



CITY COUNCIL MEETING

COUNCIL CHAMBERS, 33 SOUTH MAIN STREET, COLFAX, CA



MAYOR WILL STOCKWIN • MAYOR PRO TEM MARNIE MENDOZA
COUNCILMEMBERS • STEVE HARVEY • KIM DOUGLASS

REGULAR MEETING AGENDA

January 24, 2018

Regular Session 7:00 PM

1. CALL TO ORDER

- 1A. **Call Open Session to Order**
- 1B. **Pledge of Allegiance**
- 1C. **Roll Call**
- 1D. **Approval of Agenda Order**

This is the time for changes to the agenda to be considered including removal, postponement, or change to the agenda sequence.

RECOMMENDED ACTION: By motion, accept the agenda as presented or amended.

2. PRESENTATION

- 2A. **City of Colfax Audit Reports as of June 30, 2017**
Ingrid Shepline (Richardson and Co.), Auditor
Recommendation: Receive Audit Reports as of June 30, 2017 – Discuss and approve as appropriate.
- 2B. **Colfax High School Green Machine Introduction**
Andrea Harrison, President

3. CONSENT CALENDAR

Matters on the Consent Agenda are routine in nature and will be approved by one blanket motion with a Council vote. No discussion of these items ensues unless specific items are pulled for discussion and separate action. If you wish to have an item pulled from the Consent Agenda for discussion, please notify the Mayor.

RECOMMENDED ACTION: Approve Consent Calendar

- 3A. **Minutes – Regular meeting January 10, 2018**
Recommendation: Approve the Minutes of the Regular Meeting of January 10, 2018.
- 3B. **Cash Summary Report – December 2017**
Recommendation: Receive and file
- 3C. **Quarterly Investment Report – Ending December 31, 2017**
Recommendation: Receive and file.
- 3D. **Sales and Use Tax**
Recommendation: For information only
- 3E. **Every 15 Minutes Donation**
Recommendation: Authorize donating \$500 to the organizers of the Every 15 Minutes Program at Colfax High School in lieu of the budgeted donation to the 2017 Railroad Days Event.
- 3F. **South Auburn Street Hotel Development Proposal CEQA Document Preparation – Contract for Professional Services**
Recommendation: Authorize the City Manager to execute an agreement with The RCH Group for the Whitcomb Avenue CEQA Document in an amount not to exceed \$33,469.



Colfax City Council Meetings are ADA compliant. If you need special assistance to participate in this meeting, please contact the City Clerk at (530) 346-2313 at least 72 hours prior to make arrangements for ensuring your accessibility.

4. PUBLIC COMMENT

Members of the audience are permitted to address the Council on matters of concern to the public within the subject matter jurisdiction of the City Council that are not listed on this agenda. Please make your comments as brief as possible; not to exceed three (3) minutes in length. The Council cannot act on items not included on this agenda; however, if action is required it will be referred to staff.

5. COUNCIL, STAFF AND OTHER REPORTS

The purpose of these reports is to provide information to the Council and public on projects, programs, and issues discussed at committee meetings and other items of Colfax related information. No decisions will be made on these issues. If a member of the Council prefers formal action be taken on any committee reports or other information, the issue will be placed on a future Council meeting agenda.

5A. **Committee Reports and Colfax Informational Items - All Councilmembers**

5B. **City Operations Update – City staff**

5C. **Additional Reports – Agency partners**

6. COUNCIL BUSINESS

6A. **Agreement for Commercial Cannabis Consulting and Management Services**

Staff Presentation: Wes Heathcock, City Manager

Recommendation: Adopt Resolution 06-2018 authorizing the City Manager to enter into a consultant services agreement with HdL Companies to provide subject matter expertise and technical support, develop a Commercial Cannabis Regulatory Ordinance, establish cost recovery fees, create a cannabis tax measure and conduct compliance & financial audits for the City of Colfax for a three year term with an option to renew for an additional two-years.

7. GOOD OF THE ORDER - INFORMAL COUNCIL STATEMENTS REGARDING THE BUSINESS OF THE CITY

Informal observation reports and inquiries regarding the business of the City may be presented by Council members under this agenda item or requests for placement of items of interest on a future agenda. No action will be taken.

8. ADJOURNMENT

I, Lorraine Cassidy, City Clerk for the City of Colfax declare that this agenda was posted at Colfax City Hall and the Colfax Post Office. The agenda is also available on the City website at www.Colfax-ca.gov.


Lorraine Cassidy, City Clerk

Administrative Remedies must be exhausted prior to action being initiated in a court of law. If you challenge City Council action in court, you may be limited to raising only those issues you or someone else raised at a public hearing described in this notice/ agenda, or in written correspondence delivered to the City Clerk of the City of Colfax at, or prior to, said public hearing.



CITY OF COLFAX

AUDIT PRESENTATION AGENDA

January 24, 2018

Presentation by Richardson & Company, LLP of the Audit, including the following communications required by Generally Accepted Auditing Standards:

Reports issued

- Audited Financial Statements with auditors opinion
- Internal Control and Compliance Report
- Governance (required communications) letter
- Management letter with recommendations
- Appropriations limit testing report

Independent Auditor's Report

- Unmodified (clean) opinion

Financial Statements highlights

- General Fund revenues exceeded expenses by \$169,000, used to increase the operating reserve
- Positive unrestricted/unassigned fund balance in General Fund of \$613,000, in addition to the \$545,000 operating reserve
- General Fund revenues exceeded budget by \$185,000—higher sales taxes
- Unrestricted Sewer Fund reserve increased by \$304,000 to \$1,354,000, including the operating reserve of \$325,000

Report on Internal Control and Compliance

- No internal control weaknesses
- City complied with laws, regulations material to the financials

Governance (required communications) letter

- Significant adjusted audit differences – accrual of 2016/17 RSTP funds
- No difficulties in performing the audit and no unusual accounting practices

Management letter

- No material weaknesses in internal control
- Good controls in place
- All prior year comments were addressed
- Other items noted
 - Expense reimbursement procedures

CITY OF COLFAX, CALIFORNIA

Audited Financial Statements and Supplemental Information

June 30, 2017

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CITY OF COLFAX, CALIFORNIA

Audited Financial Statements and Supplemental Information

June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the City Council
Colfax, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Colfax, California as of and for the year ended June 30, 2017, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of Colfax, California

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Richardson & Company, LLP

January 17, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Colfax (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage the readers to consider the information presented here in conjunction with the accompanying basic financial statements and the additional information provided.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of Fiscal Year 2016-2017 by \$19,589,969 (*Net Position*) which represents an increase of 4.1% or \$766,878. These assets are allocated as follows:
 - Net Investment in capital assets - \$15,362,810. Total capital additions for the fiscal year were \$407,471.
 - Restricted net position - \$1,641,233. This amount is for both governmental and business type activities and is restricted for capital projects, debt service and legally segregated taxes, grants and fees.
 - Unrestricted net position for combined governmental and business type activities - \$2,585,926. This is an increase of \$554,385 over the previous year. These funds may be used to meet ongoing obligations of the City. City established reserves for operations, capital improvements, and unfunded pension liability are included in unrestricted net position.
- Total revenue from all sources was \$4,476,095 of which \$437,787 was from capital grants and contributions. Total operating expenditures from all sources were \$3,709,217.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Government-Wide Statement of Net Position on page 12 and the Government-Wide Statement of Activities on page 13 provide information about the activities as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements explain how programs and services were financed in the short term (the most recently completed fiscal year), as well as the amounts remaining available for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Fund financial statements also provide financial information about activities for which the City acts solely as a trustee or agent (fiduciary) for the benefit of individuals and entities external to this governmental unit.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 12. One of the most important questions asked about the City's finances is, "*Is the City as a whole better off or worse off as a result of the year's activities?*" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector business entities. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and related changes. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. To reach a conclusion on this issue, you may need to consider other matters of a non-financial nature, such as:

- the condition of the City's infrastructure (streets and roadways, storm drainage improvements, sewer system, city hall), or
- the economic vitality of the core business districts, or
- the adequacy of emergency response times of police and fire personnel, in order to properly assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two (2) kinds of activities:

1. Governmental activities: most of the City's basic services are reported here, including the operations of the sheriff, fire, building inspection, public works and general administration. Taxes (primarily property and sales), licenses, permits, state and federal grants, and franchise payments finance most of these activities.
2. Business-type activities: the City charges fees to customers to cover most of the cost of certain services and programs it provides. The City's wastewater treatment operations are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 14. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law (Gas Tax and Law Enforcement Grants funds). However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two (2) kinds

of funds – *governmental* and *proprietary* (business activities/enterprise funds) – use different accounting approaches:

- **Governmental funds**: Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds, and the balances left at year-end that may be available for future spending. These funds are reported using an accounting method described as *modified accrual* accounting. This accounting method (basis) measures the availability of cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed *short-term view* of the City’s general government operations, and the basic services it provides to residents and visitors of the City. Governmental fund information helps you to determine what financial resources are available to be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and the governmental *funds*, in a reconciliation (see pages 15 and 17).
- **Proprietary funds**: When the City charges customers for the full cost for the services it provides, those services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The City’s enterprise funds (Sewer Operations) are the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Colfax, assets exceeded liabilities by \$19,589,969 at the close of the current fiscal year.

By far the largest portion of the City’s net position reflects its investment in capital assets (e.g., land, street, sewer and storm drain systems, buildings and park assets, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these 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 debts, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City’s combined net position for the years ending June 30, 2017 and 2016 are summarized (Table 1), as follows:

Table 1
City of Colfax, Net Position
(in Thousands)

	Governmental Activities		Business Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 3,082	\$ 2,708	\$ 1,573	\$ 1,381	\$ 4,655	\$ 4,090
Non-current and Capital assets	5,536	5,346	19,361	19,927	24,897	25,273
Total Assets	8,618	8,054	20,934	21,308	29,552	29,362
Deferred Outflows of Resources						
Pension Contributions made subsequent to measurement date	84	17	80	16	164	33
Liabilities:						
Long-term liabilities	754	939	8,364	8,740	9,118	9,679
Other liabilities	447	270	527	537	974	807
Total Liabilities	1,201	1,209	8,891	9,277	10,092	10,486
Deferred Inflows of Resources						
Unamortized gains on pension investment	17	44	17	42	34	86
Net Position:						
Net Investment in capital assets	5,183	4,800	10,180	10,420	15,363	15,220
Restricted	1,069	1,036	572	535	1,641	1,571
Unrestricted	1,232	981	1,354	1,050	2,586	2,032
Total Net Position	<u>\$ 7,484</u>	<u>\$ 6,818</u>	<u>\$ 12,106</u>	<u>\$ 12,005</u>	<u>\$ 19,590</u>	<u>\$ 18,823</u>

The amount reported for net position of Governmental activities does not include the value of the City's infrastructure (roadways, bridges and storm drainage improvements) constructed prior to July 1, 2003.

Governmental Activities

Total revenues for Governmental Activities decreased 7% in fiscal year 2016-2017 as compared to the previous year. The majority of the decrease was capital grants associated with the Road Rehabilitation and Railroad Crossing Improvements projects which started in fiscal year 2012-2013 and were completed during fiscal year 2015-2016. The City's governmental activities net position increased by \$665,866 for the fiscal year. Sources of revenue and expenditures are noted in Table 2 below.

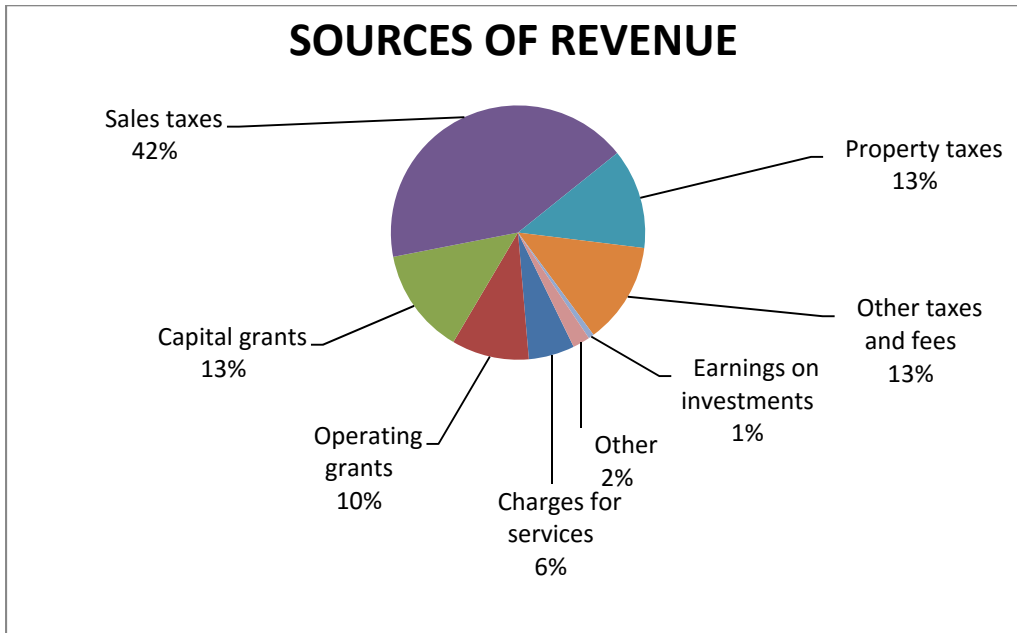
Business-Type Activities

Business-type activities increased the City of Colfax's net position by \$101,012 for the fiscal year. Detailed revenues and expenditures are reported in Table 2 below.

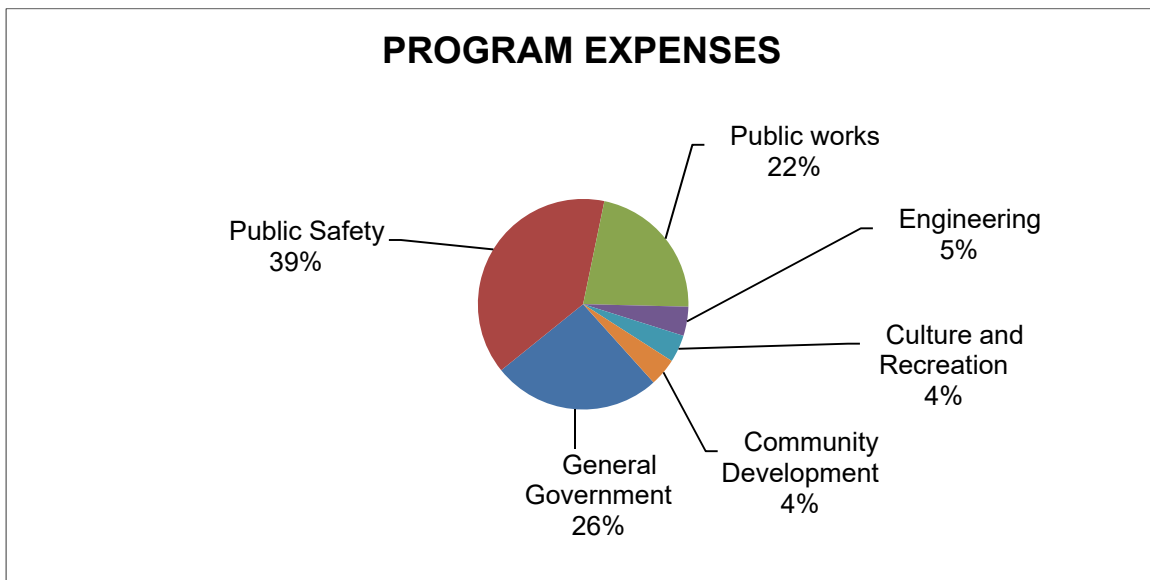
Table 2
City of Colfax, Change in Net Position
(in Thousands)

	Governmental Activities		Business Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 153	\$ 304	\$ 1,848	\$ 1,800	\$ 2,001	\$ 2,104
Operating grants and contributions	171	150	-	-	171	150
Capital grants and contributions	438	583	-	-	438	583
General revenues:						
Sales taxes	1,103	1,104	-	-	1,103	1,104
Property taxes	332	315	-	1	332	316
Other taxes and fees	337	273	-	-	337	273
Earnings on investments	19	15	18	13	37	28
Other	57	62	-	-	57	62
Total revenues	2,610	2,806	1,866	1,814	4,476	4,620
Expenses:						
General government	503	481	-	-	503	481
Public Safety	759	779	-	-	759	779
Public works	430	355	-	-	430	355
Engineering	87	8	-	-	87	8
Culture and recreation	82	67	-	-	82	67
Community development	83	69	-	-	83	69
Sewer	-	-	1,765	1,842	1,765	1,842
Garbage	-	-	-	-	-	-
Total expenses	1,944	1,759	1,765	1,842	3,709	3,601
Change in net position	666	1,047	101	(27)	767	1,020
Net position, July 1	6,818	5,771	12,005	12,032	18,823	17,803
Net position, June 30	<u>\$ 7,484</u>	<u>\$ 6,818</u>	<u>\$ 12,106</u>	<u>\$ 12,005</u>	<u>\$ 19,590</u>	<u>\$ 18,823</u>

Fiscal Year 2016-2017
Governmental Activities – Sources of Revenue
(Graphic representation of Table 2 in percentages)



Fiscal Year 2016-2017
Governmental Activities – Program Expenses
(Graphic representation of Table 2 in percentages)



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital assets include police, fire and public works equipment, vehicles, buildings, roads, wastewater treatment facilities and sewer lines. At June 30, 2017, net capital assets of the governmental activities totaled \$5,427,475 and the net capital assets of the business-type activities totaled \$18,810,071. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See table 3 and Note D to the financial statements.)

Table 3
City of Colfax, Capital Assets
(in Thousands)

	Governmental Activities		Business Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,309	\$ 1,289	\$ 135	\$ 135	\$ 1,444	\$ 1,424
Construction in progress	284	36	-	-	284	36
Building and Improvements	5,049	5,073	24,343	24,343	29,392	29,415
Vehicles	507	420	16	3	523	423
Furniture and Fixtures	19	7	-	-	19	7
Machinery and equipment	385	382	659	637	1,044	1,019
Accumulated depreciation	(2,126)	(1,978)	(6,343)	(5,704)	(8,469)	(7,682)
Total Assets	\$ 5,427	\$ 5,228	\$ 18,810	\$ 19,413	\$ 24,237	\$ 24,641

Major capital asset improvements and additions/deletions during the current fiscal year included the following:

- Two new vehicles for Public Works and Carryall Vehicle for Waste Water Treatment Plant (WWTP).
- Completion of North Main Bike Route Improvements project.
- Purchase of sewer camera and new pump at WWTP.
- New phone equipment at City Hall

Long-Term Debt

At the end of fiscal year 2016-2017, the City of Colfax had total long-term debts outstanding of \$9,514,079, as compared to a total of \$10,071,527 last year (See Table 4 and Note E to the financial statements).

Table 4
City of Colfax, Outstanding Debt
(in Thousands)

	Governmental Activities		Business Activities		Total	
	2017	2016	2017	2016	2017	2016
Note Payable	\$ 244	\$ 427	\$ -	\$ -	\$ 244	\$ 427
Compensated absences	18	12	25	13	43	25
Landfill Closure	465	482	-	-	465	482
General obligation bond	-	-	-	14	-	14
State Loans	-	-	8,630	8,980	8,630	8,980
Legal Settlements	-	-	62	97	62	97
Pension Liability	36	24	34	23	70	46
Total Long-term Debt	\$ 763	\$ 945	\$ 8,751	\$ 9,126	\$ 9,514	\$ 10,072

The City's long-term debt includes: compensated absences due employees for accrued vacation and sick leave pay, Post Closure expenses related to the City's closed landfill site, notes payable for the construction of the sewer plant and improvements projects, notes payable for the purchase of property, legal settlements, and the pension liability. The City issued general obligation bonds to finance the sewer facility issued back in 1978 were paid off in 2017.

Major activity in outstanding debt for the fiscal year ended was:

- Annual payment on the State loan associated with Pond 3 liner, I&I mitigation and SCADA project which started in fiscal year 2011-2012. This project completed in early fiscal year 2013-2014.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In considering the City Budget for fiscal year 2017-2018, the City Council and management were cautiously optimistic as to the growth of revenues and expenditures.

Operating revenues and expenses are projected to remain fairly level with fiscal year 2016-2017. The budget is balanced, with expenditure amounts in the General Fund and Enterprise Fund within projected revenues and available funds, while providing for contributions toward prudent fund balance reserves and capital asset additions. The City

has continued to provide existing services at the reduced staff levels achieved over the past several years – and anticipates adding one new position in fiscal year 2017-2018.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City’s finances, and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, City of Colfax, 33 S. Main Street, Colfax, California 95713.

BASIC FINANCIAL STATEMENTS

CITY OF COLFAX

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,449,470	\$ 1,419,855	\$ 3,869,325
Accounts receivable, net of allowance for doubtful accounts	44,012	142,835	186,847
Due from other government agencies	528,183	5,646	533,829
Interest receivable	5,093	4,093	9,186
Prepaid expenses	55,444	996	56,440
Total current assets	<u>3,082,202</u>	<u>1,573,425</u>	<u>4,655,627</u>
Noncurrent assets:			
Restricted cash		531,539	531,539
Notes receivable	108,477	18,900	127,377
Capital assets, net of accumulated depreciation			
Non-depreciable	1,593,488	135,455	1,728,943
Depreciable	3,833,987	18,674,616	22,508,603
	<u>5,535,952</u>	<u>19,360,510</u>	<u>24,896,462</u>
Total assets	<u>8,618,154</u>	<u>20,933,935</u>	<u>29,552,089</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	<u>84,099</u>	<u>80,157</u>	<u>164,256</u>
LIABILITIES			
Current liabilities:			
Accounts payable	412,897	73,711	486,608
Accrued expenses	8,343	66,334	74,677
Unearned revenue	17,171		17,171
Current portion of long-term liabilities	8,747	387,441	396,188
Total current liabilities	<u>447,158</u>	<u>527,486</u>	<u>974,644</u>
Long-term liabilities:			
Notes and settlement payable	244,344	8,317,057	8,561,401
Postclosure landfill costs	465,177		465,177
Compensated absences	8,747	12,509	21,256
Net pension liability	35,869	34,188	70,057
Total long-term liabilities	<u>754,137</u>	<u>8,363,754</u>	<u>9,117,891</u>
Total liabilities	<u>1,201,295</u>	<u>8,891,240</u>	<u>10,092,535</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	<u>17,327</u>	<u>16,514</u>	<u>33,841</u>
NET POSITION			
Net investment in capital assets	5,183,131	10,179,679	15,362,810
Restricted net position	1,068,614	572,619	1,641,233
Unrestricted net position	1,231,886	1,354,040	2,585,926
Total net position	<u>\$ 7,483,631</u>	<u>\$ 12,106,338</u>	<u>\$ 19,589,969</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLFAX

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	Program Revenues				Governmental Activities	Business-type Activities	Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions			
Governmental Activities							
General government	\$ 502,487	\$ 109,413			\$ (393,074)		\$ (393,074)
Public safety	759,381	38,938	\$ 153,240		(567,203)		(567,203)
Public works	430,352		4,901	\$ 432,787	7,336		7,336
Community development	82,544		12,676	5,000	(64,868)		(64,868)
Engineering services	87,380				(87,380)		(87,380)
Culture and recreation	82,202	4,990			(77,212)		(77,212)
Total governmental activities	<u>1,944,346</u>	<u>153,341</u>	<u>170,817</u>	<u>437,787</u>	<u>(1,182,401)</u>		<u>(1,182,401)</u>
Business-type activities:							
Sewer	1,677,286	1,848,096				\$ 170,810	170,810
Interest on long-term debt	87,585					(87,585)	(87,585)
Total business-type activities	<u>1,764,871</u>	<u>1,848,096</u>				<u>83,225</u>	<u>83,225</u>
Total government	<u>\$ 3,709,217</u>	<u>\$ 2,001,437</u>	<u>\$ 170,817</u>	<u>\$ 437,787</u>	<u>(1,182,401)</u>	<u>83,225</u>	<u>(1,099,176)</u>
General revenues							
Taxes:							
					1,103,560		1,103,560
					331,796	85	331,881
					15,861		15,861
					143,901		143,901
					45,239		45,239
					132,008		132,008
					18,696	17,702	36,398
					55,295		55,295
					1,911		1,911
Total general revenues					<u>1,848,267</u>	<u>17,787</u>	<u>1,866,054</u>
Changes in net position					665,866	101,012	766,878
Net position, beginning of year					<u>6,817,765</u>	<u>12,005,326</u>	<u>18,823,091</u>
Net position, end of year					<u>\$ 7,483,631</u>	<u>\$ 12,106,338</u>	<u>\$ 19,589,969</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLFAX

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017

	Major Funds			Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 1,895,876	\$ 25,841	\$ 527,753	\$ 2,449,470
Accounts receivable, net of allowance for doubtful accounts	44,012			44,012
Due from other governmental agencies	229,427	298,756		528,183
Interest receivable	4,080	(4)	1,017	5,093
Notes receivable	70,227		38,250	108,477
Prepaid expenses			55,444	55,444
TOTAL ASSETS	\$ 2,243,622	\$ 324,593	\$ 622,464	\$ 3,190,679
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 170,245	\$ 233,281	\$ 9,371	\$ 412,897
Accrued expenses	6,183		2,160	8,343
Unearned revenue	17,171			17,171
Due to other funds				
Total liabilities	193,599	233,281	11,531	438,411
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue		217,347		217,347
TOTAL DEFERRED INFLOWS OF RESOURCES		217,347		217,347
Fund balances:				
Nonspendable	70,227		93,694	163,921
Committed	545,000			545,000
Restricted	821,643	9,903	517,239	1,348,785
Unassigned	613,153	(135,938)		477,215
TOTAL FUND BALANCES	2,050,023	(126,035)	610,933	2,534,921
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 2,243,622	\$ 324,593	\$ 622,464	\$ 3,190,679

The accompanying notes are an integral part of these financial statements.

CITY OF COLFAX

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2017

Total Governmental Fund Balances	\$ 2,534,921
Amounts reported for governmental activities in the statement of net position are different because:	
Pension contributions subsequent to the valuation measurement date and other items will reduce the pension liability in the future and are reported as deferred outflows of resources on the statement of net position.	84,099
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	5,427,475
Certain receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds	217,347
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	
Compensated absences	(17,494)
Postclosure landfill liability	(465,177)
Notes payable	(244,344)
Net pension liability	(35,869)
Employee pension differences to be recognized in the futures as pension expense are reported as deferred inflows of resources on the statement of net position.	<u>(17,327)</u>
Net Position of Governmental Activities	<u><u>\$ 7,483,631</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLFAX

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2017

	Major Funds			
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 1,531,044		\$ 45,239	\$ 1,576,283
Licenses, fees and permits	57,896		654	58,550
Intergovernmental revenues	156,824	\$ 108,879	274,871	540,574
Charges for services	147,858			147,858
Fines, forfeitures and penalties	2,499			2,499
Use of money and property	68,940	55	4,996	73,991
Other revenue	3,933	29,036		32,969
Total revenues	<u>1,968,994</u>	<u>137,970</u>	<u>325,760</u>	<u>2,432,724</u>
EXPENDITURES:				
General government	509,121		27,768	536,889
Public safety	626,340		130,506	756,846
Public works	182,332		234,757	417,089
Community development			14,284	14,284
Engineering services	83,912			83,912
Cultural and recreation	80,758			80,758
Debt Service:				
Principal	183,100			183,100
Capital outlay	99,540	249,875	2,564	351,979
Total expenditures	<u>1,765,103</u>	<u>249,875</u>	<u>409,879</u>	<u>2,424,857</u>
Excess (deficiency) of revenues over (under) expenditures	<u>203,891</u>	<u>(111,905)</u>	<u>(84,119)</u>	<u>7,867</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	39,269	33,570	72,452	145,291
Transfers out	(74,295)	(24,204)	(46,792)	(145,291)
Total other financing sources (uses)	<u>(35,026)</u>	<u>9,366</u>	<u>25,660</u>	
Excess (deficiency) of revenues and other sources over expenditures and other uses	168,865	(102,539)	(58,459)	7,867
Fund balance - beginning of year	<u>1,881,158</u>	<u>9,903</u>	<u>669,392</u>	<u>2,560,453</u>
Fund balance - end of year	<u>\$ 2,050,023</u>	<u>\$ (92,636)</u>	<u>\$ 610,933</u>	<u>\$ 2,568,320</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLFAX

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ 7,867
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.</p>	
Capital outlay	351,979
Depreciation expense	(147,951)
Contributed capital assets	19,637
Write off construction in process	(24,036)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-wide Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These are the amount by which repayments exceed proceeds.</p>	
Gard Family Living Trust note payments	183,100
Postclosure landfill costs	16,990
<p>Some receivables are deferred in the governmental funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the statement of activities.</p>	
Deferred revenue recognized	181,887
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not expenditures in the governmental funds.</p>	
Change in compensated absences	(5,414)
Change in deferred outflow/inflow of resources and net pension obligation	81,807
	81,807
Change in Net Position of Governmental Activities	\$ 665,866

The accompanying notes are an integral part of these financial statements.

CITY OF COLFAX

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis) (See Note A)	Final Budget Positive/ (Negative)
Revenues:				
Taxes	\$ 1,354,300	\$ 1,423,000	\$ 1,531,044	\$ 108,044
Licenses, fees and permits	59,500	59,500	57,896	(1,604)
Intergovernmental	134,100	134,100	156,824	22,724
Charges for services	105,250	105,250	147,858	42,608
Fines and forfeitures	2,500	2,500	2,499	(1)
Use of money and property	59,300	59,300	68,940	9,640
Other revenue	500	500	3,933	3,433
Total revenues	<u>1,715,450</u>	<u>1,784,150</u>	<u>1,968,994</u>	<u>184,844</u>
Expenditures:				
Current:				
General government and administration	517,358	517,358	509,121	8,237
Public safety	655,700	655,700	626,340	29,360
Public works	183,018	183,018	182,332	686
Engineering services	26,250	26,250	83,912	(57,662)
Culture and recreation	77,334	77,334	80,758	(3,424)
Debt Service:				
Principal	150,000	150,000	183,100	(33,100)
Capital outlay	110,000	118,000	99,540	18,460
Total expenditures	<u>1,719,660</u>	<u>1,727,660</u>	<u>1,765,103</u>	<u>(37,443)</u>
Excess (deficiency) of revenues over expenditures	(4,210)	56,490	203,891	147,401
Other financing sources (uses):				
Transfers in	6,000	4,838	39,269	34,431
Transfers out	(60,640)	(137,907)	(74,295)	63,612
Total other financing uses	<u>(54,640)</u>	<u>(133,069)</u>	<u>(35,026)</u>	<u>98,043</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(58,850)	(76,579)	168,865	245,444
Fund balances - beginning of year	<u>1,881,158</u>	<u>1,881,158</u>	<u>1,881,158</u>	
Fund balances - end of year	<u>\$ 1,822,308</u>	<u>\$ 1,804,579</u>	<u>\$ 2,050,023</u>	<u>\$ 245,444</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLFAX

STATEMENT OF NET POSITION
PROPRIETARY FUND - SEWER FUND

June 30, 2017

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 1,419,855
Accounts receivable, net of allowance for doubtful accounts of \$20,000	142,835
Due from other governmental agencies	5,646
Interest receivable	4,093
Prepaid expenses	996
Total current assets	<u>1,573,425</u>

Noncurrent Assets:

Restricted cash	531,539
Notes receivable	18,900
Capital assets:	
Nondepreciable	135,455
Depreciable	18,674,616
Total capital assets, net of accumulated depreciation	<u>18,810,071</u>

Total assets	<u>20,933,935</u>
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DEFERRED OUTFLOWS OF RESOURCES:

Pension contributions subsequent to measurement date	<u>80,157</u>
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LIABILITIES:

Current Liabilities:

Accounts payable	73,711
Accrued expenses	66,334
Current portion of long-term liabilities	387,441
Total current liabilities	<u>527,486</u>

Long-term Liabilities:

Notes payable, long-term portion	8,317,057
Compensated absences	12,509
Net pension liability	34,188
Total long-term liabilities	<u>8,363,754</u>
Total liabilities	<u>8,891,240</u>

DEFERRED INFLOWS OF RESOURCES:

Unamortized gains on pension investments	<u>16,514</u>
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NET POSITION:

Invested in capital assets, net of related debt	10,179,679
Restricted	572,619
Unrestricted	1,354,040
Total net position	<u>\$ 12,106,338</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLFAX

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND - SEWER FUND

For the Year Ended June 30, 2017

Operating revenues:	
Service charges	\$ 1,808,250
Permits	12,370
Miscellaneous	27,476
Total operating revenues	<u>1,848,096</u>
Operating expenses:	
Personnel services	428,972
Operation and maintenance	609,160
Depreciation	639,154
Total operating expenses	<u>1,677,286</u>
Income from operations	<u>170,810</u>
Non-operating revenues (expenses):	
Interest income	17,702
Tax assessment	85
Interest expense	(87,585)
Total nonoperating revenues	<u>(69,798)</u>
Change in net position	101,012
Net position, beginning of year	<u>12,005,326</u>
Net position, end of year	<u>\$ 12,106,338</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLFAX

STATEMENT OF CASH FLOWS
PROPRIETARY FUND - SEWER FUND

For the Year Ended June 30, 2017

Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,866,207
Cash paid to suppliers	(617,965)
Cash paid to employees and related benefits	(494,551)
Cash provided by operating activities	<u>753,691</u>
Cash Flows from Noncapital Financing Activities:	
Tax assessments received	<u>(2,048)</u>
Cash provided by noncapital financing activities	<u>(2,048)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital expenditures	(35,855)
Debt principal paid	(363,178)
Settlements paid	(35,460)
Interest paid	(89,913)
Cash used for capital and related financing activities	<u>(524,406)</u>
Cash Flows from Investing Activities:	
Interest received	15,655
Payments received on issued notes	686
Cash used for investing activities	<u>16,341</u>
Increase in cash and cash equivalents	243,578
Cash and cash equivalents, beginning of year	<u>1,707,816</u>
Cash and cash equivalents, end of year	<u>\$ 1,951,394</u>
Reconciliation of cash and cash equivalents to the statement of net position:	
Cash and investments	\$ 1,419,855
Restricted cash and investments	<u>531,539</u>
Cash and cash equivalents	<u>\$ 1,951,394</u>
Reconciliation of operating income from operations to cash provided by operating activities:	
Operating income	\$ 170,810
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	639,154
(Increase) decrease in assets:	
Accounts receivable	18,111
(Decrease) increase in liabilities:	
Accounts payable	(8,673)
Accrued expenses	310
Accrued compensated absences	12,083
Pension obligation and related deferred inflows (outflows)	<u>(77,972)</u>
Cash provided by operating activities	<u>\$ 753,691</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Colfax was incorporated in 1910, under the laws and regulations of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety, highways and streets, sewer, culture-recreation, public improvements, planning and zoning, and general administrative services. The voters of the City of Colfax, California, give authority and responsibility for operations to the City Council. The City Council has the authority to employ administrative and support personnel to carry out its directives. The primary method used to monitor the performance of the City's management is the financial budget, which is adopted annually by the City Council.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City applies all GASB pronouncements. In addition the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity: The City operates as a self-governing local government unit within the state of California. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. Voters elect a city council that passes laws and determines broad policies. The council also oversees the operations of the City and approves all budgets, fund transfers and fund balance reserves. The City's main funding sources include property taxes, sales taxes, other inter-governmental revenue from state and federal sources, user fees, and federal and state financial assistance.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services and 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.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounts of the City are organized on the basis of funds. A fund is a separate 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, if any, even though the last is 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.

Measurement Focus, Basis of Accounting and Basis of Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements and fiduciary fund statements, with the exception of agency funds, which have no measurement focus. 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 are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period, with the exception of property taxes. Property taxes are considered to be available if they are collected within 60 days of the current fiscal period. Amounts received after the availability period are reported as unavailable revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Major revenues that are determined to be susceptible to accrual include property taxes and assessments, sales taxes, franchise taxes, charges for services, intergovernmental revenues, and earnings on investments. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues (government mandated nonexchange transactions) are recognized when the City has satisfied all applicable eligibility requirements and if the amounts are measurable. If the grant funds are received before the revenue recognition criteria are satisfied, the unearned amounts are reported as unearned revenue.

The City reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

The City reports the following major enterprise fund:

Sewer Fund – The Sewer Fund is used to account for the operations of the City's sewer services.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the City reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (not including private purpose trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUNDS

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

Cash and Cash Equivalents: The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including the City's investment in California Local Agency Investment Fund (LAIF). Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost.

Receivables and Payables: Sales, use, and utility user taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 90 days of year end. Property taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year-end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net position. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and collectible. Unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds.

Transactions between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Eliminations have not been made between or within the fund types.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

An allowance for doubtful accounts of \$20,000 has been provided for the Sewer Fund for accounts that are deemed uncollectible.

Property Taxes: The County of Placer (the County) is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due, provided they are collected within 60 days after year end. Secured property taxes are levied on or before January 1 of each year. They become a lien on real property on January 1. These taxes are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, costs and interest when paid. These taxes are secured by liens on the property being taxed.

The term “unsecured” refers to taxes on personal property other than land and buildings. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after fiscal year-end. The County apportions secured property tax revenue in accordance with the alternate methods of distribution, the “Teeter Plan,” as prescribed by Section 4717 of the California Revenue and Taxation code. Therefore, the City receives 100% of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

These taxes are accrued as intergovernmental receivables only if they are received from the County within 60 days after year end for the governmental funds and are accrued when earned for government-wide presentation regardless of the timing of the related cash flows.

Capital Assets: Capital assets for governmental fund types of the City are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at their estimated fair market value on the date donated.

Public domain (infrastructure) capital assets consisting of certain improvements other than buildings, but including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have been capitalized prospectively beginning July 1, 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not included in the current year’s additions to governmental or business-type capital assets. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 to 50 years
Sewer facility improvements and design costs	20 to 40 years
Safety equipment	5 to 10 years
Vehicles and heavy equipment	5 to 15 years
Furniture and other equipment	5 to 7 years

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

It is the policy of the City to capitalize all land, building, improvements, equipment, and eventually infrastructure assets, except assets costing less than \$5,000. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Costs of assets sold or retired and the resulting gain or loss is included in the operating statement of the related proprietary fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale. The proceeds reported in the governmental fund are eliminated and the gain or loss on sale is reported in the government-wide presentation.

Compensated Absences: It is the City's policy to permit employees to accumulate earned but unused vacation. Vacation credits must be used during the next succeeding year. Vacation is accrued when incurred in the government-wide presentation and in the proprietary funds and reported as a fund liability. Amounts that are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations or retirements that are currently payable, are reported as expenditures and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources represent a reconciling item between the fund and government-wide presentation. No expenditure is reported in the governmental fund financial statements for these amounts.

Unused vacation is paid to employees upon termination after one year of service. The maximum accrual for all employees for vacation is one times the employees' annual vacation leave credits. There is no limit as to the accrual of sick leave. Sick leave is not payable upon termination, but may be converted to service credits under the City's defined benefit pension plan.

Long-term Obligations: Long-term debt of governmental funds are reported at face value in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, proceeds from borrowing are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

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

Fund Equity: In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned balances.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonspendable Funds – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which comprise prepaid items and long-term receivables.

Restricted Funds – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed Funds – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. These amounts cannot be used for any other purpose unless the City Council modifies, or removes the fund balance commitment.

Assigned Funds – Fund balance should be reported as assigned when the amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Funds – Unassigned fund balance is the residual classification of the City's funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes.

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the City not restricted for any project or other purpose.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted, committed, assigned and unassigned resources as they are needed. The City's committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Use of Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information: The City Council annually adopts the budget resolution for all operating funds of the City. Budgetary control is legally maintained at the fund level. Department heads submit budget requests to the City Administrator. The Administrator prepares an estimate of revenues and prepares recommendations for the next year’s budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30.

All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budgets during the year. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year. Amounts shown in the financial statements represent the original budgeted amounts and all supplemental appropriations. The supplemental appropriations were immaterial. The budgetary data is prepared on the modified accrual basis consistent with the related “actual” amounts. The City does not use encumbrance accounting.

Excess Expenditures Over Appropriations: The following funds had excess expenditures over appropriations:

Fund	Appropriations	Total Expenditures and Transfers Out	Excess Expenditures
Nonmajor Governmental Funds:			
Community Projects Fund	\$ 5,286	\$ 5,300	\$ 14
Supplemental Law Enforcement Fund	100,000	129,324	29,324
CDBG Fund	6,000	9,289	3,289
Oil Grant Fund	2,925	9,284	6,359

Total law enforcement expenditures were not increased but because more State funding was received, more of the expenses were paid from the Supplemental Law Enforcement Fund.

Deficit Fund Equity: The City’s Capital Projects Fund had a fund deficit at June 30, 2017, because a portion of the receivables were not collected within the City’s availability period. This deficit will be eliminated when this receivable is collected.

New Pronouncements: In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. The requirements of this Statement are effective for periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

The City is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. Cash represents cash on hand, demand deposits in the bank and amounts invested in the State of California Local Agency Investment Fund (LAIF). Cash and investments at June 30, 2017 are classified in the accompanying financial statements as follows:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 2,449,470	\$ 1,419,855	\$ 3,869,325
Restricted cash		531,539	531,539
	<u>\$ 2,449,470</u>	<u>\$ 1,951,394</u>	<u>\$ 4,400,864</u>

As of June 30, 2017, the City's cash and investments consisted of the following:

Cash on hand	\$ 300
Deposits in financial institutions	229,997
Investments	
California Local Agency Investment Fund	<u>4,170,567</u>
Total cash and investments	<u>\$ 4,400,864</u>

Investment policy: California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. 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) that address interest rate risk, credit risk, and concentration of credit risk.

	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
Local agency bonds	None	None	10%
Mortgage-back securities	None	20%	None
Bankers acceptances	180 days	40%	30%
High grade commercial paper	270 days	40%	10%
Negotiable certificates of deposit	None	None	None
LAIF	N/A	None	None
Medium term corporate notes	5 years	30%	5%
Repurchase Agreements	365 days	20%	None
Money market fund	None	None	None

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE B – CASH AND INVESTMENTS (Continued)

The City complied with the provisions of California Government Code pertaining to the types of investments held, institutions in which deposits were made and security requirements. The City will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment in LAIF has an average maturity of 194 days.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's only investment is in LAIF, which is not rated.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Governmental 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 at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2017, the carrying amount of the City's deposits was \$229,997 and the balance in financial institutions was \$312,217. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$62,217 was covered by the pledging financial institution with assets held in a common pool for the City and other governmental agencies.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$77,539,216,146 managed by the State Treasurer. Of that amount, 2.89% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. 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.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE C – INTERFUND TRANSACTIONS

Transfers during the year ended June 30, 2017 were as follows:

Transfers out	Transfers In			Total
	General	Capital Projects	Nonmajor Governmental Transportation and Road	
Major Governmental Funds:				
General		\$ 33,570	\$ 40,725	\$ 74,295
Capital projects	\$ 24,204			24,204
Nonmajor Governmental Funds:				
Community projects	300			300
CDBG	9,289			9,289
Gas Tax			31,727	31,727
Mitigation	5,476			5,476
	<u>\$ 39,269</u>	<u>\$ 33,570</u>	<u>\$ 72,452</u>	<u>\$ 145,291</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

NOTE D – CAPITAL ASSETS

Governmental capital assets activity for the year ended June 30, 2017 was as follows:

	Balance at June 30, 2016	Additions	Retirements	Transfers	Balance at June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 1,289,129	\$ 19,637			\$ 1,308,766
Construction in progress	35,847	253,931		\$ (5,056)	284,722
Total capital assets, not being depreciated	<u>1,324,976</u>	<u>273,568</u>	<u>-</u>	<u>(5,056)</u>	<u>1,593,488</u>
Capital assets, being depreciated:					
Buildings and improvements	5,072,742		\$ (24,036)		5,048,706
Vehicles	419,525	88,006			507,531
Machinery and equipment	382,298	2,564			384,862
Furniture and fixtures	6,764	7,478		5,056	19,298
Total capital assets, being depreciated	<u>5,881,329</u>	<u>98,048</u>	<u>(24,036)</u>	<u>5,056</u>	<u>5,960,397</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,179,117)	(135,688)			(1,314,805)
Vehicles	(410,280)	(11,112)			(421,392)
Machinery and equipment	(382,298)	(256)			(382,554)
Furniture and fixtures	(6,764)	(895)			(7,659)
Total accumulated depreciation	<u>(1,978,459)</u>	<u>(147,951)</u>	<u>-</u>	<u>-</u>	<u>(2,126,410)</u>
Capital assets being depreciated, net	<u>3,902,870</u>	<u>(49,903)</u>	<u>(24,036)</u>	<u>5,056</u>	<u>3,833,987</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 5,227,846</u>	<u>\$ 223,665</u>	<u>\$ (24,036)</u>	<u>\$ -</u>	<u>\$ 5,427,475</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE D – CAPITAL ASSETS

Depreciation expense for governmental capital assets was charged to functions as follows:

General governmental	14,837
Public safety	2,535
Public works	51,549
Culture and recreation	10,770
Community development	68,260
	<u>68,260</u>
Total governmental activities depreciation expense	<u>\$ 147,951</u>

Business-type capital assets activities for the year ended June 30, 2017 was as follows:

	Balance at June 30, 2016	Additions	Retirements	Transfers	Balance at June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 134,700				\$ 134,700
Construction in progress		\$ 755			755
Total capital assets, not being depreciated	<u>134,700</u>	<u>755</u>			<u>135,455</u>
Capital assets, being depreciated:					
Buildings and improvements	24,342,595				24,342,595
Vehicles	3,400	12,558			15,958
Machinery and equipment	636,516	22,542			659,058
Total capital assets, being depreciated	<u>24,982,511</u>	<u>35,100</u>			<u>25,017,611</u>
Less accumulated depreciation for:					
Buildings and improvements	(5,277,160)	(590,670)			(5,867,830)
Vehicles	(3,400)	(1,256)			(4,656)
Machinery and equipment	(423,281)	(47,228)			(470,509)
Total accumulated depreciation	<u>(5,703,841)</u>	<u>(639,154)</u>			<u>(6,342,995)</u>
Capital assets being depreciated, net	<u>19,278,670</u>	<u>(604,054)</u>			<u>18,674,616</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 19,413,370</u>	<u>\$ (603,299)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,810,071</u>

Depreciation expense for business-type capital assets was charged to functions as follows:

Sewer	<u>\$ 639,154</u>
Total business-type activities depreciation expense	<u>\$ 639,154</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE E – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Payments	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
Note payable	\$ 427,444		\$ (183,100)	\$ 244,344	
Postclosure landfill costs	482,167		(16,990)	465,177	
Compensated absences	12,080	\$ 5,414		17,494	\$ 8,747
Pension liability	23,692	12,177		35,869	
Governmental activities long-term liabilities	<u>\$ 945,383</u>	<u>\$ 17,591</u>	<u>\$ (200,090)</u>	<u>\$ 762,884</u>	<u>\$ 8,747</u>
Business-Type Activities:					
General obligation bonds	\$ 14,000		\$ (14,000)	\$ -	
State loan - restructured	8,979,569		(349,178)	8,630,391	\$ 352,669
Legal settlement 2009	97,059		(35,460)	61,599	22,264
Total bonds, loans, settlements payable	9,090,628		(398,638)	8,691,990	374,933
Compensated absences	12,934	\$ 12,083		25,017	12,508
Pension liability	22,582	11,606		34,188	
Business-type activities long-term liabilities	<u>\$ 9,126,144</u>	<u>\$ 23,689</u>	<u>\$ (398,638)</u>	<u>\$ 8,751,195</u>	<u>\$ 387,441</u>

Long-term debt of the City's governmental activities consists of the following as of June 30, 2017:

On February 10, 2016, the City entered into an agreement with the Gard Family Living Trust to purchase two land parcels from Winner Chevrolet. The agreement provides that the City lease the property to the seller for one dollar per year for a term of 50 years, and that the seller upgrade the existing property. The City and seller believe that the upgrades to the property will provide additional sales tax for the City. The City will pay 50% of the increase in sales tax over the base year sales amount in semi-annual payments over a period of 10 years with two 5-year extensions, or until paid in full, whichever is earlier.

\$ 244,344

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE E – LONG-TERM LIABILITIES (Continued)

Postclosure landfill cost: State and Federal laws and regulations require the City to perform certain maintenance and monitoring functions on its landfill for 30 years after closure. The City has recorded a liability for landfill closure in the General Fund in accordance with GASB 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Costs*. The City hired a private consultant to perform an analysis to determine estimated total cost of the landfill closure, postclosure care costs, total capacity and remaining life. The City's landfill closure liability, based on landfill capacity used to date, is recorded based on the information provided by the consultant's analysis. The consultant's analysis is an estimate only and is subject to change due to inflation or deflation, technology, or applicable laws and regulations. The City is currently estimating that 100% of the landfill is used and there is no remaining life. As of June 30, 2017, the remaining closure and postclosure maintenance costs to be recognized over the next 23 years is \$465,177.

Long-term debt of the City's business-type activities consists of the following as of June 30, 2017:

On September 19, 2011, the City entered into a loan agreement with the State for \$12,825,600 at an interest rate of 1%. The City received proceeds of \$7,761,000, which includes the \$36,000 to refund the City's 1978 USDA Sewer Revenue Bond and \$7,725,000 to restructure the original loan. The State forgave \$3,319,000 of the loan principal during 2013. Additionally, the City received loan disbursements of \$982,088 during the fiscal years 2013 and 2014, respectively. Annual principal and interest payments of \$438,974 are due on October 1. The note matures in 2038. The loan is secured by a lien on and pledge of net revenues of the Sewer Fund.

\$ 8,630,391

During 2009, the City settled a legal claim for \$450,000 related to the operations of its wastewater treatment plant. The City's insurance provider, SCORE, paid the entire \$450,000; however, the City is responsible for reimbursing \$226,601 to SCORE.

61,599

\$ 8,691,990

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE E – LONG-TERM LIABILITIES (Continued)

Principal payments on debt are due as follows:

June 30	State Loan - Restructured	Legal Settlement 2009	Total
2018	\$ 352,669	\$ 22,264	\$ 374,933
2019	356,197	27,830	384,027
2020	359,759	11,505	371,264
2021	363,356		363,356
2022	366,990		366,990
2023-2027	1,890,736		1,890,736
2028-2032	1,987,183		1,987,183
2033-2037	2,088,549		2,088,549
2038-2040	864,952		864,952
Totals	<u>\$8,630,391</u>	<u>\$ 61,599</u>	<u>\$ 8,691,990</u>

Interest payments on debt are due as follows:

June 30	State Loan - Restructured
2018	\$ 86,304
2019	82,777
2020	79,215
2021	75,618
2022	71,984
2023-2027	304,133
2028-2032	207,686
2033-2037	106,320
2038-2040	12,996
Totals	<u>\$1,027,033</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE F – NET POSITION/FUND BALANCE

The following are the purposes for which net positions are restricted:

	Governmental Activities	Business-Type Activities
Landfill	\$ 356,466	
Economic development	244,585	
Mitigation projects	196,711	
Fire Department	148,125	
Recycling	21,512	
Street projects	91,312	
Debt service reserve		\$ 438,974
Replacement of short-lived assets		92,565
Capital improvements	9,903	41,080
	<u>\$ 1,068,614</u>	<u>\$ 572,619</u>

The following are the components of the Governmental Funds fund balances:

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:				
Nonspendable:				
Long-term receivables	\$ 70,227		\$ 38,250	\$ 108,477
Prepaid expenses			55,444	55,444
Total Nonspendable	<u>70,227</u>		<u>93,694</u>	<u>163,921</u>
Committed for:				
Operating Reserve	545,000			545,000
Total committed	<u>545,000</u>	-	-	<u>545,000</u>
Restricted for:				
Landfill closure	821,643			821,643
Economic redevelopment			206,335	206,335
Recycling			21,512	21,512
Fire Department			92,681	92,681
Capital projects		\$ 9,903		9,903
Mitigation projects			196,711	196,711
Total Restricted	<u>821,643</u>	<u>9,903</u>	<u>517,239</u>	<u>1,348,785</u>
Unassigned	613,153	(135,938)		477,215
Total Unassigned	<u>613,153</u>	<u>(135,938)</u>		<u>477,215</u>
Total fund balances	<u>\$ 2,050,023</u>	<u>\$ (126,035)</u>	<u>\$ 610,933</u>	<u>\$ 2,534,921</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE G – PENSION PLANS

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the City's cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). The City has the following cost-sharing rate plans:

- Miscellaneous Plan
- PEPRA Miscellaneous Plan

Benefit provisions under the Plan are established by State statute and Council resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

Hire date	Miscellaneous Plan (Prior to January 1, 2013)	Miscellaneous Plan (On or after January 1, 2013)
Benefit formula (at full retirement)	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates - union	7.000%	6.500%
Required employee contribution rates - non-union	7.000%	6.500%
Required employer contribution rates	7.612%	6.555%

In addition to the contribution rates above, the City was also required to make payments of \$1,729 toward its unfunded actuarial liability during the year ended June 30, 2017. The Miscellaneous Plan is closed to new members that are not already CalPERS eligible participants.

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE G – PENSION PLANS (Continued)

For the year ended June 30, 2017, the employer contribution made to the Plan was \$48,319 for the year ended June 30, 2017.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:
As of June 30, 2017, the City reported a net pension liability for its proportionate share of the net pension liability of \$70,057.

The City's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2016 was as follows:

	<u>Miscellaneous Plan</u>
Proportion - June 30, 2016	0.00169%
Proportion - June 30, 2017	0.00202%
Change - Increase (Decrease)	0.00033%

For the year ended June 30, 2017, the City recognized a negative pension expense of \$111,458. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the Plan combined from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 48,319	
Change in assumptions		\$ 11,294
Net differences between projected and actual earnings on plan investments	58,784	
Difference between actual and allocated contributions	14,702	
Difference between expected and actual experience	1,194	274
Adjustment due to differences in proportions	41,257	22,273
Total	<u>\$ 164,256</u>	<u>\$ 33,841</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE G – PENSION PLANS (Continued)

The \$48,319 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	
2018	\$ 9,363
2019	16,585
2020	40,920
2021	<u>15,228</u>
	<u>\$ 82,096</u>

Actuarial Assumptions: The total pension liabilities in the actuarial valuations for the Plan was determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Mortality	Derived using CalPERS Membership Data for all Funds

(1) Depending on entry age and service

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE G – PENSION PLANS (Continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65 percent investment return assumption used in this accounting valuation is gross of administrative expenses. Administrative expenses are assumed to be 15 basis points.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class for the Plan. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55)%	(1.05)%
Total	100.0%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE G – PENSION PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the City's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		6.65%
Net Pension Liability	\$	127,431
Current Discount Rate		7.65%
Net Pension Liability	\$	70,057
1% Increase		8.65%
Net Pension Liability	\$	22,639

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

Payable to the Pension Plan: At June 30, 2017, the City had payables for the outstanding amount of contributions to the pension plan of \$985.

NOTE H – INSURANCE

The City is a member of the Small Cities Organized Risk Effort (SCORE) with other northern California cities. SCORE is a joint powers authority organized in accordance with Article 1, Chapter 5, Division 7, Title I of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers' compensation benefits for their employees and to provide liability insurance. SCORE provides claims processing administrative services, risk management services and actuarial studies. A member from each city governs SCORE. The City of Colfax council members do not have significant oversight responsibility, since they evenly share all factors of responsibility with the other cities. The City does not retain the risk of loss. However, ultimate liability for payment of claims and insurance premiums resides with member cities. SCORE is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If SCORE becomes insolvent, the City is responsible only to the extent of any deficiency in its equity balance. SCORE establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not reported. Because actual claims costs depend on various factors, the claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE H – INSURANCE (Continued)

The City's insurance coverage and the respective coverage providers are as follows:

<u>Amount</u>	<u>Coverage provider</u>	<u>Payment Source</u>
<i>LIABILITY CLAIMS:</i>		
- \$ 25,000	Self-insured	Banking layer
\$ 25,001 - \$ 500,000	Small Cities Organized Risk Effort	Shared risk pool
\$ 500,001 - \$ 39,500,000	California Joint Powers Risk Management Authority	Shared risk pool
<i>WORKERS' COMPENSATION:</i>		
- \$ 50,000	Self-insured	Banking layer
\$ 50,001 - \$ 250,000	Small Cities Organized Risk Effort	Shared risk pool
\$ 250,001 - \$ 4,750,000	Local Agency Workers' Compensation Excess Joint Powers Authority	Shared risk pool
\$ 4,750,001 - Statutory Limit	California State Association of Counties Excess Workers' Compensation	Shared risk pool

The City also carries commercial insurance for additional liability and property insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior fiscal year. Also, settlements have not exceeded the insurance coverage for the past three fiscal years. The audited financial statements of SCORE are available at SCORE's office.

NOTE I – COMMITMENTS AND CONTINGENCIES

The City participates in various federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. The audits by the grantors for the year ended June 30, 2017, have not yet been conducted. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is party to various claims, legal actions and complaints that arise in the normal operation of business. Management and the City's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the City.

In May 2015, the City entered into an agreement with the County of Placer for fire protection services through the County's contract with the California Department of Forestry and Fire Protection (Cal Fire) from July 1, 2015 through June 30, 2018. The services provided by Cal Fire include training for the City's volunteer firefighters, contracted Cal Fire/Placer County Fire Battalion Chief, and fire protection planning services. For services provided, the City is required to pay the County of Placer \$30,340 per year or \$91,440 over the course of the three year contract.

NOTE J – JOINT VENTURE

The City participates in a Joint Exercise of Powers Agreement with the County of Placer establishing the Sierra Valley Energy Authority (the Authority). The Authority was established to provide assistance to the City and the County with the development, financing and implementation of public and private sector energy and resource development and conservation programs. The City has not had a financial activity related to the Authority during the year ended June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLFAX

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2017

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - MISCELLANEOUS PLAN (UNAUDITED)
Last 10 Years**

	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.00202%	0.00169%	0.00231%
Proportionate share of the net pension liability	\$ 70,057	\$ 46,274	\$ 57,010
Covered - employee payroll - measurement period	\$ 456,524	\$ 367,481	\$ 353,250
Proportionate share of the net pension liability as a percentage of covered payroll	15.35%	12.59%	16.14%
Plan fiduciary net position as a percentage of the total pension liability	83.56%	78.40%	79.82%

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: The discount rate was changed from 7.50% in 2015 to 7.65% in 2016.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN (UNAUDITED)
Last 10 Years**

	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 48,319	\$ 33,408	\$ 30,589
Contributions in relation to the actuarially determined contributions	(48,319)	(33,408)	(30,589)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered - employee payroll - fiscal year	\$ 595,177	\$ 456,524	\$ 367,481
Contributions as a percentage of covered - employee payroll	8.12%	7.32%	8.32%

Valuation date:

June 30, 2014 June 30, 2013 June 30, 2012

Methods and assumptions used to determine contribution rates:

Amortization method	Entry age normal
Remaining amortization period	Level percentage of payroll, closed
Asset valuation method	15 years
Inflation	5-year smoothed market
Salary increases	2.75%
Investment rate of return	3.0%, average, including inflation of 2.75%
Retirement age	7.50%, net of pension plan investment expense, including inflation
	50 to 63 years

Omitted years: The year ended June 30, 2015 was the first year of implementation GASB Statement No. 68, therefore only three years are shown.

COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS

CITY OF COLFAX

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2017

	Special Revenue				
	Community Projects	Supplemental Law Enforcement	CDBG	Transportation & Road Fund	Gas Tax
ASSETS:					
Cash and cash equivalents		\$ 6,025	\$ 205,874	\$ 4,275	\$ 1,354
Interest receivable			461	(196)	63
Notes receivable			38,250		
Prepaid expenses					
Total assets	<u>\$ -</u>	<u>\$ 6,025</u>	<u>\$ 244,585</u>	<u>\$ 4,079</u>	<u>\$ 1,417</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable		\$ 6,025		\$ 1,919	\$ 1,417
Accrued expenses				2,160	
Total liabilities		<u>6,025</u>		<u>4,079</u>	<u>1,417</u>
Fund balance:					
Nonspendable			\$ 38,250		
Restricted			206,335		
Total fund balance			<u>244,585</u>		
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 6,025</u>	<u>\$ 244,585</u>	<u>\$ 4,079</u>	<u>\$ 1,417</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue				Total
Mitigation Funds	Beverage Recycling	Oil Grant	Fire Capital	Nonmajor Governmental Funds
\$ 196,282	\$ 17,908	\$ 3,553	\$ 92,482	\$ 527,753
429	53	8	199	1,017
			55,444	38,250
				55,444
<u>\$ 196,711</u>	<u>\$ 17,961</u>	<u>\$ 3,561</u>	<u>\$ 148,125</u>	<u>\$ 622,464</u>
		\$ 10		\$ 9,371
				2,160
		<u>10</u>		<u>11,531</u>
			\$ 55,444	93,694
\$ 196,711	\$ 17,961	3,551	92,681	517,239
<u>196,711</u>	<u>17,961</u>	<u>3,551</u>	<u>148,125</u>	<u>610,933</u>
<u>\$ 196,711</u>	<u>\$ 17,961</u>	<u>\$ 3,561</u>	<u>\$ 148,125</u>	<u>\$ 622,464</u>

CITY OF COLFAX

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2017

	Special Revenue				
	Community Projects	Supplemental Law Enforcement	CDBG	Transportation & Road Fund	Gas Tax
REVENUES:					
Tax revenues					\$ 45,239
Licenses, fees and permits				\$ 654	
Intergovernmental revenues		\$ 129,324		127,285	
Use of money and property	\$ 33		\$ 2,708	(507)	145
Total revenues	<u>33</u>	<u>129,324</u>	<u>2,708</u>	<u>127,432</u>	<u>45,384</u>
EXPENDITURES:					
General government					
Public safety		129,324			
Public works				197,321	17,234
Community development	5,000				
Capital outlay				2,564	
Total expenditures	<u>5,000</u>	<u>129,324</u>		<u>199,885</u>	<u>17,234</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,967)</u>	<u>-</u>	<u>2,708</u>	<u>(72,453)</u>	<u>28,150</u>
OTHER FINANCING SOURCES (USES):					
Transfers in				72,452	
Transfers out	(300)		(9,289)		(31,727)
Total other financing sources (uses)	<u>(300)</u>		<u>(9,289)</u>	<u>72,452</u>	<u>(31,727)</u>
Net change in fund balance	(5,267)	-	(6,581)	(1)	(3,577)
Fund balances - beginning of year	<u>5,267</u>		<u>251,166</u>	<u>1</u>	<u>3,577</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 244,585</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue				Total
Mitigation Funds	Beverage Recycling	Oil Grant	Fire Capital	Nonmajor Governmental Funds
				\$ 45,239
				654
\$ 1,475	\$ 5,000	\$ 5,000	\$ 8,262	274,871
<u>1,475</u>	<u>224</u>	<u>20</u>	<u>898</u>	<u>4,996</u>
	<u>5,224</u>	<u>5,020</u>	<u>9,160</u>	<u>325,760</u>
27,768				27,768
	20,202		1,182	130,506
		9,284		234,757
				14,284
				<u>2,564</u>
<u>27,768</u>	<u>20,202</u>	<u>9,284</u>	<u>1,182</u>	<u>409,879</u>
(26,293)	(14,978)	(4,264)	7,978	(84,119)
				72,452
<u>(5,476)</u>				<u>(46,792)</u>
<u>(5,476)</u>				<u>25,660</u>
(31,769)	(14,978)	(4,264)	7,978	(58,459)
<u>228,480</u>	<u>32,939</u>	<u>7,815</u>	<u>140,147</u>	<u>669,392</u>
<u>\$ 196,711</u>	<u>\$ 17,961</u>	<u>\$ 3,551</u>	<u>\$ 148,125</u>	<u>\$ 610,933</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

City Council
City of Colfax, California
Colfax, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Colfax, California (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 17, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the City Council
City of Colfax, California

Compliance and Other Matters

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

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.

Richardson & Company, LLP

January 17, 2018



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GOVERNANCE LETTER

To the City Council
City of Colfax
Colfax, California

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Colfax, California (the City), for the year ended June 30, 2017, and have issued our report thereon dated January 17, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 15, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated August 15, 2017, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we will consider the internal control of the City. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to management's discussion and analysis, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

To the City Council
Page 2

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We noted no material weaknesses in internal controls as a result of our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the year. The application of existing policies was not changed during the year. We noted no transaction entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were determining the depreciable lives and methods used for capital assets, allowance for doubtful accounts and the accrual of the unfunded pension liability. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The accrual for the unfunded pension liability was determined by an actuarial valuation performed by CalPERS.

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

- Information on the City's pension plans including the City's share of the unfunded pension liability, is shown in Note G. The City's share of the unfunded pension liability at June 30, 2016, the most recent measurement date, was \$70,057, which is reflected as a liability in the City's financial statements as of June 30, 2017.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Adjustments included one audit adjustment needed to accrue Regional Surface Transportation Planning apportionment for fiscal year 2016/17.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

To the City Council
Page 3

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 17, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

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

We were engaged to report on the Combining and Individual Statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Richardson & Company, LLP

January 17, 2018



550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

MANAGEMENT LETTER

City Council
City of Colfax
Colfax, California

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Colfax (the City) for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

All prior year comments have been adequately addressed.

The following item noted in our current year audit warrants consideration.

Expense reimbursements

We tested a sample of expense reimbursements and noted two instances in which the City's policy regarding providing receipts was not followed because the receipts were misplaced. In one case, because the receipt for a flight was not available, reimbursement was made based on mileage. In another instance, a receipt for airport parking that was on a different date was submitted. We recommend that the City revise its policy to allow for an "affidavit of lost receipt" to make allowances for missing receipts.

City Council
Colfax, California

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the audit. This report is intended solely for the information and use of the City Council, management, and others within the organization and does not affect our report dated January 17, 2018 on the financial statements of the City.

Richardson & Company, LLP

January 17, 2018



550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT TESTING

City Council
City of Colfax
Colfax, California

We have performed the procedures enumerated below to the accompanying calculation of the Appropriation Limit of the City of Colfax for the year ended June 30, 2017. These procedures, which were agreed to by the City of Colfax and the League of California Cities (as presented in the publication entitled Article XIII-B *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed By of the California Constitution*) were performed solely to assist the City of Colfax in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The City of Colfax management is responsible for the appropriations limit calculation. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the City's calculation of the 2016/2017 appropriations limit and compared the limit and annual adjustment factors included in the calculation to the limit and annual adjustment factors that were adopted by resolution of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. We compared the methodology used to determine the cost of living adjustment component to Article XIII B which states that the City may annually adjust the component for either the change in California per capita personal income or, the percentage change in the City's assessed valuation which is attributable to non-residential new construction. We recalculated the factor based on the above information.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the methodology used to determine the population adjustment component to Article XIII B which states that the City may annually choose to adjust the component for either the change in population in the County in which the City is located, or the change in population within the unincorporated area of the County in which the City is located. We recalculated the factor based on the above information.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Calculation to the prior year appropriations limit adopted by the City Council for the prior year.

Finding: No exceptions were noted as a result of our procedures.

5. We recalculated the 2016/2017 Appropriation Limit by multiplying the product of the two above factors by the 2015/2016 appropriation limit.

Finding: No exceptions were noted as a result of our procedures.

6. We compared the City's actual revenues to the computed appropriation limit for fiscal year 2016/2017.

Finding: For the 2016/2017 fiscal year, the City's actual revenues subject to the appropriations limit did not exceed the appropriation limit adopted by resolution of the City Council.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit calculation. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the use of the City of Colfax and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Richardson & Company, LLP

January 17, 2018

APPENDIX A

**CITY OF COLFAX
 APPROPRIATION LIMIT CALCULATION
 Year Ended June 30, 2017**

**APPROPRIATION LIMIT
 ADOPTED BY CITY:**

Recorded in Final 2016/2017 Budget	\$ 2,119,984
------------------------------------	--------------

**APPROPRIATION LIMIT
 COMPUTATION PER REVIEW:**

2015/2016 Appropriation Limit	\$ 2,008,128	
Cost of living factor:		
Change in California per capita income	1.0537	
Population Adjustment Factor:		
Population change in City of Colfax	<u>1.0019</u>	
Auditor computed limitation		<u>2,119,985</u>
Variance		<u><u>\$ (1)</u></u>



City of Colfax
 City Council Minutes
 Regular Meeting of Wednesday, January 10, 2018
 City Hall Council Chambers
 33 S. Main Street, Colfax CA

1 CLOSED SESSION

1A. Call to Order

Mayor Stockwin called the closed session to order at 6:32PM.

1B. Roll Call

Council members present: Douglass, Harvey, Mendoza, Stockwin

1C. Public Comment on Closed Session

There was no public comment on the closed session items.

1D. Closed Session

Conference with Legal Counsel – Anticipated Litigation. Significant exposure to litigation pursuant to Government Code §54956.9(d)(2): one potential case.

Closed Session adjourned at 7:02PM.

2 OPEN SESSION

2A. Call to Order

Mayor Stockwin called the open session to order at 7:05PM.

2B. Report from Closed Session

City Attorney Cabral stated there was nothing to report from Closed Session.

2C. Pledge of Allegiance

Larry Hillberg, 255 Jay Street, led the Pledge of Allegiance.

2D. Roll Call

Council members present: Douglass, Harvey, Mendoza, Stockwin

2E. Approval of Agenda Order

On a motion by Councilmember Harvey, seconded by Mayor Pro Tem Mendoza, the City Council approved the agenda order.

AYES: Douglass, Harvey, Mendoza, Stockwin

3 PRESENTATION

3A. Colfax High School Every 15 Minutes Program

Elle Lippold, Vice President Colfax High School Associated Student Body

Ms. Lippold gave a presentation introducing the Every 15 Minutes program which demonstrates to students the impact of driving under the influence with a simulated fatal car accident and the legal/emotional results. Two assemblies will be held at the High School on February 6 and 7, 2018. The California Highway Patrol provides a grant for much of the event, but not all of the expenses. Ms. Lippold is incorporating the Every 15 Minutes Program into a week she is coordinating as part of her Girl Scout Gold Award to encourage students not to drive distracted or impaired. Ms. Lippold asked if the public or Council would consider donating to the project.

Council and the public asked several questions to clarify how the funds would be spent and where to donate.

Council indicated a willingness to donate to Every 15 Minutes and asked staff to bring the topic back to the next meeting.

3B. Whitcomb/S. Auburn Hotel

Ravi Condal and Rajinder Singh, Property Owners

City Manager Heathcock stated this introduction to the Hotel concept is very early in the process. Please save questions regarding details until staff has reviewed the development application.

Jeff Moorish, Consultant for the development, handed out a drawing of the proposed hotel and a brief description of the planned facilities. He believes this will be an asset to the community and looks forward to partnering with the City.

4 CONSENT CALENDAR

4A. Minutes - Regular Meeting December 13, 2017

Recommendation: Approve the Minutes of the Regular Meeting of December 13, 2017.

4B. Cash Summary Report – November 2017

Recommendation: Accept and file.

4C. Local Transportation Funds and State Transit Assistance Funds

Recommendation: Adopt Resolution 01-2018 authorizing the City Manager to file claims or execute agreements for: Local Transportation Funds in the amount of \$115,623 for streets and roads purposes (Article 8 – Section 99400 Of The California Public Utilities Code), Local Transportation Funds of \$3,684 for transit services (Article 8c, Section 99400C Of The California Public Utilities Code), and State Transit Assistance Funds of \$9,947 for transit services (Article 6.5, Chapter 4, Section 99313 of the California Public Utilities Code).

4D. Council Committee Assignments

Recommendation: Review and approve City Council Committee Assignments for 2018.

Councilmember Douglass pulled item 4D for discussion and Councilmember Harvey pulled 4B for clarification.

On a motion by Councilmember Harvey, seconded by Councilmember Douglass, Council approved Items 4A and 4C of the Consent Calendar.

AYES: Douglass, Harvey, Mendoza, Stockwin

Item 4B - Cash Summary Report

Councilmember Harvey asked if the \$451,000 in the Inflow and Infiltration (I&I) fund is reserved.

Finance Director Laurie Van Groningen was able to say the funds are most likely reserved and would have a more definitive answer later in the meeting.

On a motion by Councilmember Harvey, seconded by Councilmember Douglass, Council approved Item 4B of the Consent Calendar.

AYES: Douglass, Harvey, Mendoza, Stockwin

Item 4D Council Committee Assignments

Councilmember Douglass, with the support of Mayor Pro Tem Mendoza, recommended that Mayor Stockwin serve as the alternate on the SACOG Board.

On a motion by Mayor Pro Tem Mendoza, seconded by Councilmember Douglass, Council approved Items 4D as amended to select Mayor Stockwin as the SACOG alternate.

AYES: Douglass, Harvey, Mendoza, Stockwin

5 PUBLIC COMMENT

Otis Wallen, Colfax area resident

- Mr. Wallen handed out copies of the recent Placer County resolution regarding the Auburn State Recreation area. He stated Council should read the resolution in light of the effect it may have on commerce in Colfax for Bear River recreational use.

Jim Bowers, 205 Pine Street

- Mr. Bowers handed out a concept sketch of a “choo-choo” clock. As he mentioned at the last meeting, he is proposing the City build the world’s “something” to draw tourists into downtown Colfax. Specifically the world’s largest clock with a model train to mark each hour could really benefit the community. He would like to make a more formal presentation at a future meeting.

Foxy McCleary, 127 Saunders Lane

- Ms. McCleary reminded everyone to support the VFW by joining them at their 2nd Sunday breakfast.
- She also asked everyone to save the date of April 28, 2018 for the 5th annual Chocolate, Wine and Art Indulgence.

Larry Hillberg, 205 Jay Street

- Mr. Hillberg spoke in support of Mr. Bowers who is the current record holder for the world’s largest clock.

6 COUNCIL, STAFF, AND OTHER REPORTS**6A. Committee Reports and Colfax Informational Items – All Councilmembers**

Councilmember Harvey

- Councilmember Harvey had nothing to report.

Councilmember Douglass

- Councilmember Douglass attended the Winterfest follow-up meeting and the Sierra Vista Community Center Board meeting.
- He represented the City on the SACOG board, the Pioneer Energy board, the County Economic Development board and attended a Waste Management Seminar.

Mayor Pro Tem Mendoza

- Mayor Pro Tem Mendoza has found a potential location for a Youth Enrichment Center.
- She continues to work with seniors in the area.

Councilmember Stockwin

- Councilmember Stockwin attended the 2nd Wednesday Coffee with Supervisor Montgomery. Fire insurance costs were the main topic of conversation.
- He reported the area has 18.9 inches of rain this season which is approximately half of the rainfall compared to this time last year.

6B. City Operations – City Staff

City Manager Heathcock

- City Manager Heathcock reported that several capital improvement projects are in the planning process: the roundabout on S. Auburn, Culver Street paving, Rising Sun paving, and ADA improvements in front of City Hall.
- The Wastewater Treatment Plant permit (NPDES) renewal is in process and will most like allow reduced monitoring requirements.
- Street lights in the Depot area have been repaired with LED upgrades.

- Council conducted a survey of businesses along the I-80 corridor regarding the location of road closures during winter storms. Businesses indicated they would prefer Caltrans continue to close I-80 at Exit 135 rather than Exit 133.

6C. **Additional Reports – Agency Partners**

Sergeant Ty Conners, Placer County Sheriff Colfax Substation Commander

- Sergeant Conners recognized Colfax deputies who enrolled one of the local homeless youth with drug abuse issues in the Teen Challenge program at Emigrant Gap. Councilmembers Harvey and Douglass responded the Teen Challenge program is not only effective; it has a good restaurant that is worth supporting.
- Sergeant Conners invited Council to attend the Placer County Supervisor's Award Ceremony on February 1, 2018 at 3:30PM. He will be receiving recognition for 20 years of service.
- He reported the Skatepark Fund stands at about \$100,000.

City Manager Heathcock noted the CHP has given drug recognition training to all of the officers in the area. He asked if the County will provide this training for Colfax deputies. Sergeant Conners stated it is not currently planned, but he will follow-up to see if Colfax deputies can be part of a CHP training session.

Officer Chris Nave, California Highway Patrol Gold Run Public Information Officer

- Officer Nave commended Elle Lippold for her organizational skills and her efforts with the Every 15 Minutes program. He asked if the City could notify residents of the program on February 6th so the public doesn't become alarmed by the simulated accident scene.
- He is currently looking for another venue for hosting a Safe Snow Driving Class.

City Manager Heathcock mentioned that the CHP has offered to conduct two classes on how to drive in a roundabout.

Sharon Conners, Colfax Area Chamber of Commerce

- Ms. Conners stated the members of the Winterfest committee will meet January 11, 2018 to discuss next year's event. This will be followed up with an all-volunteer meeting at a later date.

Fred Abbott, City of Colfax Event Liaison

- Mr. Abbott stated he is in the process of organizing a City-wide Calendar Meeting on January 30, 2018 in Council Chambers. He is hoping representatives from every volunteer organization and church will attend. The Calendar will be posted on the City and the Chamber of Commerce websites.
- He announced the coordinators of Railroad Days have committed to organizing the event next September. He will be meeting with the coordinators soon.

7 **PUBLIC HEARING**

7A. **Community Development Block Grant (CDBG) Income Re-Use Agreement and Program Income Waiver**

Staff Presentation: Lorie Adams, CDBG Consultant

Recommendation: Conduct a public hearing, consider public comments, discuss and adopt:

1. Resolution 02-2018 adopting The City of Colfax Program Income Reuse Plan for the administration and utilization of Program Income resulting from activities funded under the State of California Community Development Block Grant Program.

2. Resolution 03-2018 authorizing of use of the Community Development Block Grant Program Income funds for a street improvement project contingent upon the approval by the State of California Department of Housing and Community Development Program Income Waiver.

Mayor Stockwin opened the public hearing at 8:10PM.

Ms. Adams explained this hearing is part of the required process to use the program income funds from the CDBG. The process has involved a public hearing held in October to prioritize projects; an income survey to assure the project meets low income status and an application. This hearing will allow the City to proceed with the project to repave a small section of Culver Street provided the State approves the request by the City.

Jim Bowers and Larry Hillberg asked for clarification regarding the project and confirmed this project does not include sidewalks.

Councilmember Harvey confirmed the funds we presently have must be spent before the City can apply for more grant funding.

Councilmember Douglass thanked Mr. Bowers for kick-starting this process.

Mayor Stockwin closed the public hearing at 8:19PM.

On a motion by Councilmember Harvey, seconded by Councilmember Douglass, Council approved Resolution 02-2018 adopting The City of Colfax Program Income Reuse Plan for the administration and utilization of Program Income resulting from activities funded under the State of California Community Development Block Grant Program.

AYES: Douglass, Harvey, Mendoza, Stockwin

On a motion by Councilmember Harvey, seconded by Councilmember Douglass, Council approved Resolution 03-2018 authorizing of use of the Community Development Block Grant Program Income funds for a street improvement project contingent upon the approval by the State of California Department of Housing and Community Development Program Income Waiver.

AYES: Douglass, Harvey, Mendoza, Stockwin

7B. **Village Oaks Subdivision**

Mayor Stockwin announced the public hearing on the application filed by Eric Stauss for TSM 2017-001 Village Oaks Vesting Tentative Subdivision Map has been continued to the February 14, 2018 regular meeting of the City Council commencing at 7:00PM, or as soon thereafter as the matter may be heard.

8 **COUNCIL BUSINESS**

8A. **Pavement Management Plan**

Staff Presentation: Dane Schilling, City Engineer

Recommendation: Receive the Draft 2018 Pavement Management Program (PMP) report, provide input to staff and adopt the report.

City Engineer Schilling gave a PowerPoint presentation of the Pavement Management Plan, noting the current average Pavement Condition Index (PCI) is at 52%, or a Fair/At Risk level, and will require approximately \$375,000 annually just to maintain the current state of disrepair. Improving the City roads to an overall PCI of 80%, or a Good/Excellent level, would cost the City about \$7.4 million dollars over the next 5 years. He stated the Pavement Management Plan is an important step to ensure the City spends capital in a logical manner and can move forward with

securing funding sources. The Pavement Management Plan should be updated every 2 to 5 years.

Councilmember Harvey asked for an estimate of the costs for updating the Plan. Engineer Schilling stated it would be considerably less than the \$29,000 expended for this initial report. He will do a little research and get a ball park number for the Councilmember.

Councilmember Douglass inquired how much more should be budgeted to bring the City into ADA compliance when the streets are upgraded. Engineer Schilling indicated it would be approximately \$8,000-\$10,000 for each street corner. City Manager Heathcock explained that the ADA Plan approved by Council last year would coordinate with the PMP Plan.

City Manager Heathcock offered hope the budget for streets may improve with passage of tax measures which should be on the ballot in 2020.

Mayor Stockwin stated overall the PMP is a good report. He requested a glossary be included in the final version of the report. He recommended staff make the report available on the City website.

Larry Hillberg asked about federal or state funding for the City. He noted it seems Colfax is shortchanged when funds are distributed.

Engineer Schilling confirmed it is difficult to distribute funds equitably. The City may actually receive a higher percentage based on population but it is still an inadequate amount of funding.

Councilmember Douglass noted that some private streets have been included in the report and asked if the City is required to bring streets without sidewalks into ADA compliance for pedestrians.

Engineer Schilling will remove the private streets from the report. He stated the City will not be obligated for ADA compliance where there are no sidewalks.

On a motion by Councilmember Harvey, seconded by Mayor Pro Tem Mendoza, Council approved Resolution 04-2018 adopting the City of Colfax 2018 Pavement Management Program report.

AYES: Douglass, Harvey, Mendoza, Stockwin

9 GOOD OF THE ORDER – INFORMAL COUNCIL STATEMENTS REGARDING THE BUSINESS OF THE CITY

Councilmember Harvey mentioned the amount available in the I&I Fund. Finance Director Laurie Van Groningen confirmed \$438,000 of the fund is reserved as required by the Wastewater Treatment Plant loan. About \$5,000 is available.

Councilmember Harvey would like staff to create a Standard Operating Procedure for every paving project to require adjacent homeowners conduct a sewer lateral inspection and perform any necessary repairs before new pavement is installed. He would like staff to explore the possibility of funding the inspections.

City Attorney Cabral stated it is legal to set up a fund to pay for a required pre-project sewer lateral inspection.

Councilmember Harvey also mentioned the City needs to look into grants to upgrade the I&I system throughout the City.

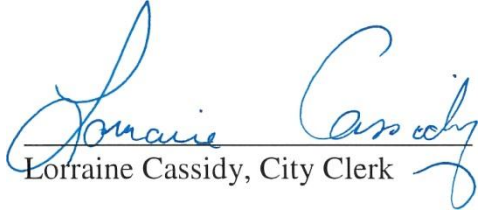
City Manager Heathcock stated this should be part of the Sewer Rate Study which begins this month. The company Council hired to conduct the study is involved in processing the grants for the Regional Water Board and will be able to help the City apply for appropriate grants.

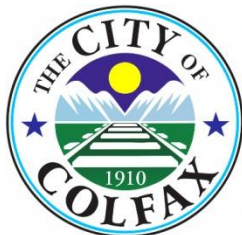
Councilmember Douglass would like to see three Digger Pines which are leaning over Rising Sun cut down before the Rising Sun paving project commences.

10 ADJOURNMENT

As there was no further business on the agenda, Mayor Stockwin adjourned the meeting at 9:12PM.

Respectfully submitted to City Council this 24th day of January, 2018


Lorraine Cassidy, City Clerk



STAFF REPORT TO THE COLFAX CITY COUNCIL

FOR THE JANUARY 24, 2018 COUNCIL MEETING

FROM: Wes Heathcock, City Manager
PREPARED BY: Laurie Van Groningen, Finance Director
DATE: January 17, 2018
SUBJECT: Cash Summary Report: December 2017

<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>	FUNDED	<input type="checkbox"/>	UN-FUNDED	AMOUNT:	FROM FUND:
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RECOMMENDED ACTION: Receive and file.

BACKGROUND AND ANALYSIS:

These monthly financial reports include General Fund Reserved Cash Analysis Graphs and the City of Colfax Cash Summary Report (with supporting documentation). The reports are prepared monthly on a cash basis and are reconciled to the General Ledger accounting system, previous reports, and bank statements. Detailed budget comparisons are provided as a mid-year report and also as part of the proposed budget process each year.

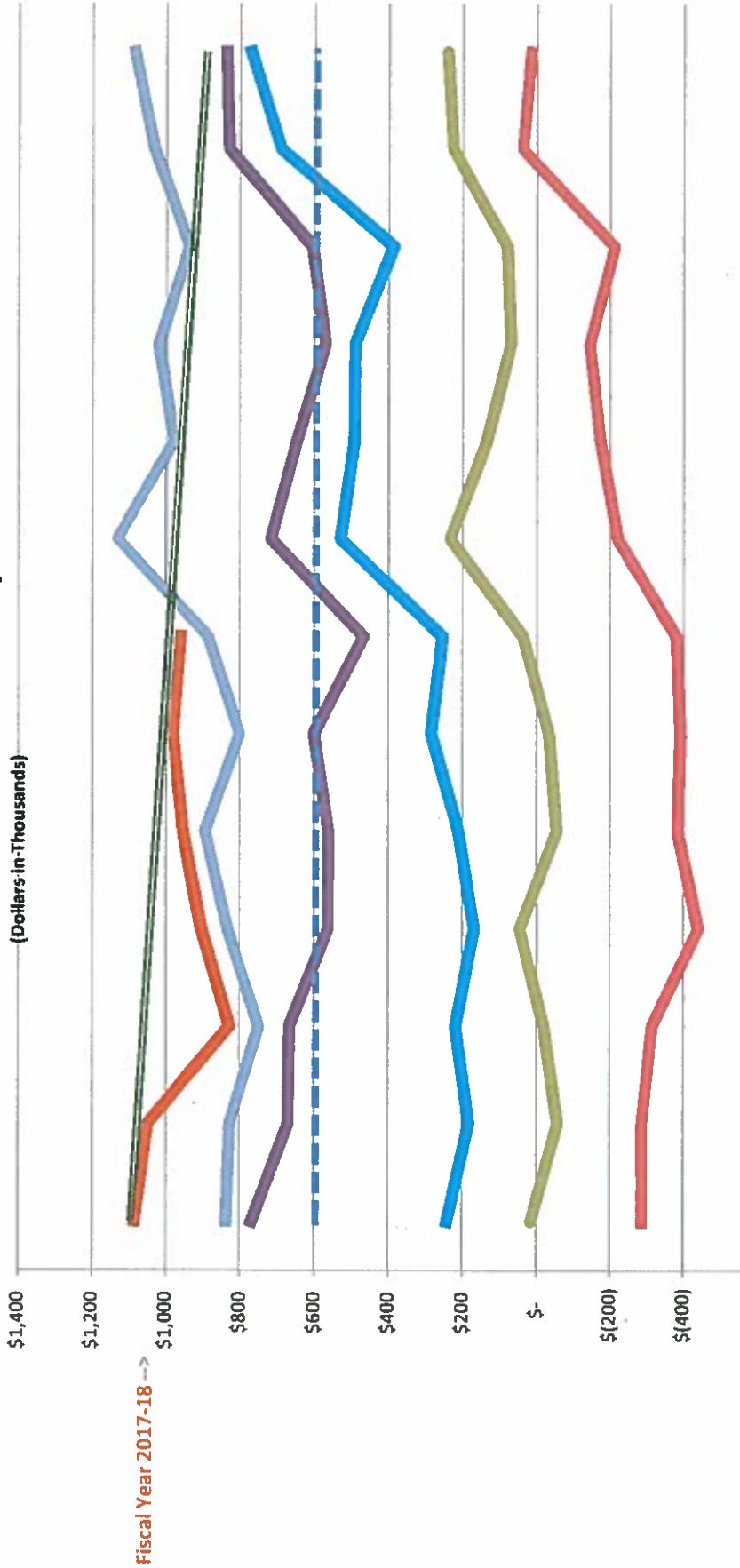
The purpose of the reports is to provide status of funds and transparency for Council and the public of the financial transactions of the City. The attached reports reflect an overview of the financial transactions of the City of Colfax in December 2017. Monthly highlights include:

- Negative cash fund balances in Special Revenues and Capital project funds are due to timing of funding allocations and reimbursements.
 - Fund 250 - Streets& Roads – Fiscal year funding (via PCTPA) is generally requested and approved in 2nd quarter of fiscal year. Final allocations and transit contract revisions delayed our request for annual funds to January 2018.
 - Fund 292 – Fire Capital – Represents “loan” from General fund until Strike team revenues and USDA grant funding are received.
 - Fund 370 – Capital Funds N. Main Street Project. We are working with Dept. of Transportation to revise fund allocations to maximize City reimbursement. Project was slightly under budget. Final reimbursement request has been finalized in January – anticipate funding in February.
- Major Expenses for December included:
 - Quarterly payments for Sheriff contracts
- The first allocation (55%) of annual property taxes and delinquent sewer charges placed on County Tax rolls will be received in January in accordance with the Teeter process.

ATTACHMENTS:

1. General Fund Reserved Cash Analysis Graphs
 - a. Cash Analysis – Balance
 - b. Expenses by Month
 - c. Revenues by Month
2. Cash Activity Reports
 - a. Cash Summary
 - b. Cash Transactions Report – by individual fund
 - c. Check Register Report - Accounts Payable
 - d. Daily Cash Summary Report (Cash Receipts)

City of Colfax - December 2017 General Fund Reserved Cash Analysis

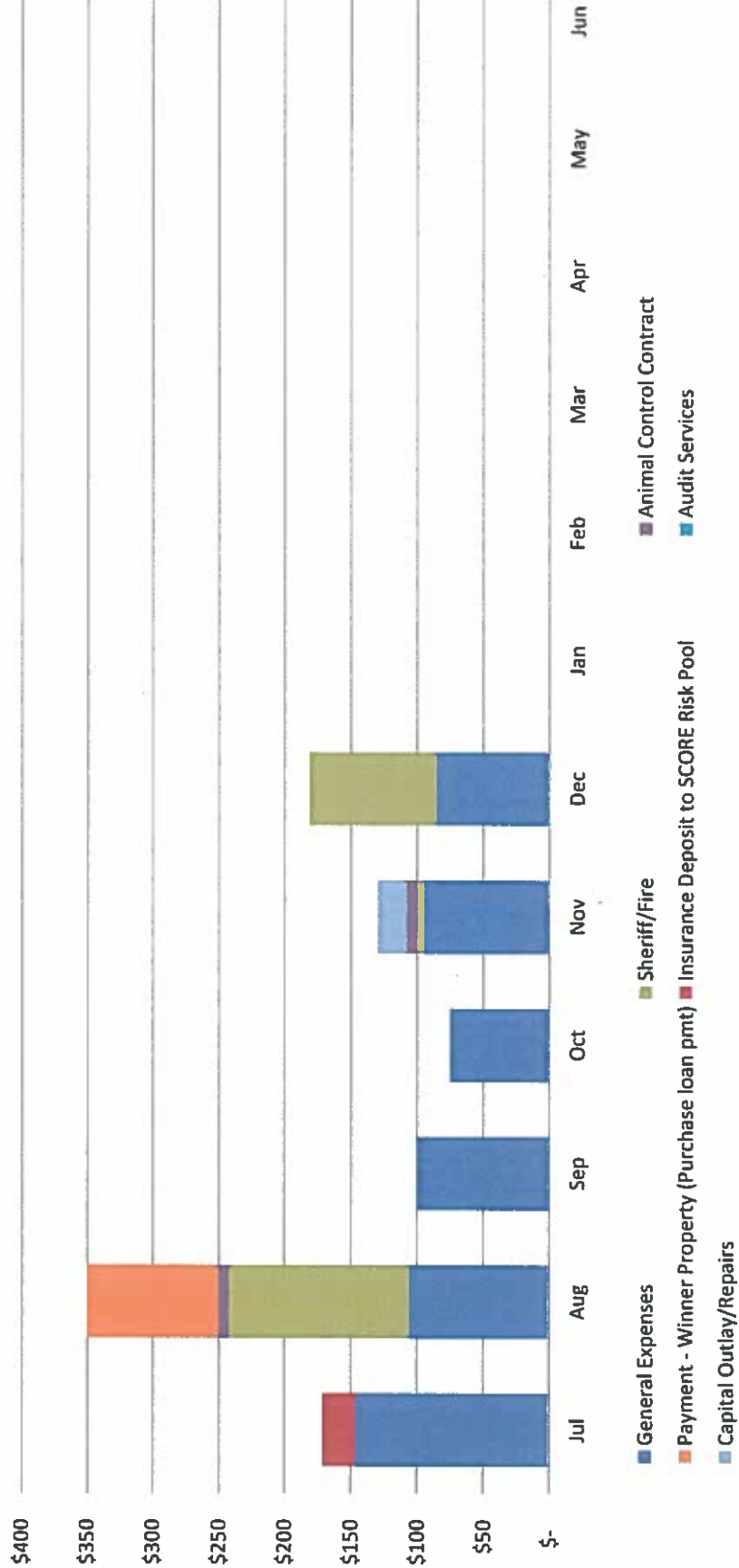


Fiscal Year 2017-18 -->

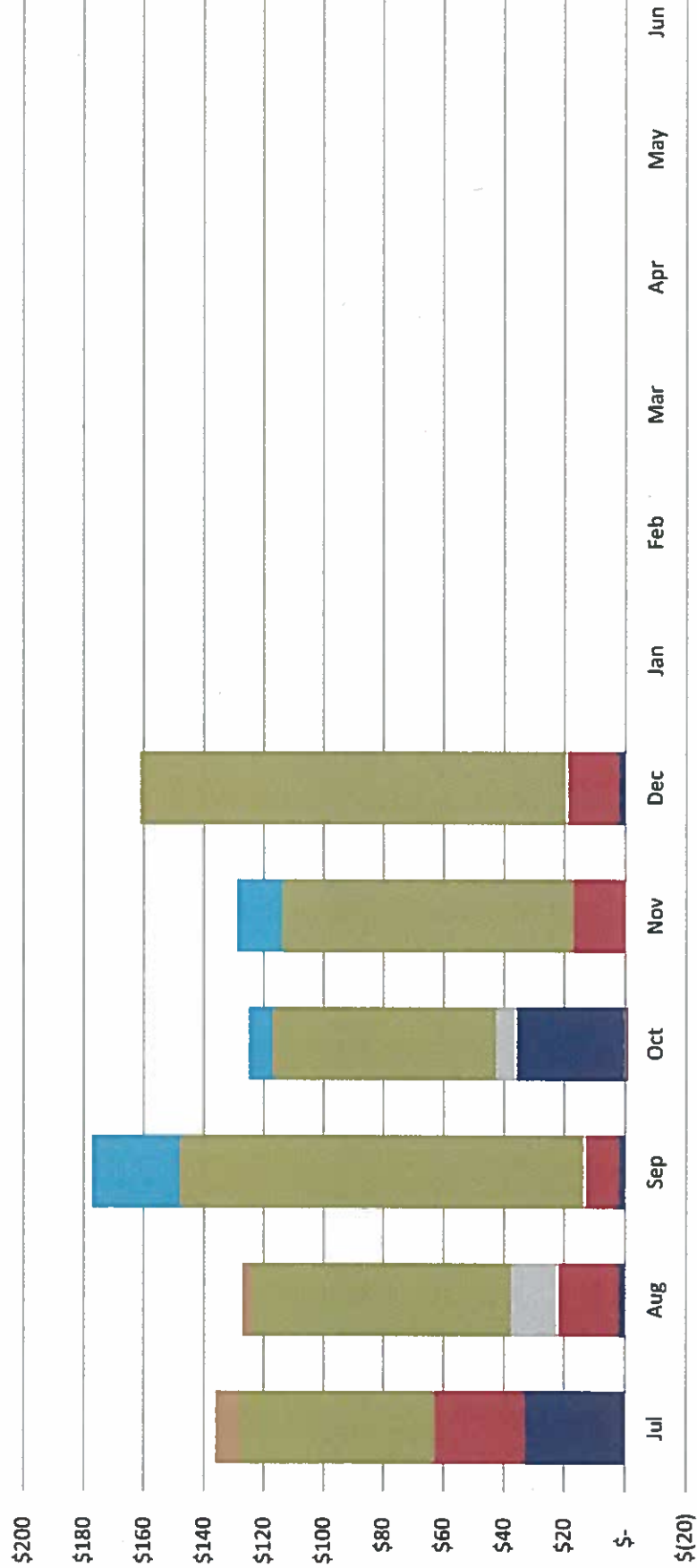
	Prev Yr	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Cash Balance FY2017-18	\$1,086	\$1,050	\$828	\$905	\$954	\$983	\$962						
Cash Balance FY2016-17	\$838	\$829	\$750	\$835	\$897	\$802	\$889	\$1,133	\$981	\$1,022	\$938	\$1,034	1086
Cash Balance FY2015-16	\$768	\$670	\$666	\$562	\$561	\$601	\$466	\$717	\$647	\$569	\$605	\$831	838
Cash Balance FY2014-15	\$240	\$181	\$217	\$167	\$209	\$284	\$253	\$528	\$491	\$489	\$385	\$691	773
Cash Balance FY2013-14	\$15	\$(57)	\$(20)	\$45	\$(55)	\$(34)	\$36	\$233	\$134	\$69	\$79	\$225	240
Cash Balance FY2012-13	\$(287)	\$(286)	\$(314)	\$(438)	\$(383)	\$(391)	\$(380)	\$(221)	\$(173)	\$(144)	\$(212)	\$37	15
*Reserves (Ops, Cap, Pen)	\$595	\$595	\$595	\$595	\$595	\$595	\$595	\$595	\$595	\$595	\$595	\$595	\$595
Budget FY2017-18	\$1,096	\$1,079	\$1,062	\$1,045	\$1,028	\$1,011	\$994	\$977	\$960	\$943	\$926	\$909	\$892

*City Administrative policy stipulates General Fund Reserve of 25% (3 months) of annual General Fund Revenues.

City of Colfax - December 2017 General Fund Reserved Cash - Expenses by Month (Dollars in Thousands)



City of Colfax - December 2017 General Fund Reserved Cash - Revenues by Month (Dollars in Thousands)



■ Franchises (WAVE, Recology, PGE) ■ Motor Vehicle In Lieu ■ Other ■ Property Tax ■ Sales Tax ■ Business Licenses ■ Planning Fees

City of Colfax
Cash Summary
December 31, 2017

	Balance 11/30/2017	Revenues In	Expenses Out	Transfers	Balance 12/31/2017
US Bank	\$ 175,457.72	\$ 379,799.91	\$ (406,041.30)	\$ 100,000.00	\$ 249,216.33
LAIF	\$ 3,540,355.54	\$ -		\$ (100,000.00)	\$ 3,440,355.54
Total Cash - General Ledger	\$ 3,715,813.26	\$ 379,799.91	\$ (406,041.30)	\$ -	\$ 3,689,571.87
Petty Cash (In Safe)	\$ 300.00				\$ 300.00
Total Cash	\$ 3,716,113.26	\$ 379,799.91	\$ (406,041.30)	\$ -	\$ 3,689,871.87

Change in Cash Account Balance - Total \$ (26,241.39)

Attached Reports:

1. Cash Transactions Report (By Individual Fund)		
2. Check Register Report (Accounts Payable)	\$ (315,001.77)	
3. Cash Receipts - Daily Cash Summary Report	\$ 238,895.95	
Payroll Checks and Tax Deposits	\$ (90,173.49)	
Utility Billings - Receipts	\$ 139,882.42	
Service Charge/Adj/Voids	\$ 155.50	
Other	\$ -	
	<u>\$ (26,241.39)</u>	\$ 0.00

Prepared by: Laurie Van Groningen 1/13/18
Laurie Van Groningen, Finance Director

Reviewed by: Wes Heathcock 1/14/2018
Wes Heathcock, City Manager

City of Colfax

Cash Transactions Report -December 2017

	Beginning Balance	Debit Revenues	Credit (Expenditures)	Ending Balance
Fund Type: 1.11 - General Fund - Unassigned				
Fund: 100 - General Fund	\$ 1,100,564.72	\$ 160,831.81	\$ (177,269.66)	\$ 1,084,126.87
Fund: 120 - Land Development Fees	\$ 40,026.62	\$ -	\$ (4,666.25)	\$ 35,360.37
Fund: 570 - Garbage Fund	\$ (157,576.21)	\$ -	\$ -	\$ (157,576.21)
Fund Type: 1.11 - General Fund - Unassigned	\$ 983,015.13	\$ 160,831.81	\$ (181,935.91)	\$ 961,911.03
Fund Type: 1.14 - General Fund - Restricted				
Fund: 571 - AB939 Landfill Diversion	\$ 28,117.26	\$ -	\$ -	\$ 28,117.26
Fund: 572 - Landfill Post Closure Maintenance	\$ 787,930.99	\$ -	\$ (14,295.43)	\$ 773,635.56
Fund Type: 1.14 - General Fund - Restricted	\$ 816,048.25	\$ -	\$ (14,295.43)	\$ 801,752.82
Fund Type: 1.24 - Special Rev Funds - Restricted				
Fund: 210 - Mitigation Fees - Roads	\$ 23,972.96	\$ -	\$ -	\$ 23,972.96
Fund: 211 - Mitigation Fees - Drainage	\$ 3,079.00	\$ -	\$ -	\$ 3,079.00
Fund: 212 - Mitigation Fees - Trails	\$ 43,135.51	\$ -	\$ -	\$ 43,135.51
Fund: 213 - Mitigation Fees - Parks/Rec	\$ 81,879.66	\$ -	\$ -	\$ 81,879.66
Fund: 214 - Mitigation Fees - City Bldgs	\$ -	\$ -	\$ -	\$ -
Fund: 215 - Mitigation Fees - Vehicles	\$ -	\$ -	\$ -	\$ -
Fund: 217 - Mitigation Fees - DT Parking	\$ 26,887.14	\$ -	\$ -	\$ 26,887.14
Fund: 218 - Support Law Enforcement	\$ 39,892.96	\$ 14,103.68	\$ (64,416.41)	\$ (10,419.77)
Fund: 244 - CDBG Program Inc - ME Lending	\$ 209,873.15	\$ 1,000.00	\$ -	\$ 210,873.15
Fund: 250 - Streets - Roads/Transportation	\$ (33,036.51)	\$ 90.00	\$ (11,228.80)	\$ (44,175.31)
Fund: 253 - Gas Taxes	\$ 16,210.88	\$ -	\$ (1,539.95)	\$ 14,670.93
Fund: 270 - Beverage Container Recycling	\$ 18,008.00	\$ -	\$ -	\$ 18,008.00
Fund: 280 - Oil Recycling	\$ 2,150.02	\$ -	\$ (9.20)	\$ 2,140.82
Fund: 292 - Fire Department Capital Funds	\$ (21,874.86)	\$ 63,692.00	\$ (22,659.20)	\$ 19,157.94
Fund: 342 - Fire Construction - Mitigation	\$ 2,452.48	\$ -	\$ -	\$ 2,452.48
Fund: 343 - Recreation Construction	\$ 2,452.94	\$ -	\$ -	\$ 2,452.94
Fund Type: 1.24 - Special Rev Funds - Restrict	\$ 415,083.33	\$ 78,885.68	\$ (99,853.56)	\$ 394,115.45
Fund Type: 1.34 - Capital Projects - Restricted				
Fund: 300 - Capital Projects - General	\$ 5,023.82	\$ -	\$ -	\$ 5,023.82
Fund: 351 - Rising Sun Project	\$ (4,561.25)	\$ -	\$ (902.50)	\$ (5,463.75)
Fund: 370 - North Main Street Bike Route	\$ (219,440.74)	\$ -	\$ -	\$ (219,440.74)
Fund: 385 - Roundabout	\$ (8,848.45)	\$ -	\$ (5,099.71)	\$ (13,948.16)
Fund Type: 1.34 - Capital Projects - Restricted	\$ (227,826.62)	\$ -	\$ (6,002.21)	\$ (233,828.83)
Fund Type: 2.11 - Enterprise Funds - Unassigned				
Fund: 560 - Sewer	\$ 644,010.23	\$ 89,143.50	\$ (87,948.46)	\$ 645,205.27
Fund: 561 - Sewer Liftstations	\$ 378,426.54	\$ 12,936.26	\$ (16,005.73)	\$ 375,357.07
Fund: 563 - Wastewater Treatment Plant	\$ 212,566.04	\$ 37,680.26	\$ -	\$ 250,246.30
Fund: 564 - Sewer Connections	\$ 41,080.00	\$ -	\$ -	\$ 41,080.00
Fund: 565 - General Obligation Bond 1978	\$ 2,247.76	\$ -	\$ -	\$ 2,247.76
Fund: 567 - Inflow & Infiltration	\$ 451,162.60	\$ 322.40	\$ -	\$ 451,485.00
Fund Type: 2.11 - Enterprise Funds - Unassign	\$ 1,729,493.17	\$ 140,082.42	\$ (103,954.19)	\$ 1,765,621.40
Fund Type: 9.0 - CLEARING ACCOUNT				
Fund: 998 - PAYROLL CLEARING FUND	\$ -	\$ -	\$ -	\$ -
Fund Type: 9.0 - CLEARING ACCOUNT	\$ -	\$ -	\$ -	\$ -
Grand Totals:	\$ 3,715,813.26	\$ 379,799.91	\$ (406,041.30)	\$ 3,689,571.87

Check Register Report

ITEM 3B

Checks Processed December 2017

Date: 7 of 10
7/13/2018

Time: 2:26 pm

Page: 1

CITY OF COLFAX

BANK: US BANK

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
US BANK Checks							
53124	12/06/2017	Reconciled		01448	AMERIGAS - COLFAX	DEPOT PROPANE	82.96
53125	12/06/2017	Reconciled		02829	BLUE RIBBON PERSONNEL SERVICES	TEMP LABOR THRU 11/19/17	854.00
53126	12/06/2017	Reconciled		02901	BUREAU VERITAS NORTH AMERICA	BLDG OFFICIAL SVCS OCT 2017	6,120.00
53127	12/06/2017	Reconciled		03558	COLFAX SMOG & AUTO REPAIR	PW TRUCK SMOG	139.60
53128	12/06/2017	Reconciled		05184	BRET ELLIS	UNIFORM ALLOWANCE	234.01
53129	12/06/2017	Reconciled		06278	FRONTIER COMMUNICATIONS	WWTP PHONE SVC	179.79
53130	12/06/2017	Reconciled		07460	GOLD COUNTRY MEDIA	LEGAL NOTICE	146.40
53131	12/06/2017	Reconciled		08170	HILLS FLAT LUMBER CO	STMT 11/25/17	1,389.09
53132	12/06/2017	Reconciled		08660	HUNT AND SONS, INC.	FIRE DEPT FUEL	165.33
53133	12/06/2017	Reconciled		09540	INTERSTATE SALES	BARRICADES	356.36
53134	12/06/2017	Reconciled		10550	JOSEPH HALTON	ENVELOPES	89.23
53135	12/06/2017	Reconciled		10510	JOSEPH SCHWIND	QUINNS LANE STORM DRAIN	250.00
53136	12/06/2017	Reconciled		12209	LIEBERT CASSIDY WHITMORE	LEGAL SVCS OCT 2017	2,889.51
53137	12/06/2017	Reconciled		16559	PLAZA TIRE AND AUTO SERVICE	PW TIRE RPR	20.00
53138	12/06/2017	Reconciled		18883	SAC-VAL JANITORIAL SUPPLY	CLEANING SUPPLIES	256.00
53139	12/06/2017	Reconciled		19591	STANLEY CONVERGENT SECURITY	DEPOT SECURITY Q1 2018	140.52
53140	12/06/2017	Reconciled		23169	WAVE BUSINESS SOLUTIONS	DEPOT PHONE	13.64
53141	12/06/2017	Reconciled		23169	WAVE BUSINESS SOLUTIONS	FIRE STATION PHONE	22.33
53142	12/06/2017	Reconciled		23169	WAVE BUSINESS SOLUTIONS	CITY HALL PHONES	174.06
53143	12/11/2017	Reconciled		03141	CALPERS	DEC 2017 HEALTH PREMIUMS	9,351.35
53144	12/13/2017	Reconciled		1161	49ER WATER SERVICES	WWTP TESTING	2,962.00
53145	12/13/2017	Reconciled		01414	ALHAMBRA & SIERRA SPRINGS	WATER CITY HALL/WWTP	55.83
53146	12/13/2017	Reconciled		01448	AMERIGAS - COLFAX	CITY HALL PROPANE	270.82
53147	12/13/2017	Reconciled		01448	AMERIGAS - COLFAX	FIRE DEPT PROPANE	22.32
53148	12/13/2017	Reconciled		01448	AMERIGAS - COLFAX	SHERIFF DEPT PROPANE	164.64
53149	12/13/2017	Reconciled		01448	AMERIGAS - COLFAX	DEPOT PROPANE	204.60
53150	12/13/2017	Reconciled		01460	AMERIPRIDE UNIFORM SERVICE	UNIFORM SERVICE	747.83
53151	12/13/2017	Reconciled		01766	AT&T MOBILITY	NOV 2017 CELL PHONES	778.26
53152	12/13/2017	Reconciled		02829	BLUE RIBBON PERSONNEL SERVICES	TEMP LABOR THRU 12/3/17	1,366.40
53153	12/13/2017	Reconciled		03401	CHOICE BUILDER	JAN 2018 PREMIUMS	613.27
53154	12/13/2017	Reconciled		03493	COASTLAND CIVIL ENGINEERING	NOV 2017 ENG SVCS	24,023.30
53155	12/13/2017	Reconciled		06730	COLFAX FARM AND COUNTRY STORE	STMT 12/7/17	137.08
53156	12/13/2017	Reconciled		04234	DE LAGE LANDEN FINANCIAL	DEC 2017 COPY MACH MAINT	468.34
53157	12/13/2017	Reconciled		07460	GOLD COUNTRY MEDIA	CHAMBER GUIDE	275.00
53158	12/13/2017	Reconciled		08050	HACH COMPANY	WWTP LAB SUPPLIES	265.77
53159	12/13/2017	Printed		08070	HANSEN BROS. ENTERPRISES	DEPOT BARK	461.12
53160	12/13/2017	Reconciled		08084(2)	WES HEATHCOCK,	SAC MEETING REIMBURSEMENT	84.29
53161	12/13/2017	Reconciled		08159	HILL BROTHERS CHEMICAL CO.	WWTP CHEMICALS	6,662.37
53162	12/13/2017	Reconciled		08660	HUNT AND SONS, INC.	PW FUEL	301.97
53163	12/13/2017	Reconciled		10510	JOSEPH SCHWIND	LAWN EQUIP. RPR	130.00
53164	12/13/2017	Printed		19390	MAR-VAL'S SIERRA MARKET	STMT 11/30/17	5.78
53165	12/13/2017	Reconciled		14356	NORTHERN CALIFORNIA GLOVE	SUPPLIES	248.99
53166	12/13/2017	Reconciled		16035	PG&E	ELECTRICITY	16,589.86
53167	12/13/2017	Reconciled		18400	RIEBES AUTO PARTS	STMT 11/30/17	249.00
53168	12/13/2017	Reconciled		19575	SHANNA STAHL	NOTARY BOND EXPENSES	127.00
53169	12/13/2017	Reconciled		01790	SIERRA OFFICE PRODUCTS	OFFICE SUPPLIES	275.97
53170	12/13/2017	Reconciled		19696	SWRCB	ANNUAL PERMIT FEE LANDFILL	15,097.00
53171	12/13/2017	Reconciled		21560	US BANK CORPORATE PMT SYSTEM	STMT 11/22/17	2,592.04
53172	12/13/2017	Reconciled		22106	VAN GRONINGEN & ASSOCIATES	NOV 2017 FINANCIAL SERVICES	6,693.75
53173	12/13/2017	Reconciled		22134	VISION QUEST	TECH SUPPORT CALL OUTS	493.50
53174	12/13/2017	Reconciled		23169	WAVE BUSINESS SOLUTIONS	CORP YARD INTERNET	54.90
53175	12/13/2017	Reconciled		23301	WESTERN PLACER WASTE	NOV 2017 SLUDGE REMOVAL	1,016.07

Check Register Report

ITEM 3B

Checks Processed December 2017

Date: 8 of 10
01/13/2018

Time: 2:26 pm

Page: 2

CITY OF COLFAX

BANK: US BANK

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
US BANK Checks							
53177	12/15/2017	Reconciled		07591	COLFAX GREEN MACHINE	11/29/16 EVENT REIMBURSEMENT	200.00
53178	12/20/2017	Reconciled		02829	BLUE RIBBON PERSONNEL SERVICES	TEMP LABOR THRU 12/10/17	854.00
53179	12/20/2017	Reconciled		04165	DANCKERT COMMUNICATION CO.	CITY HALL PHONES - BLDG DEPT	568.00
53180	12/20/2017	Reconciled		04186	DAWSON, JEREMY	STRIKE TEAM 10/9-10/16/17	5,664.80
53181	12/20/2017	Reconciled		05221	EOSI - ENVIRONMENT OPERATING	WWTP CHEMICALS	5,016.48
53182	12/20/2017	Reconciled		07465	GOLD MINER PEST CONTROL	CHAMBER PEST CONTROL	200.00
53183	12/20/2017	Reconciled		08660	HUNT AND SONS, INC.	FIRE DEPT FUEL	196.18
53184	12/20/2017	Reconciled		09455	INLAND BUSINESS SYSTEMS	COPY MACH OVERAGE CHARGE	382.30
53185	12/20/2017	Printed		12180	LAWRENCE & ASSOCIATES INC	NOV 2017 MONITORING	2,931.47
53186	12/20/2017	Reconciled		12555	LOMEN, SEAN	STRIKE TEAM 10/9-10/16/17	5,664.80
53187	12/20/2017	Reconciled		12556	STEPHEN LOMEN	STRIKE TEAM 10/9-10/16/17	5,664.80
53188	12/20/2017	Printed		13263	MID-SIERRA TOWING	FIRE TRUCK SCALE	589.50
53189	12/20/2017	Reconciled		18121	RCH GROUP, INC.	INITIAL STUDY	860.00
53190	12/20/2017	Reconciled		18194	RGS - REGIONAL GOV SERVICES	NOV 2017 PLANNING SERVICES	3,800.00
53191	12/20/2017	Reconciled		19396	SIERRA SAFETY COMPANY	STREET SIGN	41.27
53192	12/20/2017	Reconciled		16601	BRENT STECK	STRIKE TEAM 10/9-10/16/17	5,664.80
53193	12/20/2017	Reconciled		23169	WAVE BUSINESS SOLUTIONS	CITY HALL INTERNET	159.90
53194	12/20/2017	Reconciled		16200	PLACER COUNTY SHERIFF DEPT.	SHERIFF SVCS FY 2017-18 Q2	162,021.00
53195	12/20/2017	Reconciled		30018	TRAVIS BERRY	INTEREST PER SETTLEMENT	274.22
53196	12/20/2017	Reconciled		10515	JOSEPH E. MALONEY	ATTORNEY FEES PER	7,935.00

Total Checks: 72

Checks Total (excluding void checks): 315,001.77

Total Payments: 72

Bank Total (excluding void checks): 315,001.77

Total Payments: 72

Grand Total (excluding void checks): 315,001.77

DAILY CASH SUMMARY REPORT

ITEM 3B

12/01/2017 - 12/31/2017

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1/13/2018
2:29 pm

City of Colfax

		Debit	Credit	Net Chng	
Fund: 100 - General Fund					
12/07/2017	Daily Totals	786.98	256.91	530.07	
12/12/2017	Daily Totals	5,347.45	0.00	5,347.45	
12/13/2017	Daily Totals	3,264.27	0.00	3,264.27	
12/14/2017	Daily Totals	211.16	0.00	211.16	
12/15/2017	Daily Totals	0.00	185.23	-185.23	
12/18/2017	Daily Totals	4,176.89	0.00	4,176.89	
12/19/2017	Daily Totals	4,260.77	0.00	4,260.77	
12/21/2017	Daily Totals	801.00	0.00	801.00	
12/22/2017	Daily Totals	140,974.49	0.00	140,974.49	
12/29/2017	Daily Totals	429.40	0.00	429.40	
Fund: 100 - General Fund		TOTALS:	160,252.41	442.14	159,810.27
Fund: 218 - Support Law Enforcement					
12/13/2017	Daily Totals	14,103.68	0.00	14,103.68	
Fund: 218 - Support Law Enforcement		TOTALS:	14,103.68	0.00	14,103.68
Fund: 244 - CDBG MicroEnterprise Lending					
12/12/2017	Daily Totals	1,000.00	0.00	1,000.00	
Fund: 244 - CDBG MicroEnterprise Lending		TOTALS:	1,000.00	0.00	1,000.00
Fund: 250 - Streets - Roads/Transportation					
12/12/2017	Daily Totals	90.00	0.00	90.00	
Fund: 250 - Streets - Roads/Transportation		TOTALS:	90.00	0.00	90.00
Fund: 292 - Fire Department Capital Funds					
12/12/2017	Daily Totals	3,809.05	0.00	3,809.05	
12/19/2017	Daily Totals	59,882.95	0.00	59,882.95	
Fund: 292 - Fire Department Capital Funds		TOTALS:	63,692.00	0.00	63,692.00
Fund: 560 - Sewer					
12/04/2017	Daily Totals	200.00	0.00	200.00	

DAILY CASH SUMMARY REPORT

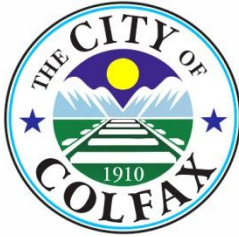
ITEM 3B

12/01/2017 - 12/31/2017

Page: 02
10/6/2018
1/13/2018
2:29 pm

City of Colfax

	Debit	Credit	Net Chng
Fund: 560 - Sewer			
TOTALS:	200.00	0.00	200.00
GRAND TOTALS:	239,338.09	442.14	238,895.95



STAFF REPORT TO THE COLFAX CITY COUNCIL

FOR THE JANUARY 24, 2018 COUNCIL MEETING

FROM: Wes Heathcock, City Manager
PREPARED BY: Laurie Van Groningen, Finance Director
DATE: January 17, 2018
SUBJECT: Quarterly Investment Report – Ending December 31, 2017

<input checked="" type="checkbox"/> X	N/A	<input type="checkbox"/>	FUNDED	<input type="checkbox"/>	UN-FUNDED	AMOUNT:	FROM FUND:
---------------------------------------	-----	--------------------------	--------	--------------------------	-----------	---------	------------

RECOMMENDED ACTION: Receive and file.

BACKGROUND AND ANALYSIS:

California Government Code Section 53646 and the City of Colfax Investment Policy require a quarterly investment report be submitted to the City Council. Such report shall include at least the following information:

- Types of Investments;
- Name of the institution in which funds are invested or deposited;
- Date of Maturity, if applicable;
- Par and dollar amount investment for all securities;
- Percent distribution of each type of investment or deposit; current market value as of the date of the report, including source of the valuation except those under LAIF;
- Rate of interest
- Average weighted yield of all investments
- A statement relating the report to the City’s Investment Policy; and
- A statement that there are sufficient funds to meet the City’s next six months’ financial obligations.

The current practice for cash management is to maintain an operating balance between \$75,000 and \$150,000 in the City’s US Bank Corporate checking account. This account accumulates Earnings Credits based on the account balance which offset/reduce monthly service charges. City funds in excess of targeted operating balance are transferred to the State of California Local Agency Investment Fund (LAIF) on a weekly basis. The checking account balance may be reported at an amount higher than the target balance by the Bank due to the timing of City checks being processed by vendors/service providers.

Historically, due to fluctuations in fund balances, investment opportunities outside the corporate checking and LAIF accounts have been somewhat limited. Our investment policy dictates that the City should have liquid short term securities to meet six month’s financial obligations. The budget for fiscal year 2017-2018 reflects nearly \$4.6M in annual expenditures, therefore our target for liquid short term securities would be \$2.3M.

CONCLUSION:

The attached schedule Analysis of Treasury Investment Pool satisfies the State's reporting requirements. Additionally, we have determined:

- The investments held at December 31, 2017 conform to the City Investment Policy adopted by Resolution 29-2014.
- The composite yield of the City's investment pool to be the rate of 1.12% for the quarter ended December 31, 2017.
- There are sufficient funds on deposit to meet all anticipated City expenditures for the period January 01, 2018 through June 30, 2018.

ATTACHMENTS:

1. Analysis of Treasury Investment Pool
2. State of California – PMIA and LAIF Performance Report (QE 12/31/17)
3. State of California – PMIA Average Monthly Effective Yields

City of Colfax
Analysis of Treasury Investment Pool
Quarterly Analysis - FY2017-2018
Report Date: 12/31/2017

Quarter Ended 12/31/2017

Type of Investment	Financial Institution	Date of Maturity	Investment Amount	% of Total Investment	Average Investment Yield
Investment Fund	State Local Agency Investment Fund (LAIF)	N/A	\$ 3,440,356	93%	1.19%
Corporate Checking	US Bank	N/A	\$ 251,353	7%	0.18%
Total Investment Pool			\$ 3,691,709	100%	1.12%

Quarter Ended 09/30/2017

Type of Investment	Financial Institution	Date of Maturity	Investment Amount	% of Total Investment	Average Investment Yield
Investment Fund	State Local Agency Investment Fund (LAIF)	N/A	\$ 3,754,753	93%	1.08%
Corporate Checking	US Bank	N/A	\$ 264,620	7%	0.18%
Total Investment Pool			\$ 4,019,372	100%	1.02%



**JOHN CHIANG
TREASURER
STATE OF CALIFORNIA**



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
12/11/17	1.21	1.16	189
12/12/17	1.22	1.16	191
12/13/17	1.22	1.16	190
12/14/17	1.23	1.17	188
12/15/17	1.23	1.17	188
12/16/17	1.23	1.17	188
12/17/17	1.23	1.17	188
12/18/17	1.23	1.17	184
12/19/17	1.24	1.17	182
12/20/17	1.25	1.17	184
12/21/17	1.26	1.17	185
12/22/17	1.26	1.17	191
12/23/17	1.26	1.17	191
12/24/17	1.26	1.18	191
12/25/17	1.26	1.18	191
12/26/17	1.28	1.18	186
12/27/17	1.28	1.18	183
12/28/17	1.30	1.18	186
12/29/17	1.30	1.18	177
12/30/17	1.30	1.18	177
12/31/17	1.30	1.18	186
01/01/18	1.30	1.30	186
01/02/18	1.32	1.31	194
01/03/18	1.33	1.32	193
01/04/18	1.34	1.32	192
01/05/18	1.34	1.33	192
01/06/18	1.34	1.33	192
01/07/18	1.34	1.33	192
01/08/18	1.34	1.33	187
01/09/18	1.34	1.33	187
01/10/18	1.34	1.33	187

*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

LAIF Performance Report

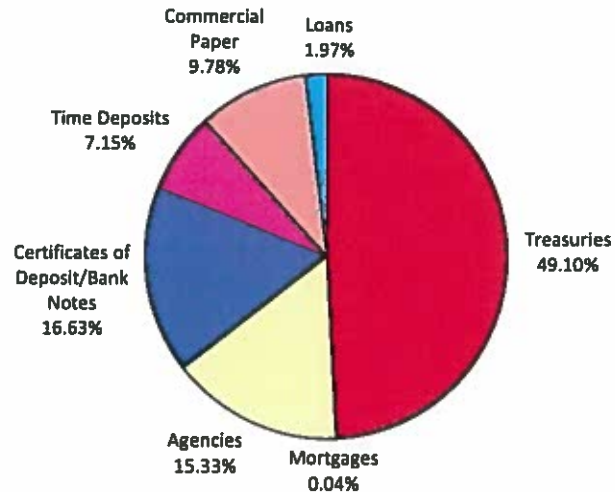
Quarter Ending 12/31/17

Apportionment Rate: 1.20%
 Earnings Ratio: .00003301121703481
 Fair Value Factor: .998093529
 Daily: 1.30%
 Quarter to Date: 1.18%
 Average Life: 186

PMIA Average Monthly Effective Yields

Dec 2017 1.239
 Nov 2017 1.172
 Oct 2017 1.143

**Pooled Money Investment Account
Portfolio Composition
12/31/17
\$74.3 billion**





California State Treasurer
John Chiang



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Search



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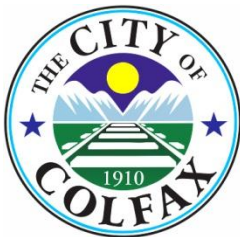
[Home](#) ->> [PMIA](#) ->> PMIA Average Monthly Effective Yields



POOLED MONEY INVESTMENT ACCOUNT

PMIA Average Monthly Effective Yields

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1977	5.770	5.660	5.660	5.650	5.760	5.850	5.930	6.050	6.090	6.090	6.610	6.730
1978	6.920	7.050	7.140	7.270	7.386	7.569	7.652	7.821	7.871	8.110	8.286	8.769
1979	8.777	8.904	8.820	9.082	9.046	9.224	9.202	9.528	9.259	9.814	10.223	10.218
1980	10.980	11.251	11.490	11.480	12.017	11.798	10.206	9.870	9.945	10.056	10.426	10.961
1981	10.987	11.686	11.130	11.475	12.179	11.442	12.346	12.844	12.059	12.397	11.887	11.484
1982	11.683	12.044	11.835	11.773	12.270	11.994	12.235	11.909	11.151	11.111	10.704	10.401
1983	10.251	9.887	9.688	9.868	9.527	9.600	9.879	10.076	10.202	10.182	10.164	10.227
1984	10.312	10.280	10.382	10.594	10.843	11.119	11.355	11.557	11.597	11.681	11.474	11.024
1985	10.579	10.289	10.118	10.025	10.180	9.743	9.656	9.417	9.572	9.482	9.488	9.371
1986	9.252	9.090	8.958	8.621	8.369	8.225	8.141	7.844	7.512	7.586	7.432	7.439
1987	7.365	7.157	7.205	7.044	7.294	7.289	7.464	7.562	7.712	7.825	8.121	8.071
1988	8.078	8.050	7.945	7.940	7.815	7.929	8.089	8.245	8.341	8.397	8.467	8.563
1989	8.698	8.770	8.870	8.992	9.227	9.204	9.056	8.833	8.801	8.771	8.685	8.645
1990	8.571	8.538	8.506	8.497	8.531	8.538	8.517	8.382	8.333	8.321	8.269	8.279
1991	8.164	8.002	7.775	7.666	7.374	7.169	7.098	7.072	6.859	6.719	6.591	6.318
1992	6.122	5.863	5.680	5.692	5.379	5.323	5.235	4.958	4.760	4.730	4.659	4.647
1993	4.678	4.649	4.624	4.605	4.427	4.554	4.438	4.472	4.430	4.380	4.365	4.384
1994	4.359	4.176	4.248	4.333	4.434	4.623	4.823	4.989	5.106	5.243	5.380	5.528
1995	5.612	5.779	5.934	5.960	6.008	5.997	5.972	5.910	5.832	5.784	5.805	5.748
1996	5.698	5.643	5.557	5.538	5.502	5.548	5.587	5.566	5.601	5.601	5.599	5.574
1997	5.583	5.575	5.580	5.612	5.634	5.667	5.679	5.690	5.707	5.705	5.715	5.744
1998	5.742	5.720	5.680	5.672	5.673	5.671	5.652	5.652	5.639	5.557	5.492	5.374
1999	5.265	5.210	5.136	5.119	5.086	5.095	5.178	5.225	5.274	5.391	5.484	5.639
2000	5.760	5.824	5.851	6.014	6.190	6.349	6.443	6.505	6.502	6.517	6.538	6.535
2001	6.372	6.169	5.976	5.760	5.328	4.958	4.635	4.502	4.288	3.785	3.526	3.261
2002	3.068	2.967	2.861	2.845	2.740	2.687	2.714	2.594	2.604	2.487	2.301	2.201
2003	2.103	1.945	1.904	1.858	1.769	1.697	1.653	1.632	1.635	1.596	1.572	1.545
2004	1.528	1.440	1.474	1.445	1.426	1.469	1.604	1.672	1.771	1.890	2.003	2.134
2005	2.264	2.368	2.542	2.724	2.856	2.967	3.083	3.179	3.324	3.458	3.636	3.808
2006	3.955	4.043	4.142	4.305	4.563	4.700	4.849	4.946	5.023	5.098	5.125	5.129
2007	5.156	5.181	5.214	5.222	5.248	5.250	5.255	5.253	5.231	5.137	4.962	4.801
2008	4.620	4.161	3.777	3.400	3.072	2.894	2.787	2.779	2.774	2.709	2.568	2.353
2009	2.046	1.869	1.822	1.607	1.530	1.377	1.035	0.925	0.750	0.646	0.611	0.569
2010	0.558	0.577	0.547	0.588	0.560	0.528	0.531	0.513	0.500	0.480	0.454	0.462
2011	0.538	0.512	0.500	0.588	0.413	0.448	0.381	0.408	0.378	0.385	0.401	0.382
2012	0.385	0.389	0.383	0.367	0.363	0.358	0.363	0.377	0.348	0.340	0.324	0.326
2013	0.300	0.286	0.285	0.264	0.245	0.244	0.267	0.271	0.257	0.266	0.263	0.264
2014	0.244	0.236	0.236	0.233	0.228	0.228	0.244	0.260	0.246	0.261	0.261	0.267
2015	0.262	0.266	0.278	0.283	0.290	0.299	0.320	0.330	0.337	0.357	0.374	0.400
2016	0.446	0.467	0.506	0.525	0.552	0.576	0.588	0.614	0.634	0.654	0.678	0.719
2017	0.751	0.777	0.821	0.884	0.925	0.978	1.051	1.084	1.111	1.143	1.172	1.239



STAFF REPORT TO THE COLFAX CITY COUNCIL

FOR THE JANUARY 24, 2018 COUNCIL MEETING

FROM: Wes Heathcock, City Manager
PREPARED BY: Laurie Van Groningen, Finance Director
DATE: January 13, 2018
SUBJECT: Sales and Use Taxes

<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>	FUNDED	<input type="checkbox"/>	UN-FUNDED	AMOUNT:	FROM FUND: General Fund
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RECOMMENDED ACTION: Information only

SUMMARY:

The City has received the final accounting of Sales and Use Tax revenues for the quarter ended September 30, 2017.

FISCAL IMPACT:

Total sales tax revenue for the quarter was \$302,974, which is the highest 1st quarter (fiscal year) in recent history and is 15% higher than budget (assumes straight line budget – annual budget = \$1,050,000).

BACKGROUND AND ANALYSIS:

The attached chart – Retail Sales Tax History – reports the history of sales tax revenues since 1999. As reported previously, the fiscal 2015-2016 year included the true up and final adjustments related to the end of the decade old triple flip sales tax program which ended December 31, 2015. This final adjustment is estimated to be approximately \$100,000 of the growth reported for the 2015-2016 fiscal year. Considering this adjustment was related to the time period of the entire triple flip process it should be considered when reviewing year to year changes in revenues.

Our current year 2017-2018 budget was amended in June 2017 and was conservatively based on fiscal year 2016-2017 actual data at that time. The budget is now \$1,050,000 which is about 5% less than the final 2016-2017 actuals. Staff will continue to closely monitor sales and use tax revenues, provide current year projections when available, and provide any budget amendment recommendations at the mid-year budget review in February 2018.

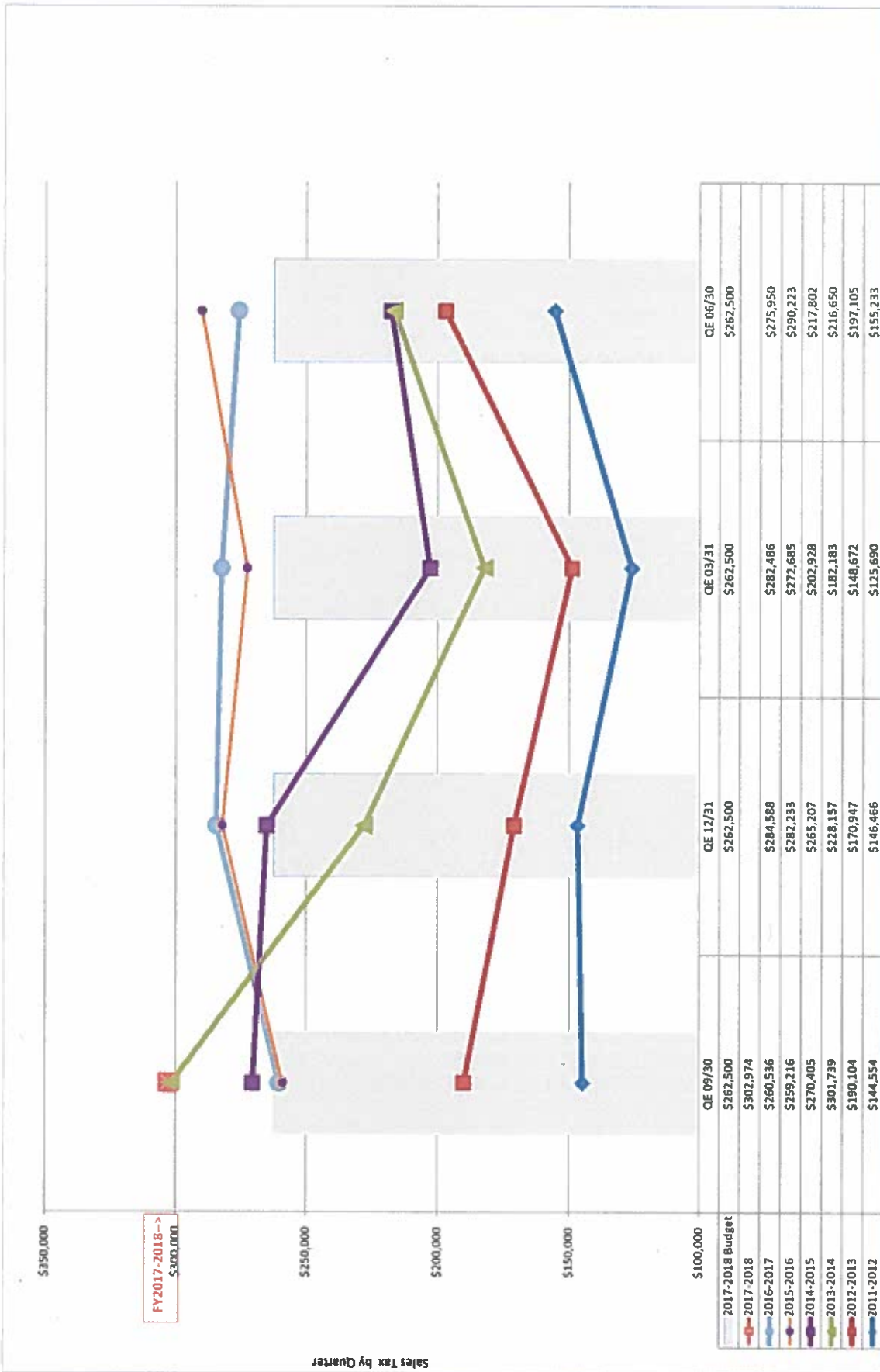
ATTACHMENTS:

1. Graph – City of Colfax - Retail Sales Tax Revenues
2. Chart – City of Colfax – Retail Sales Tax History

City of Colfax

Retail Sales and Use Tax Revenues

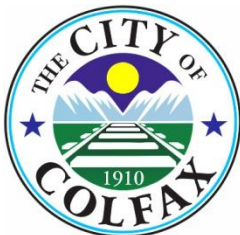
(Actuals Through Quarter Ended 09/30/17)



City of Colfax
Sales and Use Tax Revenue History

	Actuals	Change	% Change
1999-2000	\$ 478,169		
2000-2001	\$ 484,801	\$ 6,632	1%
2001-2002	\$ 592,392	\$ 107,591	22%
2002-2003	\$ 581,749	\$ (10,643)	-2%
2003-2004	\$ 601,276	\$ 19,527	3%
2004-2005	\$ 707,515	\$ 106,239	18%
2005-2006	\$ 749,583	\$ 42,068	6%
2006-2007	\$ 752,431	\$ 2,848	0%
2007-2008	\$ 648,989	\$ (103,442)	-14%
2008-2009	\$ 540,051	\$ (108,938)	-17%
2009-2010	\$ 538,549	\$ (1,502)	0%
2010-2011	\$ 551,953	\$ 13,404	2%
2011-2012	\$ 571,943	\$ 19,990	4%
2012-2013	\$ 706,828	\$ 134,885	24%
2013-2014	\$ 928,729	\$ 221,901	31%
2014-2015	\$ 956,342	\$ 27,613	3%
2015-2016	* \$ 1,104,357	\$ 148,015	15%
2016-2017	\$ 1,103,560	\$ (797)	0%

**Included true up and final adjustments related to the end of the decade old triple flip sales tax program which ended December 31, 2015*



STAFF REPORT TO THE COLFAX CITY COUNCIL

FOR THE JANUARY 24, 2018 CITY COUNCIL MEETING

FROM: Wes Heathcock, City Manager
PREPARED BY: Staff
DATE: November 3, 2016
SUBJECT: Every 15 Minutes Donation

<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>	FUNDED	<input type="checkbox"/>	UN-FUNDED	AMOUNT:	FROM FUND: General Fund
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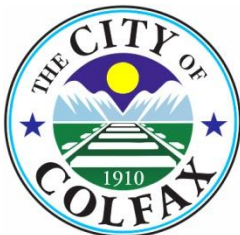
RECOMMENDED ACTION: Authorize donating \$500 to organizers of the Every 15 Minutes Program at Colfax High School in lieu of the budgeted donations to the 2017 Railroad Days Event.

SUMMARY

The City Council of the City of Colfax traditionally donates \$500 to serve as seed money for certain City wide events each year. The 2017-2018 budget includes funds for 3 events: July 3rd, Railroad Days, and Winterfest. There was no Railroad Days event in 2017.

Council heard a presentation from Elle Lippold regarding Every 15 Minutes, an event to be held February 6-7, 2018 which will promote safe driving of Colfax High School students. This event will have a positive impact on the community when teens drive more safely. Ms. Lippold requested the funding to provide meals and supplies for participants and promotional reminders for students.

Staff recommends authorizing the donation of the \$500 that was not needed for 2017 Railroad Days to the Every 15 Minutes Program .



STAFF REPORT TO THE COLFAX CITY COUNCIL

FOR THE JANUARY 24, 2018 COUNCIL MEETING

FROM: Wes Heathcock, City Manager
PREPARED BY: Amy Feagans, Planning Director
DATE: January 16, 2018
SUBJECT: South Auburn Street Hotel Development Proposal CEQA Document Preparation –
 Contract for Professional Services

<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>	FUNDED	<input type="checkbox"/>	UN-FUNDED	AMOUNT: \$33,469	FROM FUND: Developer Funded
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RECOMMENDED ACTION: Adopt Resolution 05-2018 authorizing the City Manager to execute an agreement with The RCH Group for preparation for the S. Auburn/Whitcomb Hotel CEQA Document in an amount not to exceed \$33,469.

BACKGROUND AND SUMMARY:

The City recently received a planning application for the development of a 3-story 69 room hotel to be located near the corner of Whitcomb Avenue and South Auburn Street. As required by California Environmental Quality Agency (CEQA), an Initial Study must be prepared to determine the level of environmental impacts as a result of the proposed project. Because the City does not have the expertise in-house, it is appropriate to hire an outside consultant to prepare the document. Although the contract will be between the City and The RCH Group, the developer will be responsible for funding the entire cost of the Study.

The RCH Group has submitted the attached scope of work to complete the necessary work (Exhibit A) in compliance with CEQA requirements.

PROJECT DESCRIPTION:

The attached scope of work outlines the specific tasks that will be undertaken: the kickoff meeting with staff and the developer, preparation of the administrative draft Initial Study, circulation of the Study to appropriate public agencies, and preparation of the final memo and environmental document (Negative Declaration or Mitigated Negative Declaration) for final review as part of the development project.

The actual development proposal will be reviewed separately at a later date. This report addresses only the contract for preparation of the required CEQA analysis.

FINANCIAL AND/OR POLICY IMPLICATIONS

The total cost for the report is anticipated to be \$33,469 and is expected to take approximately five months to prepare. Funding for the project will be paid by the developer.

ATTACHMENTS:

1. Resolution 05-2018
2. Contract with The RCH Group including Proposal

City of Colfax

City Council

Resolution № 05-2018

**AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH
THE RCH GROUP FOR PREPARATION FOR THE S. AUBURN/WHITCOMB
HOTEL CEQA DOCUMENT IN AN AMOUNT NOT TO EXCEED \$33,469**

WHEREAS, the City of Colfax desires to have the environmental analysis prepared for the S. Auburn/Whitcomb Hotel Development Project; and

WHEREAS, the City of Colfax has received a scope of work from The RCH Group to perform the requested service; and

WHEREAS, the scope of the services provided by The RCH Group includes the tasks necessary to prepare the environmental evaluation of the proposed development project,

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Colfax authorizes the City Manager to execute on behalf and in the name of the City of Colfax a professional services contract with The RCH Group for the preparation of the environmental documentation and evaluation attached to this Resolution.

THE FOREGOING RESOLUTION WAS DULY AND REGULARLY ADOPTED at a regular meeting of the City Council of the City of Colfax held on the 24th day of January, 2018 by the following vote of the Council:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

Will Stockwin, Mayor

Lorraine Cassidy, City Clerk

AGREEMENT FOR CONSULTANT SERVICES

THIS AGREEMENT is made and entered into on this 25th day of October 2018 by and between the City of Colfax, a municipal corporation of the State of California ("City") and **The RCH Group** ("Consultant").

RECITALS

- A. The City desires to retain Consultant to provide the Services set forth in detail in Exhibit A hereto (the "Services") subject to the terms and conditions of this Agreement.
- B. Consultant is duly licensed and sufficiently experienced to undertake and perform the Services in a skilled and workmanlike manner and desires to do so in accordance with the terms and conditions of this Agreement.

Now, therefore, in consideration of the mutual covenants, promises and conditions set forth in this Agreement, the City and Consultant agree as follows:

Section 1. Services

Subject to the terms and conditions set forth in this Agreement, Consultant shall furnish and perform all of the Services described in detail in Exhibit A hereto and incorporated herein by this reference (the "Services") to the satisfaction of the City. Consultant shall not perform any work exceeding the scope of the Services described in Exhibit A without prior written authorization from the City.

Section 2. Time of Completion.

Consultant's schedule for performance of the Services is set forth in Exhibit A hereto which is incorporated herein by this reference. Consultant shall commence performance of the Services promptly upon receipt of written notice from the City to proceed. Performance of the Services shall progress and conclude in accordance with the schedule set forth in Exhibit A. During the performance of the Services, Consultant shall provide the City with written progress reports at least once each month and at such additional intervals as City may from time to time request.

Section 3. Compensation.

- A. Except as may otherwise be provided in Exhibit A or elsewhere in this Agreement or its exhibits, Consultant shall invoice City once each month for the Services performed during the preceding month. Such invoices shall itemize all charges in such detail as may reasonably be required by City in the usual course of City business but shall include at least:

- i. the date of performance of each of the Services,
- ii. identification of the person who performed the Services,
- iii. a detailed description of the Services performed on each date,
- iv. the hourly rate at which the Services on each date are charged,
- v. an itemization of all costs incurred and
- vi. the total charges for the Services for the month invoiced.

As long as the Consultant performs the Services to the satisfaction of the City, the City shall pay the Consultant an all-inclusive compensation that shall not exceed the amount as detailed in Exhibit A except pursuant to an authorized written change order issued pursuant to Section 15 of this Agreement before the Services requiring additional compensation are performed. City shall pay Consultant no later than thirty (30) days after approval of the monthly invoice by City's staff.

- B. The Consultant's compensation for the Services shall be full compensation for all indirect and direct personnel, materials, supplies, equipment and services incurred by the Consultant and used in carrying out or completing the Services. Payments shall be in accordance with the payment schedule established in Exhibit A or elsewhere in this Agreement or its exhibits.
- C. The City shall have the right to receive, upon request, documentation substantiating charges billed to the City pursuant to this Agreement. The City shall have the right to perform an audit of the Consultant's relevant records pertaining to the charges.
- D. Any Services performed more than sixty (60) days prior to the date upon which they are invoiced to the City shall not be compensable.

Section 4. Professional Ability; Standard of Quality.

City has relied upon the professional training and ability of Consultant to perform the Services described in Exhibit A as a material inducement to enter into this Agreement. Consultant shall therefore provide properly skilled professional and technical personnel to perform all Services under this Agreement. All Services performed by Consultant under this Agreement shall be in a skillful, workmanlike manner in accordance with applicable legal requirements and shall meet the standard of quality ordinarily to be expected of competent professionals in Consultant's field of expertise.

Section 5. Indemnification.

Consultant shall hold harmless and indemnify, including without limitation the cost to defend, the City and its officers, agents and employees from and against any and all claims, demands, damages, costs or liability that arise out of, or pertain to, or relate to the negligence, recklessness or willful misconduct of Consultant and/or its agents in the performance of the Services. This indemnity does not apply to liability for damages for

death or bodily injury to persons, injury to property, or other loss, arising from the sole negligence, willful misconduct or material defects in design by the City or its agents, servants employees or independent contractors other than Consultant who are directly responsible to the City, or arising from the active negligence of the City officers, agents, employees or volunteers

Section 6. Insurance.

Without limiting Consultant's indemnification obligations provided for above, Consultant shall take out before beginning performance of the Services and maintain at all times during the life of this Agreement the following policies of insurance with insurers possessing a Best rating of not less than A. Consultant shall not allow any subcontractor, professional or otherwise, to commence work on any subcontract until all insurance required of the Consultant has also been obtained by the subcontractor.

- A. Workers' Compensation Coverage. Statutory Workers' Compensation insurance and Employer's Liability Insurance to cover its employees. In the alternative, Consultant may rely on a self-insurance program to meet its legal requirements as long as the program of self-insurance complies fully with the provisions of the California Labor Code. Consultant shall also require all subcontractors, if such are authorized by the City, to similarly provide Workers' Compensation insurance as required by the Labor Code of the State of California for all of the subcontractor's employees. All Workers' Compensation policies shall be endorsed with the provision that the insurance shall not be suspended, voided, or cancelled until thirty (30) days prior written notice has been provided to City by the insurer. The Workers' Compensation insurance shall also contain a provision whereby the insurance company agrees to waive all rights of subrogation against the City and its elected or appointed officials, officers, agents, and employees for losses paid under the terms of such policy which arise from the Services performed by the insured for the City.
- B. General Liability Coverage. General liability insurance, including personal injury and property damage insurance for all activities of the Consultant and its subcontractors, if such are authorized by the City, arising out of or in connection with the Services. The insurance shall be written on a comprehensive general liability form and include a broad form comprehensive general liability endorsement. In the alternative, the City will accept, in satisfaction of these requirements, commercial general liability coverage which is equivalent to the comprehensive general liability form and a broad form comprehensive general liability endorsement. The insurance shall be in an amount of not less than \$1 million combined single limit personal injury and property damage for each occurrence. The insurance shall be occurrence based insurance. General liability coverage written on a claims made basis shall not be acceptable absent prior written authorization from the City.

- C. Automobile Liability Coverage. Automobile liability insurance covering bodily injury and property damage for all activities of the Consultant arising out of or in connection with this Agreement, including coverage for owned, hired and non-owned vehicles, in an amount of not less than \$1 million combined single limit for each occurrence.
- D. Policy Endorsements. Each general liability and automobile liability insurance policy shall be endorsed with the following provisions:
1. The City, and its elected or appointed officials, employees and agents shall be named as insureds or additional insureds with regard to damages and defenses of claims arising from activities performed by or on behalf of the Consultant.
 2. The insurance afforded by each policy shall apply separately to each insured who is seeking coverage or against whom a claim is made or a suit is brought, except with respect to the insurer's limits of liability.
 3. The insurance shall be primary insurance as respects the City and its elected or appointed officers, officials, employees and agents. Any other insurance maintained by the City or its elected or appointed officers, officials, employees, agents or volunteers shall be in excess of this insurance and shall not contribute with it.
 4. The insurance shall not be suspended, voided, cancelled, or reduced in coverage or in limits except after thirty (30) days prior written notice has been provided to the City.
 5. Any failure to comply with the reporting requirements of any policy shall not affect coverage provided to the City, its elected or appointed officers, officials, employees, or agents.
- E. Professional Liability Coverage. If required by the City, Consultant shall also take out and maintain professional liability, errors and omissions insurance in an amount not less than \$1 million. The professional liability insurance policy shall be endorsed with a provision stating that it shall not be suspended, voided, cancelled, or reduced in coverage or in limits except after thirty (30) days written notice has been provided to the City.
- F. Insurance Certificates and Endorsements. Prior to commencing the Services under this Agreement, Consultant shall submit to the City documentation evidencing the required insurance signed by the insurance agent and the companies named. This documentation shall be on forms which are acceptable to the City and shall include all required endorsements and verify that coverage is actually in effect. This Agreement shall not be effective until the required insurance forms and endorsements are submitted to and approved by the City. Failure to provide these forms within the time period specified by City may result in the award of this

Agreement to another Consultant should the City, in its sole discretion, decide to do so. Current certification of insurance shall be kept on file with the City at all times during the term of this Agreement.

- G. Deductible and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by City.
- H. Termination of Insurance. If the City receives notification that Consultant's insurance will be suspended, voided, cancelled or reduced in coverage or in limits, and if the Consultant does not provide for either the reinstatement of that insurance or for the furnishing of alternate insurance containing all of the terms and provisions specified above prior to the termination of that insurance, City may either terminate this Agreement for that breach, or City may secure the required insurance to satisfy the conditions of this Agreement and deduct the cost thereof from compensation which would otherwise be due and payable to the Consultant for Services rendered under the terms of this Agreement.

Section 7. Subcontracts.

Consultant may not subcontract any portion of the Services without the written authorization of City. If City consents to a subcontract, Consultant shall be fully responsible to the City and third parties for all acts or omissions of the subcontractor to which the Services or any portion thereof are subcontracted. Nothing in this Agreement shall create any contractual relationship between City and any subcontractor, nor shall it create any obligation on the part of the City to pay or cause the payment of any monies due to any such subcontractor except as otherwise is required by law.

Section 8. Assignment.

Consultant shall not assign any right or obligation under this Agreement without the City's prior written consent. Any attempted assignment of any right or obligation under this Agreement without the City's prior written consent shall be void.

Section 9. Entire Agreement.

This Agreement represents the entire understanding of City and Consultant as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered herein. This Agreement may not be modified or altered except in writing signed by both parties.

Section 10. Jurisdiction.

This Agreement shall be administered and interpreted under the laws of the State of California. Jurisdiction over any litigation arising from this Agreement shall be in the Superior Court of the State of California with venue in Placer County, California.

Section 11. Suspension of Services.

Upon written request by Consultant, City may suspend, in writing, all or any portion of the Services if unforeseen circumstances beyond the control of the City and Consultant make normal progress of the Services impossible, impractical or infeasible. Upon written City approval to suspend performance of the Services, the time for completion of the Services shall be extended by the number of days performance of the Services is suspended.

Section 12. Termination of Services.

City may at any time, at its sole discretion, terminate all or any portion of the Services and this Agreement upon seven (7) days written notice to Consultant. Upon receipt of notice of termination, Consultant shall stop performance of the Services at the stage directed by City. Consultant shall be entitled to payment within thirty (30) days for Services performed up to the date of receipt of the written notice of termination. Consultant shall not be entitled to payment for any Services performed after the receipt of the notice of termination unless such payment is authorized in advance in writing by the City.

Should Consultant fail to perform any of the obligations required of Consultant within the time and in the manner provided for under the terms of this Agreement, or should Consultant violate any of the terms and conditions of this Agreement, City may terminate this Agreement by providing Consultant with seven (7) days written notice of such termination. The Consultant shall be compensated for all Services performed prior to the date of receipt of the notice of termination. However, the City may deduct from the compensation which may be owed to Consultant the amount of damage sustained or estimated by City resulting from Consultant's breach of this Agreement.

Consultant's obligations pursuant to Sections 5 and 6 of this Agreement shall survive termination, and continue in effect for as long as necessary to fulfill the purposes of Sections 5 and 6.

Section 13. Independent Contractor.

Consultant shall in all respects be an independent contractor and not an agent or employee of City. Consultant has and shall retain the right to exercise full control and supervision of the means and methods of performing the Services. Consultant shall receive no premium or enhanced pay for Services normally understood as overtime; nor shall Consultant

receive holiday pay, sick leave, administrative leave or pay for any other time not actually expended in the performance of the Services. It is intended by the parties that Consultant shall not be eligible for benefits and shall receive no compensation from the City, except as expressly set forth in this Agreement. Consultant shall submit completed W -9 and Report of Independent Contractor forms upon execution of this Agreement and prior to the payment of any compensation hereunder.

Section 14. Ownership of Documents.

Within thirty (30) days after the Consultant substantially completes performance of the Services, or within thirty (30) days after the termination of this Agreement, the Consultant shall deliver to the City all files, records, materials and documents drafted or prepared by Consultant's in the performance of the Services. It is expressly understood and agreed that all such files, records, materials and documents are the property of the City and not the property of the Consultant. All finished and unfinished reports, plans, studies, documents and other writings prepared by and for Consultant, its officers, employees and agents in the course of performing the Services shall become the sole property of the City upon payment to Consultant for the Services, and the City shall have the exclusive right to use such materials in its sole discretion without further compensation to Consultant or to any other party. Consultant shall, at Consultant's expense, provide such reports, plans, studies, documents and writings to City or any party the City may designate, upon written request. Consultant may keep file copies of all documents prepared for City. Use of any such documents by the City for projects that are not the subject of this Agreement or for purposes beyond the scope of the Services shall be at the City's sole risk without legal liability or expense to Consultant.

Section 15. Changes and/or Extra Work.

Only the City Council may authorize extra and/or changed Services, modification of the time of completion of the Services, or additional compensation for the tasks to be performed by Consultant. Consultant expressly recognizes that other City personnel are without authorization to order extra and/or changed Services or to obligate the City to the payment of additional compensation. The failure of Consultant to secure the prior written authorization for such extra and/or changed Services shall constitute a waiver of any and all right to adjustment in the contract price due to such unauthorized Services, and Consultant thereafter shall not be entitled to any compensation whatsoever for the performance of such extra or changed Services. In the event Consultant and City agree that extra and/or changed Services are required, or that additional compensation shall be awarded to Consultant for performance of the Services under this Agreement, a supplemental agreement providing for such compensation shall be prepared and shall be executed by the Consultant and the necessary City officials before the extra and/or changed Services are provided.

Section 16. Compliance with Federal, State and Local Laws.

Consultant shall comply with all applicable federal, state and local laws, statutes, ordinances, rules and regulations affecting the Services, including without limitation laws requiring licensing and prohibiting discrimination in employment because of race, creed, color, sex, age, marital status, physical or mental disability, national origin or other prohibited bases. City shall not be responsible or liable for Consultant's failure to comply with applicable laws, statutes, ordinances, rules or regulations.

Section 17. Retention of Records.

Consultant and any subconsultants authorized by the terms of this Agreement shall keep and maintain full and complete documentation and accounting records, employees' time sheets, and correspondence pertaining to the Services, and Consultant shall make such documents available for review and/or audit by City and City's representatives at all reasonable times during performance of the Services and for at least four (4) years after completion of the Services and/or termination of this Agreement.

Section 18. Alternative Dispute Resolution

- A. Before resorting to mediation, arbitration or other legal process, the primary contacts of the parties shall meet and confer and attempt to amicably resolve any dispute arising from or relating to this Agreement subject to the following provisions. Any party desiring to meet and confer shall so advise the other party pursuant to a written notice. Within 15 days after provision of that written notice by the party desiring to meet and confer, the primary contacts for each party shall meet in person and attempt to amicably resolve their dispute. Each primary contact, or the person acting in their absence with full authority to resolve the dispute, shall attend the meeting and shall be prepared to devote an entire day thereto. If any dispute remains unresolved at the end of the meeting, any party to this Agreement shall have the right to invoke the mediation process provided for in the subparagraph B below.
- B. Subject to the provisions of subparagraph A, any dispute that remains unresolved after the meet and confer shall immediately be submitted to non-binding neutral mediation, before a mutually acceptable, neutral retired judge or justice at the Sacramento Office of the Judicial Arbitration and Mediation Service ("JAMS"). If within five days after the meet and confer the parties are unable to agree upon the selection of a neutral mediator, then the first available retired judge or justice at the Sacramento office of JAMS shall serve as the neutral mediator. The parties agree to commit to at least one full day to the mediation process. Additionally, to expedite the resolution of any dispute that is not resolved by mediation, the parties agree to each bring to the neutral mediation a list of at least five neutral arbitrators,

including their resumes, whose availability for an arbitration hearing within 30 days after the mediation has been confirmed.

- C. If mediation is unsuccessful, before the mediation concludes, the parties shall mediate the selection of a neutral arbitrator to assist in the resolution of their dispute. If the parties are unable to agree on an arbitrator, the parties agree to submit selection of an arbitrator to the mediator, whose decision shall be binding on the parties. In that case, the mediator shall select a neutral arbitrator from the then active list of retired judges or justices at the Sacramento Office of the JAMS. The arbitration shall be conducted pursuant to the provisions of the California Arbitration Act, sections 1280-1294.2 of the California Code of Civil Procedure. In such case, the provisions of Code of Civil Procedure Section 1283.05 and 1283.1 shall apply and are hereby incorporated into this Agreement.
- D. This section 18 shall survive the termination or expiration of this Agreement. If there is no Sacramento office of JAMS, then the office of JAMS closest to the City shall be used instead of a Sacramento office.

Section 19. Severability.

The provisions of this Agreement are severable. If any portion of this Agreement is held invalid by an arbitrator or by a court of competent jurisdiction, the remainder of the Agreement shall remain in full force and effect unless amended or modified by the mutual written consent of the parties.

Section 20. Entire Agreement; Amendment.

This Agreement, including all exhibits hereto, constitutes the complete and exclusive expression of the understanding and agreement between the parties with respect to the subject matter hereof. All prior written and oral communications, including correspondence, drafts, memoranda, and representations, are superseded in total by this Agreement. This Agreement may be amended or extended from time to time only by written agreement of the parties hereto.

Section 21. Time of the Essence.

Time is of the essence in the performance of the Services. The Consultant will perform its Services with due and reasonable diligence consistent with sound professional practices and shall devote such time to the performance of the Services as may be necessary for their timely completion.

Section 22. Written Notification.

Except as otherwise specified in this Agreement, any notice, demand, request, consent, approval or communications that either party desires or is required to give to the other party shall be in writing and either served personally or sent by first class mail, postage prepaid and addressed as follows. Either party may change its address by notifying the other party in writing of the change of address. Notice shall be deemed communicated within two business days from the time of mailing if mailed within the State of California as provided in this Section.

If to City: City of Colfax
 33 S. Main Street
 Colfax, CA 95713

If to Consultant: The RCH Group
 1106 White Rock Road, Suite 150-A
 Rancho Cordova, CA 95670

Section 23. Execution.

This Agreement may be executed in original counterparts, each of which shall constitute one and the same instrument and shall become binding upon the parties when at least one original counterpart is signed by both parties hereto. In proving this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

Section 24. Successors.

This Agreement shall be binding on and inure to the benefit of the respective parties hereto except to the extent of any contrary provision in this Agreement.

Section 25. Attorney's Fees.

If any party to this Agreement commences legal proceedings to enforce any of its terms or to recover damages for its breach, the prevailing party shall be entitled to recover its reasonable attorney's fees, costs and the expenses of expert witnesses, including any such fees costs and expenses incurred on appeal.

IN WITNESS WHEREOF, the parties hereby have executed this Agreement on the day first above written:

CITY

CONSULTANT

Signature: _____

Signature: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

APPROVED AS TO FORM:

City Attorney

R&R Partners – Colfax Hotel Proposal for Consulting Services & CEQA Document Preparation



1 PROJECT UNDERSTANDING

R&R Partners (the applicant) proposes to develop on three undeveloped parcels totaling approximately 2.6 acres at the corner of South Auburn Street and Whitcomb Avenue in the City of Colfax (Placer County APN 100-230-022, -023 & -024). The project site is bordered by Colfax Dental Center, a private residence and vacant land to the west, Dollar General to the south, Whitcomb Avenue to the north and South Auburn Street to the east. The proposed project includes the development of a three-story hotel with 69 rooms. The construction and operation of the proposed hotel is the “project,” as defined by the California Environmental Quality Act (CEQA). The City of Colfax is the CEQA Lead Agency.

2 PROJECT APPROACH

2.1 GENERAL APPROACH

RCH’s Managing Principal of Environmental Services, Paul Miller, will manage the proposed project. Paul is an environmental professional with more than 33 years of experience in providing services and products to government agencies and private sector corporations. With a broad range of environmental skills, he has applied his background since 1986 to CEQA and NEPA and has been integral in the preparation of over 500 CEQA/NEPA environmental documents, including project manager for more than 18 major EIRs. Paul managed the Initial Study/ Mitigated Negative Declaration (IS/MND) for Sierra Oaks Estates and Village Oaks, a 34-lot single-family residential neighborhood and a 76-unit multi-family residential community on a 35-acre site near the southwest corner of Iowa Hill Road and Grand View Way in the City of Colfax. RCH prepared the IS/MND in-house and the project was approved in December 14, 2016.

RCH has significant project experience in the Colfax and Placer County area and has good working relationships with responsible agencies and other jurisdictions applicable to the proposed project such as the City of Colfax Planning Department, Placer County Air Pollution Control District (PCAPCD) and Placer County Water Authority (PCWA).

RCH will use its experience with CEQA and projects in Colfax and the Placer County area in preparing a CEQA document for the project. An Initial Study will first be prepared for the proposed project to provide the City of Colfax with the information to use as the basis for deciding whether to prepare an Environmental Impact Report (EIR) or MND. The initial study will enable the R&R Partners and the City of Colfax to mitigate adverse impacts as a result of the proposed project before an EIR is prepared, enabling the proposed project to qualify for a MND. The Initial Study will use the Appendix G Checklist of the CEQA Guidelines and will contain responses for each checklist item (16 general categories of environmental impacts) and provide explanations for items with potential environmental impacts that

[1]

need to have mitigation measures implemented. Based upon the project and RCH's experience with similar projects, a MND should be sufficient for CEQA compliance.

2.2 SCOPE OF WORK

RCH proposes the following items for the Scope of Work.

Task 1: Kick-off Meeting

At the "kick-off" meeting with RCH, R&R Partners and the City of Colfax Planning Department. All parties will discuss the project components and confirm the impacts that will be addressed in the CEQA document.

Task 2: Prepare Administrative Draft Initial Study

RCH will prepare an Initial Study Checklist (CEQA Appendix G) to determine potential impacts. If no significant impacts are identified, or if mitigation measures can be identified for all potentially significant impacts and R&R agrees to implement them, then the City of Colfax can circulate a proposed Negative Declaration or a MND. It is expected that the proposed project would have minimal effects for many of the resource categories considered in the Initial Study Checklist. We have preliminarily identified the following issues for more thorough analysis in the Initial Study.

Areas that will need a thorough discussion include:

- Air Quality/ Greenhouse Gas Emissions
- Biological Resources
- Cultural Resources
- Hydrology/Water Quality
- Noise
- Transportation/Traffic

Air Quality and Greenhouse Gas (GHG) Emissions

RCH will analyze potential air quality and GHG emissions impacts. Air quality and GHG emissions from construction and operation of the proposed project will be quantified using the California Emissions Estimator Model (CalEEMod), a statewide land emissions model which provides an accurate and comprehensive tool for quantifying air quality and GHG emissions impacts from land use projects in California. The air quality and GHG emissions analysis will follow the guidelines in the PCAPCD's CEQA Air Quality Handbook and emissions from the proposed project will be compared to PCAPCD thresholds of significance. Based upon the size of the project site and the low intensity of operations, air quality and GHG emissions are expected to be below all PCAPCD significance thresholds.

Biological Resources

RCH will peer review the applicant-prepared Biological Study prepared for project (requesting clarifications or more detail, if needed). The biological analysis in the initial study will follow the recommendations and conclusions of the Biological Study related to biological resources impacts including impacts to wetlands and mitigation measures for potentially significant impacts.

Cultural Resources

RCH will peer review the applicant-prepared Cultural Study prepared for the project (requesting clarifications or more detail, if needed). The cultural analysis in the initial study will follow the recommendations and conclusions of the Cultural Study related to potential cultural impacts. The City of Colfax will need to follow AB 52 guidelines and offer AB 52 consultation to any tribes that request consultation in writing.

Hydrology

RCH will review the applicant-prepared Drainage Study. The hydrology section of the initial study will contain a discussion of water quality requirements including obtaining a General Permit for Discharges of Stormwater Associated with Construction Activity (Construction General Permit), which requires a Stormwater Pollution Prevention Plan (SWPPP).

Noise

RCH will conduct several short-term (typically ten to 20 minutes) and one long-term (typically 48 hours) noise measurement in locations around the perimeter of the project site to estimate existing noise levels. The focus of the noise analysis will be potential impacts of construction and operations on sensitive receptors nearby the project site. The proposed project will have to comply with the Chapter 8.28 – Noise Standards in the City of Colfax Municipal Code. The noise analysis will also analyze the land use noise compatibility of the project site and the proposed hotel use, based on standards in the City of Colfax 2020 General Plan.

Traffic and Transportation

RCH will prepare the traffic and transportation section of the initial study using the findings and recommendations of the traffic report to be prepared by KD Anderson & Associates (KDA). The KDA proposal for the traffic study is found in **Appendix A** of this proposal.

Task 3: Prepare Public Draft Negative Declaration or MND

RCH will respond to City comments on the Administrative Draft Negative Declaration or MND (and applicant comments, as appropriate, if they review the Administrative Draft document) and prepare a revised version of the document for public distribution.

Task 4: Circulate CEQA Document

In coordination with the City, RCH will assist in preparation (if necessary) of a Notice of Intent (NOI) to adopt a Negative Declaration or MND according to CEQA Guidelines 15070. RCH will also assist the City with any other CEQA noticing tasks the City requests.

Task 5: Response to Public Comments

RCH will respond to public comments received during Draft IS/MND public review period. At this time there is no way to estimate the level of public comments, 16 hours of staff time is included in this proposal for budgeting purposes.

Task 6: Public Hearing (Additional Meetings)

RCH's Project Manager (Paul Miller) and Deputy Project Manager (Dan Jones) will be in attendance at the kickoff meeting. RCH also assumes the following meeting as part of this SOW:

RCH will attend the Public Hearing for the proposed project at the Colfax City Hall. At the Public Hearing, RCH will be able to answer questions and provide CEQA support to the City of Colfax Planning Staff.

RCH's cost proposal includes one Public Hearing, if additional meetings are required they will be invoiced on a time and materials basis with prior approval from the Planning Director.

Task 7: Project Management

This task includes all project management tasks necessary for completion of the project, including, scheduling, budgeting, invoicing, and coordination.

3 RELEVANT EXPERIENCE

3.1 PROJECT MANAGER

Paul Miller, RCH's Managing Principal, will act as project manager. Paul is an environmental professional with more than 33 years of experience in providing services and products to government agencies and private sector corporations. His technical areas of expertise include CEQA project management and technical analyses in the areas of energy, integrated waste management, air quality, noise and hazardous materials. With a broad range of environmental skills, he has applied his background since 1986 to CEQA and NEPA and has been integral in the preparation of over 250 CEQA and NEPA

environmental documents, including project manager for more than 18 major EIRs. He has been the project manager or a key team leader for five state agencies (California Public Utilities Commission (CPUC), California Energy Commission (CEC), CalRecycle, the former California Integrated Waste Management Board, and the State Water Resources Board, Central Valley Region) on projects of statewide importance.

Dan Jones will be the Deputy Project Manager. Dan will regularly coordinate with Paul Miller and also Amy Feagans at the City. Dan will help to move tasks forward on the Initial Study with full understanding of the project management team goals and all outstanding environmental concerns.

3.2 PROJECT ASSOCIATES

RCH's Dan Jones, Mike Ratte and Erin Reddy will assist in the preparation of the Initial Study. Brief bios are presented below.

Dan Jones is an Environmental Services Associate at RCH Group. As mentioned above Dan will be the Deputy Project Manager. Dan will prepare many of the resource sections of the CEQA document and will assist in supporting project-related tasks. Dan has been integral in RCH's preparation of CEQA documents and technical studies in Placer County and throughout California. Dan's technical experience includes CEQA compliance, air quality, greenhouse gas emissions, health risk assessments, noise, and integrated waste management. Dan's technical noise experience includes short-term and long-term noise monitoring and traffic noise modeling. Dan is proficient in a variety of air emissions models including CalEEMod, California Air Resources Board's EMFAC and OFFROAD, and Sacramento Metropolitan Air Quality Management District's Road Construction Emissions Model. Dan also has technical experience working with dispersion modeling data and health risk assessments.

Mike Ratte is a Senior Air Quality Scientist at RCH Group. Mike will conduct the air quality and greenhouse gas emissions portions of the CEQA document. Mike has been a practicing meteorologist and air quality specialist within the consulting business for 25 years. Mike's technical expertise includes NEPA/CEQA environmental planning, air emissions inventories, ambient air monitoring, atmospheric dispersion modeling, air quality permitting, health risk assessments, and climate change analyses. He has worked extensively for local, state, and federal agencies, as well as a wide array of commercial businesses and industries. His recent projects involved transportation facilities (airports, roadways, and marine ports), land development (residential/commercial/institutional), landfills/composting, and mining/quarry operations. He is well versed in a wide array of air emission models including, EMFAC, OFFROAD, NONROAD, MOVES, CalEEMod, and AP-42; dispersion models such as AERMOD, EDMS, HARP, and CAL3QHC; with strong data management and ACCESS programming skills.

Erin Reddy is a technical associate at RCH with knowledge of ecology, natural resources management, urban forestry, sustainability, and noise. She has over four years of experience in environmental data management and website development for the state of California. Her work involves preparation of CEQA/NEPA environmental documents, technical noise analyses, and wetland alternative analyses. She has hands-on experience with short-term and long-term noise monitoring.

4 SCHEDULE

The following table shows RCH's proposed schedule for the CEQA review. The schedule is aggressive and based on a start date of February 1st. The schedule dates would shift directly in relation to any later start date.

Task	Duration (Calendar Days)	Start Date	Completion Date
Notice to Proceed	1	2/1/2018	2/2/2018
Task 1. Kick off Meeting	1	2/2/2018	2/3/2018
Task 2. Prepare Administrative Draft Initial Study	60	2/4/2018	4/5/2018
Administrative Draft Initial Study Review	7	4/6/2018	4/13/2018
Task 3. Prepare Public Draft ND or MND	10	4/14/2018	4/24/2018
Task 4. Circulate CEQA Document	30	4/25/2018	5/25/2018
Task 5. Response to Comments	10	5/26/2018	6/5/2018
Task 6. Public Hearing	30	6/6/2018	7/6/2018

Note: This schedule is contingent upon receiving technical studies for the proposed project within 45 days of notice to proceed.

5 COST ESTIMATE

The RCH Cost Estimate is provided in **Table 1**.

The cost estimate assumes the following:

- One round of review of the Initial Study by the City and/or the R&R Partners. If there are multiple reviewers their comments should be consolidated for return to RCH.
- The following technical studies will be prepared and delivered to RCH:
 - Biological Resources Assessment
 - Cultural Resources Assessment
 - Drainage Study
- The Traffic Study will be prepared by KDA as a subcontractor to RCH.

Tasks excluded include but are not limited to the following:

- Additional rounds of review by the City of Colfax
- New or additional technical reports

- Preparation of an EIR
- Changes to the Project Description that affect RCH work level of effort or schedule
- Response to Public Comments received during Public Review (beyond the 16 hours included in the cost estimate) – at this time there is no way to estimate the level of public comments
- Additional meetings not in the proposed Scope of Work

Table 1. Cost Estimate		RCH Group														
		Labor Effort							Direct Costs							
R&R Partners – Colfax Hotel Project CEQA Environmental Review		RCH Staff:					RCH HOURS	RCH LABOR COSTS	Subconsultant	Other Direct Costs				Total Direct Costs plus 10%	RCH TOTAL COSTS	
		Paul Miller	Mike Ratte	Dan Jones	Erin Reddy	Graphics and Admin			KD Anderson & Associates	Travel & communications	Printing & materials	Other direct cost				
Employee category bill rate: (\$/hr)		\$160	\$145	\$95	\$85	\$90										
TASKS:		(Hours per person per task)														
1.	Project Kick-Off Meeting	4		4			8	\$1,020						\$0	\$1,020	
2.	Administrative IS Preparation	16	4	60	35	4	119	\$12,175	\$8,205	\$190	\$50			\$9,290	\$21,465	
3.	Draft IS Preparation	8	2	16	8		34	\$3,770						\$0	\$3,770	
4.	Circulate CEQA Document	2		6			8	\$890			\$50			\$55	\$945	
5.	Response to Public Comments on CEQA Document	4		12			16	\$1,780						\$0	\$1,780	
6.	Public Hearing (1)	6		6			12	\$1,530		\$95	\$50			\$160	\$1,690	
7.	Project Management	8		16			24	\$2,800						\$0	\$2,800	
TOTAL EFFORT (Hours)		48	6	120	43	4	221									
TOTAL COSTS (\$)		\$7,680	\$870	\$11,400	\$3,655	\$360		\$23,965	\$8,205	\$285	\$150	\$0		\$9,504	\$33,469	

Appendix A

KD Anderson & Associates

Traffic Study Proposal

December 18, 2017

Mr. Dan Jones, Associate

RCH GROUP

11060 White Rock Road, Suite 150-A

Rancho Cordova, CA 95670

**RE: PROPOSAL TO PROVIDE TRAFFIC ENGINEERING CONSULTANT SERVICES FOR
69 ROOM HOTEL, COLFAX, CA.**

Dear Mr. Jones:

Thank you for considering our firm for services relating to the **69 Room Hotel** project proposed in Colfax. As we understand, the project would be located on a site along S. Auburn Street in southern Colfax. The project would take access to S. Auburn Street in the area immediately south of the Whitcomb Avenue intersection below the eastbound I-80 ramps intersection adjoining the new Dollar General Store.

Key Issues. Our firm is familiar with traffic issues in Colfax through our analysis for retail projects at the S. Auburn Street / WB I-80 ramps intersection. That analysis was the basis for design of a planned roundabout intersection that should relieve peak period congestion. Previous studies have noted morning traffic problems in downtown Colfax further north. A traffic impact fee program is in place which addresses these areas.

Scope of Work. This letter is KD Anderson & Associates (KDA) proposal to provide traffic engineering consultant services as they relate to the work needed to prepare a traffic impact analysis for the project.

Task 1 – Coordination with City of Colfax Staff. KDA will review our work program with City staff to finalize our scope of work. Any changes to the Scope of Work that are requested by the City will be reported to the client, and applicable contract amendments will be processed if appropriate and so directed by the client.

Task 2 – Data Collection. We will combine field review with available traffic volume data and new traffic counts to describe study area roads and existing traffic operating conditions at intersections in this area of Colfax. A field review will be conducted to reacquaint us with the study area. We will compile traffic volume information regarding weekday a.m. peak hour conditions when area schools are in session (7:00 to 9:00 a.m.) and weekday p.m. peak hour conditions (4:00 to 6:00 p.m.). Based on the size of this project and its limited trip generation two (2) study intersections will be addressed:

1. South Auburn Street / Westbound I-80 off-on ramps
2. South Auburn Street / Whitcomb Avenue

Our study budget assumes that new data will need to be gathered at each intersection.

Mr. Dan Jones, Associate
RCH Group
December 18, 2017
Page 2

We will also identify current daily traffic volumes on mainline I-80 in the vicinity of the project based on Caltrans data.

Task 3 – Describe Existing Traffic Operations in Terms of Level of Service and Safety Deficiencies.

A SYNCHRO model will be created for the South Auburn Street intersections to describe conditions based on the 2010 Highway Capacity Manual (2010 HCM) methodologies. A field review will be conducted to obtain the data needed for analysis and to identify any capacity or safety deficiencies that may already exist in the vicinity of the project and its access. The field review will investigate the available sight distance at proposed project access and identify the pedestrian facilities available for the project's guests. Any current safety deficiencies will be identified.

Any planned improvements to the study roads and intersections will be identified in consultation with the City of Colfax and Caltrans.

Task 4 – Identify Project Characteristics. This phase of the study will identify the number of automobile trips generated by the project based on published trip generation rates (ITE Trip Generation, 10th Edition) for daily and a.m. and p.m. peak hour periods. The distribution of project trips across the City street network will be determined based on review of current travel patterns accompanying other commercial areas in this area of Colfax. Project trips to and from I-80 will be assigned based on consideration of the probable travel time along alternative routes. Resulting "Existing Plus Project" a.m. and p.m. peak hour traffic volumes will be identified.

Task 5 – Evaluate "Existing Plus Project" Impacts. Traffic operations and Levels of Service will be recalculated under "Existing Plus Project" conditions. This analysis will determine the extent to which the project directly impacts the operation of study area intersections based on applicable significance criteria. The adequacy of site access will be determined based on consideration of sight distance and the applicability of access improvement standards for left turn lane channelization and acceleration / deceleration treatments. The project's contribution to daily traffic volume on mainline I-80 will be noted.

Task 6 – Identify and Evaluate Cumulative Impacts (Existing Plus Approved / Pending Projects Baseline). CEQA permits cumulative analysis based on a list of approved or reasonably foreseeable development projects. We will discuss with City of Colfax the status of other development proposals in the community, including Maidu Village or other development on the east side of I-80. We will identify the trip generation, distribution and assignment characteristics of those projects from their traffic studies to create the cumulative baseline traffic condition. Project trips will be superimposed onto the baseline to create the EPAP Plus Project volumes.

Resulting intersection Levels of Service will be evaluated with and without the project, and the significance of cumulative impacts will be determined based on applicable criteria. The improvements needed to reduce project impacts to a less than significant level will be identified, including consideration of the improvements included in the City's existing traffic impact mitigation fee program.

Task 7 – Evaluate Long Term Cumulative Impacts (Optional). If the option is selected we will investigate long term cumulative (i.e., Year 2035) traffic conditions which account for other potential development and regional circulation system improvements. We will make use of the traffic volume forecasts made of the S. Auburn Street roundabout ICE Study, and assumptions for long term development potential in the immediate area of the project will be obtained from the City of Colfax.

KDA

Mr. Dan Jones, Associate
RCH Group
December 18, 2017
Page 3

We will use this data to identify Year 2035 baseline (i.e., no project) volumes and conditions at the study intersections and to develop Year 2035 Plus Project intersection turning movements at study intersections and at the site access. Resulting Levels of Service and peak period queues will be calculated assuming implementation of programmed / funded improvements.

Task 8 – Identify Required Mitigation Measures. Improvements to study area intersections needed to eliminate safety problems or to reduce project impacts to “less than significant” levels based on adopted standards will be identified and summarized. Resulting “mitigated” Levels of Service will be calculated. Improvements needed at the site access will be described.

Task 9 – Prepare Draft Report. The data obtained through the course of the study will be compiled into a written report. The report will contain the necessary tables, graphics, and narrative text needed to clearly identify and support the various findings and study conclusions. An administrative draft report will be provided to the Client for review and comment prior to finalization for submittal to the City of Colfax.

Task 10 – Finalize Report based on City Comments. We will respond to City comments on the report and make one (1) study revision as needed to clarify our analysis. However, as the extent of comments is unknown this work would be billed separately on a T&M basis.

Task 11 – Meetings. Attendance at any additional meetings with City / Caltrans staff, or public hearings, is work that would be completed if requested but would be an extra service to be billed separately.

Schedule. We would expect to provide you with the draft report within nine (9) weeks of receiving authorization to proceed and the project site plan.

Budget. Our identified base budget is **\$8,205** and is broken down in the table that is attached.

We have identified an estimated cost for the optional long term cumulative analysis (Task 7). That cost is rough since we do not know what land use information the City would be creating and how it will need to be addressed.

If this proposal is acceptable, sign the enclosed Consultant Agreement and return to us as authorization to proceed. Please feel free to contact us at (916) 660-1555 if you have any questions or need more information.

Sincerely yours,

KD Anderson & Associates, Inc.



Kenneth D. Anderson, P.E.,
President

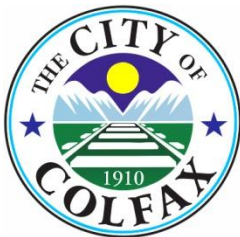
Enc: Consultant Agreement / Budget Table

Colfax Hotel.pro

KDA

69 ROOM HOTEL, COLFAX, CA					
TRAFFIC STUDY BUDGET					
(12/18/17)					
Task	Description	Personnel Hours			
		Principal Engineer	Transportation Engineer	Technician/ Clerical	Total
1	Coordination with City	1	0	0	1
2	Data Collection	4	1	0	5
3	Describe Existing Traffic Operations, LOS, and Safety Deficiencies	1	4	0	5
4	Identify Project Characteristics	4	0	0	4
5	Evaluate Existing Plus Project Impacts	0	4	0	4
6	Evaluate EPAP Impacts	4	4	0	8
7	Evaluate Year 2035 Impacts	4	4	0	8
8	Identify Mitigating Measures / Results	1	2	0	3
9	Prepare Draft Report	8	4	10	22
	Total Hours	27	23	10	60
	Rate per Hour	\$150	\$135	\$50	
	Labor Cost	\$4,050	\$3,105	\$500	\$7,655.00
	Direct Costs: (2 weekday a.m./p.m. intersection counts @ \$275)				\$550.00
	Total Budget				\$8,205.00
10	Revise Report based on Caltrans / City Comments				T&M
11	Meetings				T&M

KDA



STAFF REPORT TO THE COLFAX CITY COUNCIL

FOR THE JANUARY 24, 2018 COUNCIL MEETING

FROM: Wes Heathcock, City Manager
PREPARED BY: Wes Heathcock City Manager
DATE: January 17, 2018
SUBJECT: Agreement for Commercial Cannabis Consulting and Management Services

<input type="checkbox"/>	N/A	<input type="checkbox"/>	FUNDED	<input type="checkbox"/>	UN-FUNDED	AMOUNT: \$29,700	FROM FUND: 100
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RECOMMENDED ACTION: Adopt Resolution 06-2018 authorizing the City Manager to enter into a consultant services agreement with HdL Companies to provide subject matter expertise and technical support, develop a Commercial Cannabis Regulatory Ordinance, establish cost recovery fees, create a cannabis tax measure and conduct compliance & financial audits for the City of Colfax for a three year term with an option to renew for an additional two-years.

SUMMARY:

Council adopted Ordinance 534 providing regulation regarding cultivation of cannabis and commercial cannabis activities on October 25, 2017. Ordinance 534 prohibits all commercial cannabis activities with a single exception for one medical marijuana dispensary that existed and had a valid business license as of November 27, 2009. Staff issued a 120-day temporary business license pending State licensing and compliance with regulations as imposed by Council. Council created an Ad Hoc Cannabis Subcommittee to discuss amending the Ordinance to allow commercial cannabis activity. Council members Steve Harvey and Will Stockwin were selected to serve on the committee with City Manager Wes Heathcock.

The committee has met several times since October of last year. During their initial meeting, the committee agreed to consider issues related to regulating medical and adult use marijuana dispensaries, now termed “Cannabis Retailers”, first. Other commercial cannabis activities could be addressed at a future date if Council so chooses. Subsequently, the committee met with representatives of HdL Companies to discuss how HdL could provide expertise in developing and managing the commercial cannabis activity in the City of Colfax. The City already has a successful relationship with HdL to monitor sales tax.

HdL Cannabis Management Program Services will guide the City through state level legislative changes and help make strategic decisions about commercial activities related to cannabis. HdL has the expertise to help the City avoid legal pitfalls and practices that could lead to land use issues and other transparency problems. HdL has experience with successfully guiding over 100 municipalities through the process of developing ordinances, sales tax initiatives, regulations, applications and permitting processes. They also screen applicants, help to set permit fees and perform commercial cannabis code enforcement in

accordance with City requests. Their programs are customized for each City. They will also address the issues of public safety, land use and environmental care.

The Council ad hoc committee has confidence that HdL will be able to help Colfax create an environment to allow the cannabis businesses permitted in the City to be successful and at the same time protect the City from litigation. Therefore, the committee recommends Council contract with HdL as delineated in the attached proposal.

FISCAL IMPACT:

The fees for HdL Companies scope of services shall only be charged to the City based on the actual cost recovery of fees collected by the City by any prospective applicant. The cost to achieve Objective 1 through Objective 6 of the proposal is estimated at \$29,700. Failure to receive such fees resulting from a reduction in the number of applicants or City Council's decision to not authorize such permits shall reduce the financial obligation to the amount collected. Objective 7 is the ongoing administration of the commercial cannabis program costs tied to the renewal fees of \$8,000 for each authorized retail location. Revenue from the commercial cannabis activity will be credited to Fund 100, and then expensed to satisfy the financial obligations of the contract with HdL Companies.

ATTACHMENTS:

1. Resolution 06-2018
2. HdL Proposal
3. HdL Consultant Contract including Scope of Services

City of Colfax

City Council

Resolution № 06-2018

AUTHORIZING THE CITY MANAGER TO ENTER INTO A CONSULTANT SERVICES AGREEMENT WITH HdL COMPANIES TO PROVIDE SUBJECT MATTER EXPERTISE AND TECHNICAL SUPPORT, DEVELOP A COMMERCIAL CANNABIS REGULATORY ORDINANCE, ESTABLISH COST RECOVERY FEES, CREATE A COMMERCIAL CANNABIS TAX MEASURE AND CONDUCT COMPLIANCE AND FINANCIAL AUDITS FOR THE CITY OF COLFAX FOR A THREE YEAR TERM WITH AN OPTION TO RENEW FOR AN ADDITIONAL TWO-YEARS

WHEREAS, in October 2018 the City Council of the City Colfax adopted Ordinance 534 to regulate commercial cannabis activities; and,

WHEREAS, the City would like to amend the Ordinance to regulate and manage Commercial Cannabis Retailers; and,

WHEREAS, the HdL Companies has the expertise to provide guidance for establishing and implementing a Commercial Cannabis Regulatory Program; and,

WHEREAS, the City Council of the City of Colfax has determined it is in the best interests of the City to engage HdL Companies to provide subject matter expertise and technical support to develop and manage cannabis regulations,

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Colfax,

- 1) Authorizes the City Manager to execute on behalf and in the name of the City of Colfax a professional services agreement in the form attached with HdL for Commercial Cannabis Management Program Services in an amount not to exceed \$29,700 generated from program fees.
- 2) The City Manager is authorized to administer collection of renewal fees of \$8,000 annually for each retail location and expense the funding to satisfy the financial obligation to HdL Companies on an ongoing basis.

THE FOREGOING RESOLUTION WAS DULY AND REGULARLY ADOPTED at the Regular Meeting of the City Council of the City of Colfax held on the 24th day of January 2018 by the following vote of the Council:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

Will Stockwin, Mayor

Lorraine Cassidy, City Clerk

City of Colfax

Cannabis Management Program

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I. LETTER OF TRANSMITTAL

January 5, 2018

Wes Heathcock
City Manager
City of Colfax
33 South Main Street
Colfax, CA 95713

Re: Proposal - Provide Subject Matter Expertise and Technical Support, Develop a Cannabis Regulatory Ordinance, Establish Cost Recovery Fees, Create a Cannabis Tax Measure and Conduct Compliance & Financial Audits for the City of Colfax

Dear Mr. Heathcock,

Thank you for the opportunity to present this proposal to provide subject matter expertise and technical support, develop a cannabis regulatory ordinance, establish cost recovery fees, create a cannabis tax measure and conduct compliance and financial audits for the City of Colfax. HdL was incorporated in 1983 and has over 30 years of experience providing revenue enhancement and consulting services to local governments in California. HdL is a consortium of three companies established to maximize local government revenues by providing audit, compliance, economic development, consulting services and software products. Its audit and consulting services include sales, use and transaction taxes, property taxes, transient occupancy taxes, and a Cannabis Management Program. HdL's systematic and coordinated approach to revenue management and economic data analysis is currently being utilized by over 400 agencies in six states. The firm currently serves 44 counties, 299 cities and 79 transactions tax districts in California.

Of interest to you and your team is our knowledgeable team of professionals who have direct experience in the establishment and implementation of Cannabis Regulatory Programs including establishing land-use regulations, registration processes, operation regulations for cannabis facilities, staffing plans, cost recovery, structuring cannabis business taxes and conducting compliance and financial audits.

Enclosed please find our detailed scope of services for HdL's Cannabis Management Program. We agree to adhere to the deliverable requirements for a total cost not to exceed \$29,700. However, this will be subject to an agreed upon project schedule between Colfax and HdL.

We look forward to the opportunity to partner with the City of Colfax in developing a strategy which meets your program needs. If you have any questions or require additional information, please feel free to contact Andy Nickerson at 909.861.4335 or by email at anickerson@hdlcompanies.com or David McPherson at 909.861.4335 or by email at dmcpherson@hdlcompanies.com.

Sincerely,



Andy Nickerson
President, HdL Companies

II. PROPOSED SCOPE OF SERVICES

The regulation, compliance and taxation of cannabis is complex and filled with challenging issues. Therefore, the objectives presented in this proposal are based on HdL's experience and the expectations and desired outcomes of the City. However, due to the ongoing evolution of the state's Medical Cannabis Regulation and Safety Act (MCRSA), Proposition 64, Adult Use Marijuana Act (AUMA), and SB 94, the Medicinal Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), HdL is agreeable to modifications to this scope of services as deemed necessary by both HdL and City staff. Amendments to this Scope of Services shall be made in writing and shall not constitute additional hours of work without proper compensation unless otherwise approved by the City and HdL.

The Scope of Services to be provided by HdL shall include:

- Kick off meeting(s) with City Staff, or City Sub Committees;
- Assist in the development of a regulatory commercial cannabis activity ordinance for cannabis businesses which will create the best practices that will ensure public safety, and preserve the welfare and health of the City of Colfax;
- Provide City staff with subject matter expertise in best practices in the development of a land use ordinance and evaluate sensitive buffers;
- Identify issues which City staff needs to mitigate related to legal issues or problems prior to issuing regulatory permits to the cannabis businesses;
- Provide City staff with technical and policy expertise related to the operations and understanding of the Cannabis Industry to ensure compliance with the Medical Cannabis and Safety Act (MCRSA), Adult Use Marijuana Act (AUMA), SB 94, the Medicinal Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), and all applicable local ordinances;
- Assist in the design if applicable the procedures and application requirements for a permittee selection process that will be used to invite, review, score, and provide recommendations on applicants to operate cannabis businesses in the City;
- Develop cost recovery fees to recoup the City's cost for developing a regulatory program, reviewing all cannabis business applications and issuing cannabis business permits;
- Develop an annual cannabis business regulatory fee to recover costs associated with administrative oversight of permitted cannabis facilities, conduct code/fire inspections, compliance and financial audits as well as other regulatory functions deemed necessary by the City.
- Develop a tax measure and ordinance which will provide the City maximum economic benefits but at the same time ensure long term stability for the cannabis business operators.

Objective 1: Provide Subject Matter Expertise & Technical Support

Subject matter expertise and technical support will begin upon the execution of a contract with the Consultant which will include the following:

- Consultant shall work with City staff on issues related to cannabis regulatory and tax policies;
- Develop and design a regulatory ordinance for retail establishments and if requested amendments to include cultivation, manufacturing, testing labs, and distribution centers as determined by City Council;
- Provide City staff with subject matter expertise in best practices in the development of a land use ordinance;
- Ensure proposed city ordinance complies with all state and local laws and conforms to the best practices to regulate the cannabis businesses in the City;
- Monitor MAUCRSA policy development and provide feedback to City staff to ensure that the City follows any changes which may impact the development of the city's strategy to regulate and tax businesses which will be permitted in the City;
- Participate in conference calls, respond to staff inquiries via phone and email, review staff reports to city council and assist with responses to inquiries from the public to staff on a limited basis as determined by the scope of this agreement;
- Committee/Council Meetings: HdL will be present to provide staff and city council technical support for up to two (2) City Committee/Council meetings at the request of the City Administration.

Objective 2: Application Development and Support

HdL staff will work collaboratively with City staff in developing the cannabis business application and recommending fees for all phases of the process to ensure cost recovery of staff resources and Consultant's assistance in developing and managing the process. HdL will screen and review applications for each permit category and make recommendations to the City on which applicants should be approved for the next phase of the application process.

Objective 2.1 Application Development and Submittal Requirements

Phase I will require each member of the applicant's team to complete the application materials, which will include a Live Scan form or other alternative background checks, Release & Authorization form and Disclosure and Acknowledgement form.

Prior to Phase II, HdL staff experienced with developing "best practice" cannabis facility applications will collaborate with City staff in order to ensure all information desired by the City is incorporated in the cannabis business application. HdL will review the City's ordinance requirements, the California Attorney General's Guidelines for the Security and

Non-Diversion of Marijuana Grown for Medical Use (2008), and new regulatory requirements established by the Medical Cannabis Safety Act (MCRSA), the Adult Use

Marijuana Act (AUMA), and SB 94, the Medicinal Adult-Use Cannabis Regulation and Safety Act (“MAUCRSA”). Furthermore, HdL will develop evaluation criteria to be used for the review process in accordance with Farmersville Cannabis Ordinance. In addition to the documents and minimum standard requirements for the filing of the application the Request for Permit Application (RFPA) will consider seven (7) key components of the application.

The criteria to be used in the decision process will include the following but not limited solely on these categories:

- Location of the proposed facility
- Articles of incorporation
- Live scan submissions
- Proof of capitalization
- Proof of insurance
- Business plan (includes building & construction, security plan and fire plan)
- Industry experience

Objective 2.2 Application Review and Initial Ranking

HdL will review all applications to identify incomplete submissions for immediate disqualification, omissions of live scan submissions and background checks of all business partners, and applications which do not conform to zoning requirements for their perspective permit specifically authorized by the RFPA. The best submissions will be forward thinking and deploy solutions that identify the best “green” practices, while employing “sustainable” energy and waste solutions, and implement the “best practices” available in the cannabis industry. Consideration will be given to applications designed to reduce and address actual or potential concerns the City may have regarding nuisance behavior, environmental issues, or product safety.

The specific criteria which will be used in evaluating and rating the applications shall include the following:

- Overall quality of the proposal including responsiveness and conformance to the RFPA requirements for content and format;
- Quality and appropriateness of proposed applicant team, professional experience and background of primary applicants and key sub leases;
- Key personnel, project location, and other management staff with required experience and skills relevant to this project;
- Primary applicants experience and ability to manage operations of proposed facility, scheduling of work, cost estimating and budget management;

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- Primary makeup of applicant's corporate board, and prior experience working with local government agencies;
 - Patient tracking, product inventory management and recordkeeping;
 - Quality and appropriateness of proposed site, business model, organization, and knowledge and experience working with specific legal codes and regulations;
 - Transportation plan describing the procedures for safely and securely transporting cannabis products and currency;
 - Applicants use, and implementation of solutions designed to reduce or address any actual or potential concerns of the City and its residents; and
 - Any other additional information which the City would like to incorporate into the selection process which they deemed necessary.

Objective 2.3 Preliminary Results and Recommendations:

All applications will be scored by HdL staff and maintained on a spreadsheet. The scoring spreadsheet will be provided to the City, along with HdL's recommendations. Those applicants which have passed Phase II with at least an 80% or higher scoring as determined by the application guideline for each permitted category, will move on to Phase III.

Each of the final applicants from each category will be reviewed and rated based on ten (10) categories. An applicant's score for points will be based on their ability to meet or exceed minimum requirements in the ten (10) categories. Applicants must provide information on how they plan to meet these point categories. Such action will become a mandatory condition of their permit. Failure to meet or comply with these requirements will subject the applicants to penalties and/or revocation proceedings. The ten (10) categories are as follows:

1. Proposed Location
2. Business Plan
3. Community Benefits
4. Enhanced Product Safety
5. Environmental Benefits
6. Labor and Employee Practices
7. Local Enterprise
8. Neighborhood Compatibility Plan
9. Qualification of Principals
10. Safety and Security Plan

Objective 3: Preparation and Interview Panel Support

HdL staff will help schedule all the interviews so that they can be conducted in a timely manner. In addition, HdL will develop the interview questions to ensure that the Selection Committee has all the information in selecting the most highly qualified businesses that will be approved to operate in the City. HdL staff will also assist in the facilitation of the interviews and provide the Selection Committee guidance and clarification on any technical questions they may have during the interview process.

The Selection Committee interview panel will consist of subject matter experts from the following areas: Planning Department, City Manager's Office and City Clerk. The Consultant may also be used as an alternative if necessary. Please note it is HdL's recommendation that the City Attorney's Office not participate on this panel to remain neutral in case of an appeal or potential litigation which they must defend. However, it will be the City's sole discretion on how to address this issue.

Objective 4: Final Selection and Presentation to Council

- Following the objective ranking of the application materials and the interview panels scoring, HdL will assist staff to bring forward for the City Council's consideration recommendations for issuing permits for applicants to operate commercial cannabis businesses in the City.
- HdL will be available to assist City staff with responses to questions or to provide other assistance at City Council meetings.

Objective 5: Cost Recovery Fee Analysis

Objective 5.1 Cost Recovery

- Develop a cost recovery fee which complies with Prop 26, HdL will analyze the costs of staff time, overhead, fringe benefits, consultants and other services associated with the regulatory process. HdL staff has experience developing cannabis regulatory fees and doing a "fit gap" analysis of staff responsibilities and time allotted to this program to establish appropriate fees for the City's level of oversight and enforcement of the regulatory process.

Objective 6: Develop Tax Strategy and Ballot Measure

Objective 6.1 Create and Design Ballot Measure

- Design in the ordinance an administrative procedure policy related to delinquencies, payment process, appeals, exemptions and other administrative requirements which will be utilized by the city for the implementation and collection of the tax upon adoption;
- Establish language in the ballot measure which will capture the taxation of cannabis to provide the city flexibility to adapt to various economic conditions in the cannabis industry; and
- Create and design a ballot measure to tax the various cannabis licensed activities which are permitted in the city.

Objective 7: Regulatory Compliance Reviews and Financial Audits

The regulation, compliance and taxation of cannabis businesses is complex and filled with challenging issues. Taxes and regulatory compliance are one of the biggest challenges the cannabis industry faces. Commercial cannabis operators often have a much higher tax burden

than other sectors of the cannabis industry due to 280E rules and limited banking options. Thus, it can be tempting for them to look for creative ways to lower their tax liability.

Since commercial cannabis businesses operations are primarily a cash transaction business, it is estimated that 30-35% of all revenue related to cannabis businesses can go unreported if they are not routinely audited and regulated is of great concern to most cities. In today's thriving cannabis economy, it is estimated that only 8% of cannabis businesses get audited which leaves the opportunity for leakage or under reporting of taxes. Therefore, the City's desire to maintain high accountability and oversight to manage the permittees through regulated compliance and financial audits will be conducted with HdL's expertise in this area.

Objective 7:1 Conduct Compliance Audit

HdL will conduct three (3) compliance inspections annually to ensure that each cannabis business will comply with the following:

- Proper Inventory Management of product
- Correct use of RFID tags for any products on the premises
- Occupational badge requirements
- Business records retention
- Tax information records
- Lock standards and protocols
- Alarm system maintenance and safety standards
- Breach of limited access areas
- Video surveillance
- Camera map,
- Video footage retention requirements
- Camera location and maintenance of surveillance equipment
- Transportation Manifest
- Retail Marijuana Production Management
- Waste Disposal
- Marijuana Infused products reasonable measures and precautions
- Ensure packaging and labeling requirements meet State requirements
- Other information as deemed necessary to ensure compliance with State and local law

Objective 7:2 Financial Audit

HdL will conduct one financial audit which will be conducted in month twelve (12) and/or done annually when not in conflict with the compliance reviews. The first phase of the financial audit will be a desk audit in which the community benefit fee or tax returns and external reports are analyzed to verify the gross receipts reported which shall be subject to a Community Benefit fee or Commercial Cannabis Tax were applicable.

The second phase is a field audit where point of sale systems, accounting software and inventory reports are sampled to verify the information contained in the external reports.

Included in Phase II will be a field audit which will include a detailed check list of each of the key areas noted below which is deemed essential to conducting a thorough financial audit. HdL will also be conducting a financial and compliance forensic audit of the cannabis

business with the use of proprietary software to ensure there is no diversion of product or cash as part of this process.

- Notification letters will be sent to the Commercial Cannabis Business containing the pertinent information;
- List of initial financial information requested in the notification letter will be used for a desk audit for the periods under review;
- Results from the desk audit will direct the emphasis of the field process;
- Inventory Audit;
- Point of Sale Audit;
- Software Systems Audit; and
- Facility Audit

Objective 7:3 Compliance Review and Financial Audit Deliverables

It is the goal of HdL to provide the City with all the technical and subject matter expertise through the year to ensure proper oversight and management of the Commercial Cannabis Business. HdL wishes to create “best practices” for the City and the permittee to make sure they are following State and local law. As part of this objective this proposal incorporates outreach and education for the City Staff and the permittee.

As part of the compliance inspections HdL will determine if the violation is an infraction subject to a fine, suspension or revocation of the license. We will provide a recommendation to the City and how the problem can be mitigated to ensure compliance and that the appropriate action is taken on the permittee.

As part of the annual financial audit HdL will provide an initial audit finding letter to the Commercial Cannabis Business. The taxpayer will be given the appropriate time to respond or appeal the Final Determination Letter in accordance with the City ordinance. If a tax/fee assessment needs to be adjusted than a modified invoice will be sent out and the taxpayer will be given the appropriate time to pay the tax/fee liability in accordance to the City ordinance.

III. COST

HdL’s fee proposal is based on time, materials and travel expenses associated with the execution of the services. It is based on the current scope of services as outlined in Objectives 1 through 6 for a fee not to exceed \$29,700. Objective 7 shall be set at a flat rate of \$8,000 per permittee annually upon the issuing of a regulatory permit. This fee is based on the current requirements presented to HdL by City staff to meet these requirements and the following assumptions:

Scope of Service Objectives	Estimated Hours of Labor/Budget
Objective 1 –Provide Subject Matter Expertise & Technical Support	20 Hours/\$6,000
Objective 2– Application Development and Support	30 Hours/\$9,000
Objective 3 – Preparation and Interview Panel Support	16 Hours/\$4,800
Objective 4 – Final Selection & Interview Process	8 Hours/\$2,400
Objective 5 – Cost Recovery Fee & Fiscal Analysis	17 Hours/\$5,100
Objective 6 – Develop Tax Strategy and Ballot Measure	8 Hours/\$2,400
Total	99 Hours/\$29,700*

*Cost does not include the \$8,000 per auditee to conduct Compliance Reviews and Financial Audits Per Objective 7 as stated in the Cost Summary. The fees for the scope of services for this proposal for Objectives 1-6 shall only be charged to the City based on the actual cost recovery fees collected by the City by any prospective applicant. Failure to receive such fees resulting from a reduction in the number of applicants or City Councils decision to not authorize such permits shall not subject the City of being in default of this contractual agreement. In addition, to these terms upon the issuing of such permits the City agrees to compensate HdL \$8,000 per permittee to conduct Compliance Reviews and Financial Audits annually per Objective 7 in the scope of services.

Objective 1: Cost Assumptions - Provide Technical Support and Subject Matter Expertise

- Subject matter expertise and technical support will be provided however, should Consultant be required to attend meetings outside the scope of service travel time will be billed at a flat rate of \$300 per day to attend the meetings.

Objective 2: Cost Assumptions – Cost Recovery Fee and Fiscal Analysis

- Develop a cost recovery fee which complies with Prop 26, HdL will analyze the costs of staff time, overhead, fringe benefits, consultants and other services associated with the regulatory process.
- Using its proprietary software and database, HdL will provide a fiscal analysis based on its understanding of cannabis industry trends, demographics and geographical location of the City in the State of California.

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- HdL will conduct one (1) fiscal analysis report which will include business tax and sales tax assumptions.
 - Prepare a fiscal revenue analysis identifying tax options for the various types of cannabis businesses which will be operating in the City to develop a tax strategy which maximizes the economic benefit for the City.

Objective 3: Cost Assumptions- Develop Tax Strategies and Ballot Initiative

- The Consultant will develop a tax measure and ordinance which will be approved by the City Council and the voters.
- HdL will not incur any cost associated with filing the ballot initiative with the County Registrar or marketing to promote ballot initiative.

Optional Services

Optional Service #1: Background Checks

- HdL staff has prior law enforcement and cannabis regulatory experience and are trained to review background information on owners and employees of cannabis business. As a result, the Consultant provides background investigations to be utilized as a provisional background for agencies that need assistance in this process at a rate of \$300 per applicant (Owner), Manager, Supervisor and \$150 for line staff.

V. EXPERIENCE AND RESOURCES

Company Profile

Founded in 1983, HdL is a consortium of three companies established to maximize local government revenues by providing audit, compliance, economic development, consulting services and software products. Its audit and consulting services include sales, use and transaction taxes, property taxes, transient occupancy taxes, and a Medical Cannabis Management Program. The firm also provides a variety of enterprise software processing tools for business licensing, code enforcement, animal control, building permits and tracking/billing of false alarms. HdL's systematic and coordinated approach to revenue management and economic data analysis is currently being utilized by over 400 agencies in six states. The firm currently serves 44 counties, 299 cities and 79 transactions tax districts in California.

HdL's key staff has extensive experience serving local government and many have previously held positions in city management, finance, planning, economic development or revenue collection. HdL is a Corporate Partner of the League of California Cities and California State Association of Counties, and works extensively with the County Auditor's Association of California, California Society of Municipal Finance Officers (CSMFO) and California Municipal Revenue and Tax Association (CMRTA) on anticipation and planning of programs to strengthen local government revenues.

This close understanding of local government needs coupled with extensive databases and advance methodology provides for the most relevant, productive and responsive, revenue recovery, forecasting and economic services available.

Our team of professionals has over 20 years of direct experience with establishing and implementing medical and retail cannabis regulatory and taxation programs which include establishing land-use regulations, permit processes, staffing plans, cost recovery fees, structuring cannabis business tax fees, regulatory compliance, financial audits and law enforcement training. Our team has conducted over 11,000 cannabis compliance inspections and investigations in Colorado, California and Nevada.

Key Personnel**David McPherson, Cannabis Compliance Director**

David McPherson works with local agencies to prepare them to mitigate regulatory issues surrounding Proposition 64 and SB 94. Prior to joining the firm, David served 28 years in local government for the County of Orange and the cities of Newport Beach, San Jose and Oakland. David's experience as a law enforcement officer, compliance auditor, and tax

administrator has provided him a wealth of experience that makes him uniquely qualified to manage HdL's Cannabis Management Program. While working for the City of Oakland, he became the first Tax Administrator in the Country to successfully tax, regulate and audit medical marijuana businesses. David has over 7 years of experience working with Cannabis regulatory programs.

David is one of the state's most recognized experts in cannabis regulatory policies, compliance implementation and tax policies. His unique knowledge in horticulture, processing and dispensary operations while working for the City of Oakland has made him one of the pioneers in creating a Cannabis Management Program. He uses his experience to assist local and state agencies in developing cannabis policies for regulation, compliance, auditing and economic development. He worked closely with the League of Cities and lobbyists on the development of the Medical Cannabis Regulation and Safety Act (MCRSA) and helped shape SB 94, the Medicinal Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).

David provides technical support on cannabis-related matters to the League of Cities, the Police Chief's Association, Rural County Representatives of California and the California State Association of Counties. In addition, David is working collaboratively with the Department of Consumers Affairs, Department of Food & Agriculture, Department of Health Services and the State Board of Equalization on the implementation of best practices for regulating the Cannabis Industry for local agencies.

David received his Bachelor's Degree in History from California State University, Fullerton and his Master's Degree in Public Administration from California State University, Long Beach. While at Long Beach, he was named "Future Urban Administrator of the Year".

Tim Cromartie, Senior Cannabis Advisor

Tim Cromartie, is the Senior Cannabis Advisor at HdL, in which his primary role is providing policy expertise related to cannabis regulatory and tax policies at the state and local level. Prior to joining the HdL team Tim served as the legislative representative covering public safety issues for the League of California Cities since 2013, with a heavy emphasis on shaping legislation governing state and local regulation of marijuana. He has been actively involved in educating cities on changes in the law resulting from the Medical Cannabis Regulation and Safety Act, as well as Proposition 64, the Adult Use of Marijuana Act. When these two Acts were merged into a single regulatory structure in 2017, Tim successfully advocated for clarification of local government's regulatory and enforcement authority in the cannabis context, and for related environmental safeguards in cultivation operations, protections against over-concentration of businesses, regulation of testing labs, and the inclusion of fire safety standards and a definition of volatile solvents in state law governing cannabis manufacturing operations. Since then he has been engaged in educating local governments on the more recent Medical and Adult Use Cannabis Regulation and Safety Act (MAUCRSA), as well as advocating for a reduction in the cumulative state tax rate for cannabis, improvements in the state's track-and-trace program, and the restoration of a statewide cultivation cap.

Prior to the League, he held a variety of positions in the Legislature and state government, including legislative representative for CalPERS Governmental Affairs, legislative director and public safety consultant to former state Senator Gloria Romero, and field representative for Congresswoman Barbara Lee during her term in the state Senate. Mr. Cromartie holds degrees from the University of California at Berkeley (B.A. Political Science) and UC Hastings College of the Law. Tim is an ardent aviation buff and a member of the California Aerospace Museum at the site of the former McClellan Air Force Base in Sacramento.

Matt Eaton, Cannabis Compliance Manager

Matt Eaton is the Cannabis Compliance Manager at HdL and plays a critical role in implementing the Cannabis Compliance Program for local agencies. Prior to joining the firm, he was a progressive law enforcement professional with 29 years' experience conducting criminal/regulatory investigations, and corporate/individual background investigations.

While working as a Supervisory Investigator at the Colorado Department of Revenue in the Marijuana Enforcement Division (MED) Matt managed Criminal Investigators and civilian staff in the Denver Metro and Longmont Field Offices. During his six-year tenure at the MED, he conducted approximately 10,000 criminal investigations and compliance reviews which included regulatory and financial investigations. In addition, he is a subject matter expert on track and trace systems. He understands the complexity of reviewing data to ensure businesses are in compliance with state and local regulations. Matt was also responsible for planning, developing and implementing report and field inspection protocols for the agency. He also played an instrumental role in recommending changes to current regulations and identifying essential language for new legislation in the State of Colorado. Matt is well known for his ability to maintain working relationships with Cannabis Industry leaders and external stakeholders in resolving issues.

Matt received his Bachelors of Science Degree from Biola University and currently maintains a Colorado Post Certificate. He has also served as an Adjunct Instructor teaching law enforcement principle related to criminology, correctional processes, procedural law, interviews, interrogations and criminal evidence at AIMS Community College in Greeley, Colorado.

Mark Lovelace, Cannabis Policy Advisor

Mark Lovelace has 16 years of broad experience in public policy, community engagement and advocacy and is recognized as a leader in advancing the statewide discussion of medical and recreational cannabis as a policy issue in California.

Mark served on the Humboldt County Board of Supervisors from 2009 through 2016 where he was instrumental in developing a comprehensive approach to regulating cannabis, including a voter-approved tax on commercial cultivation and an innovative track and trace pilot program. Mark established and co-chaired the Medical Marijuana Working Group for the California State Association of Counties (CSAC) and helped draft CSAC's legislative platform for cannabis issues. Mark pioneered the first-ever six-county regional summit on

cannabis issues in 2015 which resulted in the North Coast Counties Marijuana Policy Statement. His work and input were pivotal in guiding the development of SB 643 and AB 243, two components of the Medical Cannabis Regulation and Safety Act (MCRSA).

Mark has worked extensively with public agencies and statewide associations on cannabis issues, including CSAC, Rural County Representatives of California, the Association of California Water Agencies, the North Coast Resource Partnership, California Department of Fish and Wildlife, the State Water Board, the North Coast Regional Water Board, the Bureau of Medical Cannabis Regulation, state legislators, the Department of Justice, members of Congress and others. He has led numerous presentations, workshops and panel discussions on cannabis issues and has been a sought-after speaker on the topic for government agencies, community organizations and cannabis industry groups.

Mark received his Bachelor of Science Degree in Industrial and Product Design from California State University, San Jose. Prior to his time on the Board, he worked for many years as a respected advocate on land use, planning, development and environmental issues.

Kami Miller, Cannabis Senior Auditor

Kami Miller is the Cannabis Senior Auditor at HdL who's primary role is to ensure cannabis compliance and identify the risk assessment in the supply chain process of each permitted business. Prior to joining the firm, she served three years as a Marijuana Compliance Manager for the Department of Public Behavior and Health (DPBH) for the State of Nevada. During this time Kami played a key role in Nevada's implementation of its Medical Marijuana Program in which she was responsible for statewide monitoring of medical marijuana facilities that included cultivation, production, testing labs and retail stores.

While working as a Marijuana Compliance Manager for the DPBH for the State of Nevada Kami Managed Compliance Auditors and support staff in the Las Vegas Office. During her three-year tenure at the DPBH, she conducted approximately 1,000 compliance and financial inspections in which she developed the documentation for the inspection protocols in order to establish comprehensive reports. In addition, her experience in Nevada provided her the opportunity to learn the various track and trace systems that allowed her to develop industry supply chain practices for the Department of Taxation.

Kami received her Bachelors of Business Administration in E-Commerce and Supply Chain Management from Tennessee State University.

Stephanie Martin, Cannabis Outreach Coordinator

With over 28 years of diversified law enforcement experience, Stephanie has used her training and expertise to develop community-based partnerships, create and implement outreach programs and apply her communication skills for media relations. Stephanie's public service career included working as a Police Officer, Program Manager, and

Community Affairs Officer for the Manhattan Beach Police Department. In these roles, Stephanie had supervisory responsibilities, managed budgets, performed training and interviewed/selected applicants. Stephanie also served as a DARE program coordinator for the City of Redondo Beach. Stephanie earned her Bachelor of Science degree from Chapman University in Orange California.

Elizabeth Eumurian, Cannabis Senior Analyst

Elizabeth Eumurian is a Senior Analyst in HdL's Audit Department. Elizabeth previously worked for a large financial institution analyzing data for reporting anomalies and performing financial audits. She has also worked as a senior auditor in the entertainment industry. In this role, Elizabeth executed testing procedures for targeted audit programs, analyzed findings and prepared audit and compliance reports. Elizabeth earned her Bachelor of Arts degree in History from California State University, Fullerton.

Adam Crabtree, CEO of Nationwide Compliance Specialists (HdL Strategic Partner)

Adam Crabtree is the Founder and CEO of Nationwide Compliance Specialists, Inc. (NCS), headquartered in Denver, Colorado. After graduation, Adam began his career in banking, managing sales, operations and compliance for a Tier 1 bank. It was there that he recognized the inherent flaws and systemic disconnect between banks, state government, and the Cannabis Industry. Relying on his background in banking, his education, and his analytical acumen, he began to dig into the pain points that are at the center of these issues. It was at this point that the core of the NCS platform, the patent-pending predictive analytical algorithm, was born. The algorithm was written to gather numerous, seemingly unrelated, data points and analyze the interplay between them. After a successful testing period, NCS transformed the algorithm into a high-powered, near-real time, analytics engine capable of aggregating and analyzing tens of millions of data points that are then transformed into clear, concise, detailed reports. These reports are used to assist in decision-making and resource allocation in the financial, regulatory and governmental sectors. The NCS partnership with HdL has established a "one of a kind" financial auditing program which will help ensure that cannabis businesses are properly reporting taxes, fees and other data required by state and local agencies.

Adam's expertise with identifying and recognizing financial banking issues has given him the opportunity to work collaboratively with state and local officials as well as financial institutions in Colorado and California. He is often requested to conduct presentations about the current challenges for the Cannabis Industry and how the use of advanced analytics can help government overcome them. In addition, he has conducted presentations to the California State Assembly, Alaska Bar Association, State Board of Equalization, Native Nation, and numerous elected officials spanning from Hawaii to Massachusetts. Adam is a proud three-time graduate of the University of Colorado (BA, MBA, MSF).

VI. REFERENCES

Mark Evanoff

Deputy City Manager

City of Union City

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Community Development Director

City of Watsonville

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Darlene Mata

Community Development Director

City of Hanford

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AGREEMENT FOR CONSULTANT SERVICES

THIS AGREEMENT is made and entered into on this 25th day of January , 2018 by and between the City of Colfax, a municipal corporation of the State of California ("City") and HdL Companies("Consultant").

RECITALS

- A. The City desires to retain Consultant to provide the Services set forth in detail in Exhibit A hereto (the "Services") subject to the terms and conditions of this Agreement.
- B. Consultant is duly licensed and sufficiently experienced to undertake and perform the Services in a skilled and workmanlike manner and desires to do so in accordance with the terms and conditions of this Agreement.

Now, therefore, in consideration of the mutual covenants, promises and conditions set forth in this Agreement, the City and Consultant agree as follows:

Section 1. Services.

Subject to the terms and conditions set forth in this Agreement, Consultant shall furnish and perform all of the Services described in detail in Exhibit A hereto and incorporated herein by this reference (the "Services") to the satisfaction of the City. Consultant shall not perform any work exceeding the scope of the Services described in Exhibit A without prior written authorization from the City.

Section 2. Time of Completion.

Consultant's schedule for performance of the Services is set forth in Exhibit A hereto which is incorporated herein by this reference. Consultant shall commence performance of the Services promptly upon receipt of written notice from the City to proceed. **The contract term is for three (3) years with an option for a two (2) year extension commencing the day following the elected body approval.** During the performance of the Services, Consultant shall provide the City with written progress reports at least once each month and at such additional intervals as City may from time to time request.

Section 3. Compensation.

- A. Except as may otherwise be provided in Exhibit A or elsewhere in this Agreement or its exhibits, Consultant shall invoice City once each month for the Services performed during the preceding month in an amount not to exceed \$5000. Such invoices shall itemize all charges in such detail as may reasonably be required by

City in the usual course of City business but shall include at least:

- i. the date of performance of each of the Services,
- ii. identification of the person who performed the Services,
- iii. a detailed description of the Services performed on each date,
- iv. the hourly rate at which the Services on each date are charged,
- v. an itemization of all costs incurred and
- vi. the total charges for the Services for the month invoiced.

As long as the Consultant performs the Services to the satisfaction of the City, the City shall pay the Consultant an all-inclusive compensation that shall not exceed the amount as detailed in Exhibit A except pursuant to an authorized written change order issued pursuant to Section 15 of this Agreement before the Services requiring additional compensation are performed. City shall pay Consultant no later than thirty (30) days after approval of the monthly invoice by City's staff.

- B. The Consultant's compensation for the Services shall be full compensation for all indirect and direct personnel, materials, supplies, equipment and services incurred by the Consultant and used in carrying out or completing the Services. Payments shall be in accordance with the payment schedule established in Exhibit A or elsewhere in this Agreement or its exhibits.
- C. The City shall have the right to receive, upon request, documentation substantiating charges billed to the City pursuant to this Agreement. The City shall have the right to perform an audit of the Consultant's relevant records pertaining to the charges.
- D. Any Services performed more than sixty (60) days prior to the date upon which they are invoiced to the City shall not be compensable.

Section 4. Professional Ability; Standard of Quality.

City has relied upon the professional training and ability of Consultant to perform the Services described in Exhibit A as a material inducement to enter into this Agreement. Consultant shall therefore provide properly skilled professional and technical personnel to perform all Services under this Agreement. All Services performed by Consultant under this Agreement shall be in a skillful, workmanlike manner in accordance with applicable legal requirements and shall meet the standard of quality ordinarily to be expected of competent professionals in Consultant's field of expertise.

Section 5. Indemnification.

Consultant shall hold harmless and indemnify, including without limitation the cost to defend, the City and its officers, agents and employees from and against any and all claims, demands, damages, costs or liability that arise out of, or pertain to, or relate to the negligence, recklessness or willful misconduct of Consultant and/or its agents in the

performance of the Services. This indemnity does not apply to liability for damages for death or bodily injury to persons, injury to property, or other loss, arising from the sole negligence, willful misconduct or material defects in design by the City or its agents, servants employees or independent contractors other than Consultant who are directly responsible to the City, or arising from the active negligence of the City officers, agents, employees or volunteers

Section 6. Insurance.

Without limiting Consultant's indemnification obligations provided for above, Consultant shall take out before beginning performance of the Services and maintain at all times during the life of this Agreement the following policies of insurance with insurers possessing a Best rating of not less than A. Consultant shall not allow any subcontractor, professional or otherwise, to commence work on any subcontract until all insurance required of the Consultant has also been obtained by the subcontractor.

- A. Workers' Compensation Coverage. Statutory Workers' Compensation insurance and Employer's Liability Insurance to cover its employees. In the alternative, Consultant may rely on a self-insurance program to meet its legal requirements as long as the program of self-insurance complies fully with the provisions of the California Labor Code. Consultant shall also require all subcontractors, if such are authorized by the City, to similarly provide Workers' Compensation insurance as required by the Labor Code of the State of California for all of the subcontractor's employees. All Workers' Compensation policies shall be endorsed with the provision that the insurance shall not be suspended, voided, or cancelled until thirty (30) days prior written notice has been provided to City by the insurer. The Workers' Compensation insurance shall also contain a provision whereby the insurance company agrees to waive all rights of subrogation against the City and its elected or appointed officials, officers, agents, and employees for losses paid under the terms of such policy which arise from the Services performed by the insured for the City.

- B. General Liability Coverage. General liability insurance, including personal injury and property damage insurance for all activities of the Consultant and its subcontractors, if such are authorized by the City, arising out of or in connection with the Services. The insurance shall be written on a comprehensive general liability form and include a broad form comprehensive general liability endorsement. In the alternative, the City will accept, in satisfaction of these requirements, commercial general liability coverage which is equivalent to the comprehensive general liability form and a broad form comprehensive general liability endorsement. The insurance shall be in an amount of not less than \$1 million combined single limit personal injury and property damage for each occurrence. The insurance shall be occurrence based insurance. General liability coverage written on a claims made basis shall not be acceptable absent prior

written authorization from the City.

- C. Automobile Liability Coverage. Automobile liability insurance covering bodily injury and property damage for all activities of the Consultant arising out of or in connection with this Agreement, including coverage for owned, hired and non-owned vehicles, in an amount of not less than \$1 million combined single limit for each occurrence.
- D. Policy Endorsements. Each general liability and automobile liability insurance policy shall be endorsed with the following provisions:
1. The City, and its elected or appointed officials, employees and agents shall be named as insureds or additional insureds with regard to damages and defenses of claims arising from activities performed by or on behalf of the Consultant.
 2. The insurance afforded by each policy shall apply separately to each insured who is seeking coverage or against whom a claim is made or a suit is brought, except with respect to the insurer's limits of liability.
 3. The insurance shall be primary insurance as respects the City and its elected or appointed officers, officials, employees and agents. Any other insurance maintained by the City or its elected or appointed officers, officials, employees, agents or volunteers shall be in excess of this insurance and shall not contribute with it.
 4. The insurance shall not be suspended, voided, cancelled, or reduced in coverage or in limits except after thirty (30) days prior written notice has been provided to the City.
 5. Any failure to comply with the reporting requirements of any policy shall not affect coverage provided to the City, its elected or appointed officers, officials, employees, or agents.
- E. Professional Liability Coverage. If required by the City, Consultant shall also take out and maintain professional liability, errors and omissions insurance in an amount not less than \$1 million. The professional liability insurance policy shall be endorsed with a provision stating that it shall not be suspended, voided, cancelled, or reduced in coverage or in limits except after thirty (30) days written notice has been provided to the City.
- F. Insurance Certificates and Endorsements. Prior to commencing the Services under this Agreement, Consultant shall submit to the City documentation evidencing the required insurance signed by the insurance agent and the companies named. This documentation shall be on forms which are acceptable to the City and shall include all required endorsements and verify that coverage is actually in effect. This Agreement shall not be effective until the required insurance forms and endorsements are submitted to and approved by the City. Failure to provide these

forms within the time period specified by City may result in the award of this Agreement to another Consultant should the City, in its sole discretion, decide to do so. Current certification of insurance shall be kept on file with the City at all times during the term of this Agreement.

- G. Deductible and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by City.
- H. Termination of Insurance. If the City receives notification that Consultant's insurance will be suspended, voided, cancelled or reduced in coverage or in limits, and if the Consultant does not provide for either the reinstatement of that insurance or for the furnishing of alternate insurance containing all of the terms and provisions specified above prior to the termination of that insurance, City may either terminate this Agreement for that breach, or City may secure the required insurance to satisfy the conditions of this Agreement and deduct the cost thereof from compensation which would otherwise be due and payable to the Consultant for Services rendered under the terms of this Agreement.

Section 7. Subcontracts.

Consultant may not subcontract any portion of the Services without the written authorization of City. If City consents to a subcontract, Consultant shall be fully responsible to the City and third parties for all acts or omissions of the subcontractor to which the Services or any portion thereof are subcontracted. Nothing in this Agreement shall create any contractual relationship between City and any subcontractor, nor shall it create any obligation on the part of the City to pay or cause the payment of any monies due to any such subcontractor except as otherwise is required by law.

Section 8. Assignment.

Consultant shall not assign any right or obligation under this Agreement without the City's prior written consent. Any attempted assignment of any right or obligation under this Agreement without the City's prior written consent shall be void.

Section 9. Entire Agreement.

This Agreement represents the entire understanding of City and Consultant as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered herein. This Agreement may not be modified or altered except in writing signed by both parties.

Section 10. Jurisdiction.

This Agreement shall be administered and interpreted under the laws of the State of California. Jurisdiction over any litigation arising from this Agreement shall be in the Superior Court of the State of California with venue in Placer County, California.

Section 11. Suspension of Services.

Upon written request by Consultant, City may suspend, in writing, all or any portion of the Services if unforeseen circumstances beyond the control of the City and Consultant make normal progress of the Services impossible, impractical or infeasible. Upon written City approval to suspend performance of the Services, the time for completion of the Services shall be extended by the number of days performance of the Services is suspended.

Section 12. Termination of Services.

City may at any time, at its sole discretion, terminate all or any portion of the Services and this Agreement upon seven (7) days written notice to Consultant. Upon receipt of notice of termination, Consultant shall stop performance of the Services at the stage directed by City. Consultant shall be entitled to payment within thirty (30) days for Services performed up to the date of receipt of the written notice of termination. Consultant shall not be entitled to payment for any Services performed after the receipt of the notice of termination unless such payment is authorized in advance in writing by the City.

Should Consultant fail to perform any of the obligations required of Consultant within the time and in the manner provided for under the terms of this Agreement, or should Consultant violate any of the terms and conditions of this Agreement, City may terminate this Agreement by providing Consultant with seven (7) days written notice of such termination. The Consultant shall be compensated for all Services performed prior to the date of receipt of the notice of termination. However, the City may deduct from the compensation which may be owed to Consultant the amount of damage sustained or estimated by City resulting from Consultant's breach of this Agreement.

Consultant's obligations pursuant to Sections 5 and 6 of this Agreement shall survive termination, and continue in effect for as long as necessary to fulfill the purposes of Sections 5 and 6.

Section 13. Independent Contractor.

Consultant shall in all respects be an independent contractor and not an agent or employee of City. Consultant has and shall retain the right to exercise full control and supervision of the means and methods of performing the Services. Consultant shall receive no premium or enhanced pay for Services normally understood as overtime; nor shall Consultant receive holiday pay, sick leave, administrative leave or pay for any other time not actually expended in the performance of the Services. It is intended by the parties that Consultant shall not be eligible for benefits and shall receive no compensation from the City, except as expressly set forth in this Agreement. Consultant shall submit completed W -9 and Report of Independent Contractor forms upon execution of this Agreement and prior to the payment of any compensation hereunder.

Section 14. Ownership of Documents.

Within thirty (30) days after the Consultant substantially completes performance of the Services, or within thirty (30) days after the termination of this Agreement, the Consultant shall deliver to the City all files, records, materials and documents drafted or prepared by Consultant's in the performance of the Services. It is expressly understood and agreed that all such files, records, materials and documents are the property of the City and not the property of the Consultant. All finished and unfinished reports, plans, studies, documents and other writings prepared by and for Consultant, its officers, employees and agents in the course of performing the Services shall become the sole property of the City upon payment to Consultant for the Services, and the City shall have the exclusive right to use such materials in its sole discretion without further compensation to Consultant or to any other party. Consultant shall, at Consultant's expense, provide such reports, plans, studies, documents and writings to City or any party the City may designate, upon written request. Consultant may keep file copies of all documents prepared for City. Use of any such documents by the City for projects that are not the subject of this Agreement or for purposes beyond the scope of the Services shall be at the City's sole risk without legal liability or expense to Consultant.

Section 15. Changes and/or Extra Work.

Only the City Council may authorize extra and/or changed Services, modification of the time of completion of the Services, or additional compensation for the tasks to be performed by Consultant. Consultant expressly recognizes that other City personnel are without authorization to order extra and/or changed Services or to obligate the City to the payment of additional compensation. The failure of Consultant to secure the prior written authorization for such extra and/or changed Services shall constitute a waiver of any and all right to adjustment in the contract price due to such unauthorized Services, and Consultant thereafter shall not be entitled to any compensation whatsoever for the performance of such extra or changed Services. In the event Consultant and City agree that

extra and/or changed Services are required, or that additional compensation shall be awarded to Consultant for performance of the Services under this Agreement, a supplemental agreement providing for such compensation shall be prepared and shall be executed by the Consultant and the necessary City officials before the extra and/or changed Services are provided.

Section 16. Compliance with Federal, State and Local Laws.

Consultant shall comply with all applicable federal, state and local laws, statutes, ordinances, rules and regulations affecting the Services, including without limitation laws requiring licensing and prohibiting discrimination in employment because of race, creed, color, sex, age, marital status, physical or mental disability, national origin or other prohibited bases. City shall not be responsible or liable for Consultant's failure to comply with applicable laws, statutes, ordinances, rules or regulations.

Section 17. Retention of Records.

Consultant and any subconsultants authorized by the terms of this Agreement shall keep and maintain full and complete documentation and accounting records, employees' time sheets, and correspondence pertaining to the Services, and Consultant shall make such documents available for review and/or audit by City and City's representatives at all reasonable times during performance of the Services and for at least four (4) years after completion of the Services and/or termination of this Agreement.

Section 18. Alternative Dispute Resolution

- A. Before resorting to mediation, arbitration or other legal process, the primary contacts of the parties shall meet and confer and attempt to amicably resolve any dispute arising from or relating to this Agreement subject to the following provisions. Any party desiring to meet and confer shall so advise the other party pursuant to a written notice. Within 15 days after provision of that written notice by the party desiring to meet and confer, the primary contacts for each party shall meet in person and attempt to amicably resolve their dispute. Each primary contact, or the person acting in their absence with full authority to resolve the dispute, shall attend the meeting and shall be prepared to devote an entire day thereto. If any dispute remains unresolved at the end of the meeting, any party to this Agreement shall have the right to invoke the mediation process provided for in the subparagraph B below.
- B. Subject to the provisions of subparagraph A, any dispute that remains unresolved after the meet and confer shall immediately be submitted to non-binding neutral mediation, before a mutually acceptable, neutral retired judge or justice at the Sacramento Office of the Judicial Arbitration and Mediation Service ("JAMS"). If

within five days after the meet and confer the parties are unable to agree upon the selection of a neutral mediator, then the first available retired judge or justice at the Sacramento office of JAMS shall serve as the neutral mediator. The parties agree to commit to at least one full day to the mediation process. Additionally, to expedite the resolution of any dispute that is not resolved by mediation, the parties agree to each bring to the neutral mediation a list of at least five neutral arbitrators, including their resumes, whose availability for an arbitration hearing within 30 days after the mediation has been confirmed.

- C. If mediation is unsuccessful, before the mediation concludes, the parties shall mediate the selection of a neutral arbitrator to assist in the resolution of their dispute. If the parties are unable to agree on an arbitrator, the parties agree to submit selection of an arbitrator to the mediator, whose decision shall be binding on the parties. In that case, the mediator shall select a neutral arbitrator from the then active list of retired judges or justices at the Sacramento Office of the JAMS. The arbitration shall be conducted pursuant to the provisions of the California Arbitration Act, sections 1280-1294.2 of the California Code of Civil Procedure. In such case, the provisions of Code of Civil Procedure Section 1283.05 and 1283.1 shall apply and are hereby incorporated into this Agreement.
- D. This section 18 shall survive the termination or expiration of this Agreement. If there is no Sacramento office of JAMS, then the office of JAMS closest to the City shall be used instead of a Sacramento office.

Section 19. Severability.

The provisions of this Agreement are severable. If any portion of this Agreement is held invalid by an arbitrator or by a court of competent jurisdiction, the remainder of the Agreement shall remain in full force and effect unless amended or modified by the mutual written consent of the parties.

Section 20. Entire Agreement; Amendment.

This Agreement, including all exhibits hereto, constitutes the complete and exclusive expression of the understanding and agreement between the parties with respect to the subject matter hereof. All prior written and oral communications, including correspondence, drafts, memoranda, and representations, are superseded in total by this Agreement. This Agreement may be amended or extended from time to time only by written agreement of the parties hereto.

Section 21. Time of the Essence.

Time is of the essence in the performance of the Services. The Consultant will perform its Services with due and reasonable diligence consistent with sound professional practices and shall devote such time to the performance of the Services as may be necessary for their timely completion.

Section 22. Written Notification.

Except as otherwise specified in this Agreement, any notice, demand, request, consent, approval or communications that either party desires or is required to give to the other party shall be in writing and either served personally or sent by first class mail, postage prepaid and addressed as follows. Either party may change its address by notifying the other party in writing of the change of address. Notice shall be deemed communicated within two business days from the time of mailing if mailed within the State of California as provided in this Section.

If to City: City of Colfax
 33 S. Main Street
 Colfax, CA 95713

If to Consultant: HdL Companies
 1340 Valley Vista Drive, Suite 200
 Diamond Bar, CA 91765

Section 23. Execution.

This Agreement may be executed in original counterparts, each of which shall constitute one and the same instrument and shall become binding upon the parties when at least one original counterpart is signed by both parties hereto. In proving this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

Section 24. Successors.

This Agreement shall be binding on and inure to the benefit of the respective parties hereto except to the extent of any contrary provision in this Agreement.

Section 25. Attorney's Fees.

If any party to this Agreement commences legal proceedings to enforce any of its terms or to recover damages for its breach, the prevailing party shall be entitled to recover its reasonable attorney's fees, costs and the expenses of expert witnesses, including any such fees costs and expenses incurred on appeal.

IN WITNESS WHEREOF, the parties hereby have executed this Agreement on the day first above written:

CITY

CONSULTANT

Signature: _____

Signature: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

APPROVED AS TO FORM:

City Attorney

EXHIBIT A

SCOPE OF SERVICES – HdL COMPANIES

To provide subject matter expertise and technical support, develop a Commercial Cannabis Regulatory Ordinance, establish cost recovery fees, create a commercial cannabis tax measure and conduct compliance & financial audits for the City of Colfax.

The Scope of Services to be provided by HdL shall include:

- Kick off meeting(s) with City Staff, or City Sub Committees;
- Assist in the development of a regulatory commercial cannabis activity ordinance for cannabis businesses which will create the best practices that will ensure public safety, and preserve the welfare and health of the City of Colfax;
- Provide City staff with subject matter expertise in best practices in the development of a land use ordinance and evaluate sensitive buffers;
- Identify issues which City staff needs to mitigate related to legal issues or problems prior to issuing regulatory permits to the cannabis businesses;
- Provide City staff with technical and policy expertise related to the operations and understanding of the Cannabis Industry to ensure compliance with the Medical Cannabis and Safety Act (MCRSA), Adult Use Marijuana Act (AUMA), SB 94, the Medicinal Adult-Use Cannabis Regulation and Safety Act (“MAUCRSA”), and all applicable local ordinances;
- Assist in the design if applicable the procedures and application requirements for a permittee selection process that will be used to invite, review, score, and provide recommendations on applicants to operate cannabis businesses in the City;
- Develop cost recovery fees to recoup the City’s cost for developing a regulatory program, reviewing all cannabis business applications and issuing cannabis business permits;
- Develop an annual cannabis business regulatory fee to recover costs associated with administrative oversight of permitted cannabis facilities, conduct code/fire inspections, compliance and financial audits as well as other regulatory functions deemed necessary by the City.
- Develop a tax measure and ordinance which will provide the City maximum economic benefits but at the same time ensure long term stability for the cannabis business operators.

Objective 1: Provide Subject Matter Expertise & Technical Support

Subject matter expertise and technical support will begin upon the execution of a contract with the Consultant which will include the following:

- Consultant shall work with City staff on issues related to cannabis regulatory and tax policies;
- Develop and design a regulatory ordinance for retail establishments;
- Provide City staff with subject matter expertise in best practices in the development of a land use ordinance;

- Ensure proposed city ordinance complies with all state and local laws and conforms to the best practices to regulate the cannabis businesses in the City;
- Monitor MAUCRSA policy development and provide feedback to City staff to ensure that the City follows any changes which may impact the development of the cities strategy to regulate and tax businesses which will be permitted in the City;
- Participate in conference calls, respond to staff inquires via phone and email, review staff reports to city council and assist with responses to inquiries from the public to staff on a limited basis as determined by the scope of this agreement;
- Committee/Council Meeting Participation: HdL will be present to provide staff and City Council technical support for up to two (2) City Committee/Council meetings at the request of the City Administration.

Objective 2: Application Development and Support

HdL staff will work collaboratively with City staff in developing the cannabis business application and recommending fees for all phase of the process to ensure cost recovery of staff resources and Consultants assistance in developing and managing the process. HdL will screen and review applications for each permit category and make recommendations to the City on which applicants should be approved for the next phase of the application process.

Objective 2.1 Application Development and Submittal Requirements

Phase I will require each member of the applicant's team to complete the application materials, which will include a Live Scan form or other alternative background checks, Release & Authorization form and Disclosure and Acknowledgement form.

Prior to Phase II, HdL staff experienced with developing "best practice" cannabis facility applications will collaborate with City staff in order to ensure all information desired by the City is incorporated in the cannabis business application. HdL will review the City's ordinance requirements, the California Attorney General's Guidelines for the Security and Non-Diversion of Marijuana Grown for Medical Use (2008), and new regulatory requirements established by the Medical Cannabis Safety Act (MCRSA), the Adult Use Marijuana Act (AUMA), and SB 94, the Medicinal Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"). Furthermore, HdL will develop evaluation criteria to be used for the review process in accordance with Farmersville Cannabis Ordinance. In addition to the documents and minimum standard requirements for the filing of the application the Request for Permit Application (RFPA) will consider seven (7) key components of the application.

The criteria to be used in the decision process will include the following but not limited solely on these categories:

- Location of the proposed facility
- Articles of incorporation
- Live scan submissions
- Proof of capitalization
- Proof of insurance
- Business plan (includes building & construction, security plan and fire plan)

- Industry experience

Objective 2.2 Application Review and Initial Ranking

HdL will review all applications to identify incomplete submissions for immediate disqualification, omissions of live scan submissions and background checks of all business partners, and applications which do not conform to zoning requirements for their perspective permit specifically authorized by the RFPA.

The specific criteria which will be used in evaluating and rating the applications shall include the following:

- Overall quality of the proposal including responsiveness and conformance to the RFPA requirements for content and format;
- Quality and appropriateness of proposed applicant team, professional experience and background of primary applicants and key sub leases;
- Key personnel, project location, and other management staff with required experience and skills relevant to this project;
- Primary applicants experience and ability to manage operations of proposed facility, scheduling of work, cost estimating and budget management; Primary makeup of applicant's corporate board, and prior experience working with local government agencies;
- Patient tracking, product inventory management and recordkeeping;
- Quality and appropriateness of proposed site, business model, organization, and knowledge and experience working with specific legal codes and regulations;
- Transportation plan describing the procedures for safely and securely transporting cannabis products and currency;
- Applicants use, and implementation of solutions designed to reduce or address any actual or potential concerns of the City and its residents; and
- Any other additional information which the City would like to incorporate into the selection process which they deemed necessary.

Objective 2.3 Preliminary Results and Recommendations:

All applications will be scored by HdL staff and maintained on a spreadsheet. The scoring spreadsheet will be provided to the City, along with HdL's recommendations. Those applicants which have passed Phase II with at least an 80% or higher scoring as determined by the application guideline for each permitted category, will move on to Phase III.

Each of the final applicants from each category will be reviewed and rated based on ten (10) categories. An applicant's score for points will be based on their ability to meet or exceed minimum requirements in the ten (10) categories. Applicants must provide information on how they plan to meet these point categories. Such action will become a mandatory condition of their permit. Failure to meet or comply with these requirements will subject the applicants to penalties and/or revocation proceedings.

The ten (10) categories are as follows:

- 1. Proposed Location

- 2. Business Plan
- 3. Community Benefits
- 4. Enhanced Product Safety
- 5. Environmental Benefits
- 6. Labor and Employee Practices
- 7. Local Enterprise
- 8. Neighborhood Compatibility Plan
- 9. Qualification of Principals
- 10. Safety and Security Plan

Objective 3: Preparation and Interview Panel Support

HdL staff will help schedule all the interviews so that they can be conducted in a timely manner. In addition, HdL will develop the interview questions to ensure that the Selection Committee has all the information in selecting the most highly qualified businesses that will be approved to operate in the City. HdL staff will also assist in the facilitation of the interviews and provide the Selection Committee guidance and clarification on any technical questions they may have during the interview process.

The Selection Committee interview panel will consist of subject matter experts from the following areas: Planning Department, City Manager's Office and City Clerk. The Consultant may also be used as an alternative if necessary.

Objective 4: Final Selection and Presentation to Council

- Following the objective ranking of the application materials and the interview panels scoring, HdL will assist staff to bring forward for the City Council's consideration recommendations for issuing permits for applicants to operate commercial cannabis businesses in the City.
- HdL will be available to assist City staff with responses to questions or to provide other assistance at City Council meetings.

Objective 5: Cost Recovery Fee Analysis

Objective 5.1 Cost Recovery

- Develop a cost recovery fee which complies with Prop 26, HdL will analyze the costs of staff time, overhead, fringe benefits, consultants and other services associated with the regulatory process.

Objective 6: Develop Tax Strategy and Ballot Measure

Objective 6.1 Create and Design Ballot Measure

- Design in the ordinance an administrative procedure policy related to delinquencies, payment process, appeals, exemptions and other administrative requirements which will be utilized by the city for the implementation and collection of the tax upon adoption;

- Establish language in the ballot measure which will capture the taxation of cannabis to provide the city flexibility to adapt to various economic conditions in the cannabis industry; and
- Create and design a ballot measure to tax the various cannabis licensed activities which are permitted in the city.

Objective 7: Regulatory Compliance Reviews and Financial Audits

Objective 7:1 Conduct Compliance Audit

HdL will conduct three (3) compliance inspections annually to ensure that each cannabis business will comply with the following:

- Proper Inventory Management of product
- Correct use of RFID tags for any products on the premises
- Occupational badge requirements
- Business records retention
- Tax information records
- Lock standards and protocols
- Alarm system maintenance and safety standards
- Breach of limited access areas
- Video surveillance
- Camera map,
- Video footage retention requirements
- Camera location and maintenance of surveillance equipment
- Transportation Manifest
- Retail Marijuana Production Management
- Waste Disposal
- Marijuana Infused products reasonable measures and precautions
- Ensure packaging and labeling requirements meet State requirements
- Other information as deemed necessary to ensure compliance with State and local law

Objective 7:2 Financial Audit

HdL will conduct two financial audits in the first year of a commercial cannabis business start-up with the first audit at the close as possible to the six month of operations and then again at the one year mark. In subsequent years, one financial audit which will be conducted in month twelve (12) and/or done annually when not in conflict with the compliance reviews. The first phase of the financial audit will be a desk audit in which the community benefit fee or tax returns and external reports are analyzed to verify the gross receipts reported which shall be subject to a Community Benefit fee or Commercial Cannabis Tax were applicable.

The second phase is a field audit where point of sale systems, accounting software and inventory reports are sampled to verify the information contained in the external reports. Included in Phase II will be a field audit which will include a detailed check list of each of the key areas noted below which is deemed essential to conducting a thorough financial audit. HdL will also be conducting a financial and compliance forensic audit of

the cannabis business with the use of proprietary software to ensure there is no diversion of product or cash as part of this process.

- Notification letters will be sent to the Commercial Cannabis Business containing the pertinent information;
- List of initial financial information requested in the notification letter will be used for a desk audit for the periods under review;
- Results from the desk audit will direct the emphasis of the field process;
- Inventory Audit;
- Point of Sale Audit;
- Software Systems Audit; and
- Facility Audit

Objective 7:3 Compliance Review and Financial Audit Deliverables

It is the goal of HdL to provide the City with all the technical and subject matter expertise through the year to ensure proper oversight and management of the Commercial Cannabis Business. HdL wishes to create “best practices” for the City and the permittee to make sure they are following State and local law. As part of this objective this proposal incorporates outreach and education for the City Staff and the permittee.

As part of the compliance inspections HdL will determine if the violation is an infraction subject to a fine, suspension or revocation of the license. We will provide a recommendation to the City and how the problem can be mitigated to ensure compliance and that the appropriate action is taken on the permittee.

As part of the annual financial audit HdL will provide an initial audit finding letter to the Commercial Cannabis Business. The taxpayer will be given the appropriate time to respond or appeal the Final Determination Letter in accordance with the City ordinance. If a tax/fee assessment needs to be adjusted than a modified invoice will be sent out and the taxpayer will be given the appropriate time to pay the tax/fee liability in accordance to the City ordinance.