureau of Reclamation Central Valley Project. (While the federal regulation has trumped a voter-approved City charter amendment that specifically prohibited using meters for residential development, the City's plans and policies have always contained measures calling for water conservation and for seeking ways to reduce average consumption of households. Metering is recognized as the best implementation measure for this, and does not constitute a change in the City's environmental setting or the analysis and mitigation in the 2025 Fresno General Plan MEIR.) After certification of the MEIR, the City commenced operation of its northeast area surface water treatment facility; initiated and began construction of additional groundwater wells with granular activated carbon filtration systems as necessary to remediate groundwater contamination that was discussed in the MEIR and its mitigation measures; provided for additional groundwater recharge areas; and expanded its network of water transmission main pipeline improvements allowing for improved distribution of water supply.

As called for in 2025 General Plan policies and MEIR mitigation measures, the City has implemented several programs for preventing water pollution: In conjunction with Fresno Metropolitan Flood Control District and the Regional Water Quality Control

Board (RWQCB) City inspectors assist in enforcing the National Pollutant Discharge Elimination System Stormwater Pollution Prevention regulations. The Planning and Development Department also consults with RWQCB on specific development projects which may require on-site wastewater treatment, and provides project-specific conditions and even supplemental environmental analysis for such projects, with specific mitigation measures. The City's Department of Public Utilities has enhanced its industrial pretreatment permitting program for industrial wastewater generators who discharge to the Fresno-Clovis Wastewater Treatment and Reclamation Facility.

Staff is not aware of any particular circumstance or information that would make impacts to water supply, quality and hydrology a reasonably foreseeable impact or more severe impact from that identified in the MEIR. The Director of Public Utilities finds that the circumstances have not changed from the time the MEIR was certified and/or new information is not known based upon traffic impacts pursuant to CEQA Guideline Section 15179(b)(1).

Agricultural Resources. The implementation of applicable policies since adoption of the 2025 Fresno General Plan has encouraged the development of urban uses in a more systematic pattern that avoids discontinuity and the creation of vacant by-passed properties. These efforts, together with the requirement to record "right-to-farm" covenants, facilitate the continuation of existing agricultural uses within the city's planned urban growth boundary during the interim period preceding orderly development of the property as anticipated by the General Plan. Staff is not aware of any particular circumstance or information that would make impacts from loss of agricultural resources a reasonably foreseeable impact or more severe impact from that identified in the MEIR. Staff finds that the circumstances have not changed from the time the MEIR was certified and/or new information is not known related to loss of agricultural resources pursuant to CEQA Guideline Section 15179(b)(1).

Demand for Utilities and Service Systems. The City of Fresno has continued to provide for utilities and service systems commensurate with the demands of increased population and employment within its service area, implementing policies of the 2025 Fresno General Plan and conforming to MEIR mitigation measures. Programmatic measures have been continued, expanded or initiated to increase the efficiencies of providing services in a manner that will reduce potential impacts upon the natural and human environment. These improvements have included bringing the City's first surface water treatment plant on-line to distribute treated surface water, thereby preventing a worsening of groundwater overdraft in northeast Fresno; converting a substantial portion of the City's service vehicle fleet to alternative fuels; and expanding recycling and conservation measures (including contracting with a major material sorting and recycling facility and a green waste processor to comply with AB 939 solid waste reduction mandates) to more judiciously use resources and minimize adverse impacts the environment. Adoption of City-wide police and fire facility development impact fees and a contract to consolidate fire service with an adjacent fire prevention

district have been accomplished to assure the provision of adequate firefighting capacity to serve a broader geographic extend of urban development and more intensive and mixed-use development throughout the metropolitan area.

Because these changes were anticipated in, or provided for by, the 2025 Fresno General Plan and its MEIR mitigation measures, they do not constitute a significant or adverse alteration of Fresno's environmental setting. Staff is not aware of any particular circumstance or information that would make impacts from increased demand for utilities and service systems and public facilities a reasonably foreseeable impact or more severe impact from that identified in the MEIR. Staff finds that the circumstances have not changed from the time the MEIR was certified and/or new information is not known related to increased demand for utilities, service systems, and public facilities pursuant to CEQA Guideline Section 15179(b)(1).

Demand for Recreational Facilities. The City of Fresno has adopted and City-wide parks facility and Quimby Act fee which provides for the acquisition of new open space and recreation facilities as well as improvements to existing facilities and programs to provide a broader range of recreation opportunities. Staff is not aware of any particular circumstance or information that would make impacts from increased demand for recreational facilities a reasonably foreseeable impact or more severe impact from that identified in the MEIR. Staff finds that the circumstances have not changed from the time the MEIR was certified and/or new information is not known related to increased demand for utilities, service systems, and public facilities pursuant to CEQA Guideline Section 15179(b)(1).

Biological Resources. The City continues to evaluate all development proposals for potential impacts upon natural habitats and associated species dependent upon these habitats. The City supports continuing efforts to acquire the most prominent habitats where appropriate, such as portions of the San Joaquin River environs. When development or public works projects have been proposed in this area, they have been subject to site-specific evaluation through supplemental environmental analyses, and appropriate mitigation measures and conditions applied as derived from consultation with the U.S. Fish and Wildlife Service and the California Department of Fish and Game. The City has imposed MEIR mitigation measures related to Biological Resources on projects that identified potential impacts to biological resources. Staff finds that this has adequately addressed any potential impact to biological resources. Staff is not aware of any particular circumstance or information that would make impacts from loss of biological resources a reasonably foreseeable impact or more severe impact from that identified in the MEIR. Staff finds that the circumstances have not changed from the time the MEIR was certified and/or new information is not known related to loss of biological resources pursuant to CEQA Guideline Section 15179(b)(1).

Potential Disturbance of Cultural Resources. The City of Fresno has implemented numerous efforts to identify historic and cultural resources, and provide thorough consideration as to their value and contributions to understanding or historic and cultural heritage.

Additionally, staff follows the MEIR mitigation measures for potential cultural resources. Staff is not aware of any particular circumstance or information that would make impacts to cultural resources a reasonably foreseeable impact that was not identified in the MEIR. Staff finds that the circumstances have not changed from the time the MEIR was certified and/or new information is not known related to loss of cultural resources pursuant to CEQA Guideline Section 15179(b)(1).

Within the last five years, the City has lost two lawsuits (Valley Advocates v. COF and Heritage Fresno v. RDA, City of Fresno) related to historical resources that related to six particular buildings at two different particular sites. The CEQA projects at issue were reviewed under independent CEQA documents, not under the MEIR as subsequent projects (*i.e.*, one under a separate EIR and one under a categorical exemption). These projects are site specific and are not reasonably expected to create additional impacts to cultural resources that would affect a finding under Section 15179. These particular projects may be properly assessed under the MEIR focused EIR procedures or mitigated negative declaration procedures under Section 15178 and not affect the overall MEIR findings.

Generation of Noise. The City of Fresno continues to implement mitigation measures and applicable plan policies to reduce the level of noise to which sensitive noise receptors are exposed. These efforts include identification of high noise exposure areas, limiting the development of new noise sensitive uses within these identified areas and conducting noise exposure studies and requiring implementation of appropriate design measures to reduce noise exposure. Staff finds that these efforts have adequately addressed any potential impacts that may have arisen related to noise and is not aware of any facts or circumstance that would make noise impacts have a more severe impact than that identified in the MEIR. Additionally, staff is not aware of any information or data that was not known at the time that the MEIR was certified that would be able to mitigate noise impacts beyond that identified and contemplated by the MEIR. Staff finds that the circumstances have not changed from the time the MEIR was certified and/or new information is not known related to noise impacts pursuant to CEQA Guideline Section 15179(b)(1).

Geology and Soils. The City of Fresno has a predominantly flat terrain with few geologic or soil quality constraints. The City continues to apply applicable local and state construction codes and standards and continues to adopt new standards as appropriate to insure the safety of residents and protection of property improvements. Staff finds that these codes and standards have adequately addressed any potential impacts that may have arisen related to geology and soils and is not aware of any facts

or circumstance that would make impacts related to geology and soils a reasonably foreseeable impact not addressed in the MEIR. Staff finds that the circumstances have not changed from the time the MEIR was certified and/or new information is not known regarding impacts related to geology and soils pursuant to CEQA Guideline Section 15179(b)(1).

Hazards and Potential Generation of Hazardous Materials The City continues to implement General Plan policies and assure compliance with MEIR mitigation measures as new development is planned and constructed, and as Code Enforcement activities are conducted, in order to prevent flood damage, structural failures due to soil and geologic instability, and wildfire losses. Development in the vicinity of airports has been reviewed and appropriately conditioned with regard to adopted and updated airport safety and noise policies. In consultation with Fresno County Environmental Health and the California Environmental Protection Agency Department of Toxic Substances Control, industrial and commercial facilities that use, handle, or store potentially hazardous materials are appropriately sited, conditioned, and inspected periodically by the Fresno Fire Department to prevent adverse occurrences. Homeland Security regulations have been taken into consideration when reviewing food production, processing and storage facilities, and the City has conducted and participated in multiple emergency response exercises to develop response plans that would protect life, health, and safety in the event of railroad accidents and other potential hazards.

Staff finds that these procedures, as outlined in the 2025 Fresno General Plan and its MEIR (as well as in related regulations and codes pertaining to hazards and hazardous materials) have adequately addressed potential impacts that may have arisen related to hazards. Staff is not aware of any facts or circumstance that would make impacts related to hazards and hazardous materials reasonably foreseeable impacts not addressed in the MEIR. Staff finds that the circumstances have not materially changed from the time the MEIR was certified and/or new information is not known related to impacts from hazards and hazardous materials pursuant to CEQA Guideline Section 15179(b)(1).

Demand for Energy. The City of Fresno has taken a number of steps to reduce energy consumption, both “in house” to set an example, and in the policy arena. The most notable “in-house” actions are the following:

- Construction of solar panel generator facilities at the Municipal Services Center (MSC) and at Fresno-Yosemite International Airport. The MSC facility, completed_ in 2004, generates 3.05 GWt of energy (equivalent to operation of 286 homes per year) and has resulted in reduction of 966 tons of CO₂ emissions (equivalent to 2,414,877 vehicular miles not driven).
- Replacement of a significant number of vehicles in the municipal fleet with clean air vehicles (please refer to the following table).

CURRENT CITY OF FRESNO "CLEAN AIR" FLEET

50	CNG Transit Buses
4	CNG Trolleys
6	CNG Handi-Ride Buses
59	Retrofitted Diesel Powered Buses with REV (reduced emission vehicle) engines and diesel particulate traps
2	Hybrid (gasoline-electric) Transit Buses
2	Hybrid (diesel-electric) Transit Buses
12	Compressed Natural Gas (CNG) Pickups, Vans and Sedans
7	Flex Fuel Pickups, Vans and Sedans (CNG/Unleaded Fuel)
3	Compressed Natural Gas (CNG) Street Sweepers
52	Hybrid (gasoline-electric) Sedans and Trucks
34	Electric Vehicles
5	Propane Powered Vehicles
103	LNG Powered Refuse Trucks
59	Retrofitted Diesel Powered Refuse Trucks with combination lean NOx catalyst and diesel particulate filters
9	Retrofitted Diesel Powered Street Sweepers with combination lean NOx catalyst and diesel particulate filters
1	Plug-In CNG/Electric Hybrid Refuse Truck
56	Heavy duty diesel trucks and construction equipment equipped with exhaust after-treatment devices
9	Off Road Equipment with exhaust after-treatment devices
473	Total "Clean Air" Vehicles in the City of Fresno fleet

In the development standards policy arena, the City is taking numerous steps to increase residential densities and connectivity between residential and commercial land uses, thus facilitating more walking, biking and transit ridership (which has increased 22% in recent months) and saving energy:

- Amended the zoning code to allow development of mixed use projects in all commercial zone districts citywide, and in the C-M and M-1 zone districts within the Central Area.
- Amended the zoning code to allow density bonuses for affordable housing projects. Such bonuses permit density increases of approximately 30%.
- Amended zoning code to eliminate the "drop down" provision, which permitted development at one density range less than that shown on the adopted land use map.
- Amended the zoning code to increase heights in various residential and commercial zone districts and reduce the minimum lot size in the R-1 zone district from 6,000 to 5,000 square feet.
- Initiated the Activity Center Study, which is defining the potential Activity Centers located in Exhibit 6 of the 2025 Fresno General Plan and proposing design classifications and increased density ranges for these centers and corresponding transportation corridors.

Staff is not aware of any facts or circumstance that would make impacts related to energy demands reasonably foreseeable impacts that were not addressed in the MEIR. Staff finds that the circumstances have not materially changed from the time the MEIR was certified and/or new information is not known related to energy demand impacts pursuant to CEQA Guideline Section 15179(b)(1).

Mineral Resources. The City of Fresno has adopted plan policies and City ordinance provisions consistent with requirements of the State of California necessary to preserve access to areas of identified resources and for restoration of land after resource recovery (surface mining) activities. Staff finds that these policies and Fresno Municipal Code provisions have adequately addressed any potential impacts that may have arisen related to mineral resources and is not aware of any facts or circumstance that would make loss of mineral resources a reasonably foreseeable impact not addressed in the MEIR. Staff finds that the circumstances have not changed from the time the MEIR was certified and/or new information is not known related to loss of mineral resources pursuant to CEQA Guideline Section 15179(b)(1).

School Facilities. The City of Fresno continues to consult with affected school districts and participate in school site planning efforts to assure the identification of appropriate location alternatives for planned school facilities. Staff is not aware of any information from the school districts or otherwise to demonstrate that adequate school facilities are not being accommodated under the current General Plan and/or that the need for school facilities is expected to cause impacts not identified in the MEIR. Staff finds that the circumstances have not changed from the time the MEIR was certified and/or new information is not known related to need for school facilities pursuant to CEQA Guideline Section 15179(b)(1).

Potential Aesthetic Impacts. Design Guidelines were appended to the 2025 Fresno General Plan through the plan adoption process conducted concurrently with MEIR analysis. As noted previously, General Plan policies encourage and promote infill development, and the City of Fresno Planning and Development Department has implemented design guidelines for reviewing infill housing development proposals. The Department has prepared detailed design guidelines for the Tower District Specific Plan area and the Fulton-Lowell Specific Plan area, both of which contain enclaves of unique structures. The City has adopted policies promoting incorporation of public art within private development projects, which will contribute to a more appealing visual environment, benefitting users of the private property as well as the surrounding community. In addition, the City of Fresno and the City of Fresno Redevelopment Agency have funded public improvements which improve the general aesthetic. Staff is not aware of any situation or circumstances where there are reasonably foreseeable aesthetic impacts not identified and assessed in the MEIR. Staff finds that the circumstances have not changed from the time the MEIR was certified and/or new information is not known related aesthetic impacts pursuant to CEQA Guideline Section 15179(b)(1).

Appendix: Status of MEIR Analysis With Regard to Air Quality and Climate Change

APPENDIX

STATUS OF MEIR ANALYSIS WITH REGARD TO AIR QUALITY AND CLIMATE CHANGE

EXECUTIVE SUMMARY

Planning staff has worked closely with the regional San Joaquin Valley Air Pollution Control District (SJVAPCD) since the November 2002 certification of the 2025 Fresno General Plan Master Environmental Impact Report (MEIR). Potential air quality impacts have been analyzed for every environmental assessment initial study done for City development projects. Projects are required to comply with SJVAPCD rules and regulations via conditions of approval and mitigation measures formulated in the MEIR.

Overall, revisitation of these issues leads to the conclusion that, while there have been changes in air quality laws, planning requirements, and rules and regulations since certification of the MEIR, the actual environmental setting has not evidenced degradation of air quality. In conjunction with SJVAPCD attainment plans and attendant rules and regulations that were adopted prior to the certification of the MEIR, policies in the 2025 Fresno General Plan and MEIR mitigation measures aimed at improving air quality appear to be working. Since 2002, data show that pollutant levels have been steadily decreasing for ozone/oxidants and for particulate matter (10 microns and 2 microns in size). Recent adoption of new air quality attainment plans by SJVAPCD, calling for broader and more stringent rules and regulations to achieve compliance with national and state standards, is expected to accelerate progress toward attainment of clean air act standards.

Analysis of global climate change analysis was not part of the MEIR in 2002, due to lack of scientific consensus on the matter and a lack of analytical tools. However, under the MEIR and General Plan mitigation measures and policies for reducing all forms of air pollution, levels of greenhouse gases have been reduced along with the other regulated air pollutants. At this point in time, detailed analysis and conclusions as to the significance of greenhouse gas emissions and strategies for mitigation are still not feasible, because the legislatively-mandated greenhouse gas inventory benchmarking and the environmental analysis policy formulation tasks of the California Environmental Protection Agency Air Resources Board and the Governor's Office of Planning and research are not completed. The information available does not support any conclusion that Plan Amendment Application No. A-13-004 & A-13-005, Rezone Application Nos. R-13-011 & R-13-012, Conditional Use Permit Application No. C-13-098 & C-13-099, and Vesting Tentative Tract Map No. T-6052/UGM & T-6053/UGM, or other City projects would have a significantly adverse impact on global climate change. Similarly, there is insufficient information to conclude that global climate change would have a significantly adverse impact upon the City of Fresno or specific development projects.

SUPPORTING DATA AND ANALYSIS

While there have been changes in air quality regulations since the November 2002 certification of the 2025 Fresno General Plan MEIR, the actual environmental setting has not evidenced degradation of air quality.

The adverse air quality impacts associated with the myriad of human activities potentiated by the long range general plan for the Fresno metropolitan area can be expected to remain significant and unavoidable, and cannot be completely mitigated through the General Plan or through project-level mitigation measures. In order to provide a suitable living environment within the metropolitan area, the General Plan and its MEIR included numerous air pollution reduction measures.

The 2025 Fresno General Plan and its MEIR gave emphasis to pursuing cleaner air as an over-arching goal. The urban form element of the General Plan was designed to foster efficient transportation and to support mass transit and subdivision design standards are being implemented to support pedestrian travel. Strong policy direction in the Public Facilities and Resource Conservation elements require that air pollution improvement be a primary consideration for all land development proposals, that development and public facility projects conform to the 2025 Fresno General Plan and its EIR mitigation measures, and that the City work conjunctively with other agencies toward the goal of improving air quality.

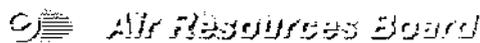
The MEIR mitigation checklist sketched out a series of actions for the City to pursue with regard to its own operations, and City departments are pursuing these objectives. The Fresno Area Express (FAX) bus fleet and the Department of Public Utilities solid waste collection truck fleet are being converted to cleaner fuels. Lighter-duty vehicle fleets are also incorporating alternative fuels and “hybrid” vehicles. Mass transit system improvements are supporting increased ridership. Construction of sidewalks, paseos, bicycle lanes and bike paths is being required for new development projects, and are being incorporated into already-built segments of City rights-of-way with financing from grants, gas tax, and other road construction revenues. Traffic signal synchronization is being implemented. The Planning and Development Department amended the Fresno Municipal Code to ban all types of residential woodburning appliances, thereby removing the most prominent source of particulate matter pollution from new construction.

Pursuant to a specific MEIR mitigation measure, all proposed development projects are evaluated with the “Urbemis” air quality impact model that evaluates potential generation of a range of air pollutants and pollutant precursors from project construction, project-related traffic, and from various area-wide non-point air pollution sources (*e.g.*, combustion appliances, yard maintenance activities, etc.). The results of this “Urbemis” model evaluation are used to determine the significance of development projects’ air quality impacts as well as the basis for any project-specific air quality mitigation measures.

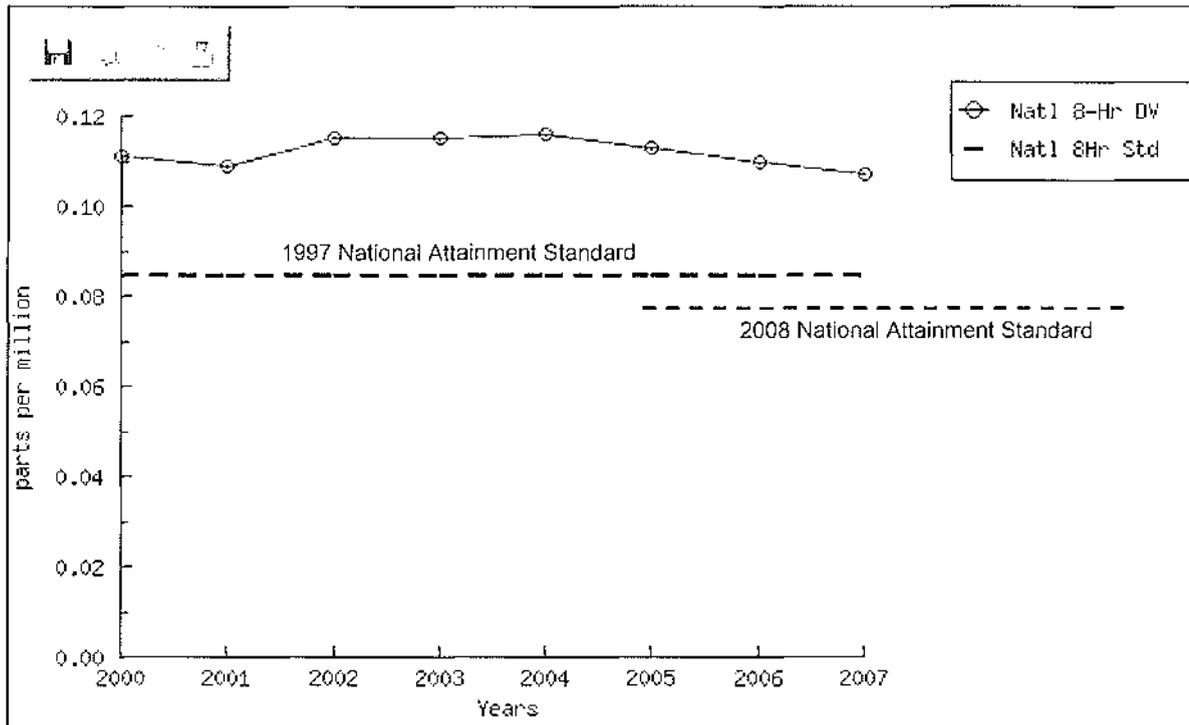
There are no new (*i.e.*, unforeseen in the MEIR) reasonable mitigation measures which have become available since late 2002 that would assure the reduction of cumulative (city-wide) air quality impacts to a less than significant level at project buildout, even with full compliance with attainment plans and rules promulgated by the California Air Resources Board and the San Joaquin Valley Air Pollution Control District.

Through implementation of regional air quality attainment plans by the San Joaquin Valley Unified Air Pollution Control District (SJVAPCD), as supported by implementation of 2025 Fresno General Plan policies and MEIR mitigation measures, air pollution indices have shown improvement. Progress is being made toward attainment of federal and state ambient air quality standards.

Ozone/oxidant levels have shown gradual improvement, as depicted in the following graphs and charts from the California Air Resources Board (graphics with an aqua background) and from the San Joaquin Valley Air Pollution Control District (those with no background color):



Ozone Trends Summary: San Joaquin Valley Air Basin



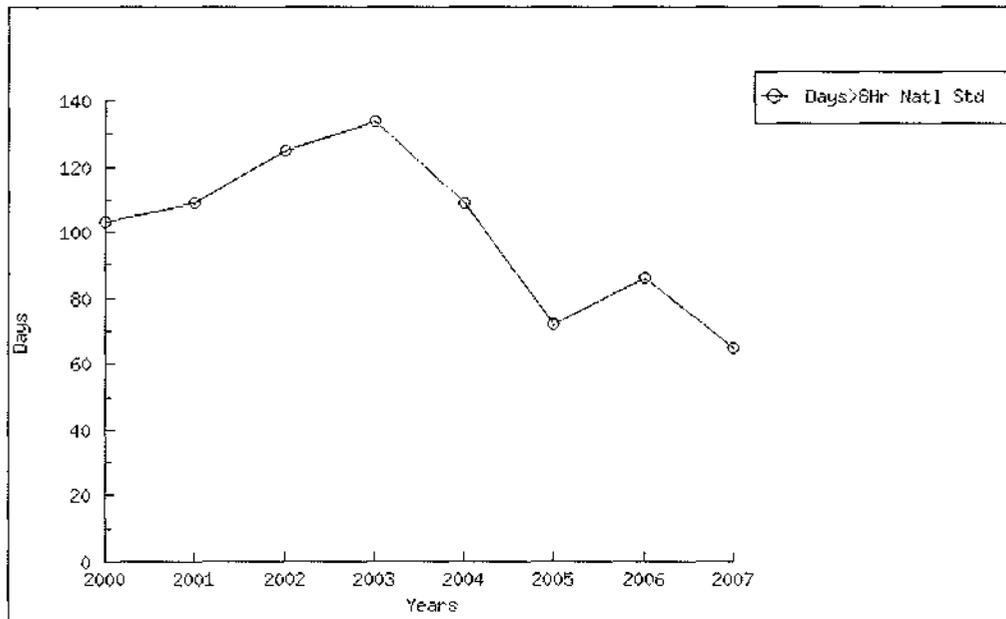
GRAPH NOTES: The "National 1997 8-Hour Ozone Design Value" is a three-year running average of the fourth-highest 8-hour ozone measurement averages in each of the three years (computed according to the method specified in Title 40, Code of Federal Regulations, Part 50, Appendix I).

Under the 1997 standard, in effect through the end of 2007, "Attainment" would be achieved if the three-year average were less than, or equal to, 84 parts per billion (ppb), or 0.084 parts per million (ppm). In 2008, a new National 8-Hour Ozone Attainment standard went into effect: a three year average of 75 ppb (0.075 ppm). Data and attainment status for 2008 is expected to become available in 2009.

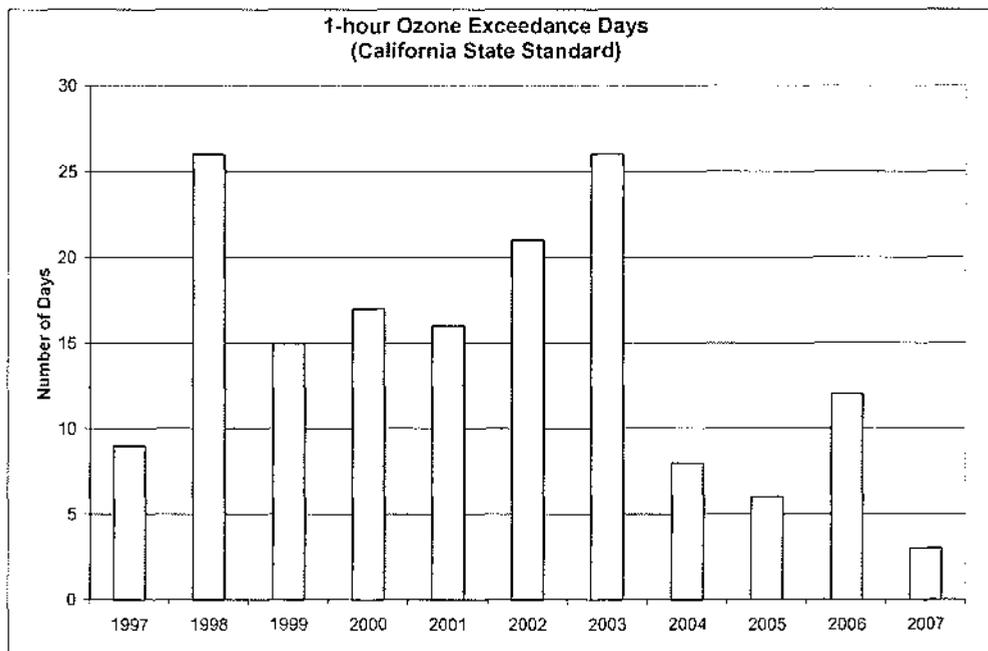
The California Clean Air Act has a different calculation method for its 8-hr oxidant [ozone] standard design value, and an attainment standard that is lower (0.070 ppm). The ozone improvement trend under the state Clean Air Act 8-hour ozone standard parallels the trend for the national 8-hour standard.

Correspondingly, the number of days per year in which the National 8-hour Ozone Standard has been exceeded have also decreased since the end of 2002:

Ozone Trends Summary: San Joaquin Valley Air Basin



In 1997, the Federal Clean Air Act repealed the former National 1-hour Ozone standard. However, the California Clean Air Act retains this air pollution parameter. The days per year in which the State of California 1-hour ozone standard has been exceeded have also shown a generally decreasing trend in the time since the 2025 Fresno General Plan MEIR was certified:

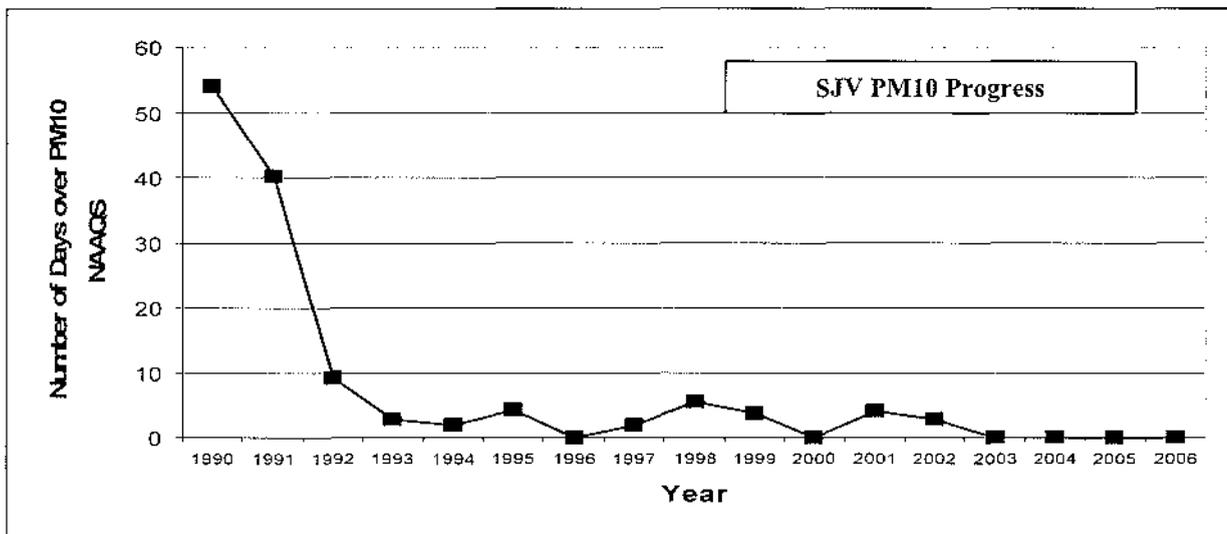


The current ozone attainment plan for the San Joaquin Valley Air Basin, in place when the MEIR for the 2025 Fresno General Plan was certified, is linked to a federal designation of "Serious Nonattainment." While ozone/oxidant air quality conditions are showing a trend toward improvement, the rate of progress toward full attainment is not sufficient to reach the national ambient air quality standards by the target date established by the attainment plan. Mobile sources (vehicle engines) are the primary source for ozone precursors, and the regulation of mobile sources occurs at the national and state levels and is beyond the direct regulatory reach of the regional air pollution control agency. As noted in the 2025 Fresno General Plan MEIR and reflected in the Statement of Overriding Considerations made when the MEIR was certified, potentially significant and unavoidable adverse air quality impacts are inherent in population growth and construction in the City of Fresno, given the Valley's climatology and the limitations on regulatory control of air pollutant precursors.

In 2004, the San Joaquin Valley Air Pollution Control District, in conjunction with the California Air Resources Board, approved a re-designation for the San Joaquin Valley Air Basin to "Extreme Nonattainment" status for ozone, approving a successor air quality attainment plan that projects San Joaquin Valley attainment of the national 8-hour ozone standard by year 2023. This designation and its accompanying attainment plan were submitted to the U.S. Environmental Protection Agency (USEPA) in November of 2004. To date, no formal action has been taken by USEPA to date on the proposed designation or the attainment plan; the Valley remains in "Severe Non-attainment" as of this writing.

The change from "Severe" to "Extreme" ozone Nonattainment would represent an extension of the deadline for attainment, but since the regional air basin would not have achieved attainment by the original deadline, this does not materially affect environmental conditions for the City of Fresno as they were analyzed in the MEIR for the 2025 Fresno General Plan. The proposed revised ozone attainment plan includes not only all the measures in the preceding ozone attainment plan, but additional measures for regulating a wider range of activities to attain ambient air quality standards.

The Valley's progress toward attaining national and state standards for PM-10 (particulate matter less than 10 microns in diameter) has been greater since certification of the MEIR:



As the preceding chart reveals, levels of PM-10 air pollution have decreased since 2002. When the MEIR was certified, the San Joaquin Valley Air Basin was designated in "Serious Nonattainment" for national standards. As of 2007, the number of days where standards were exceeded has decreased to the extent that the Valley has been deemed to be in Attainment. Under Federal Clean Air Act Section 107(d)(3), PM-10 attainment plans and associated rules and regulations remain in place to maintain this level of air quality. New and expanded regulations proposed to combat "Extreme" ozone pollution and PM-2.5 (discussed below) would be expected to provide even more improvement in PM-10 pollution situation.

The 2025 Fresno General Plan provided policy direction in support of "indirect source review" as a method for controlling mobile source pollution. Although vehicle engines and fuels are outside the purview of local and regional jurisdictions in California, approaching mobile source pollution indirectly, through regulation and mitigation of land uses which generate traffic, is an alternative approach.

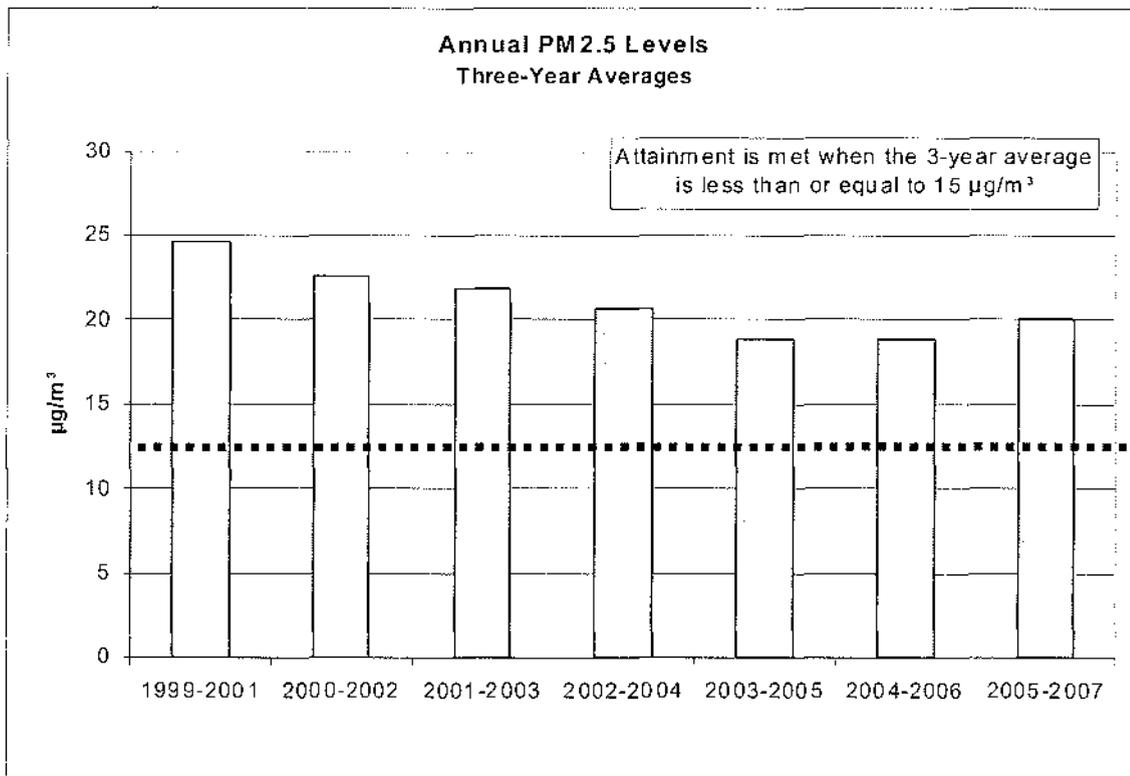
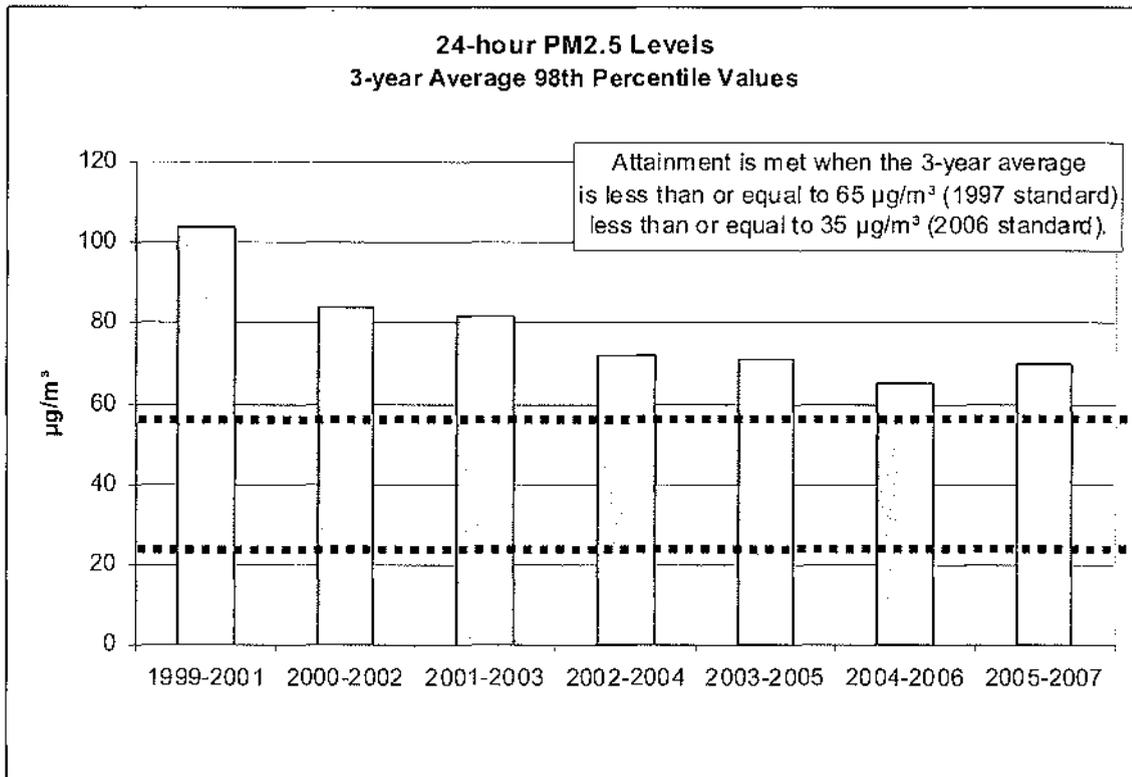
In March of 2006, the San Joaquin Valley Air Pollution Control District adopted Rule 9510, its Indirect Source Review Rule. Full implementation of this Rule has been delayed due to litigation (mitigation fees are being collected and retained in holding accounts), but projects are already being evaluated under Rule 9510 and are implementing many aspects of the Rule, such as clean air design (pedestrian and bike facilities; proximal siting of residential and commercial land uses; low-pollution construction equipment; dust control measures; cleaner-burning combustion appliances, etc.).

It is anticipated that full implementation (release of mitigation impact fees for various clean air projects throughout the San Joaquin Valley) and subsequent augmentation of the Indirect Source Review Rule will accelerate progress toward attainment of federal and state ozone standards, and will be an important component of the attainment plan for PM-2.5 (very fine particulate matter) and for greenhouse gas reductions to combat global climate change.

PM-2.5 is a newly-designated category of air pollutant, the component of PM-10 comprised of particles 2.5 microns in diameter or smaller. The 1997 Clean Air Act Amendments directed that this pollutant be brought under regulatory control, but federal and state standards/designations had not been finalized when the 2025 Fresno General Plan MEIR was drafted and certified. In the intervening time, the San Joaquin Valley Air Basin has been classified as being in "Nonattainment" for the 1997 federal PM-2.5 standard and for the State PM-2.5 standard.

An attainment demonstration plan for the federal 1997 PM-2.5 standard has been adopted by the SJVAPCD and approved by the California Air Resources Board, and forwarded to the EPA for approval (status as of mid-2008). The attainment plan would achieve compliance with the 1997 federal Clean Air Act PM-2.5 standard by year 2014, in conjunction with California Air Resources Board (and US EPA) action to improve diesel engine emissions. The San Joaquin Valley Air Basin has not yet been classified under the more stringent revised federal 2006 PM-2.5 standard; this classification is expected by 2009.

As with ozone and PM-10 pollution, levels of PM-2.5 have already been reduced by already-existing air quality improvement planning policies, mitigation measures, and regulations. The following charts depict historic PM-2.5 monitoring data for the regional air basin. Once the expected SJVAPCD attainment plan is implemented measures specific to PM-2.5 control, the rate of progress toward attainment of federal and state PM-2.5 standards will accelerate.



When the 2025 Fresno General Plan and its MEIR were approved in late 2002, the planning and environmental documents did not directly or separately analyze potential global warming and climate change impacts. However, the general policy direction for consideration of air quality parameters in development project evaluations and for reducing those air pollutants which are already under regulation would operate to control these potential adverse impacts.

“Global warming” is the term coined to describe a widespread climate change characterized by a rising trend in the Earth's ambient average temperatures with concomitant disturbances in weather patterns and resulting alteration of oceanic and terrestrial environs and biota. When sunlight strikes the Earth's surface, some of it is reflected back into space as infrared radiation. When the net amount of solar energy reaching Earth's surface is about the same as the amount of energy radiated back into space, the average ambient temperature of the Earth's surface would remain more or less constant. Greenhouse gases potentially disturb this equilibrium by absorbing and retaining infrared energy, trapping heat in the atmosphere—the “greenhouse gas effect.”

The predominant current opinion within the scientific community is that global warming is occurring, and that it is being caused and/or accelerated via generation of excess “greenhouse gases” [GHGs], that natural carbon cycle processes (such as photosynthesis) are unable to absorb sufficient quantities of GHG and cannot keep the level of these gases or their warming effect under control. It is believed that a combination of factors related to human activities, such as deforestation and an increased emission of GHG into the atmosphere from combustion and chemical emissions, is a primary cause of global climate change.

The predominant types of anthropogenic greenhouse gases (those caused by human activity), are described as follows. It should be noted that the starred GHGs are regulated by existing air quality policies and rules pursuant to their roles in ozone and particulate matter formation and/or as potential toxic air contaminants.

- carbon dioxide (CO_2), largely generated by combustion activities such as coal and wood burning and fossil fuel use in vehicles but also a byproduct of respiration and volcanic activity;
- *methane (CH_4), known commonly as “natural gas,” is present in geologic deposits and is also evolved by anaerobic decay processes and animal digestion. On a ton-for-ton basis, CH_4 exerts about 20 times the greenhouse gas effect of CO_2 ;
- *nitrous oxide (N_2O), produced in large part by soil microbes and enhanced through application of fertilizers. N_2O is also a byproduct of fossil fuel burning: atmospheric nitrogen, an inert gas that makes up a large proportion of the atmosphere, is oxidized when air is exposed to high-temperature combustion. N_2O

is used in some industrial processes, as a fuel for rocket and racing engines, as a propellant, and as an anesthetic. N₂O is one component of "oxides of nitrogen" (NOX), long recognized as precursors of smog-causing atmospheric oxidants.

- *chlorofluorocarbons (CFCs), synthetic chemicals developed in the late 1920s for use as improved refrigerants (e.g., "Freon™"). It was recognized over two decades ago that this class of chemicals exerted powerful and persistent greenhouse gas effects. In 1987, the Montreal Protocol halted production of CFCs.
- *hydrofluorocarbons (HFCs), another class of synthetic refrigerants developed to replace CFCs;
- *perfluorocarbons (PFCs), used in aluminum and semiconductor manufacturing, have an extremely stable molecular structure, with biological half-lives tens of thousands of years, leading to ongoing atmospheric accumulation of these GHGs.
- *sulfur hexafluoride (SF₆) is used for insulation in electric equipment, semiconductor manufacturing, magnesium refining and as a tracer gas for leak detection. Of any gas evaluated, SF₆ exerts the most powerful greenhouse gas effect, almost 24,000 times as powerful as that of CO₂ on a ton-for-ton basis.
- water vapor, the most predominant GHG, and a natural occurrence: approximately 85% of the water vapor in the atmosphere is created by evaporation from the oceans.

In an effort to address the perceived causes of global warming by reducing the amount of anthropogenic greenhouse gases generated in California, the state enacted the Global Warming Solutions Act of 2006 (Codified as Health & Safety Code Section 38501 *et seq.*). Key provisions include the following:

- ▲ Codification of the state's goal by requiring that California's GHG emissions be reduced to 1990 "baseline" levels by 2020.
- ▲ Set deadlines for establishing an enforcement mechanism to reduce GHG emissions:
 - By June 30, 2007, the California Air Resources Board ("CARB") was required to publish "discrete early action" GHG emission reduction measures. Discrete early actions are regulations to reduce greenhouse gas emissions to be adopted by the CARB and enforceable by January 1, 2010;
 - By January 1, 2008, CARB was required to identify what the state's GHG emissions were in 1990 (set the "baseline") and approve a statewide emissions limit for the year 2020 that is equivalent to 1990 levels. (These statewide baseline emissions have not yet been allocated to regions, counties, or smaller

political jurisdictions.) By this same date, CARB was required to adopt regulations to require the reporting and verification of statewide greenhouse gas emissions.

- By January 1, 2011, CARB must adopt emission limits and emission reduction measures to take effect by January 1, 2012.

As support for this legislation, the Act contains factual statements regarding the potential significant impacts on California's physical environment that could be caused by global warming. These include, an increase in the intensity and duration of heat waves, the exacerbation of air quality problems, a reduction in the quality and supply of water to the state from the Sierra snow pack, a rise in sea levels resulting in the displacement of thousands of coastal businesses and residences, damage to marine ecosystems and the natural environment, and an increase in the incidences of infectious diseases, asthma, and other human health-related problems.

On August 24, 2007, California also enacted legislation (Public Resources Code §§ 21083.05 and 21097) requiring the state Resources Agency to adopt guidelines for addressing climate change in environmental analysis pursuant to the California Environmental Quality Act. By July 1, 2009, the Governor's Office of Planning and Research (OPR) is required to prepare guidelines for the mitigation of greenhouse gas emissions, and transmit those draft regulations to the Resources Agency. The Resources Agency must then certify and adopt the guidelines by January 1, 2010.

The recently-released update of the Urbemis computer model (used by the City of Fresno Planning and Development Department for environmental assessments, pursuant to a specific MEIR mitigation measure) does provide data on the amounts of CO₂ and oxides of nitrogen (NOX) potentially generated by development projects. However, at this point in time, neither CARB nor the SJVAPCD has determined what the 1997 baseline or current "inventory" of GHGs is for the entire state nor for any region or jurisdiction within the state. No agency has adopted GHG emission limits and emission reduction measures, and because CEQA guidelines have not been established for the evaluation and mitigation of greenhouse gas emissions (there is an absence of regulatory guidance). Therefore, the City is unable to productively interpret the results of the Urbemis model with regard to GHGs, and there is currently no way to determine the significance of a project's potential impact upon global warming.

The 2025 Fresno General Plan provides an integrated combination of residential, commercial, industrial, and public facility uses allowing for proximate location of living, work, educational, recreational, and shopping activities within Fresno metropolitan area. This combination of uses has been identified as a potential mitigation measure to address global warming impacts in a document published by the California Attorney General's Office entitled, *The California Environmental Quality Act Mitigation of Global Warming Impacts* (updated January 7, 2008).

Specifically, this document describes this mitigation measure as follows, "Incorporate mixed-use, infill and higher density development to reduce vehicle trips, promote

alternatives to individual vehicle travel, and promote efficient delivery of services and goods"—echoing objectives and policies of the 2025 Fresno General Plan adopted in late 2002.

The General Plan contains a mix of land uses would be expected to generate fewer vehicle miles traveled per capita, leading to reduced emissions of greenhouse gases from engine emissions. It provides for overall denser development with high-intensity enclaves, associated with increased public transit use. The plan fosters mixed use and infill development (being implemented by mixed-use zoning ordinances added to the Fresno Municipal Code, as directed by 2025 Fresno General Plan) policies. The urban form element distributes neighborhood-level and larger commercial development, public facilities such as schools, and recreational sites throughout the metropolitan area, reducing vehicle trips.

Any manufacturing activities that would generate SF₆, HFCs, or PFCs would be subject to subsequent environmental review at the project-specific level, as would any uses which would generate methane on site. The City of Fresno has adopted an ordinance prohibiting installation of any woodburning fireplaces or woodburning appliances in new homes, which would reduce CO₂ and N₂O from wood combustion.

Through updates in the California Building Code and statewide regulation of appliance standards, City development projects conform to state-of-the art energy-efficient building, lighting, and appliance standards as advocated in the California Environmental Protection Agency's publication *Climate Action Team / Proposed Early Actions to Mitigate Climate Change in California* (April 2007) and in CARB's *Proposed Early Actions to Mitigate Climate Change in California* (April 2007). The City has further incentivized "green" building projects by providing subsidies for solar photovoltaic equipment for single-family residential construction, by reducing development standards (including reductions in required parking spaces, which further reduces air pollutant and GHG emissions), and by improving its landscape and shading standards (a topic included in the Design Guidelines adopted with the 2025 Fresno General Plan).

Updated engine and tire efficiency standards would apply to residents' vehicles, as well as the statewide initiatives applicable to air conditioning and refrigeration equipment, regional transportation improvements, power generation and use of solar energy, water supply and water conservation, landfill methane capture, changes in cement manufacturing processes, manure management (methane digester protocols), recycling program enhancements, and "carbon capture" (also known as "carbon sequestration," technologies for capturing and converting CO₂, removing it from the atmosphere).

Due to the lack of data or regulatory guidance that would indicate the 2025 Fresno General Plan had a significant adverse impact upon global climate change, the relatively small size of the Fresno Metropolitan Area in conjunction with the worldwide scope of GHG emissions, and the emphasis in the 2025 Fresno General Plan upon integrated urban design and air pollution control measures, it could not be concluded in

2002 nor at present that the 2025 Fresno General Plan would have a significant adverse impact on global climate change.

As to potential impacts of global warming upon the 2025 Fresno General Plan: the city is located in the Central Valley, in an urbanized area on flat terrain distant from the Pacific coast and from rivers and streams. It is outside of identified flood prone areas. Based on its location we conclude that Fresno is not likely to be significantly affected by the potential impacts of global climate change such as increased sea level and river/stream channel flooding; nor is it subject to wildfire hazards. While Fresno does contain areas with natural habitat (the San Joaquin Bluffs and Riverbottom), a change in these areas' biota induced by global warming would not leave them bereft of all habitat value—it would simply mean a change in the species which would be encountered in these areas. The 2025 Fresno General Plan preserves this habitat open space area for multiple objectives (protection from soil instability and flood inundation; conservation of designated high-quality mineral resources), so any natural resource species changes in those areas would not constitute a significant adverse impact to the city or a loss of resource area.

Fresno has historically had high ambient summer temperatures and an historic heat mortality level that is among the highest in the state (5 heat-related deaths annually per 100,000 population). Due to the prevalence of air conditioning in dwellings and commercial buildings, an increase in extreme heat days from global warming is not expected by the California Air Resources Board Research Division to significantly increase heat-related deaths in Fresno, as opposed to possible effects in cooler portions of the state such as Sacramento or Los Angeles areas (reference: *Projections of Public Health Impacts of Climate Change in California: Scenario Analysis*, by Dr. Deborah Dreschler, Air Resources Board, April 9, 2008). Increased summertime temperatures which may be caused by global warming will be mitigated by the City's landscaping standards to provide shade trees, by statewide energy efficiency standards which insulate dwellings from heat and cold, and by urban design standards which require east-west orientation of streets and buildings to facilitate solar gain. Fresno has a heat emergency response plan and provides cooling centers and free transportation to persons who do not have access to air conditioning.

Secondary health effects of global warming could include increases in respiratory and cardiac illnesses attributable to poor air quality. The San Joaquin Valley Air Pollution Control District provides daily advisories and warnings in times of high ozone levels to help senior citizens and other sensitive populations avoid exposure. The SJVAPCD has committed to attainment of fine particulate matter (PM2.5) standards by Year 2014 and to attainment of oxidant/ozone standards by Year 2023, and would adopt additional Rules and emission controls as necessary to decrease emissions inventories by those target dates. There is insufficient information to indicate that global climate change would prevent attainment of air quality parameters affecting health.

Pursuant to 2025 Fresno General Plan policy and MEIR mitigation measures, the City's Department of Public Utilities and Fire Department are required to affirm that adequate

water service can be provided to all development projects for potable and fire suppression uses. The City derives much of its water supply from groundwater, using its surface water entitlements from the Kings and San Joaquin Rivers primarily to recharge the aquifer. A high percentage of Fresno's annual precipitation is captured and percolated in ponding basins operated by Fresno Metropolitan Flood Control District. If global climate change leads to a longer rainy season and/or more storm events throughout the year, groundwater supplies could be improved by additional percolation.

The City of Fresno currently treats and distributes only some 20% of its 150,000 acre-foot/year (AFY) surface water entitlement for the municipal water system, directing another 50,000 to 70,000 AFY to recharge activities via ponding basins. Presently, the City is unable to recharge the full balance of its annual entitlement in average and wet years, and releases any unused surface water supplies to area irrigation districts for agricultural use in the metropolitan area, (which further augments groundwater recharge through percolation of irrigated water).

Future surface water plant construction projects envisioned by the 2025 Fresno General Plan would account for less than 120,000 acre-feet per year of the surface supply. The General Plan direction for future Metropolitan Water Resource Management Plans includes exploring the use of recycled treated wastewater for non-potable uses such as landscape irrigation, which would further effectively extending the City's water supply.

If the global climate change were to cause a serious and persistent decrease in Sierra snowpack, some of Fresno's water supply could be affected. However, historic records show that the very long-term prevailing climatic pattern for Central California has included droughts of long (often, multi-year) duration, interspersed with years of excess precipitation. Decades before global climate change was considered as a threat to California's water system, state and local agencies recognized a need to augment water storage capacity for excess precipitation occurring in wet years, to carry the state through the intervening dry years.

The potential for episodic and long-term drought is considered in the city's Metropolitan Water Resource Plan and in its the Urban Water Management Plan Drought Contingency component, to accommodate reductions in available water supplies. In times of extended severe regional or statewide drought, a reprioritization of water deliveries and reallocation for critical urban supplies vs. agricultural use is possible, but it is too speculative at this time to determine what the statewide reprioritization response elements would be (the various responses of statewide and regional water agencies to these situations are not fully formulated and cannot be predicted with certainty). Because the true long term consequences of climate change on California's and Fresno's water system cannot be predicted, and, it is too speculative at this time to conclude that there could be a significant adverse impact on water supply for the 2025 Fresno General Plan due to global climate change.

As noted above, it is theorized that global warming could lead to more energy in the atmosphere and to increased intensity or frequency of storm events. Fresno's long-term weather pattern is that rainfall occurs during episodic and fairly high-intensity events. The Fresno Metropolitan Flood Control District (FMFCD) drainage and flood control Master Plan, which sets policies for drainage infrastructure and grading in the entire Fresno-Clovis area, is already predicated on this type of weather pattern. FMFCD sizes its facilities (which development potentiated by the 2025 Fresno General Plan will help to complete) for "two-year storm events," storms of an intensity expected in approximately 50 percent of average years; however, the urban drainage system design has additional capacity built into the street system so that excess runoff from more intense precipitation events is directed to the street system. The City's Flood Plan Ordinance and grading standards require that finished floor heights be above the crowns of streets and above any elevated ditchbanks of irrigation canals. FMFCD project conditions also preserve "breakover" historic surface drainage routes for runoff from major storms. Ultimately, drain inlets and FMFCD basin dewatering pumps direct severe storm runoff into the network of Fresno Irrigation District canals and pipelines still extant in the metropolitan area, with outfalls beyond the western edge of the metropolitan area.

Scientific information, analytical tools, and standards for environmental significance of global warming and green house gases were not available to the Planning and Development Department in 2002 when the 2025 Fresno General Plan and its MEIR were formulated and approved--and at this point, there is still insufficient data available to draw any conclusions as to the potential impacts, or significance of impacts, related to global climate change for the 2025 Fresno General Plan. Similarly, there is insufficient information to conclude that global warming may have a potentially significant adverse impact upon the 2025 Fresno General Plan. In a situation when it would be highly speculative to estimate impacts or to make conclusions as to the degree of adversity and significance of those impacts, the California Environmental Quality Act allows agencies to terminate the analysis. In that regard, there is no material change in status from the degree of environmental review on this topic contained in the 2025 Fresno General Plan MEIR.

**MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097
 ENVIRONMENTAL ASSESSMENT NO. A-09-02 FINDING OF MITIGATED NEGATIVE DECLARATION
 FOR THE 2025 FRESNO GENERAL PLAN**

Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

Mitigation Monitoring Checklist

Following is the mitigation monitoring checklist from MEIR No. 10130 as applied to the above-noted project's environmental assessment, required by City Council Resolution No. 2002-378 and Exhibit E thereof (adopted on November 19, 2002) to certify the MEIR for the 2025 Fresno General Plan Update. On June 25, 2009, through its Resolution No. 2009-146, the City Council adopted Environmental Assessment No. A-09-02 confirming the finding of a Mitigated Negative Declaration prepared for General Plan Amendment Application No. A-09-02 which updated the Air Quality Section of the Resource Conservation Element of the 2025 Fresno General Plan and incorporated additional and revised mitigation measures as necessary within the following monitoring checklist.

- A - Incorporated into Project
- B - Mitigated
- C - Mitigation in Progress
- D - Responsible Agency Contacted
- E - Part of City-wide Program
- F - Not Applicable

NOTE: Letters B-Q in mitigation measures refer to the respective sections of Chapter V of MEIR No. 10130

<p>B-1. Development projects that are consistent with plans and policies but that could affect conditions on major street segments predicted by the General Plan MEIR traffic analysis to perform at an Average Daily Traffic (ADT) level of service (LOS) D or better in 2025, with planned street improvements, shall not cause conditions on those segments to be worse than LOS E before 2025 without completing a traffic and transportation evaluation. This evaluation will be used to determine appropriate project-specific design measures or street/transportation improvements that will contribute to achieving and maintaining LOS D.</p>	<p>Prior to approval of land use entitlement</p>	<p>Public Works Dept./Traffic Planning; Development & Resource Management Dept.</p>	<p>X</p>			<p>X</p>		
<p>B-2. Development projects that are consistent with plans and policies but that could affect conditions on major street segments predicted by the General Plan MEIR traffic analysis to perform at an ADT LOS E in 2025, with planned street improvements, shall not cause conditions on those segments to be worse than LOS E</p>	<p>Prior to approval of land use entitlement</p>	<p>Public Works Dept./Traffic Planning; Development & Resource</p>				<p>X</p>		<p>X</p>

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY							
			A	B	C	D	E	F	
before 2025 without completing a traffic and transportation evaluation. This evaluation will be used to determine appropriate project-specific design measures or street/ transportation improvements that will contribute to achieving and maintaining LOS E.		Management Dept.							
B-3. Development projects that are consistent with plans and policies but that could affect conditions on major street segments predicted by the General Plan MEIR traffic analysis to perform at an ADT LOS F shall not cause further substantial degradation of conditions on those segments before 2025 without completing a traffic and transportation evaluation. This evaluation will be used to determine appropriate project-specific design measures or street/ transportation improvements that will contribute to achieving and maintaining a LOS equivalent to that anticipated by the General Plan. Further substantial degradation is defined as an increase in the peak hour vehicle/capacity (v/c) ratio of 0.15 or greater for roadway segments whose v/c ratio is estimated to be 1.00 or higher in 2025 by the General Plan MEIR traffic analysis.	Prior to approval of land use entitlement	Public Works Dept./Traffic Planning; Development & Resource Management Dept.		X					X

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY	A	B	C	D	E	F
			B-4. For development projects that are consistent with plans and policies, a site access evaluation shall be required to the satisfaction of the Public Works Director. This evaluation shall, at a minimum, focus on the following factors: a. Disruption of vehicular traffic flow along adjacent major streets, appropriate design measures for on-site vehicular circulation and access to major streets (number, location and design of driveway approaches), and linkages to bicycle/pedestrian circulation systems and transit services. b. In addition, for development projects that the City determines may generate a projected 100 or more peak hour vehicle trips (either in the morning or evening), the evaluation shall determine the project's contribution to increased peak hour vehicle delay at major street intersections adjacent or proximate to the project site. The evaluation shall identify project responsibilities for intersection improvements to reduce vehicle delay consistent with the LOS anticipated by the 2025 Fresno General Plan. For projects which affect State Highways, the Public Works Director may direct the site access evaluation to reference the criteria presented in Caltrans Guide for the Preparation of Traffic Impact Studies.	Prior to approval of land use entitlement	Public Works Dept./Traffic Planning; Development & Resource Management Dept.	X		
B-5. Circulation and site design measures shall be considered for development projects so that local trips may be completed as	Prior to approval of	Public Works Dept./Traffic	X			X		

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

**MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097
FOR THE 2025 FRESNO GENERAL PLAN**

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY							
			A	B	C	D	E	F	
much as possible without use of, or with reduced use of, major streets and major street intersections. Appropriate consideration must also be given to compliance with plan policies and mitigation measures intended to promote compatibility between land uses with different traffic generation characteristics.	land use entitlement	Planning; Development & Resource Management Dept.							
B-6. New development projects and major street construction projects shall be designed with consideration and implementation of appropriate features (considering safety, convenience and cost-effectiveness) to encourage walking, bicycling, and public transportation as alternative modes to the automobile.	Prior to approval or prior to funding of major street project.	Public Works Dept./Traffic Planning; Development & Resource Management Dept.	X			X			
B-7. Bicycle and pedestrian travel and use of public transportation shall be facilitated as alternative modes of transportation including, but not limited to, provision of bicycle, pedestrian and public transportation facilities and improvements to connect residential areas with public facilities, shopping and employment. Adequate rights-of-way for bikeways, preferably as bicycle lanes, shall be provided on all new major streets and shall be considered when designing improvements for existing major streets.	Ongoing	Public Works Dept./Traffic Planning; Development & Resource Management Dept.	X			X			

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY	A	B	C	D	E	F
			<p>C-1. In cooperation with other jurisdictions and agencies in the San Joaquin Valley Air Basin, the City shall take the following necessary actions to achieve and maintain compliance with state and federal air quality standards and programs.</p> <p>a. Develop and incorporate air quality maintenance considerations into the preparation and review of land use plans and development proposals.</p> <p>b. Maintain internal consistency within the General Plan between policies and programs for air quality resource conservation and the policies and programs of other General Plan elements.</p> <p>c. City departments preparing environmental review documents shall use computer models (software approved by local and state air quality and congestion management agencies) to estimate air pollution impacts of development entitlements, land use plans and amendments to land use regulations.</p> <p>d. Adopted state and SJVAPCD protocols, standards, and thresholds of significance for greenhouse gas emissions shall be utilized in assessing and approving proposed development projects.</p> <p>e. Continue to route information regarding land use plans, development projects, and amendments to development regulations to the SJVAPCD for that agency's review and comment on potential air quality impacts.</p>	Ongoing	Development & Resource Management Dept.	X	X	

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY						
			A	B	C	D	E	F
C-2. For development projects potentially meeting SJVAPCD thresholds of significance and/or thresholds of applicability for the Indirect Source Review Rule (Rule 9510) in their unmitigated condition, project applicants shall complete the SJVAPCD Indirect Source Review Application prior to approval of the development project. Mitigation measures incorporated into the	Ongoing	Development & Resource Management Dept and SJVAPCD	X	X		X		
C-3. The City shall implement all of the Reasonably Available Control Measures (RACM) identified in Exhibit A of Resolution No. 2002-119, adopted by the Fresno City Council on April 9, 2002. These measures are presented in full detail in Table VC-3 of the MEIR.	Ongoing	Various city departments					X	
C-4. The City shall continue efforts to improve technical performance, emissions levels and system operations of the Fresno Area Express transit system, through such measures as: a. Selecting and maintaining bus engines, transmissions, fuels and air conditioning equipment for efficiency and low air pollution emissions. b. Siting new transit centers and other multi-modal transportation transfer facilities to maximize utilization of mass transit. c. Continuing efforts to improve transit on-time performance,	Ongoing	Fresno Area Express					X	

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY	A	B	C	D	E	F
increase frequency of service, extend hours of operation, add express bus service and align routes to capture as much new ridership as possible. d. Initiating a program to allow employers and institutions (e.g., educational facilities) to purchase blocks of bus passes at a reduced rate to facilitate their incentive programs for reducing single-passenger vehicle use.								
D-1. The City shall monitor impacts of land use changes and development project proposals on water supply facilities and the groundwater aquifer.	Ongoing	Dept of Public Utilities and Development & Resource Management Dept.	X		X	X		
D-2. The City shall ensure the funding and construction of facilities to mitigate the direct impacts of land use changes and development within the 2025 General Plan boundaries. Groundwater wells, pump stations, intentional recharge facilities, potable and recycled water treatment and distribution systems shall be expanded incrementally to mitigate increased water demands. Site specific environmental evaluations shall precede the construction of these facilities. Results of this evaluation shall be incorporated into each project to reduce the identified environmental impacts.	Ongoing (City-wide); and prior to approval of land use entitlement as applicable	Department of Public Utilities and Development & Resource Management Dept.			X	X	X	

A - Incorporated into Project
 B - Mitigated

C - Mitigation in Process
 D - Responsible Agency Contacted

E - Part of City-Wide Program
 F - Not Applicable

**MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097
FOR THE 2025 FRESNO GENERAL PLAN**

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY	A	B	C	D	E	F
D-3. The City shall implement the future water supply plan described in the City of Fresno Metropolitan Water Resources Management Plan Update and shall continue to update this Plan as necessary to ensure the cost-effective use of water resources and continued availability of good-quality groundwater and surface water supplies.	Ongoing	Department of Public Utilities			X	X		
D-4. The City shall work with the Fresno Metropolitan Flood Control District to prevent and reduce the existence of urban stormwater pollutants to the maximum extent practical and ensure that surface and groundwater quality, public health, and the environment shall not be adversely affected by urban runoff, and shall comply with NPDES standards.	Ongoing	Development & Resource Management Dept.	X			X		
D-5. The City shall preserve undeveloped areas within the 100-year floodway within the city and its general plan area, particularly the San Joaquin Riverbottom, for uses that will not involve permanent improvements which would be adversely affected by periodic floods. The City shall expand this protected area in the Riverbottom pursuant to expanded floodplain and/or floodway maps, regulations, and policies adopted by the Central Valley Flood Protection Board and the National Flood Insurance Protection Program.	Ongoing	Development & Resource Management Dept.				X	X	

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY						
			A	B	C	D	E	F
<p>D-6. The City shall establish special building standards for private structures, public structures and infrastructure elements in the San Joaquin Riverbottom that will protect:</p> <p>a. Allowable construction in this area from being damaged by the intensity of flooding in the riverbottom;</p> <p>b. Water quality in the San Joaquin River watershed from flood damage-related nuisances and hazards (e.g., the release of raw sewage); and</p> <p>c. Public health, safety and general welfare from the effects of flood events.</p>	Ongoing	Development & Resource Management Dept.					X	X
<p>D-7. The City shall advocate that the San Joaquin River not be channelized and that levees shall not be used in the river corridor for flood control, except those alterations in river flow that are approved for surface mining and subsequent reclamation activities for mined sites (e.g., temporary berms and small side-channel diversions to control water flow through ponds).</p>	Ongoing	Development & Resource Management Dept.					X	X
<p>D-8. The City shall maintain a comprehensive, long-range water resource management plan that provides for appropriate management and use of all sources of water available to the planning area, and shall periodically update this plan to ensure</p>	Ongoing	Department of Public Utilities	X		X	X		

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY							
			A	B	C	D	E	F	
that sufficient and sustainable water supplies of good quality will be economically available to accommodate existing and planned urban development. Project-specific and city-wide water conservation measures shall be directed toward assisting in reaching the goal of balancing City groundwater operations by 2025.									
D-9. The City shall continue its current water conservation programs and implement additional water conservation measures to reduce overall per capita water use within the City with a goal of reducing the overall per capita water use in the City to its adopted target consumption rate. The target per capita consumption rate adopted in 2008 is a citywide average of 243 gallons per person per day, intended to be reached by 2020 (which includes anticipated water conservation resulting from the on-going residential water metering program and additional water conservation by all customers: 5% by 2010, and an additional 5% by 2020.)	Ongoing	Department of Public Utilities			X	X			

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY	A	B	C	D	E	F
D-10. All development projects shall be required to comply with City Department of Public Utilities conditions intended for the City to reach its overall per capita water consumption rate target. Project conditions shall include, but are not limited to, water use efficiency for landscaping, use of artificial turf and native plant materials, reducing turf areas, and discouraging the development of artificial lakes, fountains and ponds unless only untreated surface water or recycled water supplies are used for these decorative and recreational water features, as appropriate and sanitary.	Prior to approval of land use entitlement	Department of Public Utilities	X			X		
D-11. When and if the City adopts a formal management plan for recycled and/or reclaimed water, all development shall comply with its standards and requirements. Absent a formal management plan for recycled and/or reclaimed water, new development projects shall install reasonably necessary infrastructure, facilities and equipment to utilize reclaimed and recycled water for landscape irrigation, decorative fountains and ponds, and other water-consuming features, provided that use of reclaimed or recycled water is determined by the Department of Public Utilities to be feasible, sanitary, and energy-efficient.	Prior to approval of development project	Department of Public Utilities				X		X

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY	A	B	C	D	E	F
--------------------	------------------	------------------------	---	---	---	---	---	---

<p>D-12. All applicants for development projects shall provide data (meeting City Department of Public Utilities criteria for such data) on the anticipated annual water demand and daily peak water demand for proposed projects. If a development project would increase water demand at a project location (or for a type of development) beyond the levels allocated in the version of the City's Urban Water Management Plan (UWMP) in effect at the time the project's environmental assessment is conducted, the additional water demand will be required to be offset or mitigated in a manner acceptable to the City Department of Public Utilities. Allocated water demand rates are set forth in Table 6-4 of the 2008 UWMP as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">FOR GROSS DEVELOPED PROJECT ACREAGE OF THE FOLLOWING DEVELOPMENT CATEGORIES</th> <th colspan="3">PER-UNIT FACTORS, in acre-ft/acre/yr, for projects projected to be completed during these intervals:</th> </tr> <tr> <th>01/01/20 05 THROUGH 12/31/20 10</th> <th>01/01/20 10 THROUGH 12/31/20 24</th> <th>AFTER 01/01/202 5</th> </tr> </thead> <tbody> <tr> <td>Single family residential</td> <td>3.8</td> <td>3.5</td> <td>3.5</td> </tr> <tr> <td>Multi-family residential</td> <td>6.5</td> <td>6.2</td> <td>6.2</td> </tr> </tbody> </table>	FOR GROSS DEVELOPED PROJECT ACREAGE OF THE FOLLOWING DEVELOPMENT CATEGORIES	PER-UNIT FACTORS, in acre-ft/acre/yr, for projects projected to be completed during these intervals:			01/01/20 05 THROUGH 12/31/20 10	01/01/20 10 THROUGH 12/31/20 24	AFTER 01/01/202 5	Single family residential	3.8	3.5	3.5	Multi-family residential	6.5	6.2	6.2	<p>Prior to approval of development project</p>	<p>Department of Public Utilities</p>			X	X		
		FOR GROSS DEVELOPED PROJECT ACREAGE OF THE FOLLOWING DEVELOPMENT CATEGORIES	PER-UNIT FACTORS, in acre-ft/acre/yr, for projects projected to be completed during these intervals:																				
	01/01/20 05 THROUGH 12/31/20 10		01/01/20 10 THROUGH 12/31/20 24	AFTER 01/01/202 5																			
	Single family residential	3.8	3.5	3.5																			
Multi-family residential	6.5	6.2	6.2																				

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE				WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY	A	B	C	D	E	F
Commercial and institutional	2	1.9	1.9								
Industrial	2	1.9	1.9								
Landscaped open space	3	2.9	2.9								
South East Growth Area	3.4	3.2	3.2								
NOTE: The above land use classifications and demand allocation factors may be amended in future updates of the Urban Water Management Plan											
D-13. The City will conform to the requirements of Waste Discharge Requirements Order 5-01-254, including groundwater monitoring and subsequent Best Practical Treatment and Control (BPTC) assessment and findings.				Ongoing	Department of Public Utilities					X	
E-1. The City shall continue to implement and pursue strengthening of urban growth management service delivery requirements and annexation policy agreements, including urging that the county continue to implement similar measures within the boundaries of the 2025 Fresno General Plan, to promote contiguous urban development and discourage premature conversion of agricultural land.				Ongoing	Development & Resource Management Dept.					X	

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY	A	B	C	D	E	F
E-2. To minimize the inefficient conversion of agricultural land, the City shall pursue the appropriate measures to ensure that development within the planned urban boundary occurs consistent with the General Plan and that urban development occurs within the city's incorporated boundaries.	Ongoing	Development & Resource Management Dept.			X		X	
E-3. The City shall pursue appropriate measures, including recordation of right to farm covenants, to ensure that agricultural uses of land may continue within those areas of transition where planned urban areas interface with planned agricultural areas.	Ongoing	Development & Resource Management Dept.						X
E-4. Development of agricultural land, or fallow land adjacent to land designated for agricultural uses, shall incorporate measures to reduce the potential for conflicts with the agricultural use. Implementation of the following measures shall be considered: a. Including a buffer zone of sufficient width between proposed residences and the agricultural use. b. Restricting the intensity of residential uses adjacent to agricultural lands. c. Informing residents about possible exposure to agricultural chemicals. d. Where feasible and permitted by law, exploring opportunities for agricultural operators to cease aerial spraying of chemicals	Ongoing	Development & Resource Management Dept.						X

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY							
			A	B	C	D	E	F	
and use of heavy equipment near proposed residences. e. Recordation of right to farm covenants to ensure that agricultural uses of land can continue.									
F-1. The City shall ensure the provision for adequate trunk sewer and collector main capacities to serve existing and planned urban and economic development, including existing developed uses not presently connected to the public sewer system, consistent with the Wastewater Master Plan. Where appropriate, the City will coordinate with the City of Clovis and other agencies to ensure that planning and construction of facilities address regional needs in a comprehensive manner.	Ongoing	Dept. of Public Utilities and Development & Resource Management Dept.	X		X	X			
F-2. The City shall continue the development and use of citywide sewer flow monitoring and computerized flow modeling to ensure the availability of sewer collection system capacity to serve planned urban development.	Ongoing	Dept. of Public Utilities				X			
F-2-a. The City shall provide for containment and management of leathers and sludge adequate to prevent groundwater degradation.	Ongoing	Dept. of Public Utilities					X	X	

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

**MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097
FOR THE 2025 FRESNO GENERAL PLAN**

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY	A	B	C	D	E	F
			<p>F-3. The City shall ensure the provision of adequate sewage treatment and disposal by using the Fresno-Clovis Regional Wastewater Reclamation Facility as the primary facility when economically feasible for all existing and new development within the General Plan area. Smaller, subregional wastewater treatment facilities may also be constructed as part of the regional wastewater treatment system, when appropriate. This shall include provision of tertiary treatment facilities to produce recycled water for landscape irrigation and other non-potable uses. Site specific environmental evaluation and development of Waste Discharge Requirements by the Regional Water Quality Control Board shall precede the construction of these facilities. Mitigation measures identified in these evaluations shall be incorporated into each project to reduce the identified environmental impacts.</p>	Ongoing	Dept. of Public Utilities			X
<p>F-4. The City shall ensure that adequate trunk sewer capacity exists or can be provided to serve proposed development prior to the approval of rezoning, special permits, tract maps and parcel maps, so that the capacities of existing facilities are not exceeded.</p>	Ongoing/prior to approval of land use entitlement	Dept. of Public Utilities and Development & Resource Management Dept.	X			X		

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY	A	B	C	D	E	F
F-5. The City shall provide adequate solid waste facilities and services for the collection, transfer, recycling, and disposal of refuse for existing and planned development within the City's jurisdiction. Site specific environmental evaluation shall precede the construction of these facilities. Results of this evaluation shall be incorporated into each project to reduce the identified environmental impacts.	Ongoing/prior to construction	Dept. of Public Utilities	X			X		
G-1. Site specific environmental evaluation shall precede the construction of new police and fire protection facilities. Results of this evaluation shall be incorporated into each project to reduce the identified environmental impacts.	Ongoing/prior to construction	Fire Dept/Police Dept/ Development & Resource Management Dept.						X
H-1. Site specific environmental evaluation shall precede the construction of new public parks. Results of this evaluation shall be incorporated into the park design to reduce the environmental impacts.	Ongoing/prior to construction	Parks and Recreation Dept. & Development & Resource Management Dept.				X		X

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY	A	B	C	D	E	F
I-1. Projects that could adversely affect rare, threatened or endangered wildlife and vegetative species (or may have impacts on wildlife, fish and vegetation restoration programs) may be approved only with the consent of the California Department of Fish and Game (and the U.S. Fish and Wildlife Service, as appropriate) that adequate mitigation measures are incorporated into the project's approval.	Ongoing/prior to approval of land use entitlement	Development & Resource Management Dept.						X
I-2. Where feasible, development shall avoid disturbance in wetland areas, including vernal pools and riparian communities along rivers and streams. Avoidance of these areas shall include siting structures at least 100 feet from the outermost edge of the wetland. If complete avoidance is not possible, the disturbance to the wetland shall be minimized to the maximum extent possible, with restoration of the disturbed area provided. New vegetation shall consist of native species similar to those removed.	Ongoing/prior to approval of land use entitlement	Development & Resource Management Dept.						X
I-3. Where wetlands or other sensitive habitats cannot be avoided, replacement habitat at a nearby off-site location shall be provided. The replacement habitat shall be substantially equivalent in nature to the habitat lost and shall be provided at a ratio suitable to assure that, at a minimum, there is no net loss of habitat acreage or value. Typically, the U.S. Fish and Wildlife	Ongoing/prior to approval of land use entitlement and during construction	Development & Resource Management Dept.						X

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY							
			A	B	C	D	E	F	
Service and California Department of Fish and Game require a ratio of three replacement acres for every one acre of high quality riparian or wetland habitat lost.									
I-4. Existing and mature riparian vegetation shall be preserved to the extent feasible, except when trees are diseased or otherwise constitute a hazard to persons or property. During construction, all activities and storage of equipment shall occur outside of the drip lines of any trees to be preserved.	Ongoing/prior to approval of land use entitlement and during construction	Development & Resource Management Dept.							X
I-5. Within the identified riparian corridors, environmentally sensitive habitat areas shall be protected against any significant disruption of habitat values and only uses consistent with these values shall be allowed (e.g., nature education and research, fishing and habitat enhancement and protection).	Ongoing/prior to approval of land use entitlement and during construction	Development & Resource Management Dept.							X
I-6. All areas within identified riparian corridors shall be maintained in a natural state or limited to recreation and open space uses. Recreation shall be limited to passive forms of recreation, with any facilities that are constructed required to be non-intrusive to wildlife or sensitive species.	Ongoing/prior to approval of land use entitlement and during construction	Development & Resource Management Dept.							X

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

**MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097
FOR THE 2025 FRESNO GENERAL PLAN**

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY	A	B	C	D	E	F
<p>J-1. If the site of a proposed development or public works project is found to contain unique archaeological or paleontological resources, and it can be demonstrated that the project will cause damage to these resources, reasonable efforts shall be made to permit any or all of the resource to be scientifically removed, or it shall be preserved in situ (left in an undisturbed state). In situ preservation may include the following options, or equivalent measures:</p> <p>a. Amending construction plans to avoid the resources.</p> <p>b. Setting aside sites containing these resources by deeding them into permanent conservation easements.</p> <p>c. Capping or covering these resources with a protective layer of soil before building on the sites.</p> <p>d. Incorporating parks, green space or other open space into the project to leave these resources undisturbed and to provide a protective cover over them.</p> <p>e. Avoiding public disclosure of the location of these resources until or unless the site is adequately protected from vandalism or theft.</p>	Ongoing/prior to approval of land use entitlement	Development & Resource Management Dept.	X		X		X	
<p>J-2. An archaeological assessment shall be conducted for the project if prehistoric human relics are found that were not previously assessed during the environmental assessment for</p>	Ongoing/prior to submittal of land use	Development & Resource Management	X				X	

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY							
			A	B	C	D	E	F	
the project. The site shall be formally recorded, and archaeologist recommendations shall be made to the City on further site investigation or site avoidance/ preservation measures.	entitlement application	Dept.							
J-3. If there are suspected human remains, the Fresno County Coroner shall be contacted immediately. If the remains or other archaeological materials are possibly of Native American origin, the Native American Heritage Commission shall be contacted immediately, and the California Archaeological Inventory's Southern San Joaquin Valley Information Center shall be contacted to obtain a referral list of recognized archaeologists.	Ongoing	Development & Resource Management Dept./ Historic Preservation Commission staff	X					X	
J-4. Where maintenance, repair stabilization, rehabilitation, restoration, preservation, conservation or reconstruction of the historical resource will be conducted consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring and Reconstructing Historic Buildings (Weeks and Grimmer, 1995), the project's impact on the historical resource shall generally be considered mitigated below a level of significance and thus not significant.	Ongoing	Development & Resource Management Dept./ Historic Preservation Staff						X	

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY	A	B	C	D	E	F
K-1. The City shall adopt the land use noise compatibility standards presented in Figure VK-2 for general planning purposes.	Ongoing	Development & Resource Management Dept.	X		X		X	
K-2. Any required acoustical analysis shall be performed as required by Policy H-1-d of the 2025 Fresno General Plan for development projects proposing residential or other noise sensitive uses as defined by Policy H-1-a, to provide compliance with the performance standards identified by Policies H-1-a and H-1-k. (Note: all are policies of the 2025 Fresno General Plan.) The following measures can be used to mitigate noise impacts; however, impacts may not be fully mitigated within the 70 dBA noise contour areas depicted on Figure VK-4. <ul style="list-style-type: none"> ■ Site Planning. See Chapter V for more details. ■ Barriers. See Chapter V for more details. ■ Building Designs. See Chapter V for more details. 	Ongoing/upon submittal of land use entitlement application	Development & Resource Management Dept.	X			X		
K-3. The City shall continue to enforce the California Administrative Code, Title 24, Noise Insulation Standards. Title 24 requires that an acoustical analysis be performed for all new multi-family construction in areas where the exterior sound levels exceed 60 CNEL. The analysis shall ensure that the building design limits the interior noise environment to 45 CNEL or below.	Ongoing/prior to building permit issuance	Development & Resource Management Dept.					X	

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

MASTER ENVIRONMENTAL IMPACT REPORT (MEIR) NO. 10130 / SCH No. 2001071097

FOR THE 2025 FRESNO GENERAL PLAN

Project/EA No. Project/EA No. A-11-003, R-11-003, C-13-092, T-6033/UGM

Date: March 21, 2014

MEIR Mitigation Monitoring Checklist

MITIGATION MEASURE	WHEN IMPLEMENTED	COMPLIANCE VERIFIED BY	A	B	C	D	E	F
<p>L-1. Any construction that occurs as a result of a project shall conform to current Uniform Building Code regulations which address seismic safety of new structures and slope requirements. As appropriate, the City shall require a preliminary soils report prior to subdivision map review to ascertain site specific subsurface information necessary to estimate foundation conditions. This report shall reference and make use of the most recent regional geologic maps available from the California Department of Conservation, Division of Mines and Geology.</p>	Ongoing	Development & Resource Management Dept.					X	
<p>N-1. The City shall cooperate with appropriate energy providers to ensure the provision of adequate energy generated and distribution facilities, including environmental review as required.</p>	Ongoing	Development & Resource Management Dept.	X			X		
<p>Q-1. The City shall establish and implement design guidelines applicable to all commercial and manufacturing zone districts. These design guidelines will require consideration of the appearance of non-residential buildings that are visible to pedestrians and vehicle drivers using major streets or are visible from proximate properties zoned or planned for residential use.</p>	Ongoing	Development & Resource Management Dept.					X	X

A - Incorporated into Project
B - Mitigated

C - Mitigation in Process
D - Responsible Agency Contacted

E - Part of City-Wide Program
F - Not Applicable

PROJECT-SPECIFIC MITIGATION MONITORING CHECKLIST

For Plan Amendment Application No. A-11-003, Rezone Application No. R-11-003, Conditional Use Permit Application No. C-13-092, and Vesting Tentative Tract Map No. T-6033/UGM

This monitoring checklist for the above noted environmental assessment is being prepared in accordance with the requirements of the California Environmental Quality Act (CEQA), as required under Assembly Bill 3180, and is intended to establish a project-specific reporting/monitoring program for Plan Amendment Application No. A-11-003, Rezone Application No. R-11-003, Conditional Use Permit Application No. C-13-092, and Vesting Tentative Tract Map No. T-6033/UGM. Verification of implementation of these mitigation measures, in addition to the applicable measures specified for this project per the Mitigation Monitoring Checklist prepared for this project pursuant to Master Environmental Impact Report No. 10130 - 2025 Fresno General Plan, will be required upon the application for subdivision of the project site, special permits, or grading on the project site. The captions below refer to corresponding sections of the Initial Study checklist for this project, using the Appendix G format from the CEQA Guidelines.

**MITIGATION MEASURES FOR ENVIRONMENTAL ASSESSMENT NO.
A-11-003, R-11-003, C-13-092, T-6033/UGM**

MITIGATION MEASURE	IMPLEMENTED BY	WHEN IMPLEMENTED	VERIFIED BY
Project shall implement and incorporate, as appropriate all mitigation measures as identified in the attached Master Environmental Impact Report No. 10130--2025 Fresno General Plan Mitigation Monitoring Checklist dated March 21, 2014 and the applicable project specific mitigation measures from A-06-002 and R-06-028.	Applicant	Processing and review of project proposal prior to approval.	City of Fresno Development & Resource Management Department (DARM)
I. AESTHETICS			
I-1. The 2.14-ac Neighborhood Commercial property (APN 310-041-39) shall incorporate the residential interface/buffering standards noted below in the LAND USE section.	Applicant	Required items shall be depicted on plans prior to approval of special permit for development of commercial site; Improvements shall be constructed prior to issuance of a certificate of occupancy on commercial site.	DARM

III. AIR QUALITY AND GLOBAL CLIMATE CHANGE and VII. GREENHOUSE GAS EMISSIONS			
III-1. Project shall comply with all of the requirements stipulated within the attached memorandum from the San Joaquin Valley Air Pollution Control District dated April 11, 2011.	Applicant	Prior to issuance of building permits	San Joaquin Valley Air Pollution Control District
III-2. Wood burning fireplaces shall be prohibited within the development.	Applicant	Prior to issuance of building permits	
III-3. Water conservation measures shall be incorporated, such as low flow showerheads, low flow toilets, tankless "on demand" water heaters, and drip irrigation.	Applicant	Prior to issuance of building permits	
III-4. The project shall include at least 5 acres of landscaped area.	Applicant	Prior to issuance of building permits	DARM
III-5. A minimum of 409 trees shall be planted as part of the project: <ul style="list-style-type: none"> a. 338 in the residential portion; b. 43 on project frontages c. 28 parking lot shading for 2.14 acre neighborhood commercial property (APN 310-041-39) 	Applicant	Prior to issuance of building permits	DARM

IX. HYDROLOGY AND WATER QUALITY			
IX-1. Project shall comply with all of the requirements stipulated within the attached memoranduma from the Department of Public Utilities- dated September 16 and 20, 2013, respectively.	Applicant	Prior to issuance of building permits	DARM and Department of Public Utilities (DPU)
IX-2. Seal and abandon any existing on-site well in compliance with the State of California Well Standards, Bulletin 74-90 or current revisions issued by California Department of Water Resources and City of Fresno standards.	Applicant	Prior to issuance of building permits	DARM and DPU
IX-3. The project shall incorporate water use efficiency for landscaping including the use of artificial turf and native plant materials, reducing turf areas, and discouraging the development of artificial lakes, fountains and ponds unless only untreated surface water or recycled water supplies are used for these decorative and recreational water features, as appropriate and sanitary.	Applicant	Prior to issuance of building permits	DARM and DPU

<p>IX-4. Project shall comply with all of the requirements stipulated within the attached memorandum from the Fresno Metropolitan Flood Control District (FMFCD) dated October 1, 2013.</p>	<p>Applicant</p>	<p>Prior to issuance of building permits</p>	<p>DARM and FMFCD</p>
<p>IX-5. Project shall comply with all of the requirements stipulated within the attached memorandum from the Fresno Irrigation District (FID) dated October 2, 2013.</p>	<p>Applicant</p>	<p>Prior to issuance of building permits</p>	<p>DARM and FID</p>
<p>X. LAND USE AND PLANNING</p>			
<p>X-1. Future development on the proposed commercial or industrial Remainder parcels shall be designed with appropriate layouts that provide sufficient areas for all proposed activities, support functions, and for efficient and safe vehicular, bicycle and pedestrian access.</p> <p>a. Sufficient space and access shall be provided for support functions (e.g., storage, loading, parking, waste disposal/recycling, recreation, etc.)</p> <p>b. Areas for truck access, loading zones and waste storage/recycling areas shall be located so as to be screened from view and to allow the maximum practical distance from residences and living quarters.</p>	<p>Applicant</p>	<p>Prior to issuance of building permits</p>	<p>DARM</p>

<p>c. All loading and storage areas shall be screened from view of adjoining property zoned or planned for residential uses, by a combination of landscape planting and a solid masonry wall. Loading spaces shall not be located less than 40 feet from the boundary of residential property, and shall be subject to findings by the Director of the Development and Resource Management Department (or Planning Commission) that appropriate screening and noise attenuating methods have been designed to adequately protect adjoining residential property pursuant to City of Fresno standards and policies.</p> <p>d. All storage shall be within an enclosed structure. Outdoor storage is expressly prohibited.</p> <p>e. A landscape setback at least 10 feet wide or wider (as required by the Fresno Municipal Code) and containing landscaping, approved by the Director of the Development and Resource Management Department, shall be planted and maintained along the property line between all commercial, office, or industrial uses and abutting properties zoned or planned for residential uses..</p> <p>f. A solid masonry wall, an earth berm, or</p>			
---	--	--	--

<p>any combination of solid masonry wall and earth berm that provides a continuous barrier, which is a minimum six feet in height, shall be erected on, or along, the property line between properties zoned or planned for commercial, office or industrial uses and properties zoned or planned for residential uses. The height of the required continuous barrier may need to be increased subject to the form of development proposed and compliance with applicable City of Fresno noise standards (compliance with noise regulation shall be demonstrated prior to approval of a development plan for commercial, office, or industrial property).</p> <p>g. Development of commercial property, which has been designated with shopping center zoning, shall be designed with an integrated "campus-like" setting with uniformity of improvements, shared facilities and connectivity for pedestrians.</p> <p>h. No commercial, office or industrial building shall be constructed within 50 feet of the property line of abutting properties zoned or planned for residential uses unless alternative measures are approved by the Development and Resource Management Department Director in accordance with the mitigation measures included herein.</p>			
---	--	--	--

<p>i. Safe vehicular, bicycle and pedestrian access shall be provided and maintained on commercial, office or industrially zoned property adjacent to the subject property. All buildings within the proposed commercial shopping center shall be linked by pedestrian pathways in a manner which provides integrated connectivity between separate buildings.</p> <p>j. Parking areas shall not be designed in a manner which discourages pedestrian, bicycle and other forms of transit to the project site in order to so encourage multi-modal transportation.</p> <p>k. Within an area seventy-five feet wide and abutting property zoned or planned for residential use, exterior lighting for parking areas, access drives, loading areas and/or docks associated with commercial, office, or industrial buildings, shall be shielded to prevent line of sight visibility of the light source from abutting property zoned or planned for residential use.</p> <p>l. Roof mounted and detached mechanical equipment shall be screened from view and acoustically baffled to prevent the noise level rating for the equipment from exceeding 55 Ldn, measured at the nearest property line.</p>			
---	--	--	--

XVI. TRANSPORTATION/TRAFFIC --			
XV-1. Project shall comply with all of the requirements stipulated within the attached memorandum from the City Traffic Engineer dated March 21, 2014 related to the Traffic Impact Study prepared for the proposed project.	Applicant	Prior to issuance of building permits, street work permits, etc. for future residential units	City of Fresno Development & Resource Management Department; City of Fresno, Public Works Department, Traffic Engineering Division

Exhibit K
Planning Commission Resolutions

This page intentionally left blank.

**FRESNO CITY PLANNING COMMISSION
RESOLUTION NO. 13278**

The Fresno City Planning Commission at its regular meeting on April 16, 2014, adopted the following resolution relating to Plan Amendment Application No. A-11-003.

WHEREAS, Plan Amendment Application No. A-11-003 has been filed with the City of Fresno by Jeffrey T. Roberts on behalf of Granville Homes, Inc., for approximately 34.01 net acres of property located on the northeast corner of North Fowler and East Clinton Avenues; and,

WHEREAS, on April 14, 2014, the District 4 Plan Implementation Committee reviewed the plan amendment and recommended approval; and,

WHEREAS, Plan Amendment Application A-11-003 proposes to amend the 2025 Fresno General Plan and the McLane Community Plan for the subject property from the light industrial planned land use designation to the neighborhood commercial planned land use designation for 2.14 acres and to the medium density residential planned land use designation for 31.87 acres; and,

WHEREAS, on April 16, 2014, the Fresno City Planning Commission conducted a public hearing to review the proposed plan amendment, received public testimony and considered the Development and Resource Management Department's report recommending approval of the proposed plan amendment; and,

WHEREAS, at the hearing one person spoke in support of the proposed plan amendment application; and,

WHEREAS, the Planning Commission reviewed the subject plan amendment application in accordance with the land use policies of the 2025 Fresno General Plan and McLane Community Plan; and,

WHEREAS, the Fresno City Planning Commission has reviewed the environmental assessment prepared for this plan amendment, Environmental Assessment No. A-11-003/R-11-003/C-13-092/T-6033, dated March 21, 2014, and is satisfied that the appropriate measures of development will adequately reduce or alleviate any potential adverse impacts either generated from the proposal, or impacting the proposal from an off-site source, and hereby concurs with the issuance of a Mitigated Negative Declaration; and,

WHEREAS, at that same hearing the Commission also reviewed related Rezone Application No. R-11-003, Conditional Use Permit Application No. C-13-092, and Vesting Tentative Tract Map No. 6033/UGM to allow for the development of a 169-unit single family residential public street planned development with modified property development standards at an overall density of approximately 5.3 dwelling units per acre on the subject property.

NOW, THEREFORE, BE IT RESOLVED that Fresno City Planning Commission finds in accordance with its own independent judgment that there is no substantial evidence in

the record, with the project specific mitigation imposed, that Plan Amendment Application No. A-11-003 may have additional significant effects on the environment that were not identified in the 2025 Fresno General Plan Master Environmental Impact Report No. 10130 ("MEIR") or Mitigated Negative Declaration No. A-09-02 (Air Quality MND); and, that no new or additional mitigation measures or alternatives may be required. In addition, pursuant to Public Resources Code, Section 21157.6(b)(1), the Commission finds that no substantial changes have occurred with respect to the circumstances under which the MEIR was certified and that no new information, which was not known and could not have been known at the time that the MEIR or Air Quality MND were certified as complete, has become available. Accordingly, the Commission recommends Council adopt the mitigated negative declaration prepared for Environmental Assessment No. A-11-003/R-11-003/C-13-092/T-6033;

BE IT FURTHER RESOLVED that the Fresno City Planning Commission hereby recommends to the City Council that Plan Amendment Application No. A-11-003, which proposes to amend the 2025 Fresno General Plan and McLane Community Plan as depicted by the attached Exhibit "A" and described within the staff report to the Planning Commission dated April 16, 2014, be approved.

The foregoing Resolution was adopted by the Fresno City Planning Commission upon a motion by Commissioner Torossian, seconded by Commissioner Vasquez.

VOTING: Ayes - Torossian, Vasquez, Hansen-Smith, Medina, Holt
 Noes - Reed
 Not Voting - None
 Absent - None

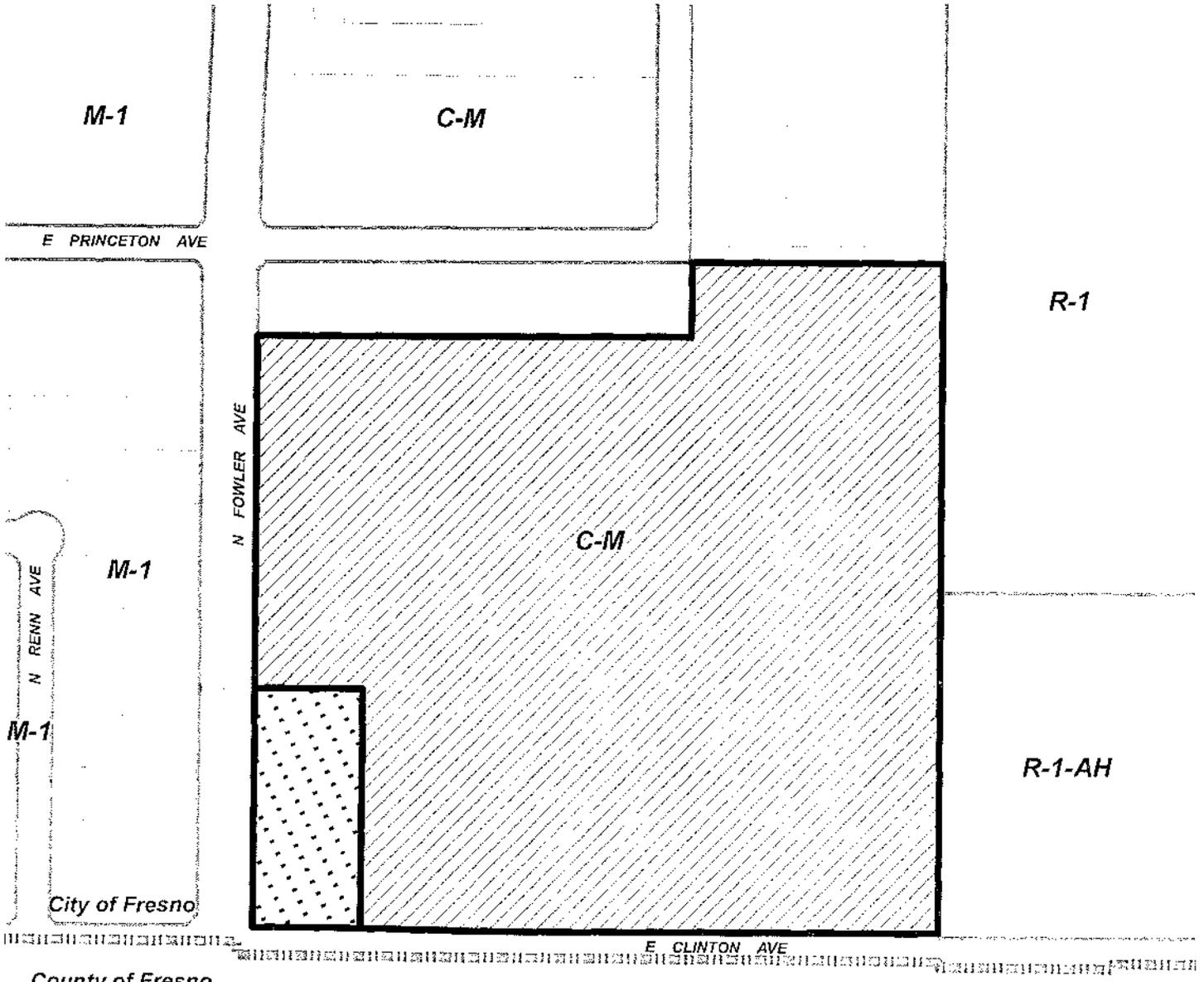
DATED: April 16, 2014



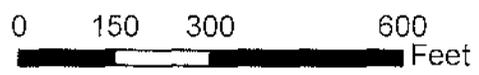
Jennifer K. Clark, Secretary
Fresno City Planning Commission

Resolution No. 13278
Plan Amendment Application No. A-11-003
Filed by Jeffrey T. Roberts, on behalf of
Granville Homes
Action: Recommend Approval

EXHIBIT A



County of Fresno



R-11-003 and A-11-003
APN: 310-041-38 (portion)
310-041-39
2196 North Fowler Avenue



C-M/UGM/cz to C-1/UGM/cz, 2.14 Acres
Light Industrial to Neighborhood Commercial



C-M/UGM/cz to R-1/UGM/cz, 31.87 Acres
Light Industrial to Medium Density Residential

This page intentionally left blank.

**FRESNO CITY PLANNING COMMISSION
RESOLUTION NO. 13279**

The Fresno City Planning Commission, at its regular meeting on April 16, 2014, adopted the following resolution relating to Rezone Application No. R-11-003.

WHEREAS, Rezone Application No. R-11-003 has been filed with the City of Fresno to rezone the property as described below:

REQUESTED ZONING: R-1/UGM/cz (*Single Family Residential District / Urban Growth Management/conditions of zoning*)

C-1/UGM/cz (*Neighborhood Shopping Center*)

EXISTING ZONING: C-M/UGM/cz (*Commercial and Light Manufacturing*)

APPLICANT: Jeffrey T. Roberts, on behalf of Granville Homes, Inc.

LOCATION: Located on the northeast corner of North Fowler and East Clinton Avenues

APN's: 310-041-38, -39

LEGAL DESCRIPTION: See attached Exhibit "A".

WHEREAS, the above-named applicant is requesting a zoning change on the above property in order to rezone the property consistent with the McLane Community Plan and the City of Fresno 2025 Fresno General Plan; and,

WHEREAS, on April 14, 2014, the District 4 Plan Implementation Committee reviewed the rezone application and recommended approval; and,

WHEREAS, the Fresno City Planning Commission on April 16, 2014, conducted a public hearing to review the proposed rezone, received public testimony and considered the Development and Resource Management Department's report recommending approval of the proposed rezone; and,

WHEREAS, at the hearing one member of the public spoke in support of the proposed rezone application; and,

WHEREAS, the Fresno City Planning Commission has reviewed the environmental assessment prepared for this rezone, Environmental Assessment No. A-11-003/R-11-003/C-13-092/T-6033, dated March 21, 2014, and is satisfied that the appropriate measures of development will adequately reduce or alleviate any potential adverse impacts either generated from the proposal, or impacting the proposal from an off-site source, and hereby concurs with the issuance of a Mitigated Negative Declaration; and,

WHEREAS, at that same hearing the Commission also reviewed related Plan Amendment Application No. A-11-003, Conditional Use Permit Application No. C-13-092, and Vesting Tentative Tract Map No. 6033/UGM to allow for the development of a 169-unit single family residential public street planned development with modified property development standards at an overall density of approximately 5.3 dwelling units per acre on the subject property.

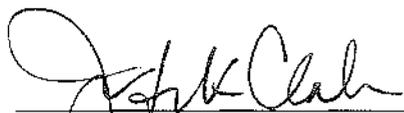
NOW, THEREFORE, BE IT RESOLVED that Fresno City Planning Commission finds in accordance with its own independent judgment that there is no substantial evidence in the record that, with the project specific mitigation imposed, that Rezone Application No. R-11-003 may have additional significant effects on the environment that were not identified in the 2025 Fresno General Plan Master Environmental Impact Report No. 10130 ("MEIR") or Mitigated Negative Declaration No. A-09-02 (Air Quality MND); and that no new or additional mitigation measures or alternatives may be required. In addition, pursuant to Public Resources Code, Section 21157.6(b)(1), the Commission finds that no substantial changes have occurred with respect to the circumstances under which the MEIR was certified and that no new information, which was not known and could not have been known at the time that the MEIR or Air Quality MND were certified as complete, has become available. Accordingly, the Commission recommends Council adopt the mitigated negative declaration prepared for Environmental Assessment No. A-11-003/R-11-003/C-13-092/T-6033.

BE IT FURTHER RESOLVED that the Fresno City Planning Commission hereby recommends to the City Council that the requested C-1/UGM/cz (*Neighborhood Shopping Center*) and R-1/UGM (*Single Family Residential*) zone district be approved.

The foregoing Resolution was adopted by the Fresno City Planning Commission, upon a motion by Commissioner Torossian, seconded by Commissioner Vasquez.

VOTING: Ayes - Torossian, Vasquez, Hansen-Smith, Medina, Holt
 Noes - Reed
 Not Voting - None
 Absent - None

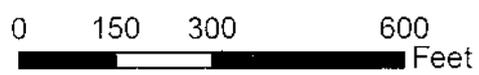
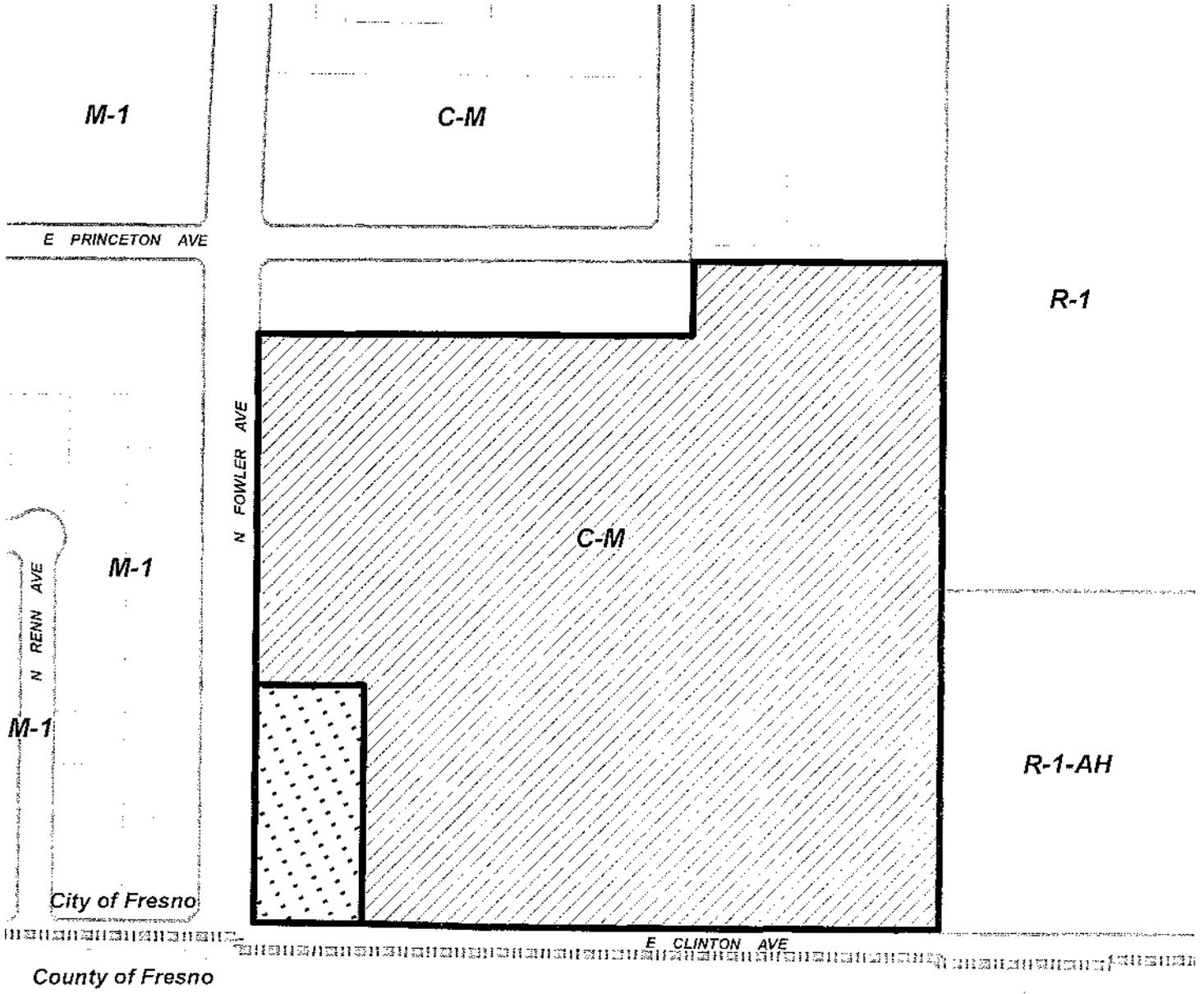
DATED: April 16, 2014



Jennifer K. Clark, Secretary
Fresno City Planning Commission

Resolution No. 13279
Rezone Application No. R-11-003
Filed by Jeffrey T. Roberts, on behalf of
Granville Homes, Inc.
Action: Recommend Approval

EXHIBIT A



R-11-003 and A-11-003
APN: 310-041-38 (portion)
310-041-39
2196 North Fowler Avenue

-  C-M/UGM/cz to C-1/UGM/cz, 2.14 Acres
Light Industrial to Neighborhood Commercial
-  C-M/UGM/cz to R-1/UGM/cz, 31.87 Acres
Light Industrial to Medium Density Residential

This page intentionally left blank.

**FRESNO CITY PLANNING COMMISSION
RESOLUTION NO. 13280**

The Fresno City Planning Commission, at its meeting on April 16, 2014, adopted the following resolution relating to Conditional Use Permit Application No. C-13-092.

WHEREAS, Conditional Use Permit Application No. C-13-092 has been filed with the City of Fresno by Jeffrey T. Roberts on behalf of Granville Homes, Inc., for approximately 34.01 net acres of property located on the northeast corner of North Fowler and East Clinton Avenues; and,

WHEREAS, Conditional Use Permit Application No. C-13-092 seeks authorization for the development of a 169-unit single family residential public street planned development with modified property development standards at an overall density of approximately 5.3 dwelling units per acre; and,

WHEREAS, on April 14, 2014, the District 4 Plan Implementation Committee unanimously recommended approval of the proposed project; and,

WHEREAS, on April 16, 2014, the Fresno City Planning Commission reviewed the subject conditional use permit application in accordance with the policies of the 2025 Fresno General Plan and McLane Community Plan; and,

WHEREAS, the Commission conducted a public hearing to review the proposed conditional use permit, received testimony from the applicant and the public, and considered the Development and Resource Management Department's report recommending approval of the proposed conditional use permit subject to special permit conditions; and,

WHEREAS, at that same hearing the Commission reviewed related Plan Amendment Application No. A-11-003, Rezone Application No. R-11-003, and Vesting Tentative Tract Map No. 6033/UGM to subdivide the property for the purposes of the proposed single family residential private street planned development; and,

WHEREAS, the Fresno City Planning Commission considered the proposed conditional use permit relative to the staff report and environmental assessment issued for the project; and,

WHEREAS, the Fresno City Planning Commission invited testimony with respect to the proposed conditional use permit.

NOW, THEREFORE, BE IT RESOLVED that the Fresno City Planning Commission hereby finds and determines that there is no substantial evidence in the record to indicate that Conditional Use Permit Application No. C-13-092 may have a significant effect on the environment with the implementation of the mitigation measures as identified by the Mitigated Negative Declaration which was prepared for Environmental Assessment No. A-11-003/R-11-003/C-13-092/T-6033 dated March 21, 2014.

BE IT FURTHER RESOLVED that the Fresno City Planning Commission hereby approves Conditional Use Permit Application No. C-13-092 authorizing the development of a single family residential private street planned development subject to the

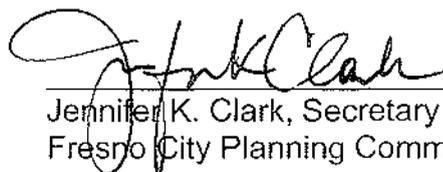
PLANNING COMMISSION RESOLUTION No. 13280
Conditional Use Permit Application No. C-13-092
April 16, 2014
Page 2

Development and Resource Management Department Conditions of Approval dated April 16, 2014 and contingent upon City Council approval and effectuation of Plan Amendment Application No. A-11-003, Rezone Application No. R-11-003 and the related Environmental Assessment No. A-11-003/R-11-003/C-13-092/T-6033 dated March 21, 2014.

The foregoing Resolution was adopted by the Fresno City Planning Commission upon a motion by Commissioner Torossian, seconded by Commissioner Vasquez.

VOTING: Ayes - Torossian Vasquez, Hansen-Smith, Medina, Holt
 Noes - Reed
 Not Voting - None
 Absent - None

DATED: April 16, 2014



Jennifer K. Clark, Secretary
Fresno City Planning Commission

Resolution No. 13280
Conditional Use Permit No. C-13-092
Filed by Jeffrey T. Roberts, on behalf of
Granville Homes, Inc.
Action: Approved

**FRESNO CITY PLANNING COMMISSION
RESOLUTION NO. 13281**

The Fresno City Planning Commission at its regular meeting on April 16, 2014, adopted the following resolution pursuant to the Subdivision Map Act of the Government Code of the State of California and the Municipal Code of the City of Fresno.

WHEREAS, Vesting Tentative Tract Map No. 6033/UGM was filed with the City of Fresno by Jeffrey T. Roberts on behalf of Granville Homes, Inc., and proposes to subdivide the subject property for the purposes of a 169-unit single family residential public street planned development with modified property development standards at an overall density of approximately 5.3 dwelling units per acre located on the northeast corner of North Fowler and East Clinton Avenues; and,

WHEREAS, on April 14, 2014, the District 4 Plan Implementation Committee reviewed the vesting tentative tract map and recommended approval; and,

WHEREAS, the Development and Resource Management Department staff recommended approval of the proposed project subject to all conditions of approval contained in the staff report dated April 16, 2014; and,

WHEREAS, the Fresno City Planning Commission conducted a public hearing on April 16, 2014 to review the proposed subdivision and considered the staff report and invited testimony with respect to the proposed subdivision; and,

WHEREAS, at the hearing one person spoke in support of the proposed vesting tentative tract map; and,

WHEREAS, at that same hearing the Planning Commission also reviewed related Plan Amendment Application No. A-11-003, Rezone Application No. R-11-003, and Conditional Use Permit Application No. C-13-092 to allow for the development of a 169-unit single family residential public street planned development with modified property development standards at an overall density of approximately 5.3 dwelling units per acre on the subject property.

NOW, THEREFORE, BE IT RESOLVED that Fresno City Planning Commission finds in accordance with its own independent judgment that there is no substantial evidence in the record that, with the project specific mitigation imposed, Vesting Tentative Tract Map No. T-6033/UGM may have additional significant effects on the environment that were not identified in the 2025 Fresno General Plan Master Environmental Impact Report No. 10130 ("MEIR") or Mitigated Negative Declaration No. A-09-02 (Air Quality MND); and, that no new or additional mitigation measures or alternatives may be required. In addition, pursuant to Public Resources Code, Section 21157.6(b)(1), the Commission finds that no substantial changes have occurred with respect to the circumstances under which the MEIR was certified and that no new information, which was not known and could not have been known at the time that the MEIR or Air Quality MND were certified as complete, has become available. Accordingly, the Commission recommends approval of the mitigated negative declaration prepared for Environmental Assessment No. A-11-003/R-11-003/C-13-092/T-6033 dated March 21, 2014.

BE IT FURTHER RESOLVED that the Fresno City Planning Commission finds that approval of the subject vesting tentative tract map is consistent with the adopted 2025 Fresno General Plan and the McLane Community Plan and the findings required pursuant to Section 66410 et. seq. of the Government Code.

BE IT FURTHER RESOLVED that the Fresno City Planning Commission hereby approves Vesting Tentative Tract Map No. 6033/UGM subject to the Development and Resource Management Department Conditions of Approval dated April 16, 2014 and contingent upon City Council approval and effectuation of Plan Amendment Application No. A-11-003, Rezone Application No. R-11-003 and the related Environmental Assessment No. A-11-003/R-11-003/C-13-092/T-6033 dated March 21, 2014.

The foregoing Resolution was adopted by the Fresno City Planning Commission upon a motion by Commissioner Torossian, seconded by Commissioner Vasquez.

VOTING: Ayes - Torossian, Vasquez, Hansen-Smith, Medina, Holt
 Noes - Reed
 Not Voting - None
 Absent - None

DATED: April 16, 2014



Jennifer K. Clark, Secretary
Fresno City Planning Commission

Resolution No. 13281
Vesting Tentative Tract Map No.
6033/UGM
Filed by Jeffrey T. Roberts on behalf of
Granville Homes, Inc.
Action: Approved

Exhibit L
City Council Resolution

This page intentionally left blank.

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO,
CALIFORNIA, AMENDING THE 2025 FRESNO GENERAL PLAN AND
THE MCLANE COMMUNITY PLAN (PLAN AMENDMENT APPLICATION
NO. A-11-003)

WHEREAS, on November 19, 2002, by Resolution No. 2002-379, the City Council adopted the 2025 Fresno General Plan which correspondingly adopted the McLane Community Plan and by Resolution No. 2002-378 certified Master Environmental Impact Report No. 10130 which evaluated the potentially significant adverse environmental impacts of urban development within the City of Fresno's designated urban boundary line and extended sphere of influence; and,

WHEREAS, Jeffrey T. Roberts, on behalf of Granville Homes, Inc., has filed an application to amend the 2025 Fresno General Plan and the McLane Community Plan for approximately 34.01 net acres of property located on the northeast corner of North Fowler and East Clinton Avenues from the light industrial planned land use designation to the neighborhood commercial planned land use designation for 2.14 acres and to the medium density residential planned land use designation for 31.87 acres; and,

WHEREAS, the environmental assessment conducted for the proposed plan amendment resulted in the filing of a Mitigated Negative Declaration on March 21, 2014; and,

WHEREAS, on April 16, 2014, the Fresno City Planning Commission held a public hearing to consider Plan Amendment Application No. A-11-003 and the associated mitigated negative declaration prepared for Environmental Assessment No. No. A-11-003/R-11-003/C-13-092/T-6033; and,

Date Adopted:

Date Approved:

Effective Date:

City Attorney Approval:



Resolution for A-11-003

Resolution No. _____

WHEREAS, the Fresno City Planning Commission took action, as evidenced in Planning Commission Resolution No. 13278, to recommend approval of Plan Amendment Application No. A-11-003, which proposes to amend the 2025 Fresno General Plan and the McLane Community Plan for approximately 34.01 net acres of property located on the northeast corner of North Fowler and East Clinton Avenues from the light industrial planned land use designation to the neighborhood commercial planned land use designation for 2.14 acres and to the medium density residential planned land use designation for 31.87 acres; and,

WHEREAS, on May 15, 2014, the Fresno City Council held a public hearing to consider Plan Amendment Application No. A-11-003 and received both oral testimony and written information presented at the hearing regarding Plan Amendment Application No. A-11-003.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Fresno, based upon the testimony and information presented at the hearing and upon review and consideration of the environmental documentation provided, as follows:

1. The Council finds in accordance with its own independent judgment that there is no substantial evidence in the record that, with the project specific mitigation imposed, Plan Amendment Application No. A-11-003 may have additional significant effects on the environment that were not identified in the 2025 Fresno General Plan Master Environmental Impact Report No. 10130 ("MEIR") or Mitigated Negative Declaration No. A-09-02, and that all applicable mitigation measures of MEIR No. 10130 and MND No. A-09-02 have been applied to the

project. In addition, pursuant to Public Resources Code, Section 21157.6(b)(1), Council finds that no substantial changes have occurred with respect to the circumstances under which the MEIR was certified and Mitigated Negative Declaration No. A-09-02/SCH No. 2009051016 was adopted; and, that no new information, which was not known and could not have been known at the time that the MEIR was certified as complete, has become available. Accordingly, the Council adopts the Mitigated Negative Declaration prepared for Environmental Assessment No. A-11-003/R-11-003/C-13-092/T-6033 dated March 21, 2014.

2. The Council finds the adoption of the proposed plan amendment as recommended by the Planning Commission is in the best interest of the City of Fresno.
3. The Council of the City of Fresno hereby adopts Plan Amendment Application No. A-11-003 amending the 2025 Fresno General Plan and McLane Community Plan planned land use designation for approximately 34.01 net acres of property located on the northeast corner of North Fowler and East Clinton Avenues from the light industrial planned land use designation to the neighborhood commercial planned land use designation for 2.14 acres and to the medium density residential planned land use designation for 31.87 acres, as depicted by Exhibit "A" attached hereto and incorporated herein by reference.

Resolution No. _____
Plan Amendment No. A-11-003
May 15, 2014
Page 4

CLERK'S CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF FRESNO) ss.
CITY OF FRESNO)

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing Resolution was adopted by the Council of the City of Fresno, California, at a regular meeting held on the 27th day of February, 2014, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Mayor Approval: _____, 2014
Mayor Approval/No Return: _____, 2014
Mayor Veto: _____, 2014
Council Override Vote: _____, 2014

YVONNE SPENCE, CMC
City Clerk

By _____

APPROVED AS TO FORM:

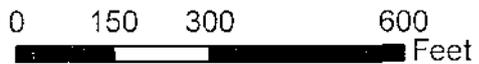
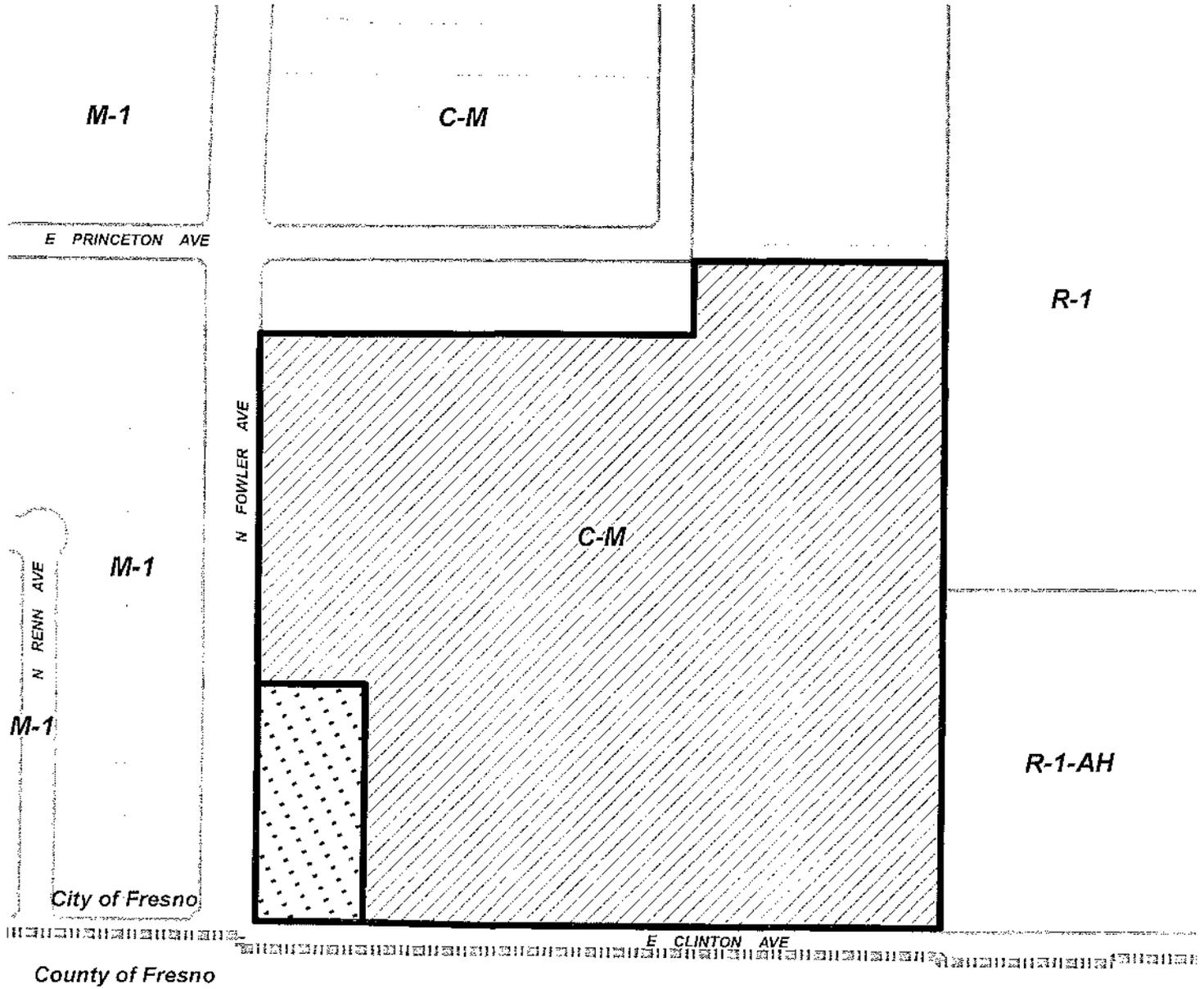
DOUGLAS T. SLOAN
City Attorney

By _____
Talía Kolluri-Barbick
Senior Deputy City Attorney #

Date: _____

Plan Amendment Application No. A-11-003
Filed by Jeffrey T. Roberts on behalf of Granville Homes, Inc.
APN(s): 310-041-38 and -39

EXHIBIT A



R-11-003 and A-11-003
APN: 310-041-38 (portion)
310-041-39
2196 North Fowler Avenue

-  C-M/UGM/cz to C-1/UGM/cz, 2.14 Acres
Light Industrial to Neighborhood Commercial
-  C-M/UGM/cz to R-1/UGM/cz, 31.87 Acres
Light Industrial to Medium Density Residential

This page intentionally left blank.

Exhibit M
Ordinance Bill

This page intentionally left blank.

BILL NO. _____

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF FRESNO, CALIFORNIA, AMENDING THE OFFICIAL ZONE MAP OF THE CITY OF FRESNO HERETOFORE ADOPTED BY ARTICLES 1 TO 4.5 INCLUSIVE, CHAPTER 12, OF THE FRESNO MUNICIPAL CODE, BEING THE ZONING ORDINANCE OF THE CITY OF FRESNO

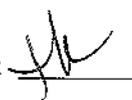
WHEREAS, Rezone Application No. R-11-003 has been filed by Jeffrey T. Roberts of Granville Homes, Inc, within the City and County of Fresno to rezone property as described herein below; and,

WHEREAS, on April 14, 2014, the District 4 Plan Implementation Committee recommended approval of the rezone application; and,

WHEREAS, pursuant to the provisions of Article 4, Chapter 12, of the Fresno Municipal Code, the Planning Commission of the City of Fresno held a public hearing on the 16th day of April, 2014, to consider Rezone Application No. R-11-003 and related Environmental Assessment No. A-11-003/R-11-003/C-13-092/T-6033, during which the Commission considered the environmental assessment and recommended approval to the Council of the City of Fresno, as evidenced in Planning Commission Resolution No. 13279, of the rezone application to amend the Official Zone Map for approximately 34.01 net acres of property located on the northeast corner of North Fowler and East Clinton Avenues from the C-M/UGM/cz (*Commercial and Light Manufacturing/Urban Growth Management/with conditions of zoning*) zone district to the C-1/UGM/cz (*Neighborhood Shopping Center/Urban Growth Management/conditions of zoning*) zone district for 2.14 acres and to the R-1/UGM/cz (*Single Family Residential/Urban Growth Management/conditions of zoning*) zone district for 31.87 acres; and,

WHEREAS, the Council of the City of Fresno, on the 15th day of May, 2014, received

Date Adopted:
Date Approved:
Effective Date:
City Attorney Approval:



the recommendation of the Planning Commission.

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

SECTION 1. Based upon the testimony and information presented at the hearing and upon review and consideration of the environmental documentation provided, the adoption of the proposed rezoning is in the best interest of the City of Fresno. The Council finds in accordance with its own independent judgment that with the project specific mitigation imposed, there is no substantial evidence in the record that Rezone Application No. R-13-011 may have additional significant effects on the environment that were not identified in the 2025 Fresno General Plan Master Environmental Impact Report No. 10130 ("MEIR") and Mitigated Negative Declaration No. A-09-02/SCH No. 2009051016; and, that all applicable mitigation measures of MEIR No. 10130 and MND No. A-09-02 have been applied to the project, together with project specific mitigation measures necessary to assure that the project will not cause significant adverse cumulative impacts, growth inducing impacts and irreversible significant effects beyond those identified by MEIR No. 10130 or MND No. A-09-02 as provided by CEQA Section 15178(a). In addition, pursuant to Public Resources Code, Section 21157.6(b)(1), Council finds that no substantial changes have occurred with respect to the circumstances under which the MEIR was certified and Mitigated Negative Declaration No. A-09-02/SCH No. 2009051016 was adopted; and, that no new information, which was not known and could not have been known at the time that the MEIR was certified as complete, and Mitigated Negative Declaration No. A-09-02/SCH No. 2009051016 was adopted, has become available. Accordingly, the Council adopts the Mitigated Negative Declaration prepared for Environmental Assessment No. A-11-003/R-11-003/C-13-092/T-6033 dated March 21, 2014.

SECTION 2. The Council finds the requested C-1/UGM/cz (*Neighborhood Shopping Center/Urban Growth Management/conditions of zoning*) and the R-1/UGM/cz (*Single Family Residential/ Urban Growth Management/conditions of zoning*) zone districts are consistent with the proposed Neighborhood Commercial and Medium Density Residential planned land use designations of the 2025 Fresno General Plan and the Bullard Community Plan as specified in Section 12-403-B of the Fresno Municipal Code, respectively.

SECTION 3. The Council finds that the zone districts of the real property described hereinbelow, located in the City of Fresno and shown on the Official Zone Map of the City of Fresno, are reclassified from the C-M/UGM/cz (*Commercial and Light Manufacturing/Urban Growth Management/with conditions of zoning*) zone district to the C-1/UGM/cz (*Neighborhood Shopping Center/Urban Growth Management/conditions of zoning*) zone district for 2.14 acres and to the R-1/UGM/cz (*Single Family Residential/Urban Growth Management/conditions of zoning*) zone district for 31.87 acres, as depicted in the attached Exhibit "A," subject to the conditions below:

1. The applicant shall participate with the City Planning and Development and Economic Development Departments in the preparation and submittal of applications for a 40-acre plan amendment and rezoning (to either the C-M or M-1 zone district) to accommodate a future industrial user. The applicant shall pay all (100%) of the costs of the application submittal. Said costs shall include City processing fees, engineering fees incurred in application submittal, graphics, and other incidental costs. The City of Fresno Planning and Development and Economic Development Departments shall be responsible for selecting the property that will be the subject of the applications. The application shall be submitted and paid in full prior to the issuance of the first building permit for the northerly 20 acres of the residential portion of the project proposed by Plan Amendment A-06-02 and Rezone Application No. R-06-028.
2. Prior to the issuance of the first building permit on the northerly 20 acres proposed for medium low density residential uses by Plan Amendment A-06-02 and Rezone Application No. R-06-028, all infrastructure for the northern 40 acres planned light industrial and proposed for C-M zoning shall be installed.

3. Prior to issuance of certificate of occupancy for the last home on the northerly 20 acres proposed for medium low density residential uses by Plan Amendment A-06-02 and Rezone Application No. R-06-028, the infrastructure for the southerly 40 acres planned for light industrial and proposed for C-M zoning shall be installed.
4. The applicant shall submit a site plan review application for the light industrial development that is designed for uses that create a minimum of 15 jobs per acre
5. Prior to the recordation of the first final map, the applicant shall actively participate in the development of a "Vacant Industrial Land Inventory" document that will be distributed by the Economic Development Department of the City of Fresno. This document will provide the updated basis for those involved with Economic Development to attract new and growing businesses to the City of Fresno.
6. The applicant shall, in coordination with the City of Fresno, support and promote the addition of light industrial land within the Southeast Growth Area, as appropriate, and shall, upon the request of the Economic Development Department of the City of Fresno, participate with the EDC and/or the City of Fresno at out of town conferences, seminars, trade shows (for a two-year period) in an effort to attract industrial users to the City of Fresno.

SECTION 4. This ordinance shall become effective and in full force and effect at 12:01

a.m. on the thirty-first day after its passage.

///

///

///

///

///

///

///

///

///

///

///

///

///

///

CLERK'S CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF FRESNO)
CITY OF FRESNO)

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing Ordinance was adopted by the Council of the City of Fresno, California, at a regular meeting held on the 15th day of May, 2014, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Mayor Approval: _____, 2014

Mayor Approval/No Return: _____, 2014

Mayor Veto: _____, 2014

Council Override Vote: _____, 2014

YVONNE SPENCE, CMC
City Clerk

By _____

APPROVED AS TO FORM:

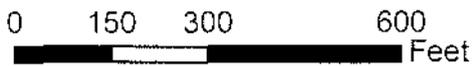
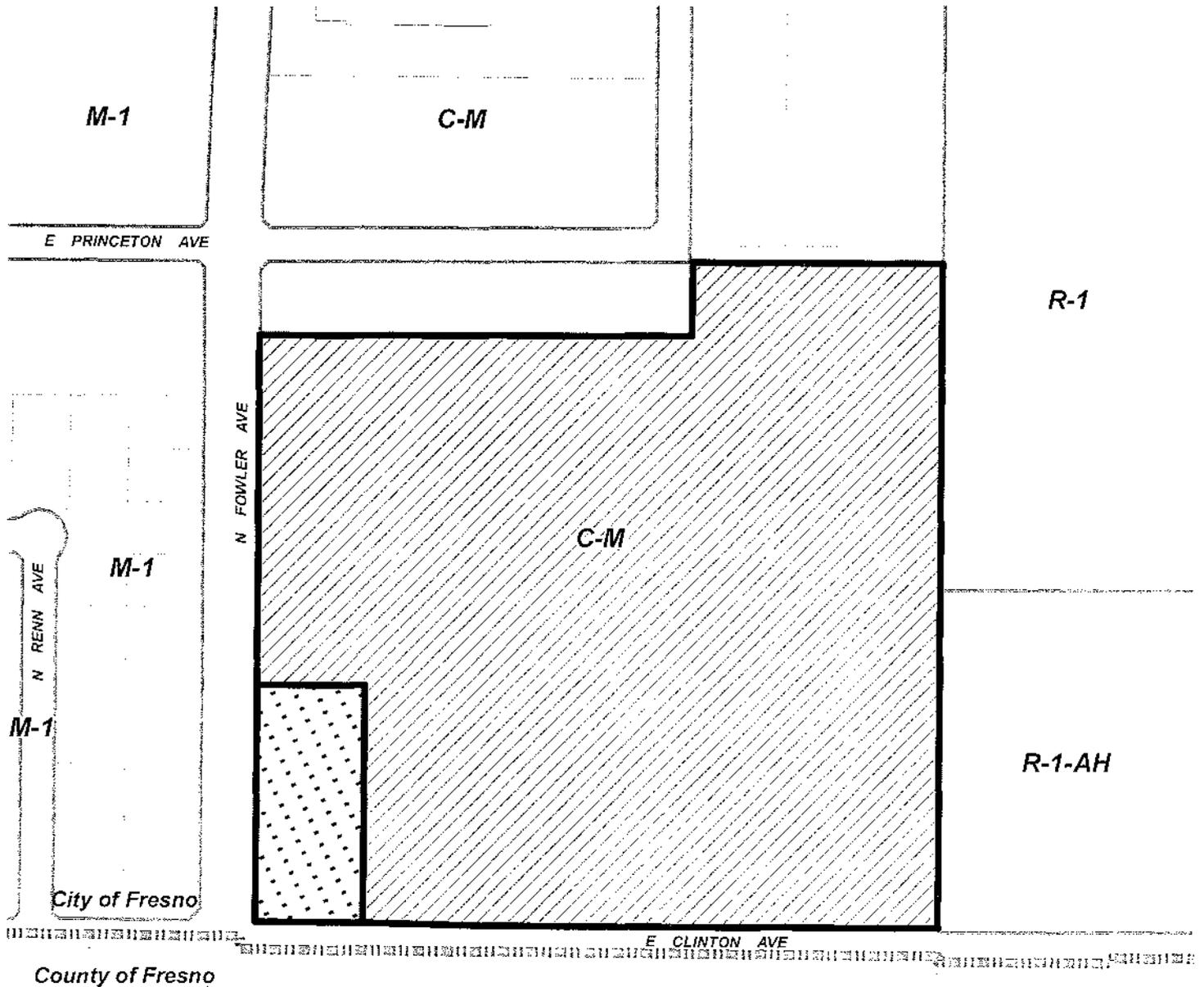
DOUGLAS T. SLOAN
City Attorney

By _____
Talía Kolluri-Barbick
Deputy City Attorney II

Attachment:

- Exhibit A

EXHIBIT A



R-11-003 and A-11-003
APN: 310-041-38 (portion)
310-041-39
2196 North Fowler Avenue

-  C-M/UGM/cz to C-1/UGM/cz, 2.14 Acres
Light Industrial to Neighborhood Commercial
-  C-M/UGM/cz to R-1/UGM/cz, 31.87 Acres
Light Industrial to Medium Density Residential

This page intentionally left blank.