

AGENDA
REGULAR CITY COUNCIL MEETING
COUNCIL CHAMBERS
5000 CLARK AVENUE
LAKEWOOD, CALIFORNIA

December 10, 2019

RECEPTION: Lakewood Celebrates . . .” 6:00 p.m.

CALL TO ORDER 7:30 p.m.

INVOCATION: Mr. Paul Kaho, Lakewood First United Methodist Church

PLEDGE OF ALLEGIANCE: Girl Scout Troop 2993

ROLL CALL: Mayor Todd Rogers
Vice Mayor Jeff Wood
Council Member Steve Croft
Council Member Diane DuBois
Council Member Ron Piazza

ANNOUNCEMENTS AND PRESENTATIONS:

Presentation Regarding MacArthur Elementary School Student Council

ROUTINE ITEMS:

All items listed within this section of the agenda are considered to be routine and will be enacted by one motion without separate discussion. Any Member of Council may request an item be removed for individual discussion or further explanation. All items removed shall be considered immediately following action on the remaining items.

RI-1 MEETING MINUTES - Staff recommends City Council approve Minutes of the Meeting held October 22, and November 12, 2019

RI-2 PERSONNEL TRANSACTIONS - Staff recommends City Council approve report of personnel transactions.

RI-3 REGISTERS OF DEMANDS - Staff recommends City Council approve registers of demands.

RI-4 CITY COUNCIL COMMITTEES' ACTIVITIES - Staff recommends City Council approve report of City Council Committees' activities.

RI-5 PURCHASE ONE 2020 CHEVROLET SILVERADO C3500 WITH DUMP BODY - Staff recommends City Council authorize purchase of one 2020 Chevrolet Silverado C3500 Regular Cab with Dump Body at the contract price of \$49,539.10 from Penske Chevrolet of Cerritos, CA.

City Council Agenda

December 10, 2019

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PUBLIC HEARINGS:

- 1.1 AWARD OF BID FOR PUBLIC WORKS PROJECT NO. 2020-1, DRILLING WELL 28 - Staff recommends City Council adopt plans, specifications, and working details for project; award contract in amount of \$1,152,516.50 to low bidder, Bakersfield Well & Pump Company, appropriate \$1,302,516.50 in Water Fund Reserves; authorize Mayor to sign contract in a form approved by City Attorney; and authorize staff to approve a cumulative total of change orders, as necessary, not to exceed \$150,000.

LEGISLATION:

- 2.1 ORDINANCE NO. 2019-4; AN URGENCY ORDINANCE TO RETAIN PERMISSIBLE LOCAL CONTROLS RELATING TO ACCESSORY DWELLING UNITS - Staff recommends City Council adopt the proposed ordinance.

REPORTS:

- 3.1 REVIEW OF COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR YEAR ENDED JUNE 30, 2019, AND PRESENTATION OF GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) AWARD - Staff recommends City Council receive and file the CAFR and accept the GFOA Certificate of Achievement for Excellence in Financial Reporting award for fiscal year ending June 30, 2018.
- 3.2 APPROVAL OF AGREEMENTS FOR WATER BILLING AND DATA MANAGEMENT SERVICES - Staff recommends City Council approve the requisite agreements.
- 3.3 PLANT 27 FILTER UNDERDRAIN REPLACEMENT PROJECT - Staff recommends City Council appropriate \$359,750 in Water Fund Reserves for the project; award a contract to Pureflow for Plant 27 underdrains in amount of \$275,500 and replacement of the three valves in amount of \$51,250; authorize staff to approve a cumulative total of contract change orders, as needed, not to exceed \$33,000; and authorize the Mayor to sign the contract in a form approved by the City Attorney.

AGENDA

LAKEWOOD SUCCESSOR AGENCY

1. APPROVAL OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR JULY 1, 2020 THROUGH JUNE 30, 2021 – ROPS 20-21 - Staff recommends City Council approve the Recognized Obligations Payment Schedule for July 1, 2020 Through June 30, 2021 – ROPS 20-21.

AGENDA

LAKEWOOD HOUSING SUCCESSOR AGENCY

1. REGISTER OF DEMANDS - Staff recommends Housing Successor Agency approve registers of demands.

ORAL COMMUNICATIONS:

ADJOURNMENT

In compliance with the Americans with Disabilities Act, if you are a qualified individual with a disability and need an accommodation to participate in the City Council meeting, please contact the City Clerk's Office, 5050 Clark Avenue, Lakewood, CA, at 562/866-9771, ext. 2200; or at cityclerk@lakewoodcity.org at least 48 hours in advance to ensure that reasonable arrangements can be made to provide accessibility to the meeting.

Agenda items are on file in the Office of the City Clerk, 5050 Clark Avenue, Lakewood, and are available for public review during regular business hours. Any supplemental material distributed after the posting of the agenda will be made available for public inspection during normal business hours in the City Clerk's Office. For your convenience, the agenda and the supporting documents are available in an alternate format by request and are also posted on the City's website at www.lakewoodcity.org

Routine Items

Routine Item 1 – City Council Minutes
will be available prior to the meeting.

DIVIDER SHEET

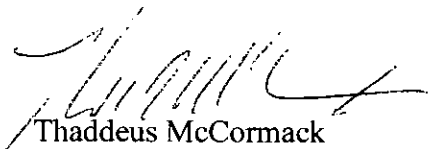
COUNCIL AGENDA

December 10, 2019

TO: The Honorable Mayor and City Council

SUBJECT: Report of Personnel Transactions

<u>Name</u>	<u>Title</u>	<u>Schedule</u>	<u>Effective Date</u>
1. FULL-TIME EMPLOYEES			
A. Appointments			
None			
B. Changes			
None			
C. Separations			
Dawn Ramos	Parking Control Officer	8A	12/08/2019
2. PART-TIME EMPLOYEES			
A. Appointments			
Martin Fischer	Maintenance Trainee I	B	11/19/2019
B. Changes			
None			
C. Separations			
None			


Thaddeus McCormack
City Manager

D I V I D E R S H E E T

**CITY OF LAKEWOOD
FUND SUMMARY 11/27/2019**

In accordance with section 2521 of the Lakewood Municipal Code there is presented herewith a summary of obligations to be paid by voucher 95486 through 95576. Each of the following demands has been audited by the Director of Administrative Services and approved by the City Manager.

1010	GENERAL FUND	260,093.73
1015	SPECIAL OLYMPICS	26.70
1020	CABLE TV	491.15
1030	CDBG CURRENT YEAR	67.75
1050	COMMUNITY FACILITY	11,924.78
1621	LA CNTY MEASURE R	5,074.25
1622	LA CNTY MEASURE M	16,451.08
2902	ENFORCEABLE OBLIGATIONS	80.00
3001	CAPITAL IMPROV PROJECT FUND	272,617.82
3015	ROAD MAINTC & REHAB ACCT	260,428.44
3070	PROPOSITION "C"	1,878.27
5020	CENTRAL STORES	2,762.28
5030	FLEET MAINTENANCE	3,616.43
7500	WATER UTILITY FUND	17,597.95
		<hr/>
		853,110.63

Council Approval

Date

City Manager

Attest

City Clerk

Director of Administrative Services

CITY OF LAKEWOOD SUMMARY CHECK REGISTER

CHECK #	CHECK DATE	VEND #	VENDOR NAME	GROSS	DISC.	CHECK AMOUNT
95486	11/27/2019	4842	A T & T CORP	246.58	0.00	246.58
95487	11/27/2019	5166	ADVANCED GREEN SOLUTIONS LLC	1,606.34	0.00	1,606.34
95488	11/27/2019	5179	ALS GROUP USA. CORP.	273.00	0.00	273.00
95489	11/27/2019	4684	AMAZON.COM LLC	1,195.84	0.00	1,195.84
95490	11/27/2019	2550	AMERICAN PLANNING ASSOC	672.00	0.00	672.00
95491	11/27/2019	36225	APT ASSN CALIFORNIA SOUTHERN CITIES	169.00	0.00	169.00
95492	11/27/2019	5251	ARAMEXX GROUP INC.	446,301.11	0.00	446,301.11
95493	11/27/2019	443	B&M LAWN AND GARDEN INC	31.51	0.00	31.51
95494	11/27/2019	39123	BACKFLOW APPARATUS & VALUE COMPANY	563.38	0.00	563.38
95495	11/27/2019	62737	BOYES. GOBIND	78.00	0.00	78.00
95496	11/27/2019	1935	BREA. CITY OF	38,114.00	0.00	38,114.00
95497	11/27/2019	46288	CA ASSOC FOR COORDINATED TRANSPORTN	620.00	0.00	620.00
95498	11/27/2019	7600	CENTRAL BASIN WATER ASSN	225.00	0.00	225.00
95499	11/27/2019	45894	CINTAS CORPORATION	70.92	0.00	70.92
95500	11/27/2019	4428	COLANTUONO HIGHSMITH & WHATLEY	80.00	0.00	80.00
95501	11/27/2019	5074	COLLINS. SUSAN E.	100.00	0.00	100.00
95502	11/27/2019	5008	COLOR CARD ADMINISTRATOR CORP.	37.54	0.00	37.54
95503	11/27/2019	60195	CR TRANSFER INC	3,422.78	0.00	3,422.78
95504	11/27/2019	5200	DAHLIN GROUP. INC.	5,641.25	0.00	5,641.25
95505	11/27/2019	4498	DELTA DENTAL INSURANCE COMPANY	1,125.95	0.00	1,125.95
95506	11/27/2019	56889	DELTA DENTAL OF CALIFORNIA	7,859.67	0.00	7,859.67
95507	11/27/2019	39267	DOG DEALERS INC	57.20	0.00	57.20
95508	11/27/2019	4660	ZW USA INC.	163.36	0.00	163.36
95509	11/27/2019	4734	DOSSIER SYSTEMS. INC.	1,383.00	0.00	1,383.00
95510	11/27/2019	5242	EEC ACOUISITION LLC	896.85	0.00	896.85
95511	11/27/2019	4435	ELLIOTT AUTO SUPPLY COMPANY INC	8.32	0.00	8.32
95512	11/27/2019	4641	FONTELA. THAO	1,391.00	0.00	1,391.00
95513	11/27/2019	65575	HAP'S AUTO PARTS	41.71	0.00	41.71
95514	11/27/2019	4872	HEATON. KATHRYN	39.00	0.00	39.00
95515	11/27/2019	42031	HOME DEPOT	892.42	0.00	892.42
95516	11/27/2019	41897	HOSE-MAN THE	16.67	0.00	16.67
95517	11/27/2019	879	HOUCK. CLAIRE L	80.00	0.00	80.00
95518	11/27/2019	5015	ITS GROUP INC	1,442.42	0.00	1,442.42
95519	11/27/2019	4622	JHM SUPPLY INC	128.71	0.00	128.71
95520	11/27/2019	59873	JJS PALOMO'S STEEL INC	624.02	0.00	624.02
95521	11/27/2019	36167	KARTER. JANET	265.20	0.00	265.20
95522	11/27/2019	43815	KRUSEMARK. LEEANNE	314.60	0.00	314.60
95523	11/27/2019	53311	LAKEWOOD MEALS ON WHEELS	67.75	0.00	67.75
95524	11/27/2019	18400	LAKEWOOD. CITY WATER DEPT	21,092.80	0.00	21,092.80
95525	11/27/2019	44733	LIEBERT CASSIDY WHITMORE	266.00	0.00	266.00
95526	11/27/2019	20300	LONG BEACH CITY GAS & WATER DEPT	396.55	0.00	396.55
95527	11/27/2019	21050	LOS ANGELES CO CLERK	75.00	0.00	75.00
95528	11/27/2019	36844	LA COUNTY DEPT OF PUBLIC WORKS	59,990.71	0.00	59,990.71
95529	11/27/2019	4482	MALTY INTERNATIONAL GROUP INC	49.11	0.00	49.11

CITY OF LAKEWOOD SUMMARY CHECK REGISTER

CHECK #	CHECK DATE	VEND #	VENDOR NAME	GROSS	DISC.	CHECK AMOUNT
95530	11/27/2019	58414	MANAGED HEALTH NETWORK	351.12	0.00	351.12
95531	11/27/2019	4190	NATIONAL UNION FIRE INSURANCE CO	551.48	0.00	551.48
95532	11/27/2019	4443	O'REILLY AUTOMOTIVE STORES INC	677.54	0.00	677.54
95533	11/27/2019	5203	OC VACUUM INC.	1,333.50	0.00	1,333.50
95534	11/27/2019	47554	OFFICE DEPOT BUSINESS SVCS	627.53	0.00	627.53
95535	11/27/2019	46945	TAYLOR CORPORATION	81.10	0.00	81.10
95536	11/27/2019	5019	WGJ ENTERPRISES. INC.	9,781.60	0.00	9,781.60
95537	11/27/2019	4494	PIERSON, JEREMY L.	72.00	0.00	72.00
95538	11/27/2019	65157	PLAYPOWER LT FARMINGTON INC	2,731.93	0.00	2,731.93
95539	11/27/2019	4829	MARTINEZ-RADZIUK, SONYA	268.29	0.00	268.29
95540	11/27/2019	4459	READWRITE EDUCATIONAL SOLUTIONS INC	817.70	0.00	817.70
95541	11/27/2019	45437	S & J SUPPLY CO	1,018.70	0.00	1,018.70
95542	11/27/2019	41691	SAFETY-KLEEN CORP	978.25	0.00	978.25
95543	11/27/2019	5309	SANDIE MERCER RANCH INC.	1,285.16	0.00	1,285.16
95544	11/27/2019	5197	SIGNAL HILL AUTO ENTERPRISES INC.	101.40	0.00	101.40
95545	11/27/2019	26900	SO CALIF SECURITY CENTERS INC	19.16	0.00	19.16
95546	11/27/2019	29400	SOUTHERN CALIFORNIA EDISON CO	38,749.06	0.00	38,749.06
95547	11/27/2019	29500	SOUTHERN CALIFORNIA GAS CO	2,884.72	0.00	2,884.72
95548	11/27/2019	4972	CHARTER COMMUNICATIONS HOLDINGS. LLC	4,274.05	0.00	4,274.05
95549	11/27/2019	37930	STANDARD INSURANCE CO UNIT 22	2,279.35	0.00	2,279.35
95550	11/27/2019	37930	STANDARD INSURANCE CO UNIT 22	8,701.71	0.00	8,701.71
95551	11/27/2019	44104	STATE WATER RESOURCES CONTROL BOARD	14,073.00	0.00	14,073.00
95552	11/27/2019	60792	STEPHENS, ERIC	286.00	0.00	286.00
95553	11/27/2019	56039	SULLY MILLER	355.11	0.00	355.11
95554	11/27/2019	66215	SUPERIOR COURT OF CALIFORNIA	10,170.00	0.00	10,170.00
95555	11/27/2019	66215	SUPERIOR COURT OF CALIFORNIA	11,647.50	0.00	11,647.50
95556	11/27/2019	2372	TGIS CATERING SVCS INC	1,275.24	0.00	1,275.24
95557	11/27/2019	4364	THE RINKS-LAKEWOOD ICE	130.00	0.00	130.00
95558	11/27/2019	4873	TRANSAMERICA LIFE INSURANCE COMPANY	1,794.29	0.00	1,794.29
95559	11/27/2019	52484	TREND OFFSET PRINTING SERVICES INC	4,631.37	0.00	4,631.37
95560	11/27/2019	65224	TUMBLE-N-KIDS. INC	6,092.45	0.00	6,092.45
95561	11/27/2019	1437	U S BANK NATIONAL ASSOCIATION	17,869.71	0.00	17,869.71
95562	11/27/2019	3943	WATERLINE TECHNOLOGIES INC	1,679.75	0.00	1,679.75
95563	11/27/2019	17640	WAXIE ENTERPRISES INC	573.02	0.00	573.02
95564	11/27/2019	60651	WECK ANALYTICAL ENVIRONMENTAL SERVICES I	35.00	0.00	35.00
95565	11/27/2019	36166	WEGENER, KATHY	620.75	0.00	620.75
95566	11/27/2019	4501	WEST COAST SAND AND GRAVEL. INC.	743.42	0.00	743.42
95567	11/27/2019	5245	WEST GROVE VOLLEYBALL. LLC	182.00	0.00	182.00
95568	11/27/2019	37745	WESTERN EXTERMINATOR CO	321.50	0.00	321.50
95569	11/27/2019	35146	WILLDAN ASSOCIATES	103,598.15	0.00	103,598.15
95570	11/27/2019	2145	WYNN, LAKYN	48.75	0.00	48.75
95571	11/27/2019	3699	CASTANEDA, PATRICIA	250.00	0.00	250.00
95572	11/27/2019	3699	CHAVEZ, BLANCA	240.00	0.00	240.00
95573	11/27/2019	3699	DABALUS, ISABELITA	250.00	0.00	250.00

CITY OF LAKEWOOD SUMMARY CHECK REGISTER

<u>CHECK #</u>	<u>CHECK DATE</u>	<u>VEND #</u>	<u>VENDOR NAME</u>	<u>GROSS</u>	<u>DISC.</u>	<u>CHECK AMOUNT</u>
95574	11/27/2019	3699	ESCALERA DE LOERA. VICENTE	250.00	0.00	250.00
95575	11/27/2019	3699	HEDBERG. MARCIA	42.00	0.00	42.00
95576	11/27/2019	3699	WARD. KEITH	250.00	0.00	250.00
Totals:				<u>853,110.63</u>	<u>0.00</u>	<u>853,110.63</u>

**CITY OF LAKEWOOD
SUMMARY ACH/WIRE REGISTER NOV 2019**

ACH date	Amount	Recipient	Purpose	Period
11/1/19	96,262.85	CalPERS	PERS Health	Oct 2019
11/4/19	96,495.33	CalPERS	PERS contribution	Oct 6-19, 2019
11/6/19	105,034.85	IRS via F&M	Fed taxes	Oct 20-Nov 2, 2019
11/7/19	6,534.50	Southland C/U	employee savings account	Oct 20-Nov 2, 2019
11/7/19	5,460.32	F&A Fed C/U	employee savings account	Oct 20-Nov 2, 2019
11/7/19	29,218.62	EDD	State taxes	Oct 20-Nov 2, 2019
11/13/19	3,817.82	MidAmerica	ARS aka APPLE	Oct 20-Nov 2, 2019
11/13/19	18,278.40	VOYA	VOYA 401(a)	Oct 20-Nov 2, 2019
11/13/19	3,425.00	PARS via U.S. Bank	excess stackable plan	Oct 20-Nov 2, 2019
11/13/19	6,074.75	PARS via U.S. Bank	stackable plan	Oct 20-Nov 2, 2019
11/13/19	23,453.59	VOYA	VOYA 457 & ROTH	Oct 20-Nov 2, 2019
11/13/19	18,870.62	PARS via U.S. Bank	Defined Benefit	Oct 20-Nov 2, 2019
11/21/19	6,434.50	Southland C/U	employee savings account	Nov 3-16, 2019
11/21/19	5,488.50	F&A Fed C/U	employee savings account	Nov 3-16, 2019
11/22/19	29,093.04	EDD	State taxes	Nov 3-16, 2019
11/22/19	99,131.60	CalPERS	PERS contribution	Oct 20-Nov 2, 2019
11/25/19	3,600.10	MidAmerica	ARS aka APPLE	Nov 3-16, 2019
11/25/19	15,537.83	VOYA	VOYA 401(a)	Nov 3-16, 2019
11/25/19	9,065.68	PARS via U.S. Bank	stackable plan	Nov 3-16, 2019
11/25/19	24,023.59	VOYA	VOYA 457 & ROTH	Nov 3-16, 2019
11/25/19	109,024.86	IRS via F&M	Fed taxes	Nov 3-16, 2019
11/26/19	59,059.21	City Light & Power	monthly maint fee	Nov 2019
11/29/19	96,492.98	CalPERS	PERS Health	Nov 2019

Council Approval

Date

City Manager

Attest

City Clerk

Director of Finance & Administrative Services

**CITY OF LAKEWOOD
FUND SUMMARY 12/5/19**

In accordance with section 2521 of the Lakewood Municipal Code there is presented herewith a summary of obligations to be paid by voucher 95577 through 95657. Each of the following demands has been audited by the Director of Administrative Services and approved by the City Manager.

1010	GENERAL FUND	37,740.17
1050	COMMUNITY FACILITY	7,921.79
1621	LA CNTY MEASURE R	30,113.75
5020	CENTRAL STORES	2,341.63
5030	FLEET MAINTENANCE	22,247.18
7500	WATER UTILITY FUND	446,205.16
		<hr/>
		546,569.68

Council Approval

Date

City Manager

Attest

City Clerk

Director of Administrative Services

CITY OF LAKEWOOD

SUMMARY CHECK REGISTER

CHECK #	CHECK DATE	VEND #	VENDOR NAME	GROSS	DISC.	CHECK AMOUNT
95577	12/05/2019	4551	ACCOUNTING PRINCIPALS. INC	675.12	0.00	675.12
95578	12/05/2019	4763	ALBANO'S PLUMBING. INC.	125.00	0.00	125.00
95579	12/05/2019	4684	AMAZON.COM LLC	2,561.65	0.00	2,561.65
95580	12/05/2019	4465	ATALLA. IBRAHIM	276.25	0.00	276.25
95581	12/05/2019	46678	AUTOLIFT SERVICES INC	750.00	0.00	750.00
95582	12/05/2019	57770	B & H FOTO & ELECTRONICS CORP	1,453.61	0.00	1,453.61
95583	12/05/2019	5154	BANC OF AMERICA PUBLIC CAPITAL CORP.	390,154.69	0.00	390,154.69
95584	12/05/2019	48108	BERG. APRIL	403.20	0.00	403.20
95585	12/05/2019	4800	BISHOP COMPANY	406.87	0.00	406.87
95586	12/05/2019	62737	BOYES. GOBIND	78.00	0.00	78.00
95587	12/05/2019	42144	BROEKER. CANDACE	45.50	0.00	45.50
95588	12/05/2019	53983	CALIF STATE FRANCHISE TAX BOARD	200.00	0.00	200.00
95589	12/05/2019	7500	CENTRAL BASIN MUNICIPAL WATER	6,249.83	0.00	6,249.83
95590	12/05/2019	43135	CERRITOS. CITY OF	45,934.00	0.00	45,934.00
95591	12/05/2019	5077	CLAVERIE. COURTNEY DAY	84.50	0.00	84.50
95592	12/05/2019	4654	BRAGG INVESTMENT COMPANY. INC.	101.10	0.00	101.10
95593	12/05/2019	5008	COLOR CARD ADMINISTRATOR CORP.	31.10	0.00	31.10
95594	12/05/2019	5094	CORPORATE EVENT SPECIALISTS LLC	5,790.00	0.00	5,790.00
95595	12/05/2019	4204	DAVEY'S LOCKER SPORTFISHING	285.00	0.00	285.00
95596	12/05/2019	4435	ELLIOTT AUTO SUPPLY COMPANY INC	475.51	0.00	475.51
95597	12/05/2019	3610	FLEMING ENVIRONMENTAL INC	453.26	0.00	453.26
95598	12/05/2019	5182	FRED ALLEN ENTERPRISES. INC.	1,009.85	0.00	1,009.85
95599	12/05/2019	3188	GALLS LLC/OUARTERMMASTER LLC	106.09	0.00	106.09
95600	12/05/2019	33150	GRAINGER W W INC	64.74	0.00	64.74
95601	12/05/2019	573	GRAY. ALAN	800.00	0.00	800.00
95602	12/05/2019	4886	GROH. MARK LEE	200.00	0.00	200.00
95603	12/05/2019	60979	GUTIERREZ. THERESA	88.36	0.00	88.36
95604	12/05/2019	35477	HARA M LAWNMOWER CENTER	168.35	0.00	168.35
95605	12/05/2019	34354	HI-WAY SAFETY RENTALS INC	142.97	0.00	142.97
95606	12/05/2019	5173	HOLMES. JASON	34.45	0.00	34.45
95607	12/05/2019	42031	HOME DEPOT	301.81	0.00	301.81
95608	12/05/2019	4944	IPC (USA). INC.	16,792.70	0.00	16,792.70
95609	12/05/2019	2956	KICK IT UP KIDZ. LLC	341.25	0.00	341.25
95610	12/05/2019	4458	KIM. YVONNE	523.80	0.00	523.80
95611	12/05/2019	64510	KRAUSE. DIANN	122.48	0.00	122.48
95612	12/05/2019	3084	LA MIRADA. CITY OF	56.00	0.00	56.00
95613	12/05/2019	59144	LONG BEACH CITY	1,378.27	0.00	1,378.27
95614	12/05/2019	60839	MARKOPULOS. CYNTHIA	42.25	0.00	42.25
95615	12/05/2019	4887	MATHESON TRI-GAS. INC.	47.05	0.00	47.05
95616	12/05/2019	4690	COOK-KNOWLES. VIRGINIA	715.00	0.00	715.00
95617	12/05/2019	5153	MIDWEST MOTOR SUPPLY CO. INC.	615.37	0.00	615.37
95618	12/05/2019	52588	MILLER DON & SONS	559.16	0.00	559.16
95619	12/05/2019	64333	MOSES-CALDERA. ISABEL	769.60	0.00	769.60
95620	12/05/2019	4443	O'REILLY AUTOMOTIVE STORES INC	948.30	0.00	948.30

CITY OF LAKEWOOD SUMMARY CHECK REGISTER

CHECK #	CHECK DATE	VEND #	VENDOR NAME	GROSS	DISC.	CHECK AMOUNT
95621	12/05/2019	47554	OFFICE DEPOT BUSINESS SVCS	16.74	0.00	16.74
95622	12/05/2019	4909	ORANGE CO CIRCUIT BREAKERS. INC.	150.00	0.00	150.00
95623	12/05/2019	3940	ORANGE COUNTY TANK TESTING INC	995.00	0.00	995.00
95624	12/05/2019	63708	DY-JO CORPORATION	740.00	0.00	740.00
95625	12/05/2019	51171	PERS LONG TERM CARE PROGRAM	70.64	0.00	70.64
95626	12/05/2019	39640	RAYVERN LIGHTING SUPPLY CO INC	121.76	0.00	121.76
95627	12/05/2019	45437	S & J SUPPLY CO	114.92	0.00	114.92
95628	12/05/2019	65297	S.T.E.A.M.	9,385.30	0.00	9,385.30
95629	12/05/2019	4761	SANCHEZ. EUGENE	480.00	0.00	480.00
95630	12/05/2019	65712	SEDARU INC.	1,155.00	0.00	1,155.00
95631	12/05/2019	52279	SMART & FINAL INC	39.87	0.00	39.87
95632	12/05/2019	60685	TURF STAR	284.78	0.00	284.78
95633	12/05/2019	66245	TYLER TECHNOLOGIES MUNIS DIVISION	8,775.00	0.00	8,775.00
95634	12/05/2019	66245	TYLER TECHNOLOGIES MUNIS DIVISION	1,932.12	0.00	1,932.12
95635	12/05/2019	64024	U S POSTAL SERVICE	235.00	0.00	235.00
95636	12/05/2019	35089	UNDERGROUND SERVICE ALERT	79.30	0.00	79.30
95637	12/05/2019	5284	UNIFIRST CORPORATION	649.91	0.00	649.91
95638	12/05/2019	59074	UNITED RENTALS NORTHEAST INC	1,718.31	0.00	1,718.31
95639	12/05/2019	5254	US DEPARTMENT OF EDUCATION AWG	348.76	0.00	348.76
95640	12/05/2019	5155	WATER SYSTEM SERVICES LLC	175.00	0.00	175.00
95641	12/05/2019	3943	WATERLINE TECHNOLOGIES INC	1,724.98	0.00	1,724.98
95642	12/05/2019	17640	WAXIE ENTERPRISES INC	2,010.96	0.00	2,010.96
95643	12/05/2019	35146	WILLDAN ASSOCIATES	30,113.75	0.00	30,113.75
95644	12/05/2019	3837	WORTHINGTON FORD	5.54	0.00	5.54
95645	12/05/2019	3699	AGILADA. SUSAN	250.00	0.00	250.00
95646	12/05/2019	3699	AVILA. BLANCA	250.00	0.00	250.00
95647	12/05/2019	3699	BARIL. RICHARD	80.00	0.00	80.00
95648	12/05/2019	3699	CAMERLENGO. RICHARD	250.00	0.00	250.00
95649	12/05/2019	3699	DACOSTTA. ERICKA	250.00	0.00	250.00
95650	12/05/2019	3699	DAVIS. SHANNON	65.00	0.00	65.00
95651	12/05/2019	3699	HUBBARD. KENYATI	250.00	0.00	250.00
95652	12/05/2019	3699	JOHNSON. TALAWNA	250.00	0.00	250.00
95653	12/05/2019	3699	MODI. LATA	250.00	0.00	250.00
95654	12/05/2019	3699	MORENO. CHRISTINE	250.00	0.00	250.00
95655	12/05/2019	3699	OBESO-JUAREZ. TEOFILA	240.00	0.00	240.00
95656	12/05/2019	3699	PADELFORD. DIANE	250.00	0.00	250.00
95657	12/05/2019	3699	SILVA. CARLA	250.00	0.00	250.00
Totals:				<u>546,569.68</u>	<u>0.00</u>	<u>546,569.68</u>

D I V I D E R S H E E T

COUNCIL AGENDA

December 10, 2019

TO: The Honorable Mayor and City Council

SUBJECT: Report of City Council Committees' Activities

INTRODUCTION

A brief update is provided for City Council review on the activities of the following standing committees: Water Resources Committee, and Audit Committee.

STATEMENT OF FACT

On November 18 and November 26, the Water Resources Committee met and discussed:

The topic of the both meetings related to matters regarding utilities billing contracting services. Various options were discussed and evaluated, and staff were directed to closely monitor the progress and keep the council updated.

On November 26, the Audit Committee met and discussed:

Frances Kuo, Managing Partner with the city's Independent Auditors (The Pun Group), stated that the city has been given an "unmodified opinion," the most favorable that can be provided. This means that financial statements have been fairly presented, policies have been followed, and internal controls are in place.

Ms. Kuo provided a set of hand-outs and presented an overview of the following:

- Key city financial statements & indicators
- Pension and other post-employment benefits (OPEB) information
- Audit opinion results regarding management, policies, and disclosures

Finance and Administrative Services Director, Jose Gomez, added that The Pun Group's review included the city's internal processes and procedures.

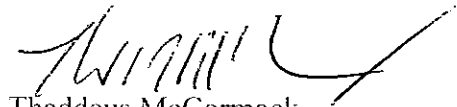
Other items discussed included:

- Confirmation that the Water Fun is listed in the CAFR under the business or enterprise fund activities.
- Clarification that the city's structural deficit relates more to the city's budget as it looks prospectively. The CAFR includes many different funds combined.
- Confirmation that three months of expenditures reserves is an acceptable amount for the city.
- Status of the agreement regarding Paramount Petroleum's tank farm as listed in the CAFR's notes to the financial statement was discussed.

Ms. Kuo concluded her presentation by stating that there were no new Governmental Accounting Standards Board (GASB) Pronouncements (changes in the reporting guidelines) that affected the City's reporting obligations this year. Ms. Kuo noted that there will be new pronouncements effective next year that may have an impact on the reporting of inventory and agreements with other agencies.

RECOMMENDATION

It is recommended that the City Council receive and file this report.

A handwritten signature in black ink, appearing to read 'Thaddeus McCormack', with a stylized flourish at the end.

Thaddeus McCormack
City Manager

D I V I D E R S H E E T

COUNCIL AGENDA

December 10, 2019

TO: The Honorable Mayor and City Council

SUBJECT: Purchase of One 2020 Chevrolet Silverado C3500 with Dump Body

INTRODUCTION

The Director of Water Resources has requested the purchase of one replacement service truck necessary for departmental operations. The new truck, with dump body, will replace Unit #728 currently in the department's Distribution Division. Unit #728 is 24 years old and has over 76,000 miles. It has exceeded its service life and a replacement is necessary as it is no longer functional, with the cost of repairs not making it cost effective. The current truck will be sent to auction after the new one is received. An appropriation in the amount of \$70,000 for a replacement vehicle is included in the FY 2019-20 Adopted Budget.

STATEMENT OF FACT

The Purchasing Officer solicited bids for a 2020 Chevrolet Silverado C3500 Regular Cab with Dump Body based on specifications provided by the City's Fleet Manager and the Water Department. Staff posted the required legal advertisement notices and distributed the bid packages to eight potential bidders.

On November 19, 2019, the Purchasing Officer, in the presence of the City Clerk, opened six sealed responses. The Purchasing Officer, the Fleet Manager, and the Water Distribution Supervisor reviewed the bids to determine that specifications had been successfully met and the bid totals were accurate.

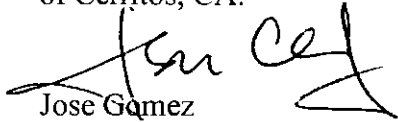
Following is a summary of the bids. The bid totals include sales tax and all other charges.

- | | |
|-------------------------|----------------|
| 1. Penske Chevrolet | \$49,539.10 |
| 2. Folsom Chevrolet | \$52,276.82 |
| 3. Selman Chevrolet | \$52,572.69 |
| 4. Thorson Motor Center | \$52,652.19 |
| 5. George Chevrolet | \$52,829.18 |
| 6. Courtesy Chevrolet | Incomplete bid |
| 7. Winner Chevrolet | No bid |
| 8. Harbor Chevrolet | No bid |

The responsible and responsive low bidder meeting specifications is Penske Chevrolet of Cerritos, CA. With a bid of \$49,539.10, it is \$20,460.90 less than the \$70,000 budgeted amount.

STAFF RECOMMENDATION

It is recommended that the City Council authorize the purchase of one 2020 Chevrolet Silverado C3500 Regular Cab with Dump Body at the contract price of \$49,539.10 from Penske Chevrolet of Cerritos, CA.



Jose Gomez
Director of Finance and Administrative Services



Thaddeus McCormack
City Manager

DIVIDER SHEET

Public Hearings

COUNCIL AGENDA

December 10, 2019

TO: The Honorable Mayor and City Council

SUBJECT: Bid Award – Drilling Well 28 - PW Project 20-01

INTRODUCTION

The City of Lakewood water system depends on deep wells throughout the City for its water supply. The City currently operates 10 drinking water production wells. These wells were drilled between 1937 and 2006. Based on the 2017 Water System Master Plan, five of 10 wells were constructed before the 1960s and exceeded their designed life of service. Therefore, it was recommended that new wells are needed to replace production capacity of those wells.

STATEMENT OF FACT

It is proposed that Well 28 be constructed near the northeast corner of the Arbor Water Yard at 5812 Arbor Road. The new well will be drilled to be about 1,000 feet deep with a target production capacity of 2,400 gallons per minute.

Pursuant to Section 15302 (c) of the California Environmental Quality Act (CEQA) Guidelines, Drilling Well 28 for water production is categorically exempt from the provisions of CEQA.

Seven bids were received and opened by the City Clerk on November 21, 2019. Following is the bid summary:

RANK	BIDDER	CITY	AMOUNT
1	Bakersfield Well & Pump Co.	Bakersfield	\$1,152,516.50
2	South West Pump & Drilling, Inc	Coachella	\$1,197,740.50
3	Best Drilling and Pump, Inc	Colton	\$1,317,845.00
4	Nor-Cal Pump	Yuba City	\$1,421,352.00
5	Pacific Coast Well Drilling, Inc	Paso Robles	\$1,499,999.50
6	Yellow Jacket Drilling	Rancho Cucamonga	\$1,542,795.50
7	Layne	Redlands	\$1,833,930.00


The lowest responsible bidder is Bakersfield Well & Pump Company of Bakersfield, with the bid amount of \$1,152,516.50. Staff has verified with the State Contractors License Board that Bakersfield Well & Pump is properly licensed for this type of work. Bakersfield Well & Pump is a reputable firm with many years of experience in water well drilling. They have previously drilled water wells for the City with favorable results.


The well drilling is the first phase of the new well project. The below recommended appropriation of \$1,302,516.50 is for this first phase. After the well is drilled, pump and water quality testing will be performed to determine the size of motor and pump, associated control equipment, piping needed to connect the well to existing water system, and additional treatment if needed. Based on the project schedule, the well drilling is scheduled to be complete in 90 days, staff will be requesting an additional appropriation for the second phase of project costs that are not currently known. We estimate the appropriation to be between \$1 million and \$1.5 million if no additional treatment is needed.


RECOMMENDATION

That the City Council:

1. Award a contract for “Drilling Well 28, PW Project 20-01” in the amount of \$1,152,516.50 to Bakersfield Well & Pump Company of Bakersfield, CA and authorize the Mayor to sign the contract in a form approved by the City Attorney.
2. Appropriate \$1,302,516.50 in Water Fund Reserves for drilling and construction of Well 28.
3. Authorize staff to approve a cumulative total of contract change orders, as needed, not to exceed \$150,000.
4. Adopt the plans, specifications and working details for “Drilling Well 28, PW Project 20-01.”

Lisa Ann Rapp 
Director of Public Works


Thaddeus McCormack
City Manager

Jason Wen, Ph.D, P.E. 
Director of Water Resources

D I V I D E R S H E E T

Legislation

COUNCIL AGENDA

December 10, 2019

TO: Honorable Mayor and Members of the City Council

SUBJECT: Proposed Urgency Ordinance to Retain Permissible Local Controls for Accessory Dwelling Units (ADUs)

INTRODUCTION

The State Legislature adopted several new housing laws that become effective on January 1, 2020. Provisions in these laws modify or eliminate several local controls on Accessory Dwelling Units (ADU's). Amongst these changes that affect the City of Lakewood are:

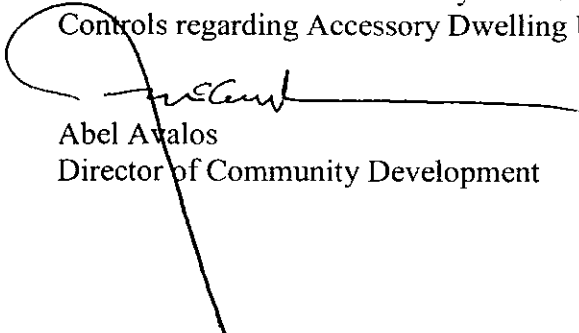
- 1) Allowing four-foot setbacks in lieu of the currently required five feet for side and rear yards,
- 2) Eliminating owner occupancy requirement.
- 3) Allowing conversion of existing garages without any replacement parking.
- 4) Not allowing any additional open space requirement for the ADU.
- 5) Allowing a Junior ADU in the main residence in addition to a detached ADU.
- 6) Expanding the number of ADU's allowed in a multi-family complex.
- 7) Reducing the processing time from 120 days to 60 days.

There are other provisions but their application will probably not affect ADU proposals in Lakewood.


These new state laws provide that, beginning January 1, 2020, until a local jurisdiction adopts local laws in conformance with those new State laws, the local rules for the approval of Accessory Dwelling Units will default to the State laws for all purposes. The Community Development Department is in the process of developing an ordinance in an attempt to maximize those local controls which are still available, for presentation to the Planning and Environment Commission and City Council. The purpose of this urgency ordinance is to proactively retain all local standards and design controls that are not otherwise overridden by state law. It is necessary to preserve those portions of the Lakewood Municipal Code pertaining to Accessory Dwelling Units which will not be preempted by State law after January 1, 2020.

RECOMMENDATION

Staff recommends that the City Council adopt the proposed urgency ordinance to retain Local Controls regarding Accessory Dwelling Units (ADUs).



Abel Avalos
Director of Community Development



Thaddeus McCormack
City Manager

ORDINANCE NO. 2019-4

AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE
CITY OF LAKEWOOD, CALIFORNIA, TO RETAIN
PERMISSIBLE LOCAL CONTROLS RELATING TO
ACCESSORY DWELLING UNITS

WHEREAS, several new State laws which will have the effect of significantly impacting local controls over the approval process and design of Accessory Dwelling Units will go into effect on January 1, 2020; and

WHEREAS, those laws provide that, beginning January 1, 2020, until a local jurisdiction adopts local laws in conformance with those new State laws, the local rules for the approval of Accessory Dwelling Units and these will default to the State laws for all purposes; and

WHEREAS, the City's Community Development Department is in the process of developing an ordinance in an attempt to maximize those local controls which are still available, for presentation to the Planning and Environment Commission and City Council; and

WHEREAS, until such an ordinance can be adopted and become effective, it is necessary to preserve those portions of the Lakewood Municipal Code pertaining to Accessory Dwelling Units which will not be preempted by State law after January 1, 2020; and

WHEREAS, it is necessary that this ordinance be adopted as an urgency ordinance for the immediate preservation of the public peace, health, or safety, due to the likelihood that Accessory Dwelling Units that do not conform to local standards that will not be preempted by State Law would have to be approved after January 1, 2020.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAKEWOOD, CALIFORNIA, DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. The City Council hereby finds and determines that each of the findings set forth above is true and correct.

SECTION 2. All provisions in the Lakewood Municipal Code pertaining to Accessory Dwelling Units which are not preempted by State law remain in full force and effect.

SECTION 3. SEVERABILITY. If any provision of this ordinance or the application thereof to any person or circumstances is held invalid or unconstitutional by any court of competent jurisdiction, such invalidity or unconstitutionality shall not affect any other provision or applications, and to this end the provisions of this ordinance are declared to be severable. The

City Council, and the electorate by initiative, do hereby declare that they would have adopted this ordinance and each section, subsection, sentence, clause, phrase, part or portion thereof, irrespective of the fact that any one or more sections, subsections, clauses, phrases, parts or portions thereof, be declared invalid or unconstitutional.

SECTION 4. CONTINUITY. To the extent the provisions of the Lakewood Municipal Code as amended by this ordinance are substantially the same as the provisions of that Code as they read immediately prior to the adoption of this ordinance, then those provisions shall be construed as continuations of the earlier provisions and not as new enactments.

SECTION 5. CERTIFICATION. The City Clerk shall certify to the adoption of this ordinance. The City Council hereby finds and determines there are no newspapers of general circulation both published and circulated within the City and, in compliance with Section 36933 of the Government Code, directs the City Clerk to cause said Ordinance within fifteen (15) days after its passage to be posted in at least three (3) public places within the City as established by ordinance.

SECTION 6. EFFECTIVE DATE. This ordinance shall take effect immediately upon its adoption, pursuant to section 36937(b) of the California Government Code.

ADOPTED AND APPROVED this 10th day of December, 2019, by the following roll call vote:

	AYES	NAYS	ABSENT
Council Member Croft	_____	_____	_____
Council Member DuBois	_____	_____	_____
Council Member Wood	_____	_____	_____
Council Member Piazza	_____	_____	_____
Mayor Rogers	_____	_____	_____

Mayor

ATTEST:

City Clerk

D I V I D E R S H E E T

Reports

COUNCIL AGENDA

December 10, 2019

TO: The Honorable Mayor and Members of the Council

SUBJECT: Comprehensive Annual Financial Report (CAFR) - Year Ended June 30, 2019
and Presentation of the Government Finance Officers Association (GFOA) Award

INTRODUCTION

The Comprehensive Annual Financial Report (CAFR) is a set of the City's financial statements that complies with the Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). The City of Lakewood's CAFR is compiled by the Finance & Administrative Services Department staff and audited by the independent public accounting firm Pun Group LLP, Certified Public Accountants, whose unmodified opinion (the most favorable that can be obtained) is included within the financial section of the report.

In preparation for the City's annual audit and the development of the CAFR, the Audit Committee convened twice. The meetings, with staff and the Pun Group, took place prior to the start of the audit and after its completion when the financial statements were available in draft form. The meetings covered a wide array of subjects and materials, including management/auditor responsibilities, audit approach, financial statements, indicators, compliance matters, internal controls, audit results, and new GASB accounting pronouncements.

STATEMENT OF FACT

The City of Lakewood's Fiscal Year 2018-19 CAFR is composed in the standard format of four sections: Introductory, Financial, Supplemental, and Statistical.

- The Introductory Section includes the Transmittal Letter to the City Council from the City Manager and the Director of Administrative Services, the City's organizational chart and the GFOA Certificate of Achievement for Excellence in Financial Reporting.
- The Financial Section includes the Independent Auditor's Report, staff's Management's Discussion and Analysis that provides a high-level review of the year-over-year changes from the prior year's CAFR, the Basic Financial Statements of the Governmental and Business Type Activities of the City, and the Fund, Proprietary and Fiduciary Financial Statements, followed by the Notes to the Basic Financial Statements
- The Supplemental Schedules section includes schedules of the City's various special revenue funds (grants), and internal service and fiduciary funds.
- The Statistical Section contains information on the financial trends, revenue and debt capacity, demographic and economic data and operational information of the City.

The City of Lakewood has two major fund groups, Governmental and Proprietary (Enterprise) that fall into two types of activities, governmental and business. The City's water utility is the only Enterprise Fund and is presented as a business activity in the financial statements along with the internal service funds that serve as cost centers for all funds and functions of the City.

In the Governmental Funds financial statements, Governmental Funds are broken out into Major Funds and Non-Major Governmental Funds. The City of Lakewood has three Major Funds, the General Fund, Successor Housing Agency Fund and Capital Projects Fund; all remaining Governmental Funds are combined and represented under Non-Major Governmental Funds. The combined fund balance of the City's Governmental Funds (page 27) increased by \$3,092,730 over the prior year; this increase was the result of the repayment of restricted monies owed to the City by the State for the Mayfair Park Stormwater Project.

The Proprietary Fund financial statements represent primarily the Water Utility. The Water Utility is treated as an Enterprise fund and as such has retained earnings rather than a fund balance. Unrestricted retained earnings in the Water Fund increased by \$1,100,418 over the prior year (page 35). Operating income accounted for the increase. Increases in retained earnings are necessary to fund capital improvements. Such projects on the horizon include new wells, water main replacements, as well as water treatment and operational upgrades.

GENERAL FUND SUMMARY

The City's General Fund, the City's largest fund and over which the City Council has discretionary authority, is extremely important in the provision of essential city services. It is important to note that the presentation of information in the CAFR is different from that in the City's budget. While a municipal budget is a spending plan for a future time period, a CAFR is a set of financial statements for a prior time period that complies with regimented accounting reporting requirements as established by GASB. More specifically, the CAFR presents expenditure information without regard to it being anticipated use of reserves (i.e., capital improvement projects) or departmental expenses. When analyzing the City's General Fund revenues versus expenditures, there was a surplus of \$1,654,970 (page 95). However, when excluding investment unrealized "paper" gains, or market value growth, \$409,835 is a more appropriate representation of the surplus figure.

Revenues

Overall, General Fund Revenues plus the transfer in of Gas Tax receipts were slightly higher than budgeted by \$40,976. Following is a brief review of the major revenues received by the City represented on page 95 of the CAFR.

Property tax revenues were higher than expected by \$219,238 when compared to the budgeted estimates. The year over year increase is mostly attributed to an increase in property values. Motor vehicle license fees (property tax in lieu of the vehicle license fee) were \$42,151 more than the amount budgeted.

Sales tax revenues were slightly better than expected by \$419,547 over budgeted estimates, but lower than originally budgeted. This was largely due to an uptick in fuel sales in relation to rising retail gas prices caused by higher crude oil costs.

Utility user's tax (UUT) revenue came in below budget expectations by \$158,979. This is largely reflective of evolving technologies, especially in the telecommunication industry, where the UUT is not applicable.

Expenditures

General Fund operational expenditures posted an anticipated year-over-year increase of 2.5 percent, equivalent to \$1,197,855 staying within the Fiscal Year 2018-19 Budget. Following is a brief highlight of City functions as presented on page 95 of the CAFR.

Public safety costs increased by \$534,628 over the prior year due to an increase in payments to the Los Angeles County Sheriff's Department for patrolling services and associated liability insurance costs.

Transportation expenses increased by \$160,157 over the prior year primarily due to multiple projects covering street resurfacing, pavement management and other street projects. Community development related operational expenses increased by \$128,269 due to increases in building and safety and planning expenses; Health and sanitation, the City's refuse collection and disposal service costs increased by \$217,993 over the prior year (this cost is fully offset by revenues).

Major capital projects totaling \$2,282,398 in Fiscal Year 2018-19 included the final work on the Burns Community Center rehabilitation project, ADA improvements, picnic shelter replacement and bathroom replacements at Rynerson Park, as well as various hardscape repairs throughout the City. The City's expenditure on capital projects decreased by \$924,211 from the prior year. The decrease is due to the large-scale Burns project largely funded during the prior year.

Fund Balance

As mentioned previously, General Fund revenues (including transfers in) exceeded expenditures (including capital projects) by \$409,835 (when factoring unrealized gains). In general terms, the City has sound "rainy day" reserves. The fund balance is presented per GASB 54, which includes four components; the following is a brief review of these components as presented on page 26 of the CAFR.

The Unspendable component (restricted) includes prepaid items, inventories and loans to the Successor Agency. This component increased by \$272,800 from the prior year. The Successor agency loan is the major element of this component and of the year-over-year change.

The Committed component includes reserves for City obligations, current capital projects and economic uncertainties. This component decreased by \$64,217 from the prior year. It was primarily due to the reduction in capital project reserves during the fiscal year.

The Restricted component includes \$617,122 in reserve amounts. They are earmarked for the payment of debt service associated with a loan obtained for the construction of Americans with Disabilities Act (ADA) capital improvements

The Assigned component includes reserves for future capital replacement and repairs, and for major emergencies or catastrophes. This component increased by \$367,545, for contract emergency services.

The unassigned component, increased by \$461,720, is utilized for cash flow purposes as well as unforeseen projects.

GFOA Financial Reporting Award - Fiscal Year ending June 30, 2018

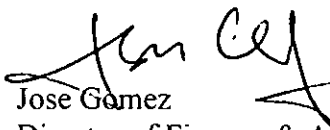
Recently, the GFOA awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Lakewood for the FY 2017-18 CAFR. This is the 37th consecutive year that the City has received this prestigious award. In order to be awarded the Certificate of Achievement, the CAFR must satisfy both generally accepted accounting principles and applicable legal requirements, as well as be easily readable and efficiently organized.

Mr. Ken Pun (The Pun Group) will present this award to the Mayor and Council.

RECOMMENDATION

Staff recommends the City Council:

- Receive and file the City of Lakewood Comprehensive Annual Financial Report (CAFR) Year Ended June 30, 2019
- Accept the GFOA Certificate of Achievement for Excellence in Financial Reporting award for the Fiscal Year ending June 30, 2018.



Jose Gomez

Director of Finance & Administrative Services



Thaddeus McCormack

City Manager

Comprehensive Annual Financial Report



The first Lakewood City Council

*City of Lakewood, California
Year Ended June 30, 2019*



CITY OF LAKEWOOD, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**WITH REPORTS ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE YEAR ENDED
JUNE 30, 2019**

Prepared by:
Finance and Administrative Services Department

Jose Gomez
Director of Finance and Administrative Services



City of Lakewood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019
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City of Lakewood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019
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Comprehensive Annual Financial Report
For the Year Ended June 30, 2019
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Jeff Wood
Vice Mayor

Steve Croft
Council Member



Ron Piazza
Council Member

Diane DuBois
Council Member

Todd Rogers
Mayor

December 10, 2019

The Honorable Mayor and City Council
City of Lakewood
Lakewood, California

TRANSMITTAL LETTER

State law requires that all general-purpose local governments publish within six months of the close of the fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted government auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Lakewood for the fiscal year ended June 30, 2019.

This report consists of management's representations concerning the finances of the City of Lakewood. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City of Lakewood has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Lakewood's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Lakewood's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Lakewood's financial statements have been audited by The Pun Group, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Lakewood for the fiscal year ended June 30, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions that the City of Lakewood's financial statements for the fiscal year ended June 30, 2019 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Lakewood's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Lakewood, incorporated in 1954, is located in Southern Los Angeles County, 20 miles south of the City of Los Angeles. Lakewood enjoys the benefits of the diversified economy of Southern California. The City is primarily a bedroom community providing housing for the Southern California region. The City of Lakewood occupies a land area of 9.5 square miles and serves a population of 81,352 as of May 2019.

The City of Lakewood has operated under the council-manager form of government since its incorporation. The City is a "contract city," having been the first in the country to adopt this form of government. John Stanford Todd's contributions to Lakewood and city government are now honored by two John Sanford Todd Memorial Highway signs located near the northern and southern borders of Lakewood along the 605 freeway. Policy-making and legislative authority are vested in a governing council consisting of five members. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The Council is elected on a non-partisan basis. Council members serve four-year overlapping terms. The mayor is selected by the council from among its members and serves in that capacity for a one-year term.

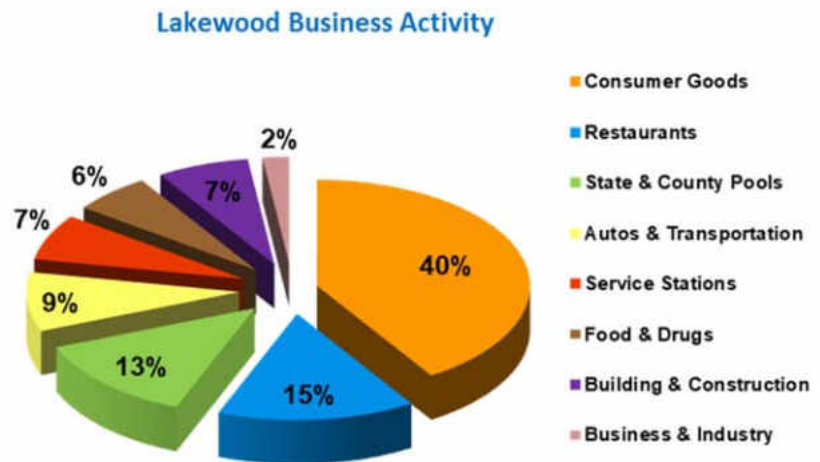
The City of Lakewood provides a full range of services, including police protection, solid waste collection, construction and maintenance of highways, streets and infrastructure, planning and zoning activities, utilities (water), recreational activities, cultural events, housing and general administrative services. The City of Lakewood is a "contract" city, meaning that some of these services are provided by contract with other agencies (both public and private) and some services are delivered by the City's own employees. Library services, fire protection services, and sewer services are provided by special districts of the County of Los Angeles. The City has excluded the County of Los Angeles, as well as the State of California and various school districts, because they do not meet the established criteria for inclusion in the report.

The annual budget serves as the foundation for the City of Lakewood's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager for inclusion in the annual budget. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents a proposed budget to the Council for review prior to June 30. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., solid waste collection), and department (e.g., public works). The City Manager may authorize transfers of appropriations within and between departments within funds. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented under the required supplementary information in the financial section of this report. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the supplementary schedules section of this report.

ASSESSING THE CITY'S ECONOMIC CONDITION AND OUTLOOK

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Lakewood operates and serves.

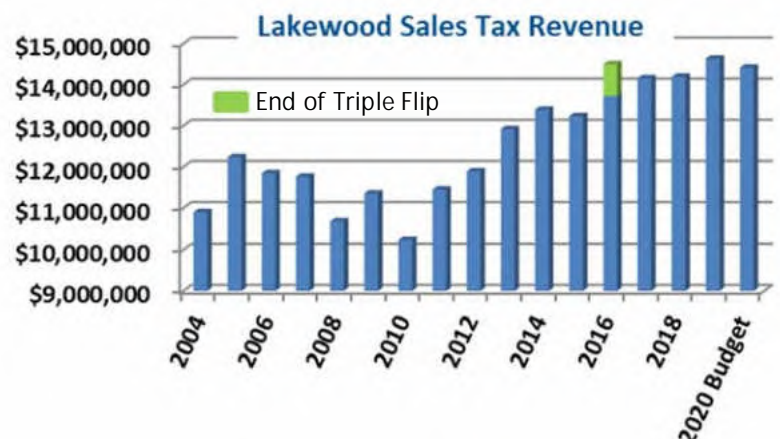
The City of Lakewood is primarily a residential community with only 6% of the city zoned for commercial use. The city is home to the seventeenth largest mall in the United States with about 2.1 million square feet of retail space, which is strategically located in the center of the city. By the end of the 1990's, Lakewood was basically "built out," leaving very little of the 9.5 square miles of the city available for new development.



For the City of Lakewood, retail sales is the economic indicator that best heralds the City's financial situation. Sales tax revenues account for a quarter of General Fund revenues. There are over 2,600 businesses (including home occupations) located in Lakewood generating approximately \$14.6 million in sales tax for the City in Fiscal Year 2018-19. The economic base of Lakewood is largely retail and the City's "top twenty-five" retail businesses as a group produce 55% of the City's sales tax revenues. Increasingly, state and county pools have provided a greater share of sales tax revenues to the City as online sales have grown. Sales tax collected from online sales are disbursed to cities through state and county pools based on each cities' percent of total brick-and-mortar sales and may not bring the same value as the city's brick-and-mortar point-of-sale tax.

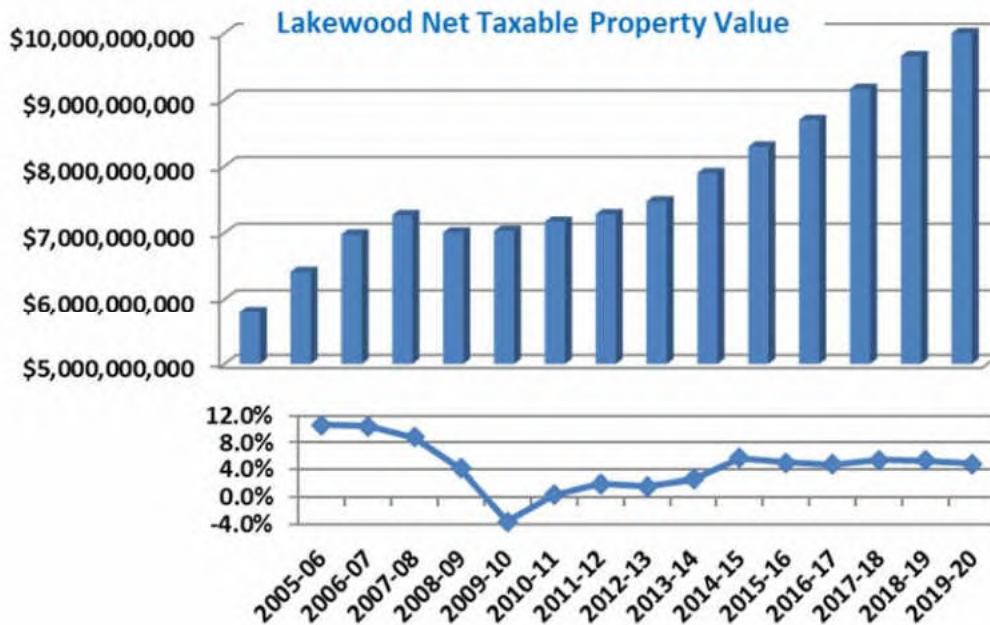
The City has been experiencing a slowing of sales tax revenue increases stemming from the continued migration of consumers away from traditional brick-and-mortar to online shopping. The adopted budget for Fiscal Year 2019-20 took this change in consumer shopping habits into consideration, with the budgeted sales tax revenue projected flat when compared to the prior fiscal year's final budget estimate. Lakewood will continue to benefit greatly from a popular regional shopping center and several smaller commercial plazas, but over time the loss of sales tax revenue to online shopping will have an increasing impact on the City's revenue.

Economic development in the City added several retailers in the past year, expanding opportunities for shopping and dining, as well as adding over 570 jobs from over 300 new businesses in Lakewood, including 125 home occupation businesses. This built on the more than 5,000 jobs that new businesses brought to Lakewood the past seven years. Among the new businesses opening during the year were Burlington, Chinito's Tacos, Cotton-On, Dickie's BBQ, Ding Tea House, Kidztown, Play Live



Nation, Raising Cane's, Sonora Market, and Way Beyond Cake Bakery. Additionally, Macy's Backstage, Outback Steakhouse, and Black Angus all underwent major remodels.

The City is a "low property tax city," which means the City assessed a small municipal property tax prior to 1978-79 that has been folded into the tax base under Proposition 13. Today, the City relies on a small 5.84% share of the county collections – the fifth lowest in the County.

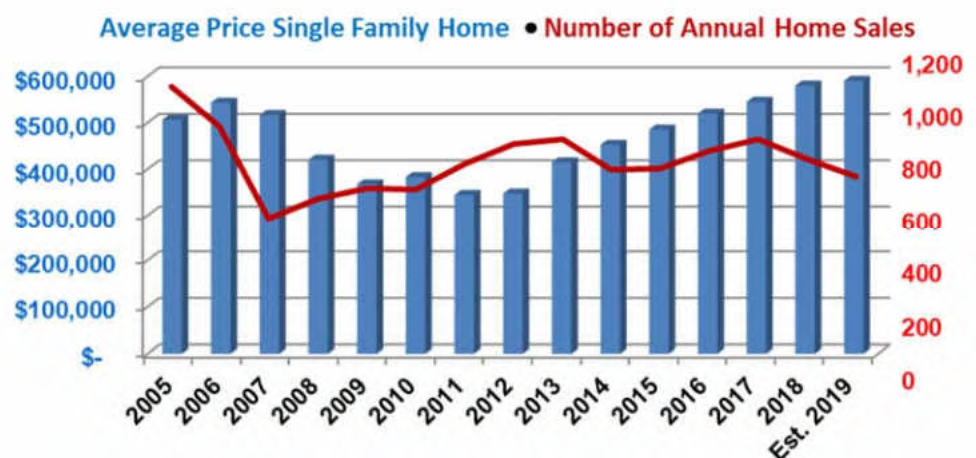


The County Assessor increased property tax assessments by a CPI of 2% from 2017-18 to 2018-19.

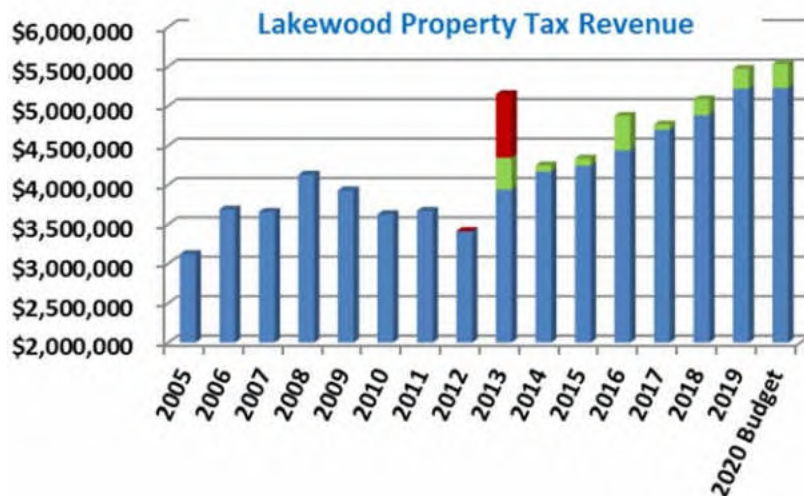
In the last recession, the County Assessor lowered property tax assessments utilizing the 1978 Prop 8 reduction requirement where the lesser of the adjusted base year value or market value is used for taxation.

Prop 8 reductions still offset the year-over-year increase by reducing the assessed valuation by \$64 million on parcels throughout the city. The number of Prop 8 parcels has steadily decreased as property values have consistently risen. The top two factors, transfer of ownership and a CPI increase of \$173 million, along with the recapture of Prop 8 valuations largely accounted for the overall taxable value increase of \$474 million. As in past years, the main driver of the increase was residential properties at \$414 million, followed by commercial/industrial at \$60 million.

The total assessed value of real property in the city was \$10.1 billion for Fiscal Year 2019-20, a 4.9% increase from the previous year. The growth in the City's assessed value of 4.9% was outpaced by the County which increased by 6.3%. In calendar year 2019, the median single family Lakewood home is selling for \$590,000, a 1.7% increase from 2018 - establishing a new record high. Consistent with regional trends, the number of home sold is expected to decrease for the second year in a row.



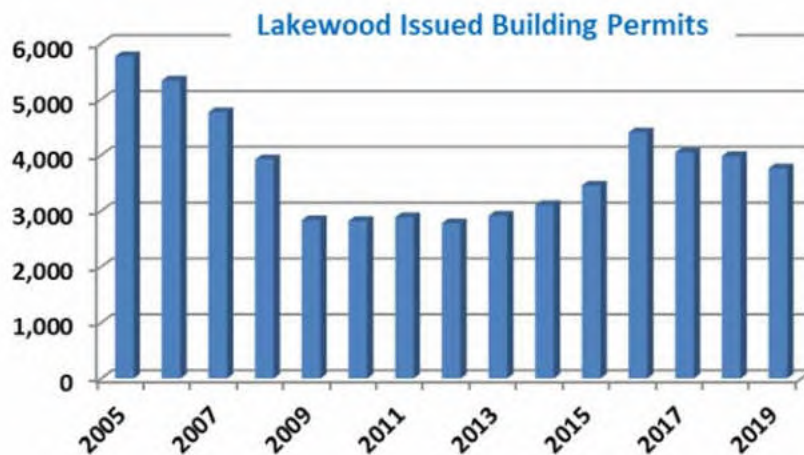
In Fiscal Year 2012-13, the City began to receive residual property tax from the dissolution of the Lakewood Redevelopment Agency. In that year, all property tax increment held by the Lakewood Redevelopment Agency was shifted to the County and disbursed to local taxing agencies - the City's share of this disbursement was \$404,967. The \$436,749 residual disbursement received in Fiscal Year 2015-16 was primarily the City's share of the \$9.4 million payment made that year to the County by the Successor Agency of the former Lakewood Redevelopment Agency. Annual residual property tax is expected to surpass \$250,000 in Fiscal Year 2019-20 due to former LRA bonds being fully paid.



In Fiscal Year 2007-08 the City joined in a Collective Action against Los Angeles County regarding property tax administrative fees. The case was settled in Fiscal Year 2012-13 resulting in a refund to the City of \$804,544 in excess property tax fees. The settlement also resulted in an on-going annual reduction of the property tax administrative fee of about \$150,000.

Property tax revenue in Fiscal Year 2018-19 increased by 7.6% over the prior year, exceeding expectations by 4.2%, and is expected to further increase by 1% in Fiscal Year 2019-20. Property tax revenue accounts for 11% of General Fund revenues. Since the approval of the 2004 Prop 1A, changes in property tax valuation have a greater impact. Vehicle license fee revenue growth is tied to property tax growth. Property tax in-lieu of vehicle license fees accounts for an additional 18% of General Fund revenues.

Property tax revenue in Fiscal Year 2018-19 increased by 7.6% over the

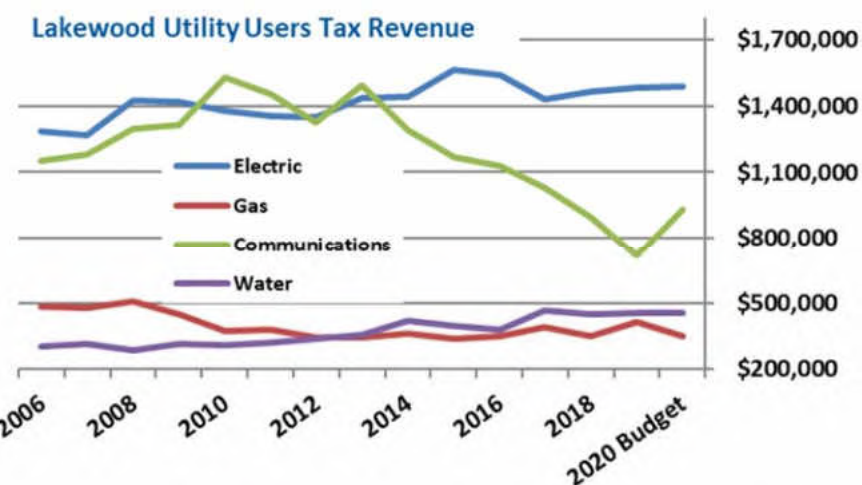


The number of building permits issued by the City is 35% below the peak reached in Fiscal Year 2004-05. During Fiscal Year 2018-19, 3,765 construction and remodeling permits were issued, which is the second year of a slightly downward trend in building activity.

City revenues are also affected by changes in the commodity markets. The City's assessed utility users tax represents 6% of General Fund revenues. The 3% tax is assessed on communications, electricity, natural gas and water use. Natural gas prices rebounded from multi-year lows resulting in an increase of \$63,701 in natural gas utility users tax revenues in Fiscal Year 2018-19 from what was received during the prior year. While this is favorable, the total is still \$96,807 less than the amount received in the peak year (Fiscal Year 2007-08).

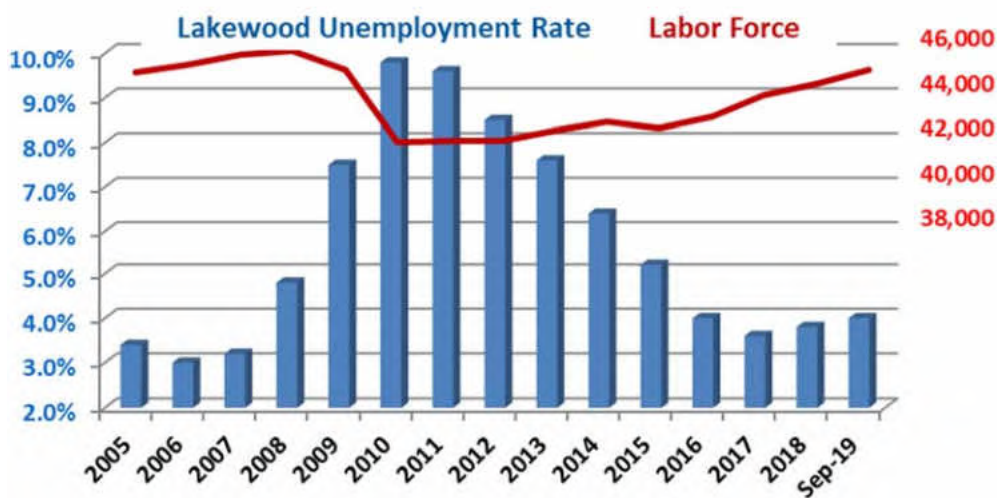
City revenues are also affected by changes in the commodity markets. The City's assessed utility users tax represents 6% of General Fund

The utility users tax for electricity shows a slight increase in Fiscal Year 2018-19, about \$14,367 more than the prior year. Still, it is lower than the peak in Fiscal Year 2014-15. This is likely due to State-issued Cap and Trade Program customer credits and the impact of solar panel installations.



The use of alternative forms of cellular communication to the traditional phone plan has also reduced the amount of utility users tax collected. It is the most notable change among the utility users taxes. The City received \$713,983 or about \$813,000 less in communications utility users tax revenues than what was received in its peak year of Fiscal Year 2009-10. Increased competition and the commoditization of services in this industry sector has greatly impacted local revenues.

Lakewood's employment rate depends on the regional job situation. In September 2015, the U.S. Department of Defense granted \$3.9 million to help the City of Long Beach develop an economic transition plan following the closure of Boeing's C-17 facilities, which had employed several thousand people.



The area that was home to Douglas Aircraft and its DC jets, and later Boeing Co., has been transforming into a multi-used development with businesses such as: Virgin Orbit's headquarters; Mercedes-Benz training, performance and vehicle preparation center; Universal Technical Institute's mechanics campus for about 900 students; Shimadzu Precision Instruments a precision aircraft manufacturer; and two Class A medical buildings. The Sares-Regis Group, has built four new industrial buildings ranging in size from 70,000 to 134,000 square feet. The former Long Beach Boeing site includes office, retail, fitness, hospitality and industrial businesses. These businesses provide opportunities for skilled employment in the local region.

Nationwide, employment rates are at or near historic high levels. Likewise, the unemployment rate in locally remained at 4% as of September 2019. This is lower than the rate the City enjoyed prior to the recession; and slightly above the state's rate.

Major employers located within city limits are Long Beach Unified School District, County of Los Angeles, Lakewood Regional Medical Center, and various retail, automotive and home improvement businesses, as well as the City itself.



The April to April Consumer Price Index (CPI) for the Los Angeles, Riverside and Orange County region, which is the basis for many of the City's contract increases, was 3.3% in 2019. The CPI for the nation, as well as for the region, is expected to remain relatively low in the coming years.

Economic Outlook

Beacon Economics provides market insights and forecasts for

California Communities. In their latest analysis Beacon states, "At the state level, California's economy has performed solidly so far in 2019 and is forecast to stay on track into next year. As home to the largest port complex in the Western Hemisphere, the various trade disputes that have erupted over the past few years have been a point of elevated concern.

"California has a lot a stake when in comes to both cross-border and trans-Pacific trade activity," said Robert Kleinhenz, Executive Director of Research at Beacon Economics and one of the forecast authors. "The ongoing trade conflicts have hit certain industries and commodities, but the state's overall economy has only been bruised, not broken, by these developments." Kleinhenz points to record-low unemployment and sustained job gains as evidence that the California economy continues to advance.

"Los Angeles County's immense employment base continues to expand, although the pace of growth lags California's other major metropolitan areas. Further, as in most of the state, the region's housing market is slowing, although commercial real estate activity appears promising."

LONG-TERM FINANCIAL PLANNING

Long-term financial planning involves the management of the City's programs and assets. Programs include the services the City provides through its employees and contracts. Assets include cash and investments, as well as the City's entire infrastructure of streets, street lighting, signals, medians, signage, parks, recreation facilities, water mains, trees sidewalks and bus stops, etc. Long-term debt, pension and post-employment benefits, and the depreciation and deterioration of the above named tangible assets, are also included in the long-term financial plan. The City's policies provide parameters that reflect the City's management and fiscal philosophy.

The City's financial and operating budget policies serve as the guiding principles for the City's financial management and annual budgetary process. The financial policy is written with the objective to maintain or improve an entity's financial position, financial management and credit rating. The operating budget policy, along with the City's purchasing policy, is written with the objective to promote good stewardship in the management of public funds and resources.

The City's cash and investment policy is written with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints, liquidity needs and cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to safety and liquidity objectives.

The City's governmental fund balance policy is written with the objective to retain the proper levels of reserves for economic uncertainty (20% of operational costs), unforeseen capital expenditures and repairs, emergency response services, and pension obligations.

The City's capital financing and debt management policy is written with the objective to set guidelines as to the financing of capital expenditures and long-term capital planning.

The City's capital improvement program and replacement of assets policy provides guidance as to the objectives capital improvements shall meet. Capital improvement projects typically involve large outlays and cover multiple years. Although capital improvements are considered apart from the operating budget of the City, the operating budget is developed with an understanding that funding for capital projects must also be provided. In addition, Lakewood staff is encouraged and readily takes the steps necessary to acquire new, and retain current funding sources. New funding possibilities include various one-time competitive grants and on-going block grants. These grants fund public works projects, park and recreation facilities, and public safety, transportation and housing programs.

Street and traffic signal improvements:

Woodruff Avenue was repaved in Fiscal Year 2018-19 at a cost of \$1.9 million. The existing asphalt pavement was cold milled to a depth of 2.5 inches and a new 2.5 inch layer of asphalt rubber hot mix was constructed along with new thermos-plastic striping and traffic loop detection.

In coordination with Los Angeles County Metro, construction will begin in Fiscal Year 2019-20 on a traffic-flow improvement project at the Del Amo and Lakewood Boulevard intersection. The project involves constructing dual-left turn lanes in all directions and a roadway expansion over the nearby flood control channel. Los Angeles County Metro will completely fund it as part of its "hot spot relief" program.

The Tree and Hardscape Division completed over one and a half miles of sidewalk restoration, removing and replacing concrete as part of the continued undertaking of moving pedestrians safely throughout Lakewood. The division also completed one and a half miles of curb and gutter removal and replacement, aiding in the reduction of pooled water and mosquito abatement efforts throughout the city.

The design concepts and environmental document for the Lakewood Boulevard Corridor Project have been completed. Work on the final construction plans is due to be completed in Fiscal Year 2019-20. The design work is fully funded by a \$3.2 Million grant from METRO. The project includes enhanced bikeways, pedestrian, transit, and drainage features, along with improved traffic flow and paving. Funding for the construction will be sought through various county, state and federal grant programs once the plans are complete.

Storm water/water recapture/recycled water projects:

The City received two CalTrans grants totaling \$26 million for the construction of water capture systems at Bolivar Park and Mayfair Park. The construction of the Bolivar Park water recapture system began in Fiscal Year 2015-16 and was completed in June 2018. During FY 2018-19, staff worked to resolve operational issues and complete start-up operations. The project is fully operational through the automation system. Construction for the water capture system at Mayfair Park began in May 2018 and is expected to be completed in late 2019. Both of the systems will reduce pollutants in the local waterways and ocean. They will also provide a source of local recycled water to be used in parks and medians.

The City secured a state grant to help pay for converting the parkways along Paramount Boulevard into drought-tolerant landscaping that will capture and clean runoff along the roadway. The project was funded from a Prop 84 grant, Measure R, & SB-1 Funds. Construction will be completed in December 2019.

Parks and community facilities projects:

Rynerson Park – Installation of a new, prefabricated, fully accessible restroom placed near Little League Fields. Project included sanitary sewer lateral line connected, the old restroom building demolished and demolition of aging picnic structures. A new concrete picnic pad was poured to replace one structure and will serve as a footprint for the possibility of a future structure. Also completed were repairs to an existing pedestrian bridge, providing accessible entry to the park from Studebaker Road.

DASH – Purchased two new sixteen-passenger buses in FY 2018-19 that replaced two older, high mileage buses. DASH has been in the process of procuring and replacing an older fleet of vehicles over the past five years, starting with six new accessible vans in 2014. The two new buses will complete the replacement of older vehicles. The new fleet should allow DASH to operate for many years before repairs are required and vehicle replacement becomes eminent.

The Centre – Removal of the Urban Stream and Pillars of Community. The concrete urban stream in front of the Centre plaza was removed along with the Pillars of the Community in the spring. The area was returned to a flat concrete surface that matched the existing surrounding concrete.

Burns Community Center Renovation – The renovation of the Burns Community Center was completed in November 2018. The project included improvements to the lobby, restrooms, assembly room and Meals on Wheels are on the first floor. The elevator was upgraded to comply with ADA regulations and standards. New air conditioning units were installed and the exterior of the building received an updated look. The upstairs restrooms were expanded and improved to meet ADA regulations.

Burns Community Center Second Story Refresh – With the departure of Nifty after Fifty, the second floor of Burns Community Center was given a refresh. Wood paneling was removed from parts of the upstairs area, and the offices and open area were given a fresh coat of paint to match the downstairs. New carpet and baseboards were installed in the entire upstairs space.

ADA Improvements commenced with on-going restroom improvements completed in-house by City Staff. Also completed were disabled parking improvements at Mayfair Park. In addition, the City is working with architects on a design for new ADA Improvements including restroom and path-of-travel improvements at several City facilities.

Public Safety Activities:

The Public Safety Department has taken a more visible profile as it establishes a more focused effort in the administration of law enforcement and public safety services. Increased efforts have been placed on community engagement and the allocation of department resources. The department's accomplishments include:

Conducting community safety meetings for residents in each of Lakewood's nine reporting districts

Increased community outreach and education through participation in City events

Worked closely with Lakewood Sheriff's Station personnel at all levels to ensure timely and quality law enforcement services for the Lakewood community

Revamping the Neighborhood Watch Program and increasing educational seminars to four per year

Expanding the scope and functions of public safety field staff to include response to service requests, homeless-related concerns and department programs

Establishing regular opportunities for residents to meet and interact with members of law enforcement through City events and programs

Water system improvements:

In a partnership with the City of Long Beach, the Department of Water Resources utilized storage opportunities from the Central Basin Adjudication Rights. The City "pre-purchased" unused annual pumping allocation water rights in FY 2017-18 at a lower rate for use in Fiscal Year 2018-19, utilizing Long Beach's pumping rights and resulting in savings of \$396,385.

The City continued hosting in-person workshops, educating over 100 residents on the new leak alert and high water use tools available to them via their new smart water meter. Using the new tools, approximately 24,000 internal leaks and/or "abnormal uses" were identified, and over 1,100 leak alerts were provided to customers. Additionally, over 40 percent of water customers have signed up to use the portal to monitor their water use and manage their accounts.

The City contracted with Fracta to perform a pipe condition assessment through the use of Artificial Intelligence/Machine Learning to evaluate the condition of the distribution system pipeline. The assessment utilized basic pipeline data and break history together with many available regional environmental and activity data to predict the likelihood of future main break locations. The assessment will help pinpoint locations for future pipeline main installation projects.

Six of the City's ten wells underwent extensive maintenance during the year.

The City participated in two new Southern California Edison (SCE) energy efficiency programs. Through the programs, SCE will provide incentives for the purchase of new well site equipment.

Residential housing projects:

The City maintained the Home Improvement Loans and Fix Up / Paint Up Programs. The Home Improvement Loan Program provides up to \$18,000 to eligible homeowners for home improvements. The Fix Up / Paint Up Program assists eligible low-income homeowners by providing grants of approximately \$3,000 for exterior repairs. Many of the participants are elderly and disabled residents who cannot cope with property upkeep.

Housing development projects approved and currently under construction in FY 2019-20 include: Elaine Apartments - a three-story 24-unit apartment complex located on Elaine Avenue. Framing of the third floor has just started with construction scheduled to be completed by fall 2020.

Redevelopment:

In 2011, California enacted legislation that required the dissolution of all redevelopment agencies. AB x1 26 dissolved redevelopment agencies as of February 1, 2012, and provided for the designation of successor agencies which were tasked to wind down the affairs of the dissolved redevelopment agencies.

Under AB x1 26, the dissolution of redevelopment included the determination that all contracts and agreements between the City and the Lakewood Redevelopment Agency were null and void. Subsequently, AB 1484 provided for a small level of funding for housing operations that resumed in Fiscal Year 2013-14 using housing loan payments, and SB 107 in 2015 allowed for the payment of all outstanding loans made by the City to the Agency as recalculated using a four percent rate over the life of the loan. Once the Finding of Completion is issued by the Department of Finance (DOF) additional funds will be available to fund the city's housing capital programs through reimbursement of deferred housing transfers to pay for ERAF, SERAF transfers to the State, and other postponements. City Loan debt service payments can resume once the housing deferrals have been fully paid; 20% of the debt service payments are required to fund housing operations and capital.

Long-term Debt:

Long-term debt is limited to the City's governmental activities and the Water Enterprise more detailed information regarding the City's long-term debt is presented in the notes to the basic financial statements.

The Agency also holds debt in the form of City loans. As referenced in the prior section, SB 107 allows for the payment of all outstanding loans made by the City to the Agency as recalculated using a four percent rate over the life of the loan. Loan payments to the City can resume once the housing deferrals have been fully paid; 20 % of the loan payments are required to fund housing operations and capital.

Pension and Other Post Employment Benefit Liabilities:

The City provides three retirement benefit programs. The City takes measures to ensure that the City's retirement benefit plans are financially secure and well-funded. These programs are as follows:

California Public Employee Retirement System (CalPERS) is a 2% at 55 pension plan for "classic" CalPERS members, and 2% at 62 pension plan for new members as defined by the Public Employees Pension Reform Act (PEPRA), who are employees that have never been a member of CalPERS or who had a break in service of six months or greater. This Plan currently during FY19-20 utilizes a 7.25% discount rate (will decrease to 7% by Fiscal Year 2020-21) and is 78.7% funded as of June 30, 2018, per the CalPERS GASB 68 Accounting Valuation Report and the market value of assets.

PARS Retirement Enhancement Plan is a 0.5% at 60 pension plan. The PARS Plan was established in 2004 and is only available to full-time/permanent employees. The PARS Plan was closed to new employees on January 1, 2013 as restricted by the Public Employees Pension Reform Act (PEPRA). This Plan utilizes a 5.5% discount rate and is 73.4% funded as of June 30, 2019, based on the assumptions of the GASB 67 and 68 Disclosure Document and the market value of assets.

The City offers other post-employment benefits (OPEB), a Career Employee Medical Retirement Benefit Plan, to eligible retirees. The plan is constructed to keep costs in check by limiting eligibility and length of benefit. The City provides limited supplemental payment for post-retirement healthcare benefits for full-time/permanent employees who have completed 20 years of service and have reached the age of 55, or who have completed 15 years and reached the age of 60, and who are retiring under CalPERS. The benefit is also limited by the retiree's years of service. This Plan utilizes a 6% discount rate and is 92.8% funded as of June 30, 2019, based on the assumptions of the latest actuarial and the market value of assets.

More detailed information regarding the City's pensions and other post-employment benefits is presented in the notes to the basic financial statements.

FINANCIAL MANAGEMENT POLICIES AND PRACTICES

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. See Note 9 of the City's basic financial statements for the City's long-term debt disclosure. GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakewood for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This was the 37th consecutive year that Lakewood has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was accomplished by the combined efforts of the Administrative Services Department staff. We appreciate the high level of professionalism and dedication that these staff members bring to the City. The contributions made by Edianne Rodriguez, Assistant Director of Administrative Services; Claire Houck, Senior Accountant, Michael Aguirre, Accountant; and Elisa Todd, Administrative Secretary deserve special recognition. We also thank the members of the City Council, especially the Audit Committee, for their interest and support in the development of this report.

Respectfully submitted,



Thaddeus McCormack
City Manager



Jose Gomez
Director of Finance & Admin. Services

CITY COUNCIL

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Mayor

JEFF WOOD
Vice Mayor

DIANE DUBOIS
Council Member

STEVE CROFT
Council Member

RON PIAZZA
Council Member

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THADDEUS McCORMACK
City Manager

IVY M. TSAI
City Attorney

PAOLO BELTRAN
Deputy City Manager

ABEL AVALOS
Director of Community
Development

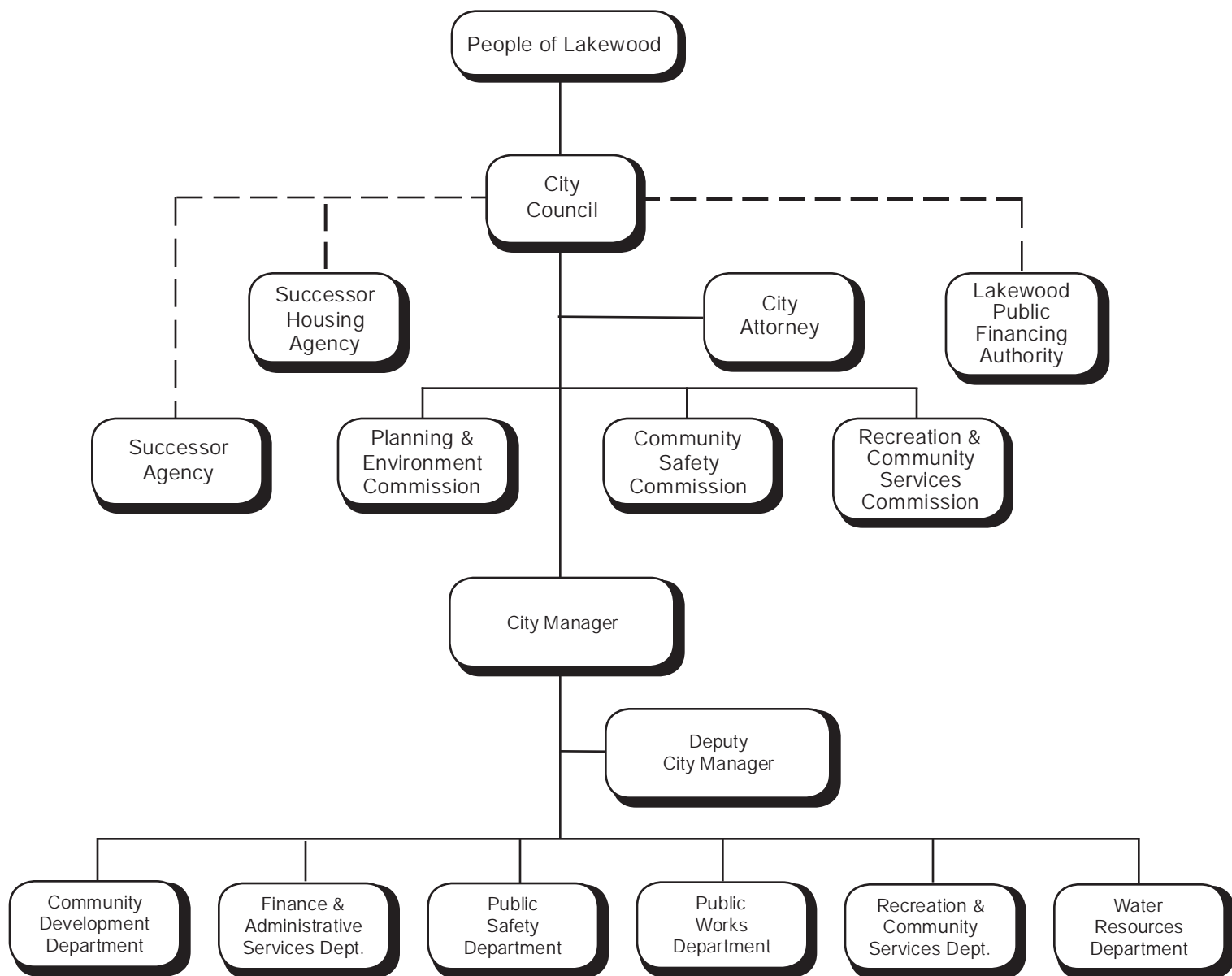
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Director of Recreation
and Community Services

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Director of Water Resources

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Director of Public Safety





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For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and the Members of the City Council
of the City of Lakewood
Lakewood, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lakewood, California (the "City") as of and for the year ended June 30, 2019, and the related notes to the basic 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.

Auditors' 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Schedules of Changes in Net Pension Liability and Related Ratios, the Schedules of Contributions – Pensions, the Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios, and the Schedule of Contributions – Other Postemployment Benefits on pages 5 to 13 and 95 to 105 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 Introductory Section, the Combining and Individual Nonmajor Fund Financial Statements, the Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements and the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual 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 and the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and the Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

The PwC Group, LLP

Santa Ana, California
November 26, 2019



City of Lakewood
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2019

As management of the City of Lakewood, California, (City) we offer readers of the City of Lakewood's financial statements, this narrative overview and analysis of the financial activities of the City for fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

Financial Highlights

Net Position: The assets and deferred outflows of resources of the City (*which include the value of streets, sidewalks and other infrastructure*) exceeded liabilities and deferred inflows of resources at June 30, 2019, by \$188,009,275. Of this amount, \$29,503,998 may be used to meet the government's ongoing obligations to citizens and creditors, but is subject to designation for specific City programs.

Changes in Net Position: The government's total net position increased by \$9,997,647. The governmental activities increased by \$9,111,089 and business-type activities by \$886,558 at the end of fiscal year June 30, 2019.

Long Term Debt: The City of Lakewood's total debt decreased by \$248,590. This was attributable to normal scheduled debt service payments, offset by a lease of \$750,000 to fund Americans with Disabilities Act (ADA) capital projects improvements.

Governmental Funds: As of June 30, 2019, the City's governmental funds reported a combined ending fund balance of \$63,405,017, an increase of \$3,092,730 in comparison with the prior year due to a funding arrangement of capital projects that initially required the use of City's fund and subsequent reimbursement by State grants. Approximately 46.1 percent of the ending fund balance, \$29,262,939, is available for spending at the government's discretion as either a committed, assigned, and unassigned fund balance within the guidelines of the funding sources.

General Fund: At June 30, 2019, committed, assigned and unassigned fund balance of the general fund was \$32,076,789. All but \$2,182,964 of these funds are committed or assigned for specific purposes in accordance with City policies and budgetary guidelines.

Government-wide financial statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of the City overall financial status in a manner similar to a private sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflow of resources with the difference between the four reported as *net positions*. Over time, increase or decreases in net position may serve as a useful indicator of whether the financial position of the City of Lakewood is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, *regardless of timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Lakewood that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Lakewood include general government, public safety, transportation, community development, health and sanitation, and culture and leisure.

City of Lakewood
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

The government-wide financial statements include the City of Lakewood and a component unit the Lakewood Public Financing Authority. Financial information for this component unit is reported within the funds of the City. The Water Utility, although also legally separate, functions for all practical purposes as a department of the City of Lakewood, and therefore has been included as an integral part of the government.

The government-wide financial statements can be found on pages 18 - 21 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lakewood, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lakewood can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances on spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental fund* and *governmental activities*.

The City of Lakewood maintains twenty governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other seventeen governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of *combining statements* in the supplementary information.

The City of Lakewood adopts a biennial appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget in the required supplementary information. Budgetary comparisons for other funds are provided in the supplementary information of this report.

The governmental fund financial statements can be found on pages 25 - 32 of this report.

Proprietary funds. The City of Lakewood maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Lakewood uses enterprise funds to account for its Water Utility operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Lakewood's various functions. The City of Lakewood uses internal service funds to account for its central garage and graphics operations. Because all of these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

City of Lakewood
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utility operations. The Internal Service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary fund financial statements can be found on pages 33 - 39 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Lakewood's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statement can be found on pages 41 - 44 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45 - 91 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Lakewood's General Fund budgetary comparison schedule, pension and changes in net pension liabilities and related ratio schedules, pension contribution schedules, and other post-employment funding progress schedule. Required supplementary information can be found on pages 93 - 105 of this report.

The combining statements referred to earlier in connection with other governmental funds, internal service funds and agency funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 111 - 145 of this report.

Government-wide Financial Analysis

The government-wide financial statements provide long and short-term information about the City's overall financial condition. The net positions may serve over time as a useful indicator of a government's financial position. In the case of the City of Lakewood, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$188,009,275 at the close of the most recent fiscal year.

City of Lakewood
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

City of Lakewood Net Position						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 76,515,179	\$ 70,222,512	\$ 16,867,298	\$ 16,138,476	\$ 93,382,477	\$ 86,360,988
Capital assets	108,813,540	101,191,917	35,902,916	37,151,768	144,716,456	138,343,685
Total Assets	185,328,719	171,414,429	52,770,214	53,290,244	238,098,933	224,704,673
Deferred Outflow of Resources	7,859,558	10,257,328	895,042	1,169,958	8,754,600	11,427,286
Long-term liabilities outstanding	33,743,442	33,410,835	12,324,551	13,325,377	46,067,993	46,736,212
Other liabilities	9,453,017	6,869,266	1,800,115	2,424,839	11,253,132	9,294,105
Total Liabilities	43,196,459	40,280,101	14,124,666	15,750,216	57,321,125	56,030,317
Deferred Inflow of Resources	1,367,060	1,877,987	156,073	212,027	1,523,133	2,090,014
Net positions:						
Net Investment in Capital Assets	108,108,047	100,416,548	26,327,391	26,543,189	134,435,438	126,959,737
Restricted	24,069,839	21,751,112	-	-	24,069,839	21,751,112
Unrestricted	16,446,872	17,346,009	13,057,126	11,954,770	29,503,998	29,300,779
Total Net Position	\$ 148,624,758	\$ 139,513,669	\$ 39,384,517	\$ 38,497,959	\$ 188,009,275	\$ 178,011,628

By far, the largest portion of the City of Lakewood's net positions, 71.5 percent, reflects its net investment in capital assets (i.e. land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress). The City of Lakewood uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lakewood's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Additional portion of the City of Lakewood's net position, 12.8 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$29,503,998 may be used to meet the government's ongoing obligation to citizens and creditors, but is subject to designation for specific City programs per the City's Governmental Fund Balance Policy.

At the end of the current fiscal year, the City of Lakewood is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. At year-end, 66.8 percent of the City of Lakewood's business-type activities' net position were invested in capital assets.

City of Lakewood
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

City of Lakewood Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 11,864,139	\$ 11,144,227	\$ 13,354,770	\$ 13,003,840	\$ 25,218,909	\$ 24,148,067
Operating grants and contributions	9,751,629	8,633,736	-	-	9,751,629	8,633,736
Capital grants and contributions	8,315,163	6,315,712	-	-	8,315,163	6,315,712
General revenues:						
Property taxes	14,637,510	13,795,722	-	-	14,637,510	13,795,722
Sales taxes-Bradley Burns	14,635,987	14,303,519	-	-	14,635,987	14,303,519
Franchise taxes	1,543,020	1,598,487	-	-	1,543,020	1,598,487
Business operation taxes	651,364	650,728	-	-	651,364	650,728
Utility user taxes	3,061,021	3,163,738	-	-	3,061,021	3,163,738
Other taxes	409,432	424,144	-	-	409,432	424,144
Investment Income	1,833,314	274,743	254,365	182,728	2,087,679	457,471
Gain on sale of property	77,715	-	-	-	77,715	-
Total Revenues	66,780,294	60,304,756	13,609,135	13,186,568	80,389,429	73,491,324
Expenses:						
General government	8,623,397	8,414,207	-	-	8,623,397	8,414,207
Public safety	15,587,612	14,934,025	-	-	15,587,612	14,934,025
Transportation	5,618,743	5,319,350	-	-	5,618,743	5,319,350
Community development	5,755,708	5,602,768	-	-	5,755,708	5,602,768
Health and sanitation	5,440,069	5,173,751	-	-	5,440,069	5,173,751
Culture and leisure	14,023,325	13,919,102	-	-	14,023,325	13,919,102
Unallocated infrastructure depreciation	2,610,286	2,680,800	-	-	2,610,286	2,680,800
Interest on long term debt	10,065	12,246	-	-	10,065	12,246
Water	-	-	12,722,577	12,124,940	12,722,577	12,124,940
Total expenses	57,669,205	56,056,249	12,722,577	12,124,940	70,391,782	68,181,189
Excess (Deficiency of Revenues Over/Under)						
Change in Net Position	9,111,089	4,248,507	886,558	1,061,628	9,997,647	5,310,135
Net position - beginning of year	139,513,669	135,265,162	38,497,959	37,436,331	178,011,628	172,701,493
Net position - end of year	\$ 148,624,758	\$ 139,513,669	\$ 39,384,517	\$ 38,497,959	\$ 188,009,275	\$ 178,011,628

Additional information on the change in net position can be found on page 20 – 21 of this report.

Governmental activities. Overall, governmental revenues increased by \$6,475,538 or 10.7 percent and expenditures increased by \$1,612,956 or 2.9 percent from prior year. Key elements of the change are as follows:

Operating grant revenue increased by \$1,117,893 due to fully realizing the revenue for the Measure M funds from METRO, totaling an increase of \$307,000 from the prior fiscal year. The City also received Road Maintenance & Rehabilitation Account (RMRA) funds from the State for the whole fiscal year 2018-2019 in comparison to half of FY 2017-2018. There was an increase of \$1,126,776 in RMRA including interest income allocation from FY 2017-2018 to FY 2018-2019.

Capital grants and contributions revenue increased by \$1,999,451 during this fiscal year due mainly to the building and implementation of the Mayfair Water Capture Runoff Infiltration Project.

Property Tax increased by \$841,788 due to a higher assessed valuation of real property in the City. Secured and Unsecured taxes were up by \$274,970 and the Residual Property Tax was up by \$51,428.

Sales Tax revenue experienced a modest increase of \$332,468 compared to last fiscal year. This was due to an uptick in fuel sales in relation to continually rising retail gas prices caused by higher crude oil costs. The City also experienced an increase of countywide use-tax pool allocation due to the continuous rise in online sales compared to brick-and-mortar sales.

Investment income increased by \$1,558,571 mainly due to unrealized investment gains of \$1,245,135, of which \$809,138 was from the increase in value of portfolio securities.

City of Lakewood
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

Utility Users Tax revenue (UUT) was down \$102,717 mainly due to the decrease in Telecommunications UUT of \$184,092 and was offset by increases in Gas and Electric UUT by \$63,701 and \$14,387, respectively. The decrease was attributed to the availability of alternative forms of communications compared to the traditional phone services.

A Public safety increase of \$653,587 is mainly attributable to the rise in law enforcement contract payments.

Transportation increased slightly by \$299,393 due to multiple projects covering street resurfacing, pavement management and other street projects.

Additional information on activities and change in net position can be found on pages 20 - 21 of this report.

Business-type activities. The business-type activities reflect the City's water system, which includes water operation, water treatment and water production and distribution. An increase in the sale of water to the City of Long Beach attributed to the modest increase of \$350,930 in water sales revenue in the year. The impact of the full operation of the City's new utility billing system resulted in an increase in the total expenses amounting to \$597,637. For the year ended June 30, 2019, the City's business-type activities' change in net position was \$886,558, a decrease of 16.5 percent compared to last year. During the year, the water meter rate was adjusted to help defray increases in cost of pumping and distributing water and administration of the utility and infrastructure improvements. Major projects in the horizon include \$3.1 million for Well 28 Drilling project, \$2.3 million for Pipe Replacement project, \$1.0 million for Plant 4 Renovation project, and \$880,000 for Plant 27 Rehabilitation project.

Financial Analysis of the Government's Funds

As noted earlier, the City of Lakewood uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Lakewood's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Lakewood's financing requirements. In particular, spendable fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

As of the end of the fiscal year, the City of Lakewood's governmental funds reported combined ending fund balances of \$63,405,017, an increase of \$3,092,730 in comparison with the prior year. The increase is due to advanced grant funding arrangement of capital projects. Of the City's governmental funds ending fund balances, \$29,262,939 or 46.2 percent constitute committed, assigned and unassigned fund balance, which is available for spending at the government's discretion within the guidelines of the funding sources. The remainder of fund balance, \$34,142,078, is either nonspendable or restricted for purposes imposed by creditors, grantors, contributors, laws or regulations of other governments or through enabling legislation.

Proprietary funds. The City of Lakewood's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Enterprise at the end of the year amounted to \$13,664,874, an increase of \$1,100,418 from the prior year. These funds will be used to fund water operations and planned capital improvements. Other factors concerning the finance of this fund have already been addressed in the discussion of the City of Lakewood's business-type activities.

City of Lakewood
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

General Fund Financial Highlights

The General Fund is the chief operating fund of the City of Lakewood. At the end of the current fiscal year, committed, assigned and unassigned fund balance of the general fund was \$32,076,789, while total fund balance was \$42,581,404. The general fund's ending fund balance increased by \$1,654,970 in comparison with the prior year. As a measure of the General Fund's liquidity, it may be useful to compare only the committed, assigned and unassigned fund balance to total fund expenditures. Committed, assigned and unassigned fund balance represents 63.4 percent of the total general fund expenditures, most of which is committed or assigned to meet the City's long-term obligations.

Overall, General Fund revenues (including transfers in) increased year-over-year by \$3,379,544 and expenditures (including transfers out) increased by \$264,605. Tax-related revenue increased by \$573,430, in which \$841,788 was an uptick on property taxes due to a higher assessed valuation of real property in the City. Franchise Tax revenue and Utility Users Tax are down \$55,467 and \$102,717, respectively. Investment income increased by \$1,522,062 mainly due to unrealized investment gains of \$1,245,135, of which \$809,138 was from the increase in value of portfolio securities.

General Fund Budgetary Highlights

For the fiscal year ended June 30, 2019, General Fund's final amended expenditure budget increased over the original budget by \$408,498 and actual expenditures were \$2,023,717 lower than the final amended budget. These can be briefly summarized as follows:

Multi-year capital projects were at different stages of completion consequently they had a remaining balance of \$1,654,507 in 2018-2019 to be rolled forward to next fiscal year. Of this, approximately \$617,000 is for ADA improvements, \$395,000 for the Centre refurbishments, \$300,000 for the replacement of San Martin picnic shelters, \$107,000 for Facilities Master Plan, and \$35,000 for the Burns Center improvements.

The City experienced a savings of \$936,000 in Public Safety expenditures. This was attributable to savings in helicopter maintenance cost, decrease in LA County Sheriff's special assignment contracts, and slightly lower personnel costs.

The City experienced a decrease of \$525,000 in miscellaneous items such as IT services, the moving of the 2019 general municipal election to 2020, and the reduction in the number of tree services and street light repairs.

City of Lakewood
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

Capital Asset and Debt Administration

Capital assets. The City of Lakewood's net investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$144,716,456, an increase of \$6,372,771 or 4.6 percent of total capital assets over prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

City of Lakewood Capital Assets (Net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 17,041,023	\$ 17,041,023	\$ 100,000	\$ 100,000	\$ 17,141,023	\$ 17,141,023
Construction in progress	37,005,137	26,045,091	10,251,736	9,664,469	47,256,873	35,709,560
Water rights	-	-	1,834,586	1,834,586	1,834,586	1,834,586
Infrastructure	27,772,532	30,189,929	-	-	27,772,532	30,189,929
Structures and improvements	25,473,675	26,233,821	19,330,045	21,150,443	44,803,720	47,384,264
Equipment	1,521,173	1,682,053	4,386,549	4,402,270	5,907,722	6,084,323
Total	<u>\$ 108,813,540</u>	<u>\$ 101,191,917</u>	<u>\$ 35,902,916</u>	<u>\$ 37,151,768</u>	<u>\$ 144,716,456</u>	<u>\$ 138,343,685</u>

Additional information on the City of Lakewood's capital assets can be found in Note 8 to the basic financial statements.

Long-term debt. At the end of the current fiscal year, the City of Lakewood's total long-term debt outstanding decreased by \$248,590 totaling \$10,459,336. This was attributable to normal scheduled debt service payments, offset by a lease of \$750,000 to fund Americans with Disabilities Act (ADA) capital projects improvements.

City of Lakewood Summary of Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue bonds	\$ -	\$ -	\$ 1,044,873	\$ 1,290,117	\$ 1,044,873	\$ 1,290,117
Loan Payable	-	-	197,480	394,961	197,480	394,961
Loan Payable-MELPA	-	-	8,333,172	8,849,230	8,333,172	8,849,230
ADA Financing Program	750,000	-	-	-	750,000	-
Lease Payable	133,811	173,618	-	-	133,811	173,618
Total	<u>\$ 883,811</u>	<u>\$ 173,618</u>	<u>\$ 9,575,525</u>	<u>\$ 10,534,308</u>	<u>\$ 10,459,336</u>	<u>\$ 10,707,926</u>

Additional information on the City of Lakewood's long-term debt can be found in Note 9 to the basic financial statements.

City of Lakewood
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

Economic Factors and Next Year's Budgets and Rates

The City prudently anticipates and conservatively budgets for General Fund revenues to increase annually on average by one and a half percent over the next five years. This increase includes a slight increase in property tax revenues as a result of the dissolution of redevelopment, a very conservative growth in sales tax, and slow recovery in building permits. Interest earnings are expected to remain below historical levels, and gas tax and fines are both expected to remain flat through 2024.

The City's general fund operational expenditures are also expected to increase annually over the next five years by about two and a half percent; in Fiscal Year 2018-2019 General Fund expenditures increased by 0.5 percent. Employee services costs increased by 1.3 percent in Fiscal Year 2018-2019 over that of the prior year, this slight increase includes savings realized from the recent pension reform. We expect employee service costs to increase closer to an average of two to three percent per year through 2024. The City is a contract-city where only 40 percent of the cost of operations is employee service-related. In Fiscal Year 2018-2019 contract services made up 45.6 percent of the City's General Fund operational costs. The April to April Consumer Price Index (CPI) for the Los Angeles, Riverside, and Orange County region, which is the basis for many of the City's contract increases, was four percent in 2018. Overall, contract services increased by 3.6 percent in Fiscal Year 2018-2019. The CPI is expected to remain relatively low over the coming years. The City's water, refuse and building and safety fees also include the local CPI as a factor in determining rate increases.

The City weathered the Great Recession and the prolonged sluggish multi-year recovery by adhering to its philosophy to stay focused on what is truly important – the core functions of operating a city – resulting in a healthy community for residents and business. By keeping this focus, the City has built a large capital base that includes the entire inventory of City assets: streets, sidewalks, water system, trees, parks, community facilities and goodwill. The City's goodwill, cultivated through recreation, community services, public safety and economic development programs, creates the neighborly sense of community we all enjoy.

Further detail regarding the impact of other factors on the City's budget and finances can be read in the Transmittal Letter.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance and Administrative Services, City of Lakewood, Post Office Box 220, Lakewood, CA 90712.



BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Lakewood
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 43,792,674	\$ 15,046,326	\$ 58,839,000
Receivables:			
Accounts	8,731,551	1,179,779	9,911,330
Accrued revenue	-	1,109,812	1,109,812
Internal balances	607,748	(607,748)	-
Prepaid items	155,359	-	155,359
Inventories	155,447	117,441	272,888
Total current assets	53,442,779	16,845,610	70,288,389
Noncurrent assets:			
Restricted cash and investments:			
Cash in escrow	294,071	-	294,071
Held by City	617,122	21,688	638,810
Notes receivable	2,072,401	-	2,072,401
Receivable from Successor Agency	17,128,504	-	17,128,504
Land held for resale	2,960,302	-	2,960,302
Capital assets:			
Nondepreciable	54,046,160	12,186,322	66,232,482
Depreciable, net	54,767,380	23,716,594	78,483,974
Total capital assets	108,813,540	35,902,916	144,716,456
Total noncurrent assets	131,885,940	35,924,604	167,810,544
Total assets	185,328,719	52,770,214	238,098,933
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	7,859,558	895,042	8,754,600
Total deferred outflows of resources	7,859,558	895,042	8,754,600

City of Lakewood
Statement of Net Position (Continued)
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	6,528,957	629,498	7,158,455
Retention payable	438,804	-	438,804
Accrued liabilities	1,087,573	85,982	1,173,555
Accrued interest payable	12,190	19,271	31,461
Unearned revenue	383,663	-	383,663
Long-term liabilities - due within one year	1,001,830	1,065,364	2,067,194
Total current liabilities	9,453,017	1,800,115	11,253,132
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Customer deposits	212,232	21,688	233,920
Long-term liabilities - due in more than one year	1,515,229	8,679,354	10,194,583
Aggregate net pension liability	31,324,977	3,546,731	34,871,708
Net OPEB liability	691,004	76,778	767,782
Total noncurrent liabilities	33,743,442	12,324,551	46,067,993
Total liabilities	43,196,459	14,124,666	57,321,125
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	1,325,578	151,464	1,477,042
Deferred inflows of resources related to OPEB	41,482	4,609	46,091
Total deferred inflows of resources	1,367,060	156,073	1,523,133
NET POSITION			
Net investment in capital assets	108,108,047	26,327,391	134,435,438
Restricted for:			
Transportation	10,502,128	-	10,502,128
Public safety	245,994	-	245,994
Community development	12,884,351	-	12,884,351
Health and sanitation	335,935	-	335,935
Culture and leisure	101,431	-	101,431
Unrestricted	16,446,872	13,057,126	29,503,998
Total net position	\$ 148,624,758	\$ 39,384,517	\$ 188,009,275

City of Lakewood
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 8,623,397	\$ 1,842,865	\$ 1,980,912	\$ -
Public safety	15,587,612	824,844	269,349	-
Transportation	5,618,743	-	7,446,993	8,221,638
Community development	5,755,708	1,831,695	-	-
Health and sanitation	5,440,069	5,736,770	54,375	-
Culture and leisure	14,023,325	1,627,965	-	93,525
Unallocated infrastructure depreciation	2,610,286	-	-	-
Interest and fiscal charges	10,065	-	-	-
Total governmental activities	57,669,205	11,864,139	9,751,629	8,315,163
Business-type Activities:				
Water	12,722,577	13,354,770	-	-
Total business-type activities	12,722,577	13,354,770	-	-
Total primary government	\$ 70,391,782	\$ 25,218,909	\$ 9,751,629	\$ 8,315,163

City of Lakewood
Statement of Activities (Continued)
For the Year Ended June 30, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Governmental Activities:			
General government	\$ (4,799,620)	\$ -	\$ (4,799,620)
Public safety	(14,493,419)	-	(14,493,419)
Transportation	10,049,888	-	10,049,888
Community development	(3,924,013)	-	(3,924,013)
Health and sanitation	351,076	-	351,076
Culture and leisure	(12,301,835)	-	(12,301,835)
Unallocated infrastructure depreciation	(2,610,286)	-	(2,610,286)
Interest and fiscal charges	(10,065)	-	(10,065)
Total governmental activities	(27,738,274)	-	(27,738,274)
Business-type Activities:			
Water	-	632,193	632,193
Total business-type activities	-	632,193	632,193
Total primary government	(27,738,274)	632,193	(27,106,081)
General revenues:			
Taxes:			
Sales taxes - Bradley Burns	14,635,987	-	14,635,987
Property taxes	14,637,510	-	14,637,510
Franchise taxes	1,543,020	-	1,543,020
Business operation taxes	651,364	-	651,364
Utility user taxes	3,061,021	-	3,061,021
Other taxes	409,432	-	409,432
Total taxes	34,938,334	-	34,938,334
Investment income	1,833,314	254,365	2,087,679
Gain on sale of property	77,715	-	77,715
Total general revenues	36,849,363	254,365	37,103,728
Changes in net position	9,111,089	886,558	9,997,647
Net position - beginning of year	139,513,669	38,497,959	178,011,628
Net position - end of year	\$ 148,624,758	\$ 39,384,517	\$ 188,009,275



FUND FINANCIAL STATEMENTS



GOVERNMENTAL FUND FINANCIAL STATEMENTS

City of Lakewood
Balance Sheet
Governmental Funds
June 30, 2019

		Major Funds	
	General Fund	Housing Admin and Program Capital Projects Fund	Lakewood Capital Improvements Capital Projects Fund
ASSETS			
Cash and investments	\$ 32,405,176	\$ 424,825	\$ 114,339
Restricted cash and investments:			
Cash in escrow	-	-	207,622
Held by city	617,122	-	-
Accounts receivable	4,909,525	-	3,340,765
Prepaid items	155,359	-	-
Inventories	49,500	-	-
Due from other funds	305,786	-	-
Receivable from Successor Agency	9,682,634	7,445,870	-
Notes receivable	-	2,072,401	-
Land held for resale	-	2,960,302	-
Total assets	\$ 48,125,102	\$ 12,903,398	\$ 3,662,726
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,254,221	\$ 18,000	\$ 2,887,934
Accrued liabilities	1,021,796	-	-
Retention payable	746	-	342,416
Deposit payable	211,185	1,047	-
Due to other funds	-	-	-
Unearned revenue	361,301	-	-
Total liabilities	4,849,249	19,047	3,230,350
Deferred inflows of resources:			
Unavailable revenue	694,449	-	3,083,835
Total deferred inflows of resources	694,449	-	3,083,835
Fund balances:			
Nonspendable			
Prepaid items	155,359	-	-
Inventories	49,500	-	-
Receivables from Successor Agency	9,682,634	-	-
Restricted			
Public safety	-	-	-
Transportation projects and street maintenance	-	-	-
Community development	-	12,884,351	-
Health and sanitation	-	-	-
Culture and leisure	-	-	-
ADA improvement	617,122	-	-
Committed			
Self insurance	4,000,000	-	-
Pension and personnel obligations	5,647,299	-	-
Capital projects	1,806,359	-	-
Refuse stabilization	1,964,966	-	-
Economic uncertainties	11,533,841	-	-
Assigned			
Capital replacement and repairs	3,000,000	-	-
Contract emergency services	1,941,360	-	-
Unassigned (deficit)	2,182,964	-	(2,651,459)
Total fund balances	42,581,404	12,884,351	(2,651,459)
Total liabilities, deferred inflows of resources, and fund balances	\$ 48,125,102	\$ 12,903,398	\$ 3,662,726

(Continued)

City of Lakewood
Balance Sheet (Continued)
Governmental Funds
June 30, 2019

	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS		
Cash and investments	\$ 10,848,334	\$ 43,792,674
Restricted cash and investments:		
Cash in escrow	86,449	294,071
Held by city	-	617,122
Accounts receivable	481,261	8,731,551
Prepaid items	-	155,359
Inventories	-	49,500
Due from other funds	-	305,786
Receivable from Successor Agency	-	17,128,504
Notes receivable	-	2,072,401
Land held for resale	-	2,960,302
Total assets	\$ 11,416,044	\$ 76,107,270
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 335,207	\$ 6,495,362
Accrued liabilities	37,224	1,059,020
Retention payable	95,642	438,804
Deposit payable	-	212,232
Due to other funds	305,743	305,743
Unearned revenue	22,362	383,663
Total liabilities	796,178	8,894,824
Deferred inflows of resources:		
Unavailable revenue	29,145	3,807,429
Total deferred inflows of resources	29,145	3,807,429
Fund balances:		
Nonspendable		
Prepaid items	-	155,359
Inventories	-	49,500
Receivables from Successor Agency	-	9,682,634
Restricted		
Public safety	245,994	245,994
Transportation projects and street maintenance	10,069,752	10,069,752
Community development	-	12,884,351
Health and sanitation	335,935	335,935
Culture and leisure	101,431	101,431
ADA improvement	-	617,122
Committed		
Self insurance	-	4,000,000
Pension and personnel obligations	-	5,647,299
Capital projects	-	1,806,359
Refuse stabilization	-	1,964,966
Economic uncertainties	-	11,533,841
Assigned		
Capital replacement and repairs	-	3,000,000
Contract emergency services	-	1,941,360
Unassigned (deficit)	(162,391)	(630,886)
Total fund balances	10,590,721	63,405,017
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,416,044	\$ 76,107,270

(Concluded)



City of Lakewood
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2019

Total Fund Balances - Total Governmental Funds \$ 63,405,017

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in governmental funds. Those assets consist of:

Amount reported in government-wide statement of position:

Nondepreciable assets	\$ 54,046,160	
Depreciable assets, net of \$145,051,764 accumulated depreciation	54,767,380	
Less: Amount reported in Internal Service Fund		
Depreciable assets, net of \$1,203,156 accumulated depreciation	(89,982)	108,723,558

Some of the City's receivables for operating and capital grant reimbursements, and taxes will be collected after year end, but are not available soon enough to pay for current-period expenditures, and therefore, are reported with an offset to unavailable revenues in the funds.

3,807,429

Internal service funds are used by the City to charge the cost of materials and supplies, maintenance and repair of vehicles and equipment and printing services provided to the various departments of the City. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. Internal Service funds net position, net of the deficit in the amount of \$(607,748) reported in Business-type activities.

741,486

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly are not reported as fund liabilities. All liabilities, both current and long-term and related deferred outflows and inflows of resources are reported in the Statement of Net Position:

Long-term debt	(883,811)
Interest payable	(12,190)
Compensated absences	(1,633,248)
Pensions:	
Deferred outflows of resources related to pensions	7,859,558
Aggregate net pension liabilities	(31,324,977)
Deferred inflows of resources related to pensions	(1,325,578)
Other postemployment benefits:	
Net OPEB liabilities	(691,004)
Deferred inflows of resources related to OPEB	(41,482)

Net position of governmental activities \$ 148,624,758

City of Lakewood
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

		Major Funds	
	General	Housing Admin and Program Capital Projects Fund	Lakewood Capital Improvements Capital Projects Fund
	Fund		
REVENUES:			
Taxes	\$ 25,730,284	\$ -	\$ -
Licenses and permits	1,352,461	-	-
Fines and forfeitures	877,832	-	-
Investment income, rents and concession	2,856,708	81,002	-
Intergovernmental revenues	9,721,047	-	5,961,845
Current service charges	8,102,123	-	-
Other	1,221,323	144,000	-
Total revenues	49,861,778	225,002	5,961,845
EXPENDITURES:			
Current:			
General government	7,892,909	-	-
Public safety	14,973,880	-	-
Transportation	2,756,395	-	-
Community development	5,108,494	184,130	-
Health and sanitation	5,330,025	-	-
Culture and leisure	12,212,169	-	-
Capital outlay:			
General government	201,076	-	-
Transportation	352,352	-	7,077,634
Community development	14,550	-	-
Culture and leisure	1,714,420	-	-
Debt service:			
Principal retirement	39,807	-	-
Interest payment	10,065	-	-
Total expenditures	50,606,142	184,130	7,077,634
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(744,364)	40,872	(1,115,789)
OTHER FINANCING SOURCES (USES):			
Transfers in	1,571,680	-	-
Transfers out	(61)	-	-
Issuance of long-term debt	750,000	-	-
Proceed from sale of assets	77,715	-	-
Total other financing sources (uses)	2,399,334	-	-
NET CHANGES IN FUND BALANCES	1,654,970	40,872	(1,115,789)
FUND BALANCES:			
Beginning of Year	40,926,434	12,843,479	(1,535,670)
End of Year	\$ 42,581,404	\$ 12,884,351	\$ (2,651,459)

(Continued)

City of Lakewood
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2019

	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:		
Taxes	\$ 2,923,104	\$ 28,653,388
Licenses and permits	3,747	1,356,208
Fines and forfeitures	-	877,832
Investment income, rents and concession	234,351	3,172,061
Intergovernmental revenues	6,622,591	22,305,483
Current service charges	-	8,102,123
Other	3,800	1,369,123
Total revenues	9,787,593	65,836,218
EXPENDITURES:		
Current:		
General government	35,458	7,928,367
Public safety	323,891	15,297,771
Transportation	2,238,584	4,994,979
Community development	284,210	5,576,834
Health and sanitation	76,131	5,406,156
Culture and leisure	63,145	12,275,314
Capital outlay:		
General government	-	201,076
Transportation	2,392,002	9,821,988
Community development	9,982	24,532
Culture and leisure	279,894	1,994,314
Debt service:		
Principal retirement	-	39,807
Interest payment	-	10,065
Total expenditures	5,703,297	63,571,203
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,084,296	2,265,015
OTHER FINANCING SOURCES (USES):		
Transfers in	61	1,571,741
Transfers out	(1,571,680)	(1,571,741)
Issuance of long-term debt	-	750,000
Proceed from sale of assets	-	77,715
Total other financing sources (uses)	(1,571,619)	827,715
NET CHANGES IN FUND BALANCES	2,512,677	3,092,730
FUND BALANCES:		
Beginning of Year	8,078,044	60,312,287
End of Year	\$ 10,590,721	\$ 63,405,017

(Concluded)

City of Lakewood
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, 2019

Net change in fund balances - total governmental funds: \$ 3,092,730

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital expenditures exceeded depreciation in the current period:

Capital outlay expenditures, net of \$18,523 reported in Internal Service Funds	\$ 12,041,910	
Non-capital expenditures reclassified to functional expense	(186,908)	
Depreciation expense, net of \$28,906 reported in Internal Service Funds	(4,222,996)	7,632,006

Certain accrued revenues such as taxes, grants, and City's general billing charges, do not provide current financial resources and therefore, are not reported in the governmental funds as revenues. This is the amount of the net change in these accrued revenue amounts during the current period. 866,361

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Lease payment	39,807	
Issuance of long-term debt	(750,000)	
Interest expense	(12,190)	
Change in compensated absences	(158,509)	
Pension expense of CalPERS Plan, net of pension contribution made after measurement date in the amount of \$2,644,275	(1,065,024)	
Pension expense of PARS Plan, net of pension contribution made during the measurement period in the amount of \$574,023	(656,527)	
OPEB expense, net of OPEB contribution made during the measurement period in the amount of \$490,951	147,981	

Internal service funds are used by management to charge the costs of certain activities, such as fleet repair and maintenance, central stores and printing services to individual funds. The net revenue (expense) of these internal service funds are reported as governmental activities (net of \$1,938 allocated to business-type activities). (25,546)

Change in net position of governmental activities \$ 9,111,089

PROPRIETARY FUND FINANCIAL STATEMENTS

City of Lakewood
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities - Water Enterprise Fund	Governmental Activities - Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 15,046,326	\$ -
Restricted cash and investments:		
Customer deposits	21,688	-
Accounts receivable	1,179,779	-
Accrued revenue	1,109,812	-
Inventories	117,441	105,947
Total current assets	17,475,046	105,947
Noncurrent assets:		
Capital assets:		
Capital assets, not being depreciated:		
Land	100,000	-
Water Rights	1,834,586	-
Construction in progress	10,251,736	-
Capital assets, being depreciated:		
Source of supply	6,789,257	-
Pumping plant	832,338	-
Water treatment	4,852,172	-
Transmission/distribution	34,548,038	-
General plant	4,889,909	-
Equipment	5,375,827	1,293,138
Less: accumulated depreciation	(33,570,947)	(1,203,156)
Total capital assets	35,902,916	89,982
Total noncurrent assets	35,902,916	89,982
Total assets	53,377,962	195,929
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources related to pensions	895,042	-
Total deferred outflows of resources	895,042	-

(Continued)

City of Lakewood
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2019

	Business-type Activities - Water Enterprise Fund	Governmental Activities - Internal Service Funds
LIABILITIES		
Current liabilities:		
Accounts payable	629,498	33,595
Accrued liabilities	85,982	28,553
Accrued interest payable	19,271	-
Customer deposit	21,688	-
Due to other funds	-	43
Compensated absences, due within one year	84,597	-
Loan payable, due within one year	197,480	-
Lease payable, due within one year	783,287	-
Total current liabilities	1,821,803	62,191
Noncurrent liabilities:		
Compensated absences, due in more than one year	84,596	-
Lease payable, due in more than one year	8,594,758	-
Aggregate net pension liability	3,546,731	-
Net OPEB liability	76,778	-
Total noncurrent liabilities	12,302,863	-
Total liabilities	14,124,666	62,191
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	151,464	-
Deferred inflows of resources related to OPEB	4,609	-
Total deferred inflows of resources	156,073	-
NET POSITION		
Net investment in capital assets	26,327,391	89,982
Unrestricted	13,664,874	43,756
Total net position	39,992,265	\$ 133,738
Adjustment to reflect the consolidation of internal service fund activities to the water enterprise fund	(607,748)	
Net position of business-type activities	\$ 39,384,517	

(Concluded)



City of Lakewood
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities- Water Enterprise Fund	Governmental Activities - Internal Service Funds
OPERATING REVENUES:		
Metered water sales	\$ 10,945,152	\$ -
Reclaimed water sales	333,943	-
Fire protection	153,646	-
Service initiation and restoration charges	142,518	-
Billing to departments	-	1,212,480
Other revenues	1,779,511	-
Total operating revenues	<u>13,354,770</u>	<u>1,212,480</u>
OPERATING EXPENSES:		
Operations:		
Supply, transmission and distribution	8,425,532	-
Customer service	222,730	-
Administration	1,825,173	-
Operating expenses	-	1,207,182
Depreciation	1,955,620	28,906
Total operating expenses	<u>12,429,055</u>	<u>1,236,088</u>
OPERATING INCOME (LOSS)	<u>925,715</u>	<u>(23,608)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income	254,365	-
Interest expense	(295,460)	-
Total nonoperating revenues (expenses)	<u>(41,095)</u>	<u>-</u>
CHANGES IN NET POSITION	884,620	(23,608)
NET POSITION:		
Beginning of the year	39,107,645	157,346
End of the year	<u>\$ 39,992,265</u>	<u>\$ 133,738</u>
Changes in net position - Water Enterprise Fund	\$ 884,620	
Adjustment to reflect the consolidation of the internal service fund activities related to the Water Enterprise Fund	1,938	
Changes in net position of business-type activities	<u>\$ 886,558</u>	

City of Lakewood
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities- Water Enterprise Fund	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 13,664,825	\$ -
Receipts from interfund services provided	-	1,212,523
Payments to suppliers	(8,429,500)	(1,237,075)
Payments to employees	(2,383,026)	-
Net cash provided by (used in) operating activities	2,852,299	(24,552)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(781,039)	(18,523)
Principal paid on leases and loan	(958,783)	-
Interest paid on revenue bonds	(297,018)	-
Net cash (used in) capital and related financing activities	(2,036,840)	(18,523)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	254,365	-
Net cash provided by investing activities	254,365	-
Net increase (decrease) in cash and cash equivalents	1,069,824	(43,075)
CASH AND CASH EQUIVALENTS:		
Beginning of year	13,998,190	43,075
End of year	<u>\$ 15,068,014</u>	<u>\$ -</u>
CASH AND CASH EQUIVALENTS:		
Cash and investments	\$ 15,046,326	\$ -
Customer deposit	21,688	-
Total cash and cash equivalents	<u>\$ 15,068,014</u>	<u>\$ -</u>

(Continued)

City of Lakewood
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities- Water Enterprise Fund	Governmental Activities - Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ 925,715	\$ (23,608)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,955,620	28,906
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in accounts receivable	301,835	-
(Increase) decrease in accrued revenue	8,220	-
(Increase) decrease in inventories	32,885	(39,890)
(Increase) decrease in deferred outflows of resources related to pensions	274,916	-
Increase (decrease) in accounts payable	(588,175)	8,727
Increase (decrease) in accrued liabilities	1,426	1,270
Increase (decrease) in due to other funds	-	43
Increase (decrease) in compensated absences	31,739	-
Increase (decrease) in net pension liability	(16,044)	-
Increase (decrease) in net OPEB liability	(19,884)	-
Increase (decrease) in deferred inflows of resources related to pensions	(59,395)	-
Increase (decrease) in deferred inflows of resources related to OPEB	3,441	-
Total adjustments	1,926,584	(944)
Net cash provided by (used in) operating activities	\$ 2,852,299	\$ (24,552)

(Concluded)



FIDUCIARY FUND FINANCIAL STATEMENTS



City of Lakewood
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Successor Agency to the City of Lakewood Redevelopment Agency Private Purpose Trust fund	Agency Funds
ASSETS:		
Cash and investments	\$ 1,972,001	\$ 854,342
Loans receivable	-	654,052
Total assets	<u>1,972,001</u>	<u>\$ 1,508,394</u>
LIABILITIES:		
Accounts payable	-	\$ 24,414
Accrued liabilities		1,266
Deposit	-	702,899
Due to HUD	-	779,815
Payable to City of Lakewood	17,128,504	-
Total liabilities	<u>17,128,504</u>	<u>\$ 1,508,394</u>
NET POSITION HELD IN TRUST	<u>\$ (15,156,503)</u>	

City of Lakewood
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

	Successor Agency to the City of Lakewood Redevelopment Agency Private Purpose Trust fund
ADDITIONS:	
Redevelopment property tax trust fund	\$ 163,200
Investment losses	<u>(308,645)</u>
Total additions	<u>(145,445)</u>
DEDUCTIONS:	
Legal services	18,706
Overhead	<u>231,294</u>
Total deductions	<u>250,000</u>
CHANGE IN NET POSITION	(395,445)
NET POSITION (DEFICIT):	
Beginning of year	<u>(14,761,058)</u>
End of year	<u><u>\$ (15,156,503)</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS



City of Lakewood
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City of Lakewood
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City of Lakewood
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 – Reporting Entity

The reporting entity, "City of Lakewood", includes the accounts of the City and the Lakewood Public Financing Authority ("Financing Authority").

The City of Lakewood was incorporated April 16, 1954, under the general laws of the State of California and enjoys all the rights and privileges pertaining to "General Law" cities.

The Lakewood Public Financing Authority was created on December 12, 1995, by a Joint Exercise of Powers Agreement between the City and the former Redevelopment Agency pursuant to the State of California Joint Exercise of Powers Act. The primary purpose of the Financing Authority is assisting in the financing and refinancing of certain public programs and projects of the City or the Agency.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body's financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization's governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Unit

Management determined that the following component unit should be blended based on the criteria above:

Although the following is legally separate from the City, it has been "blended" as though it is part of the City because the component unit's governing body is substantially the same as the City's and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component unit; and/or the component unit provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

The Finance Authority

The members of the City Council also act as the governing body of the Financing Authority.

The Financing Authority is managed by employees of the City. No allocation of the City's salary and overhead expenses are made to the Financing Authority.

The City and the Financing Authority are financially interdependent. The Financing Authority arranges financing issues for the City. The City pays the debt service on the Financing Authority's financing issues.

No individual financial statements are prepared for the Financing Authority.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies

A. Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board ("GASB") commonly referred to as accounting principles generally accepted in the United States of America ("U.S. GAAP"). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

B. Measurement Focus, Basis of Accounting and Financial Statements Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Position, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statements Presentation (Continued)

Government Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both "measurable" and "available" to finance expenditures of the current period.

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 as soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences.

The City reports the following major Governmental Funds:

The **General Fund** is used to account for all revenues and activities financed by the City, except those required to be accounted for in another fund.

The **Housing Admin and Program Capital Projects Fund** is used to account for the low and moderate income housing activities that were transferred to the City upon dissolution of the former Redevelopment Agency.

The **Lakewood Capital Improvements Capital Projects Fund** is used to account for the receipt and disbursement of monies used for the construction of major capital facilities which generally require more than one budgetary cycle to complete. These projects are funded by the General Fund, Gas Tax Special Revenue Fund, and federal and state grants.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statements Presentation (Continued)

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. The City's internal service funds include two individual funds which provide services directly to other City funds. These areas of service include Central Garage and Print Shop.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reports the following major proprietary fund:

The **Water Enterprise Fund** is used to account for the construction, operation, and maintenance of the City water system.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary funds represent agency funds and private purpose trust funds. Both agency funds and the private purpose trust funds are accounted for on the full accrual basis of accounting.

The City reports the following fiduciary funds:

The **Private Purpose Trust Fund** is used to account for the activities of the Successor Agency to the Lakewood Redevelopment Agency.

The **Agency Funds** account for assets held by the City as trustee or agent for individuals, private organizations or other governmental units. The City accounts for special deposits resulting from new development, joint governmental projects, housing rehabilitation loans funded by Department of Housing and Urban Development grants and small business revolving loans funded by the Economic Development Administration grants. During the year ended June 30, 2019, the City closed Sheriff Station Renovation and Lakewood Business Development Agency Funds.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Cash, Cash Equivalents, and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The City reported its investments at fair value and the unrealized gain on investments amounted to \$544,150 for the fiscal year ended June 30, 2019.

The statement of cash flows requires presentation of “cash and cash equivalents”. For the purposes of the statement of cash flows, the City considers all proprietary fund pooled cash and investments as “cash and cash equivalents”, as such funds are available to the various funds as needed.

Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

D. Restricted Cash in Escrow

Cash and investments in escrow are restricted for capital projects retention payments.

E. Fair Value Measurement

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

The three levels of the fair value measurement hierarchy are described below:

- Level 1 - Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Receivables

Receivables include such items as taxes, intergovernmental revenues, charges for services, miscellaneous accounts receivable, and interest receivable. No allowance for doubtful accounts has been established, as the City believes all amounts are considered to be collectible in the normal course of business.

G. Inventories

Inventories consist primarily of recreation equipment, maintenance and repair supplies, fuel, and office supplies for the governmental activities. Inventories consist primarily of water pipe, valves, and fittings for the Water Enterprise Fund. Inventories are valued at cost on a weighted average basis.

H. Prepaid Items

Prepaid items are payments made to vendors for services that will benefit periods beyond the fiscal year ended using purchase method.

I. Interfund Transactions

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

J. Land Held for Resale

Land held for resale is recorded at the lower of acquisition cost or net realizable value in the Housing Admin and Program Capital Projects Fund.

K. Capital Assets

Capital assets, which include land, site improvements, buildings and improvements, equipment and infrastructure assets are reported in the applicable governmental or business-type activities in the accompanying government-wide statement of net position. The City defines infrastructure as the basic physical assets that allow the City to function. The assets include roads, bridges, streetlights, traffic signals and sewer lines. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curbs and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated acquisition value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000 for non-infrastructure assets and \$25,000 for infrastructure assets.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Capital Assets (Continued)

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	50 years
Building Improvement	30 years
Water and Sewer Lines	50 years
Roads	30 years
Vehicles	7 years
Office Equipment	7 years
Computer Equipment/Software	5 years
Other Equipment	7 years

For all infrastructure systems, the City elected to use the Basic Approach for infrastructure reporting.

L. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave (compensated absences). All vacation pay and eligible sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. Compensated absences are reported in governmental funds only if they matured (i.e., unused reimbursable leave still outstanding following an employee's termination from employment). Typically, the General Fund has been used in prior years to liquidate the liability for compensated absences.

Unpaid compensated absences of proprietary funds are recorded as a liability in those funds as the vested benefits to the employees accrue.

M. Pensions

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

The following timeframes are used for pension reporting:

CalPERS

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

PARS

Valuation Date	July 1, 2017
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

M. Pensions (Continued)

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and inflows of sources related to pensions and are to be recognized in further pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over five years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

N. Other Postemployment Benefits (“OPEB”) Plan

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City’s OPEB Plan and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

The following timeframes are reported OPEB reporting:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the sources of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

O. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate funds.

Bond premiums and discounts, as well as gains and losses on refunding, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed in the year of issuance.

Fund Financial Statements

The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

P. Claims and Judgment

When it is probable that a claim liability has been incurred at year-end and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. Small dollar claims and judgments are recorded as expenditures when paid.

The City's self-insurance program is administered through California Joint Powers Insurance Authority (the "Authority"), which is described in Note 14 to the financial statements. The Authority is a public entity risk pool. Claims losses recorded in the Authority include both current claims and incurred but not reported claims (IBNR). Deposits to the Authority are recorded by the City as insurance expenditures in the General Fund when paid. These deposits are subject to retrospective adjustment. Favorable claims experience in prior years results in a refund of deposits from the Authority and such refunds, if any, are recorded as prepaid items in the General Fund since they will be used to offset future deposit requirements. Adverse claims experience in prior years results in the payment of additional deposits and such deposits, if any, are recorded as insurance expenditures when incurred.

Q. Deferred Outflows of Resources and Deferred Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows of resources, and deferred inflows of resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods; therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods; therefore, are not recognized as a revenue until that time.

R. Net Position

In governmental-wide and proprietary fund financial statements, net position are categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets and retention payable.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first, then unrestricted net position as they are needed.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

S. Fund Balances

In governmental fund financial statements, fund balances are categorized as follows:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items, inventories, and loans receivable, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation. The use of proceeds from Housing Admin and Program Capital projects notes receivable is restricted; therefore, it is reported in the restricted fund balance classification.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body, and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City. Adoption of a resolution by the City Council is required to commit resources or to rescind the commitment. The amount for economic uncertainties is computed as 20% of the General Fund's annual operating expenditures. Economic uncertainties are held to offset major or unexpected reductions in revenue. Reduction in revenue equal to or greater than 10% would trigger the use of these funds to support core city services.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has by resolution authorized the City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental fund other than General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balance first. Further, when the components of unrestricted fund balance can be used for the same purpose, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

T. Property Taxes

Property taxes are levied on March 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of Los Angeles, California (County) bills and collects property taxes and remits them to the City according to a payment schedule established by the County.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

T. Property Taxes (Continued)

The County is permitted by State law to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year or the current CPI, whichever is less. The City receives a share of this basic tax levy proportionate to what it received during the years 1980-1981.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided the taxes are received within 60 days after the end of the fiscal year. Property taxes received after this date are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are not recorded as revenue until collected.

No allowance for doubtful accounts was considered necessary.

U. Use of Estimates

The preparation of basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates and assumptions.

V. Implementation of New GASB Pronouncements

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. See Note 9 for the City's long-term debt disclosure.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 3 – Cash and Investments

At June 30, 2019, cash and cash investments are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Position	Fiduciary Fund Statement of Net Position	Total
Unrestricted assets:			
Cash and investments	\$ 58,839,000	\$ 2,826,343	\$ 61,665,343
Restricted assets:			
Cash in escrow	294,071	-	294,071
Cash and investments	638,810	-	638,810
Total cash and investments	\$ 59,771,881	\$ 2,826,343	\$ 62,598,224

At June 30, 2019, cash and investments consisted of the following:

Deposits with financial institution	\$ 5,277,160
Petty cash	2,700
Investments	57,318,364
Total cash and investments	\$ 62,598,224

A. Demand Deposits

The carrying amount of the City's cash deposits were \$5,277,160 at June 30, 2019. Bank balances before reconciling items were \$5,956,991 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

B. Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 3 – Cash and Investments (Continued)

B. Investments Authorized by the California Government Code and the City's Investment Policy (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investments in One Issuer
United States Treasury Bills, Bonds and Notes	5 Years	None	None
United States Government Sponsored Enterprise Securities	5 Years	None	None
Municipal Obligations	5 Years	None	None
Negotiable Certificates of Deposit	5 Years	30%	None
Placement Service Deposits	N/A	30%	None
Corporate Notes	5 Years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Money Market Funds	N/A	20%	10%
Commercial paper	270 days	25%	10%
Government Pools	N/A	None	None
Los Angeles County Pooled Fund	N/A	None	None
Supranationals	5 Years	30%	None
Asset-Backed Securities	5 Years	20%	None

N/A - Not Applicable

C. Investments Authorized by Debt Agreement

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments authorized for funds held by bond trustee include, United States Treasury Obligations, United States Government Sponsored Agency Securities, Certificates of Deposits, Commercial Paper, Local Agency Bonds, Banker's Acceptance, Money Market Mutual Funds, Investment Agreements, Repurchase Agreements, Local Agency Investment Fund of the State of California and any other investments permitted in writing by bond insurer. There were no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment.

D. Risk Disclosures

Disclosures Relating to Interest Rate Risk

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

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Investment Type	Remaining Maturity (In Months)			
	12 Months or Less	13-24 Months	25-60 Months	Total
Local Agency Investment Fund	\$ 12,932,963	\$ -	\$ -	\$ 12,932,963
United States Treasury Notes	-	2,458,549	16,777,652	19,236,201
United States Government Sponsored Enterprise Securities	597	1,455,586	2,036,607	3,492,790
Municipal bonds	-	441,790	-	441,790
Supra-National Agency Notes	-	1,492,147	519,426	2,011,573
CAMP Cash Reserve Portfolio	7,123,617	-	-	7,123,617
Negotiable Certificates of Deposit	1,906,910	2,504,570	-	4,411,480
Corporate Medium Notes	1,650,164	3,398,502	2,619,284	7,667,950
Total	\$ 23,614,251	\$ 11,751,144	\$ 21,952,969	\$ 57,318,364

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, by Standard and Poor's, as of June 30, 2019 for each investment type:

Investment Type	Fair Value as of June 30, 2019	Minimum Legal Rating	AAA	Other	Not Rated	Not Required to be Rated
Local Agency Investment Fund	\$ 12,932,963	N/A	\$ -	\$ -	\$ 12,932,963	\$ -
United States Treasury Notes	19,236,201	N/A	-	-	-	19,236,201
United States Government Sponsored Agency Securities	3,492,790	N/A	-	3,492,790	-	-
Municipal bonds	441,790	AA	-	441,790	-	-
Supra-National Agency Notes	2,011,573	AA	2,011,573	-	-	-
CAMP Cash Reserve Portfolio	7,123,617	A	7,123,617	-	-	-
Negotiable Certificates of Deposit	4,411,480	A or A-*	-	4,411,480	-	-
Corporate Medium Notes	7,667,950	A	80,069	7,587,881	-	-
Total	\$ 57,318,364		\$ 9,215,259	\$ 15,933,941	\$ 12,932,963	\$ 19,236,201

N/A - Not Applicable

*Purchases are limited to securities rated in a rating category of "A" for long-term or "A-" for short term.

The actual ratings for the "Other" category above are as follows:

Investment Type	AA	A	Total
United States Government Sponsored Agency Securities	\$ 3,492,790	\$ -	\$ 3,492,790
Municipal bonds	441,790	-	441,790
Negotiable Certificates of Deposits	1,583,857	2,827,623	4,411,480
Corporate Medium Notes	1,672,884	5,914,997	7,587,881
Total	\$ 7,191,321	\$ 8,742,620	\$ 15,933,941

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Disclosures Relating to Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

No investments in any one issuers that represents 5% or more of total City's investments at June 30, 2019.

Disclosures Relating to Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of LAIF and other pooled investments, are held by a third-party custodian.

E. Fair Value Measurement Disclosure

At June 30, 2019, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2019:

Investment Type	Measurement Input			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Uncategorized	
Local Agency Investment Fund	\$ -	\$ -	\$ 12,932,963	\$ 12,932,963
United States Treasury Notes	19,236,201	-	-	19,236,201
United States Government Sponsored Agency Securities	-	3,492,790 ⁽¹⁾	-	3,492,790
Municipal bonds	-	441,790 ⁽¹⁾	-	441,790
Supra-National Agency Notes	-	2,011,573 ⁽¹⁾	-	2,011,573
CAMP Cash Reserve Portfolio	-	-	7,123,617	7,123,617
Negotiable Certificates of Deposit	-	4,411,480 ⁽²⁾	-	4,411,480
Corporate Medium Notes	-	7,667,950 ⁽¹⁾	-	7,667,950
Total	\$ 19,236,201	\$ 18,025,583	\$ 20,056,580	\$ 57,318,364

⁽¹⁾ Institutional Bond Quotes - evaluations based on various market and industry inputs

⁽²⁾ Market prices

F. Investment in Local Agency Investment Fund (LAIF)

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF at June 30, 2019 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 3 – Cash and Investments (Continued)

F. Investment in Local Agency Investment Fund (LAIF) (Continued)

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2019, the City had \$12,932,963 invested in LAIF, which had invested 1.77% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. LAIF is reported at amortized costs, which approximates fair value.

G. Investment in California Asset Management Program

The City is a voluntary participant in the California Asset Management Program ("CAMP"), a California joint powers authority established in 1989 by the treasurers and finance directors of several California local agencies. CAMP offers its shareholders a California Asset Management Trust ("Trust") Cash Reserve Portfolio, a short-term money market portfolio. The Trust's activities are directed by a board of trustees, all of whom are employees of California public agencies which are participants in the Trust. The Trust's investments are limited to investments permitted by subdivisions (a) to (o), inclusive, of Section 53601 of the California Government Code. The City's investment in the CAMP Cash Reserve Portfolio is reported at amounts based upon the City's pro-rata share of the Portfolio's amortized cost (which approximates fair value) as provided by CAMP. The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis.

Note 4 – Notes Receivable

At June 30, 2019, notes receivable consisted of the followings:

	Government-Wide Financial Statements	Fiduciary Fund Financial Statements	
	Governmental Activities	Agency Funds	Total
Home Improvement Loan Program	\$ 2,072,401	\$ 654,052	\$ 2,726,453
Total notes receivable	\$ 2,072,401	\$ 654,052	\$ 2,726,453

A. Governmental Activities

The former Redevelopment Agency made deferred loans to senior citizens, the physically handicapped, and low- and moderate-income residents which are not repaid until the title to the property changes. In Fiscal year 1996-97, the former Redevelopment Agency began to use Redevelopment Agency low and moderate housing 20% set-aside funds to provide housing rehabilitation loans to eligible applicants. The rehabilitation loans were made from the former Redevelopment Agency's low and moderate housing 20% set-aside funds. The loans were transferred to the Housing Admin and Program Capital Projects Fund on February 1, 2012, the effective date of the former Redevelopment Agency dissolution, since the City had accepted the role of being the Successor Housing Agency. The balance of these loans totaled \$2,072,401 at June 30, 2019.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 4 – Notes Receivable (Continued)

B. Agency Funds

The City makes deferred loans to senior citizens, the physically handicapped, and low- and moderate-income residents which are not repaid until the title to the property changes. Through fiscal year 1997-98 and 2012-13, the City also used Housing and Community Development Block Grant (CDBG) funds to provide these loans. The rehabilitation loans made from CDBG funds and all HUD cash held for rehabilitation loans are reflected in the Housing Rehabilitation Agency Fund. Since the Department of Housing and Urban Development has a claim to any funds remaining when the program is terminated, these funds are reported as "Due to HUD" in the Agency Fund. The principal balance outstanding at June 30, 2019 was \$654,052.

Note 5 – Interfund Transactions

A. Due From and To Other Funds

At June 30, 2019, the City has the following due from and to other funds:

	Due To Other Funds		
	Governmental Funds	Proprietary Funds	
	Nonmajor Governmental Funds	Internal Service Funds	Total
Due From Other Funds			
Governmental Funds:			
General Fund	\$ 305,743	\$ 43	\$ 305,786

These interfund balances represent routine short-term cash flow assistance.

B. Transfers In and Out

During the year ended June 30, 2019, the City had the following transfers in and transfers out:

	Transfers In		
	Governmental Funds		
	General Fund	Nonmajor Governmental Funds	Total
Transfers Out			
Governmental Funds:			
General Fund	\$ -	\$ 61	\$ 61
Nonmajor Governmental Funds	1,571,680	-	1,571,680
	\$ 1,571,680	\$ 61	\$ 1,571,741

Transfers provided funding for capital projects, capital acquisitions, and debt service.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Land Held for Resale

At June 30, 2019, land held for resale consisted of the followings:

Location/Address	Amount	Use of Property
20529 Pioneer Boulevard	\$ 129,557	Vacant. Future affordable housing development site
20525 Pioneer Boulevard	375,445	Vacant. Future affordable housing development site
11643 207th St	413,650	Affordable Housing
11647 207th St	413,650	Affordable Housing
11644 206th St	526,000	Affordable Housing
20920 Roseton Ave	257,000	Affordable Housing
11649 207th St	320,000	Affordable Housing
11610 207th St	262,500	Vacant Land
11618 207th St	262,500	Vacant Land
Total	\$ 2,960,302	

Note 7 – Receivable from Successor Agency

At June 30, 2019, the receivables from Successor Agency are as follows:

	General Fund	Housing Admin and Program Capital Projects Fund	Total
Initial Loan	\$ 114,600	\$ -	\$ 114,600
Inter-Agency Loan	9,568,034	2,392,010	11,960,044
10-Year Interfund Loan		90,491	90,491
5-Year Loan	-	3,878,059	3,878,059
Housing Set-Aside Fund	-	1,085,310	1,085,310
	\$ 9,682,634	\$ 7,445,870	\$ 17,128,504

Upon dissolution of former Lakewood Redevelopment Agency, the amount due by the former Lakewood Redevelopment Agency to the City was \$30,950,525. Under AB 1X26, the Successor Agency was only able to list as enforceable obligation the amount of the *initial* City Loan for the plan area, which was \$382,000. This obligation is payable in 10 annual payments of \$38,200. At June 30, 2019, the total amount due to the City is \$114,600. Subsequent legislation, AB1484, allowed interest for the City loans to be recalculated at the LAIF rate over the life of the loan. The outstanding interest on the City loan using the LAIF interest rate calculation is \$2,612,099, of which, 80% are allocated to General Fund and 20% are allocated to the City's Housing Admin & Program Capital Projects Fund. Due to the Due Diligence Review called for under AB 1X26, the City reduced the amount receivable to the amount allowable, which resulted in the Successor Agency recognizing an extraordinary gain of \$27,956,419 in the statement of changes in fiduciary net position. Pursuant Health and Safety (HSC) Section 34179.7, the Oversight Board approves the Successor Agency's Finding of Completion on December 10, 2016; therefore, the City's General Fund loaned to the Successor Agency an additional \$9,400,000 to make its payment under Protest for Department of Finance Determination of Other Funds and Accounts Due Diligence Review. Pursuant to HSC Section 34191.6 (2), the Last and Final Recognized Obligation Payment Schedule shall include an interest rate of 4 percent. The City performed interest rate adjustment based on four percent interest rate and reallocated to General Fund and the City's Housing Admin & Program Capital Projects Fund. At June 30, 2019, the total principal and interest due to the City General Fund and Housing Admin & Program Capital Projects Fund were in the amount of \$9,568,034 and \$2,392,010, respectively.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Receivable from Successor Agency (Continued)

On April 14, 2005, the Agency Board approved a 10-year interfund loan from the Capital Projects Fund to the Debt Service Fund to provide partial funding for the required payment to the County of Los Angeles' Educational Revenue Augmentation Fund for the year ended June 30, 2005. No interest accrues on this loan and annual installments of \$22,623 commenced May 10, 2006. The loan balance at June 30, 2019 was \$90,491. The loan was transferred to the Successor Agency and the asset side was transferred to the Housing Admin & Program Capital Projects Fund as of the date of the dissolution of the Agency in accordance with Assembly Bill 1X26.

On February 9, 2011, the Agency Board approved a 5-year loan from the Capital Projects Fund to the Debt Service Fund to provide funding for the required payment to the County of Los Angeles' Supplemental Educational Revenue Augmentation Fund. On January 25, 2012, the Agency Board approved a second 5-year loan from the Capital Projects Fund to the Debt Service Fund for similar purposes. No interest accrues on these loans and the loans must be repaid on or before June 30, 2015 and 2016, respectively. The total loan balance at June 30, 2019 was \$3,878,059. The liability side of this loan was transferred to the Successor Agency and the asset side was transferred to the Housing Admin & Program Capital Projects Fund as of the date of the dissolution of the Agency in accordance with Assembly Bill 1X26.

California Health and Safety Code Section 33334.6 requires that Redevelopment Agencies set aside 20% of the annual tax increment proceeds for the benefit of low- and moderate-income housing. However, an Agency may defer the set-aside of 20% if it determines that the tax increment required to be deposited is necessary for the orderly and timely completion of programs approved by the Agency prior to January 1, 1986. The Agency made such a determination to defer the deposit of \$1,383,310 of tax increment into the Housing Set-Aside Fund. The Agency has adopted a plan for repayment of this Housing Set-Aside Fund deficit. The Agency did not make a payment towards this deficit during the year ended June 30, 2015, as this deficit was not considered an enforceable obligation under Assembly Bill 1X26, the deficit total remains at \$1,085,310; however, under subsequent legislation, AB1484, this deficit is now considered an enforceable obligation and payments from the Successor Agency are allowed to commence in fiscal year 2013-14 to the City's Housing Admin & Program Capital Projects Fund.

Note 8 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets of the governmental activities for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Reclassification	Balance June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 17,041,023	\$ -	\$ -	\$ -	\$ 17,041,023
Construction in progress	26,045,092	11,499,421	-	(539,376)	37,005,137
Total capital assets, not being depreciated	43,086,115	11,499,421	-	(539,376)	54,046,160
Capital assets, being depreciated:					
Structures and improvements	50,978,245	-	-	346,486	51,324,731
Equipment	8,754,709	374,104	(482,439)	-	8,646,374
Infrastructure	139,655,149	-	-	192,890	139,848,039
Total capital assets, being depreciated	199,388,103	374,104	(482,439)	539,376	199,819,144
Less accumulated depreciation for:					
Structures and improvements	(24,744,424)	(1,106,632)	-	-	(25,851,056)
Equipment	(7,072,656)	(534,984)	482,439	-	(7,125,201)
Infrastructure	(109,465,221)	(2,610,286)	-	-	(112,075,507)
Total accumulated depreciation	(141,282,301)	(4,251,902)	482,439	-	(145,051,764)
Total capital assets, being depreciated, net	58,105,802	(3,877,798)	-	539,376	54,767,380
Governmental activities capital assets, net	\$ 101,191,917	\$ 7,621,623	\$ -	\$ -	\$ 108,813,540

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 8 – Capital Assets (Continued)

A. Governmental Activities (Continued)

Depreciation expense was charged to City functions/programs as follows:

General government	\$ 112,487
Public safety	281,083
Transportation	158,815
Community development	8,226
Culture and leisure	1,052,099
Unallocated depreciation for infrastructure	2,610,286
Internal service funds depreciation charged to programs	28,906
Total depreciation expense - governmental activities	\$ 4,251,902

B. Business-Type Activities

Summary of changes in capital assets of the business-type activities for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Reclassification	Balance June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Water rights	1,834,586	-	-	-	1,834,586
Construction in progress	9,664,469	665,898	-	(78,631)	10,251,736
Total capital assets, not being depreciated	11,599,055	665,898	-	(78,631)	12,186,322
Capital assets, being depreciated:					
Source of supply	6,774,997	-	-	14,260	6,789,257
Pumping plant	832,338	-	-	-	832,338
Water treatment	4,751,431	40,870	-	59,871	4,852,172
Transmission/distribution	34,548,038	-	-	-	34,548,038
General plant and equipment	10,261,236	-	-	4,500	10,265,736
Total capital assets, being depreciated	57,168,040	40,870	-	78,631	57,287,541
Less accumulated depreciation for:					
Source of supply	(3,257,829)	(146,252)	-	-	(3,404,081)
Pumping plant	(591,376)	(14,235)	-	-	(605,611)
Water treatment	(2,681,515)	(468,337)	-	-	(3,149,852)
Transmission/distribution	(19,447,960)	(857,529)	-	-	(20,305,489)
General plant and equipment	(5,636,647)	(469,267)	-	-	(6,105,914)
Total accumulated depreciation	(31,615,327)	(1,955,620)	-	-	(33,570,947)
Total capital assets, being depreciated, net	25,552,713	(1,914,750)	-	78,631	23,716,594
Business-type activities capital assets, net	\$ 37,151,768	\$ (1,248,852)	\$ -	\$ -	\$ 35,902,916

Depreciation expense was charged to the Water Enterprise Fund in the amount of \$1,955,620 for the year ended June 30, 2019

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 9 – Long-Term Liabilities

A. Governmental Activities

Summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2019 is as follow:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year	Due in More Than One Year
Governmental Activities:						
Lease payable	\$ 173,618	\$ -	\$ (39,807)	\$ 133,811	\$ 42,115	\$ 91,696
ADA Financing Program	-	750,000	-	750,000	143,091	606,909
Compensated absences	1,474,739	1,243,549	(1,085,040)	1,633,248	816,624	816,624
Total governmental activities	\$ 1,648,357	\$ 1,993,549	\$ (1,124,847)	\$ 2,517,059	\$ 1,001,830	\$ 1,515,229

Lease Payable

The City has lease agreement for the acquisition of helicopter. Total equipment acquired through capital leases amounted to \$278,121. The total principal balance of the lease at June 30, 2019 was \$133,811. The asset acquired through capital lease is as follow:

	Governmental Activities
Assets	
Equipment	\$ 278,121
Less: accumulated depreciation	(139,061)
Total	\$ 139,060

Future minimum lease payment under the capital lease is as follows:

Year Ended June 30,	Governmental Activities
2020	\$ 49,872
2021	49,872
2022	49,872
Subtotal	149,616
Less amount representing interest	(15,805)
Present value of future minimum lease payments	\$ 133,811

ADA Financing Program

In April 2019, the City entered into a lease financing agreement with the California Joint Powers Insurance Authority (the "CJPIA"). Pursuant to the agreement, CJPIA is to lease the City \$750,000 for its participation in the ADA Financing Program which involves a lease and lease-back of certain real property and improvements thereon owned by the City with a value that is not less than the amount of funds to be advanced by CJPIA to the City to finance costs of the ADA Improvements under the ADA Financing Program. The lease is unsecured and bear an interest of 2.69% per annum. The term of the lease is five years from the initial lease disbursement date which occurred on April 1, 2019. Principal payments are due annually commencing five years from the date of the initial lease disbursement in an amount.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 9 – Long-Term Liabilities (Continued)

The debt service requirements to maturity is as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 143,091	\$ 20,310	\$ 163,401
2021	146,941	16,460	163,401
2022	150,893	12,508	163,401
2023	154,952	8,449	163,401
2024	154,123	4,278	158,401
Total	<u>\$ 750,000</u>	<u>\$ 62,005</u>	<u>\$ 812,005</u>

B. Business-Type Activities

Compensated Absences

There is no fixed payment schedule for earned but unpaid compensated absences.

Summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2019 is as follow:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year	Due in More Than One Year
Business-type Activities						
2015 Photovoltaic system lease and sublease agreements	\$ 1,290,117	\$ -	\$ (245,244)	\$ 1,044,873	\$ 251,474	\$ 793,399
Loans payable	394,961	-	(197,481)	197,480	197,480	-
2017 Master equipment lease/ purchase agreement	8,849,230	-	(516,058)	8,333,172	531,813	7,801,359
Compensated absences	137,454	129,953	(98,214)	169,193	84,597	84,596
Total business-type activities	<u>\$ 10,671,762</u>	<u>\$ 129,953</u>	<u>\$ (1,056,997)</u>	<u>\$ 9,744,718</u>	<u>\$ 1,065,364</u>	<u>\$ 8,679,354</u>

2015 Photovoltaic System Lease and Sublease Agreements

On May 25, 2015, the City entered into the \$1,990,000 Photovoltaic System Lease and Sublease Agreements with CLP Holdings Inc. to refund the 2008 Water Revenue Bonds. The current refunding resulted in an economic gain in the amount of \$194,632 and saving in debt service payments in the amount of \$520,579. The current refunding resulted in no deferred gains or losses as the bond proceeds were sufficient to cover repayment of 2008 Water Revenue Bonds, the interest due, and issuance cost in the 2015 Photovoltaic System Lease and Sublease Agreements.

Principal payments on the capital lease are due annually each April 1, commencing April 1, 2011. The bonds were sold through a negotiated sale and bears interest at a rate of 2.54%. Interest payments are payable semi-annually on April 1 and October 1.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 9 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

The future annual required lease payments at June 30, 2019, are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 251,474	\$ 26,540	\$ 278,014
2021	257,861	20,152	278,013
2022	264,411	13,603	278,014
2023	271,127	6,887	278,014
Total	<u>\$ 1,044,873</u>	<u>\$ 67,182</u>	<u>\$ 1,112,055</u>

Loans Payable

In November 2008, the City entered into a loan agreement with the Water Replenishment District of Southern California (WRD). Pursuant to the agreement, WRD is to loan the City up to \$2,200,000 which is to be used towards the design, construction and installation of wellhead treatment systems at the City's Well 27 site. Since June 30, 2011, the City had requested and received \$1,974,801 from WRD. The loan is unsecured and does not bear interest. The term of the loan is ten years from the initial loan disbursement date which occurred on September 24, 2009. Principal payments are due annually commencing two years from the date of the initial loan disbursement in an amount equal to the lesser of (i) 10% of the total cumulative amount of loan disbursements made by WRD during the immediately preceding twelve-month period or (ii) \$220,000.

The debt service schedule to maturity is as follows:

Year Ending June 30	Principal	Interest	Total
2020	<u>\$ 197,480</u>	<u>\$ -</u>	<u>\$ 197,480</u>

2017 Master Equipment Lease/Purchase Agreement

On May 23, 2017, the City entered the \$8,965,667 Master Lease/Purchase Agreement with Fathom Water Management, Inc. for the City's water operation and replacement of water meter throughout out the City. The contract rate for the lease is 3.030% and the taxable rate is 4.7456%.

Principal and interest payments on the capital lease are due annually each June 13 and December 13, commencing June 13, 2018.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 9 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

The future annual required lease payments at June 30, 2019, are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 531,813	\$ 248,497	\$ 780,310
2021	548,049	232,261	780,310
2022	564,780	215,529	780,309
2023	582,023	198,286	780,309
2024	599,791	198,286	798,077
2025-2029	3,285,068	713,799	3,998,867
2030-2032	2,221,648	202,476	2,424,124
Total	<u>\$ 8,333,172</u>	<u>\$ 2,009,134</u>	<u>\$ 10,342,306</u>

Compensated Absences

There is no fixed payment schedule for earned but unpaid compensated absences.

Note 10 – Defined Contribution Plan

The City provides a tax qualified retirement savings plan under Section 401(a) of the Internal Revenue Code to classic employees hired before December 31, 2012. The Plan is a defined contribution plan and benefits depend solely on amounts contributed to the plan and investment earnings. The Plan is administered by the Public Agency Retirement System ("PARS") and the City Council has the authority for establishing and amending the plan provisions. There were 94 employees covered by the Plan for the year ended June 30, 2019. Employer lump sum contributions are based on an employee's tier of eligibility. Depending on the limits and requirements of the eligible tier, the City will contribute certain amounts equivalent to an employee's eligible unused accrued vacation time, compensatory time, floating holidays, sick leave and administrative leave. Employee contributions are mandatory and are also based on an employee's tier of eligibility. The amount of the mandatory employee contribution will depend on the limits and requirements of the tier which take into consideration an employee's longevity, merit adjustments and prescribed plan percentages. For the year ended June 30, 2019, employee contributions totaled \$51,382.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Defined Benefits Plan

Summary of changes in deferred outflows of resources related to pension, net pension liabilities, and deferred inflows of resources related to pension for both governmental activities and business-type activities for the year ended June 30, 2019 are as follows:

Governmental Activities	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Pension contribution after measurement date:			
CalPERS	\$ 2,644,275	\$ 293,808	\$ 2,938,083
Change in assumptions:			
CalPERS	2,819,868	313,319	3,133,187
PARS	1,742,803	215,403	1,958,206
Subtotal	4,562,671	528,722	5,091,393
Difference between expected and actual experience			
CalPERS	489,996	54,444	544,440
Difference in projected and actual earnings on pension investments:			
CalPERS	162,616	18,068	180,684
Total deferred outflows of resources	\$ 7,859,558	\$ 895,042	\$ 8,754,600
Net pension liabilities:			
CalPERS	\$ 26,024,172	\$ 2,891,575	\$ 28,915,747
PARS	5,300,805	655,156	5,955,961
Total net pension liabilities	\$ 31,324,977	\$ 3,546,731	\$ 34,871,708
Deferred inflows of Resources:			
Change in assumptions:			
CalPERS	400,527	44,503	445,030
Difference between expected and actual experience			
CalPERS	590,425	65,603	656,028
PARS	201,240	24,872	226,112
Subtotal	791,665	90,475	882,140
Difference in projected and actual earnings on pension investments:			
PARS	133,386	16,486	149,872
Total deferred inflows of resources	\$ 1,325,578	\$ 151,464	\$ 1,477,042
Pension Expense:			
CalPERS	\$ 3,709,299	\$ 412,145	\$ 4,121,444
PARS	1,230,550	152,087	1,382,637
Total pension expense	4,939,849	564,232	5,504,081

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan

General Information about the Pension Plan

Plan Description

The City contributes to the California Public Employees' Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Benefit Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. During the year ended June 30, 2013, the California's Public Employees' Pension Reform Act ("PEPRA") went into effect. Employees hired after January 1, 2013 who are new to the CalPERS system are part of the PEPRA plan. PEPRA members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 or 12 consecutive months' full-time equivalent monthly pay. Retirement benefits for classic employees are calculated as 2% of the average final 12 months compensation. Retirement benefits for PEPRA employees are calculated as 2% of the average final 36 months compensation.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service. Industrial disability benefits are not offered.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month salary for each completed year of current service, up to a maximum of six months salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan (Continued)

General Information about the Pension Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2017, the valuation date, the following employees were covered by the benefit terms:

Active employees	284
Transferred and terminated employees	314
Retired employees and beneficiaries	248
Total	<u>846</u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") 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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2018, the classic active employee contribution rates was 7% of annual pay, the PEPRA active employee contribution rate was 5.50% of annual pay, and the required employer contribution rates were 6.859% of the annual payroll.

Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2017 valuation was rolled forward to determine the June 30, 2018 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

¹ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Change of Assumption

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan (Continued)

Net Pension Liability (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ 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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The tables to the right reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class ¹	Assumed Asset Allocation	Real Return Years 1 - 10 ²	Real Return Years 11+ ³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	<u>100.00%</u>		

¹ In the CalPERS' Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used

³ An expected inflation of 2.92% used

Discount Return

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan (Continued)

Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2017 (Valuation Date)	\$ 129,852,741	\$ 100,887,292	\$ 28,965,449
Changes Recognized for the Measurement Period:			
Service Cost	2,527,432	-	2,527,432
Interest on the total pension liability	9,163,433	-	9,163,433
Changes of benefit terms	-	-	-
Changes of assumptions	(603,969)	-	(603,969)
Difference between expected and actual experience	738,883	-	738,883
Net plan to plan resource movement	-	(248)	248
Contributions from the employer	-	2,573,441	(2,573,441)
Contributions from employees	-	1,161,949	(1,161,949)
Net investment income	-	8,596,094	(8,596,094)
Benefit payments, including refunds of employee contributions	(6,182,947)	(6,182,947)	-
Administrative expense	-	(157,210)	157,210
Other miscellaneous income/(expense)	-	(298,545)	298,545
Net changes during July 1, 2017 to June 30, 2018	\$ 5,642,832	\$ 5,692,534	\$ (49,702)
Balance at June 30, 2018 (Measurement Date)	\$ 135,495,573	\$ 106,579,826	\$ 28,915,747

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

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Plan's Net Pension Liability/(Asset)		
Discount Rate - 1%	Current Discount	Discount Rate + 1%
(6.15%)	Rate (7.15%)	(8.15%)
\$ 46,499,432	\$ 28,915,747	\$ 14,335,813

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS financial report.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan (Continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the measurement period ended June 30, 2018, the City incurred a pension expense of \$4,121,444.

As of measurement date of June 30, 2018, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 2,938,083	\$ -
Changes of assumptions	3,133,187	445,030
Difference between expected and actual experience	544,440	656,028
Net difference between projected and actual earning on pension plan investments	180,684	-
Total	<u>\$ 6,796,394</u>	<u>\$ 1,101,058</u>

The amounts above are net of outflows and inflows recognized in the 2017-18 measurement period expense.

The expected average remaining service lifetime ("EARSL") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the 2017-18 measurement period is 3.8 years, which was obtained by dividing the total service years of 3,223 (the sum of remaining service lifetimes of the active employees) by 846 (the total number of participants: active, inactive, and retired).

The \$2,938,083 reported as deferred outflows of resources related to pension resulting from the City's contributions subsequent to the measurement date during the year ended June 30, 2019 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year Ending June 30	Deferred Outflows/(Inflows) of Resources Miscellaneous Plan
2020	\$ 2,692,479
2021	1,378,818
2022	(1,015,131)
2023	(298,913)
2024	-
Thereafter	-
Total	<u>\$ 2,757,253</u>

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Defined Benefits Plan (Continued)

B. Retirement Enhancement Plan

General Information about the Pension Plan

Plan Description

The City provides a 401(a) defined benefit retirement enhancement plan under the terms of a Memorandum of Understanding (MOU) between the City and its employees. The Plan is part of an agent multiple employer plan administered by the Public Agency Retirement Service (PARS). A separate audited GAAP-basis post-employment benefit plan report is not available for this Plan. Due to PEPPRA legislation the Plan is closed to employees hired by the City after December 31, 2012.

Benefit Provided

The benefit is equal to 0.5% of final average compensation for all future years of City service (on or after July 1, 2005) and for 75% of past years of City service (before July 1, 2005). Eligibility for an immediate benefit is defined as reaching age 60, completing two years of full-time continuous Lakewood service, and retiring concurrently from both the City and CalPERS after leaving City employment on or after July 1, 2006. Employees terminating from the City with two years of service and concurrent retirement with CalPERS but prior to age 60 may choose to receive either a deferred retirement benefit to begin at age 60 or a refund of their employee contributions with 3% interest compounded annually. All other terminating employees will receive a refund of their employee contributions with 3% interest.

Final average compensation is equal to the highest year of compensation with the City, including CalPERS employer paid member contributions (salary plus 5%), subject to IRC 401(a)(17) limitations. Salary includes longevity pay.

There is no disability benefit or death benefit under this plan.

The normal form of benefit is a life-only annuity. In lieu of a life-only annuity, a participant may elect an actuarial equivalent optional form of payment. The optional form is a joint and survivor annuity.

Any benefit in payment status will increase by 2% per annum on each participant's anniversary date of retirement.

Employees Covered by Benefit Terms

At July 1, 2017, the valuation date, the following employees were covered by the benefit terms:

Active employees	117
Terminated employees	30
Retired employees and beneficiaries	57
Total	<u>204</u>

Contributions

Employees contribute 3.00% of compensation of which the City picks-up 0.13%. The employer contributed 7.85% of compensation during the year ended June 30, 2019.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Defined Benefits Plan (Continued)

B. Retirement Enhancement Plan (Continued)

Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The July 1, 2017 valuation was rolled forward to determine the June 30, 2019 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Return	5.50%
Inflation	2.75%
Salary Increases	Increase are based on service, ranges from 12.20% to 3.5% for 0 to 30 or more years of service, respectively.
Cost of Living Adjustment	2.00% compounded annually
Withdrawal/Disability	Consistent with Non-Industrial rate used to value the Miscellaneous CalPERS Pension Plans.
Mortality	Pre-Retirement: consistent with Non-Industrial rate used to value the Miscellaneous CalPERS Pension Plans. Post-Retirement: CalPERS 1997-2011 Healthy Retiree Tables (sex-distinct) with an assumed base year of 2008 and full generational projections using Scale AA.
Retirement	Ranges from 7.1% at age 55 to 100% at age 75+.
Withdrawal/Disability	Consistent with the rates used to value the Miscellaneous CalPERS Pension Plans
Expenses	None are assumed.
Maximum Benefits and Salary	Salary used in the calculation of final average compensation is subject to the limitations of IRC 401(a)(17). The limit is assumed to increase 2.75% per annum.
Form of payment	All current participants are assumed to elect a single life annuity.
Election of Deferred Benefit	Active employees terminating prior to attainment of age 55 and completion of two years of service are assumed to elect a refund of their contributions with interest

Change of Assumption

In 2019, there is no change of assumption.

Discount Rate

The discount rate used to measure the total pension liability was 5.50 percent. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Defined Benefits Plan (Continued)

B. Retirement Enhancement Plan (Continued)

Net Pension Liability (Continued)

Long - Term Expected Rate of Return

The assumption for the long-term expected rate of return was selected by the City. Below is a projector of the 30 year average return derived by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation on the Plan's current asset allocation.

The table below reflects long-term expected real return adjusted for inflation by asset classes:

Asset Class	Index	Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Cash	BAML 3-Mon Tbill	2.49%	0.71%	0.71%
US Core Fixed Income	Barclays Aggregate	46.15%	1.83%	1.73%
US Equity Market	Russell 3000	38.87%	4.71%	3.52%
Foreign Developed Equity	MSCI EAFE NR	5.82%	6.06%	4.55%
Emerging Market Equities	MSCI EM NR	4.31%	8.23%	5.43%
US REITs	FTSE NAREIT Equity REIT	2.36%	5.05%	3.42%
		<u>100.00%</u>		
Assumed Inflation - Mean			2.21%	2.20%
Assumed Inflation - Standard Deviation			1.65%	1.65%
Portfolio Real Mean Return			3.52%	3.16%
Portfolio Nominal Mean Return			5.73%	5.43%
Portfolio Standard Deviation				8.15%
Long-Term Expected Rate of Return				5.50%

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2018	\$ 21,399,662	\$ 15,343,037	\$ 6,056,625
Changes Recognized for the Measurement Period:			
Service cost	513,290	-	513,290
Interest on the total pension liability	1,184,779	-	1,184,779
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Effect of assumptions changes or inputs	-	-	-
Contributions from the employer	-	644,970	(644,970)
Contributions from employees	-	224,569	(224,569)
Net investment income	-	954,443	(954,443)
Benefit payments, including refunds	(753,088)	(753,088)	-
Administrative expense	-	(25,249)	25,249
Net changes during July 1, 2018 to June 30, 2019	\$ 944,981	\$ 1,045,645	\$ (100,664)
Balance at June 30, 2019 (Measurement Date)	\$ 22,344,643	\$ 16,388,682	\$ 5,955,961

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Defined Benefits Plan (Continued)

B. Retirement Enhancement Plan (Continued)

Changes in Net Pension Liability (Continued)

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

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 5.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.50%) or 1 percentage-point higher (6.50%) than the current rate:

	1% Decrease (4.50%)	Discount Rate (5.50%)	1% Increase (6.50%)
Plan's Net Pension Liability	\$ 8,878,376	\$ 5,955,961	\$ 3,354,607

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available upon request.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the measurement period ended June 30, 2019, the City incurred a pension expense of \$1,382,637.

As of measurement date of June 30, 2019, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	\$ -	\$ (226,112)
Changes of assumptions	1,958,206	-
Net difference between projected and actual earning on pension plan investments	-	(149,872)
Total	\$ 1,958,206	\$ (375,984)

The amounts above are net of outflows and inflows recognized in the 2018-19 measurement period expense.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2020	\$ 623,637
2021	469,367
2022	412,075
2023	77,143
2024	-
Thereafter	-
Total	\$ 1,582,222

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 12 – Other Postemployment Benefits (“OPEB”)

At June 30, 2019, net OPEB liability and related deferred inflows of resources are as follows:

<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net OPEB liabilities:	\$ 691,004	\$ 76,778	\$ 767,782
Deferred inflows of resources:			
Net difference between projected and actual earning on OPEB plan investment	\$ 41,482	\$ 4,609	\$ 46,091
OPEB Expense	\$ 342,970	\$ 36,082	\$ 379,052

Plan Description

Plan Administration

The City sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options.

Benefit Provided

The City offers PEMHCA coverage to its retirees. The City makes the required statutory PEMHCA contribution (\$133 per month in calendar year 2018 and \$133 per month is scheduled by law to be indexed with medical inflation (CPI) for calendar years 2019 and thereafter). Furthermore, the City will make additional contributions towards certain eligible retirees' premiums for a given number of months after retirement equal to the employees' months of service with the City before retirement. This program is known as the "Career Employees Medical Retirement Benefit", and is also available to non-PEMHCA retirees in the form of quarterly reimbursements upon proper verification of authorized healthcare costs.

In order to be eligible for the Career Medical Benefit, retirees must have satisfied either of the following age and service requirements:

- (1) Later of age 55 and 20 years of service, at least 10 years of which are immediately prior to retirement with the City of Lakewood as a regular full-time employee; or
- (2) Later of age 60 and 15 years of service, at least 10 years of which are immediately prior to retirement with the City of Lakewood as a regular full-time employee.

For eligible individuals who retired prior to July 1, 2006, the grandfathered maximum City contribution is \$434 per month until age 65 (now obsolete) and \$347 per month beginning at age 65. For those retiring between July 1, 2007 and January 1, 2013, the 2017 limits are \$504 and \$306. For those retiring between January 1, 2014 and January 1, 2015, the 2017 limits are \$564 and \$306. For those retiring between January 1, 2015 and January 1, 2016, the 2017 pre-65 limit is \$542 per month. For those retiring between January 1, 2016 and January 1, 2017, the 2017 pre-65 limit is \$555 per month. For retirements during 2017, the limits are \$574 and \$300, respectively. For retirements during 2018, the limits are \$643 and \$316, respectively (the retiree-only premiums under PEMHCA for Kaiser - Los Angeles Area).

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 12 – Other Postemployment Benefits (Continued)

Plan Description (Continued)

Benefit Provided (Continued)

Beginning January 1, 2013, benefits in pay status are indexed (increased) by the lesser of 2% per year or the increase in the Kaiser PEMHCA premium for the Los Angeles Area. Retirees who retire prior to age 65 have as a base year for post-65 payments the PEMHCA Kaiser Senior Advantage premium for the year in which they reach age 65 (rather than the year of retirement).

Employees Covered by Benefit Term

At July 1, 2017, the date of the latest actuarial valuation, membership in the Plan consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	73
Active plan members	196
Total	<u>269</u>

Contributions

The City currently finances benefits on a pay-as-you-go basis.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.00%
Investment Rate of Return	6.00%, net of OPEB plan investment expense
Healthcare cost trend rate	5.00 percent for 2018 and later years
Future cap levels	Pre-retirement: Cap assumed to increase with healthcare trend for all future years. Post-retirement increases limited to 2% per year for all future years. For retirements prior to age 65, the Medicare Supplement premium is projected to age 65 using healthcare trend and increased at 2% per year thereafter.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Retirement and termination assumptions used were based on a review of plan experience and our best estimate of future plan experience.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 12 – Other Postemployment Benefits (Continued)

Net OPEB Liability (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

Asset Class	Assumed Asset Allocation	Real Rate of Return
Board U.S. Equity	50.00%	4.4
U.S. Fixed	50.00%	1.5

Investments Policy

The City's policy regarding the allocation of the plan's invested assets is established and may be amended by District management. The current investment selection is the Moderate HighMark PLUS. The dual goals of the Moderate Strategy are growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important. The portfolio will be allocated between equity and fixed income investments.

Asset Class	Stated Range
Cash	0 - 20%
Fixed Income	40% - 60%
Equity	40% - 60%

Market conditions may cause the account's asset allocation to vary from the stated range from time to time.

Discount Rate

GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the City's total OPEB liability is based on these requirements and the following information:

Long-Term Expected Return of Plan Investments (if any)	Municipal Bond 20- Year High Grade Rate Index	Discount Rate	Annual money-weighted Rate of Return
6.00%	3.13%	6.00%	7.06%

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 12 – Other Postemployment Benefits (Continued)

Change in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at July 1, 2018	\$ 10,244,305	\$ 9,277,688	\$ 966,617
Changes Recognized for the Measurement Period:			
Service Cost	330,601	-	330,601
Interest on the total OPEB liability	599,131	-	599,131
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	-	-	-
Contributions from the employer	-	525,242	(525,242)
Contributions from employees	-	-	-
Net investment income	-	652,234	(652,234)
Benefit payments, including refunds of employee contributions	(525,242)	(525,242)	-
Administrative Expense	-	(48,909)	48,909
Net Changes during July 1, 2018 to June 30, 2019	\$ 404,490	\$ 603,325	\$ (198,835)
Balance at June 30, 2019 (Measurement Date)	\$ 10,648,795	\$ 9,881,013	\$ 767,782

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.00 percent) or 1-percentage-point higher (7.00 percent) than the current discount rate:

Plan's Net OPEB Liability/(Asset)		
Discount Rate - 1% (5.00%)	Current Discount Rate (6.00%)	Discount Rate + 1% (7.00%)
\$ 2,065,066	\$ 767,782	\$ (320,563)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (5.00 percent increasing to 6.00 percent) than the current healthcare cost trend rates:

Plan's Net OPEB Liability/(Asset)		
Trend Rate - 1% (4.00%)	Healthcare Cost Trend Rate (5.00%)	Trend Rate + 1% (6.00%)
\$ (354,328)	\$ 767,782	\$ 1,983,143

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 12 – Other Postemployment Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City' recognized OPEB expense of \$360,818. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Net difference between projected and actual earning on pension plan investments	\$ -	\$ 46,091
Total	<u>\$ -</u>	<u>\$ 46,091</u>

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five year period. The remaining gains and losses are amortized over the expected average service life.

Amount reported as deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ended June 30	Deferred Outflows/(Inflows) of Resources OPEB Plan
2020	\$ (12,253)
2021	(12,253)
2022	(12,253)
2023	(9,332)
2024	-
Thereafter	-
Total	<u>\$ (46,091)</u>

Note 13 – Deferred Compensation Plan

The City has made available to its employees two deferred compensation plans, whereby employees authorize the City to withhold funds from salary to be invested in the Voya Financial RetireFlex-MF Deferred Compensation Plan. Funds may be withdrawn by participants upon termination of employment or retirement. The City makes no contributions under the plans. The City withholds employee contributions from employee's payroll checks and transmits these monies to the plan providers on a bi-weekly basis. The City makes distributions from the plans based solely upon authorizations from the plan administrator.

Pursuant to changes in Internal Revenue Code ("IRC") Section 457 on November 26, 1997, the City formally established a plan level trust in which all assets and income of the 457 plan were placed. The assets, all property and rights purchased with such amount, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of the participants and their beneficiaries. These assets are no longer the property of the City and, as such, are no longer subject to the claims of the City's general creditors. As a result, the assets of the 457 plan are no longer reflected in the financial statements. The City had minimal involvement in the administration of the 457 plan and, therefore, lacks the fiduciary accountability that would have required the 457 plan to be recorded.

Plan assets are held in trust for the exclusive benefit of participant and their beneficiaries; and therefore, are not included in the accompanying financial statements.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 14 – Liabilities, Property, and Workers’ Compensation Protection

A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (“Authority”). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

B. Self-Insurance Programs of the Insurance Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/protection/coverage-programs>.

Primary Workers’ Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 14 – Liabilities, Property, and Workers’ Compensation Protection (Continued)

B. Self-Insurance Programs of the Insurance Authority (Continued)

Primary Workers’ Compensation Program (Continued)

For 2018-19 the Authority’s pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers’ Compensation Law. Employer’s Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer’s Liability losses from \$5 million to \$10 million are pooled among members.

C. Purchased Insurance

Pollution Legal Liability Insurance

The City participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has an aggregate limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sub-limit during the 3-year policy term.

Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. City property currently has all-risk property insurance protection in the amount of \$63,314,014. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Crime Insurance

The City purchases crime insurance coverage in the amount of \$3,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2018-19.

Complete financial statements for the Authority may be obtained at their administrative office located at 8081 Moody Street, La Palma, California 90623.

Note 15 – Commitments and Contingencies

A. Lawsuits

Numerous claims and suits have been filed against the City in the normal course of business. Based upon information received from the City Attorney and the self-insurance administrator, the estimated liability under such claims would be adequately covered by self-insurance designations and insurance coverage.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 15 – Commitments and Contingencies (Continued)

B. Contract with Los Angeles County Sheriff's Department

The City contracts for policing services through the Los Angeles County Sheriff's Department. As part of the agreement for services, the City is required to pay an additional 4% premium over the contract price to the Sheriff's Department for liability insurance. This amount is held by the County in a Liability Trust Fund and provides for the payment of claims brought against the Sheriff's Department.

C. Lighting Maintenance Contract with City Light and Power Lakewood, Inc.

In November 1997, the City entered into a lighting maintenance contract with City Light and Power Lakewood, Inc. The contract requires the City to pay a basic annual rent of \$544,250, with a portion of the basic rent adjusted annually using the current consumer price index. During the year ended June 30, 2019, the City paid \$59,059 per month for the maintenance contract. The contract expires in November 2022.

D. Agreement for Allocation of Tax Increment Revenue

On June 13, 1989, the former Lakewood Redevelopment Agency (the "Agency") entered into an agreement for the allocation of tax increment revenue generated from Project Area No. 2. As part of the agreement, the Agency is required to reimburse the Consolidated Fire Protection District of Los Angeles County 17.26% of tax increment revenues and Los Angeles County 54.59% of tax increment revenue. The Los Angeles County portion may be deferred in any year under certain terms of the agreement until total tax increment of the Agency reaches a cumulative total of \$60,000,000. After the total reaches \$60,000,000, the Agency is required to reimburse Los Angeles County 100% of tax increment revenue (net of the allocation to the Consolidated Fire Protection District of Los Angeles County) until the deferred sums have been repaid. Interest on any deferral amounts was prepaid in a lump sum of \$842,000 in fiscal year 1990-91. At June 30, 2019, the Agency's outstanding deferral balance is \$756,943.

Note 16 – Individual Fund Disclosures

Funds with a deficit fund balance/net position at June 30, 2019, are as follows:

Governmental Funds:

Lakewood Capital Improvements Capital Projects Fund	\$ (2,651,459)
CDBG Special Revenue Fund	(132,362)
Prop A Recreation Special Revenue Fund	(30,029)

Fiduciary Fund:

Successor Agency Private Purpose Trust Fund	(15,156,503)
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Proprietary Funds:

Print Shop Internal Service Fund	(17,968)
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The Governmental Funds' deficits are primarily the result of unavailable revenue at June 30, 2019 and will be eliminated upon receipts of the grant reimbursements in the following fiscal year. The Successor Agency deficit is due to the Advance from the City and will be recovered by future by Recognized Obligation Payment Schedule.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 17 – Agreement with Paramount Petroleum

In 1992 the City and Paramount Petroleum Corporation entered into an agreement that allowed Paramount Petroleum to maintain their existing petroleum storage facility (tank farm) on a 4.24-acre site located at 2920 56th Way in Lakewood. The tank farm consists of two 55,000 barrel storage tanks and two 5,000 barrel water tanks and a petroleum pumping station. The agreement established a 15 year amortization period after which time the tanks were to be removed from the site.

Because of changes in the oil industry and the nature of development surrounding the tank farm, Ordinance No. 2005-14 amended the provisions of the Lakewood Municipal Code 9392.B.1 (g) allowing Paramount Petroleum to operate an additional 10 years, ending in January 2017. The agreement also allowed for automatic two-year extensions, with the current extension valid through January 2021.



**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**



City of Lakewood
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 25,512,200	\$ 25,512,200	\$ 25,730,284	\$ 218,084
Licenses and permits	1,337,350	1,337,350	1,352,461	15,111
Fines and forfeitures	816,200	816,200	877,832	61,632
Investment income, rents and concession	1,405,658	1,405,658	2,856,708	1,451,050
Intergovernmental revenues	9,602,300	9,602,300	9,721,047	118,747
Current service charges	8,424,046	8,424,046	8,102,123	(321,923)
Other	1,038,700	1,038,700	1,221,323	182,623
Total revenues	<u>48,136,454</u>	<u>48,136,454</u>	<u>49,861,778</u>	<u>1,725,324</u>
EXPENDITURES:				
Current:				
General government	10,081,256	10,151,629	7,892,909	2,258,720
Public safety	15,832,802	15,910,590	14,973,880	936,710
Transportation	2,689,003	2,693,894	2,756,395	(62,501)
Community development	5,248,135	5,279,733	5,108,494	171,239
Health and sanitation	5,607,170	5,607,170	5,330,025	277,145
Culture and leisure	12,493,332	12,504,698	12,212,169	292,529
Capital outlay:				
General government	44,350	44,528	201,076	(156,548)
Transportation	43,200	93,200	352,352	(259,152)
Community development	10,000	10,000	14,550	(4,550)
Culture and leisure	122,241	284,545	1,714,420	(1,429,875)
Debt service:				
Principal retirement	39,807	39,807	39,807	-
Interest and fiscal charges	10,065	10,065	10,065	-
Total expenditures	<u>52,221,361</u>	<u>52,629,859</u>	<u>50,606,142</u>	<u>2,023,717</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,084,907)</u>	<u>(4,493,405)</u>	<u>(744,364)</u>	<u>3,749,041</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,008,001	2,008,001	1,571,680	(436,321)
Transfers out	-	-	(61)	(61)
Issuance of long-term debt	-	-	750,000	750,000
Proceed from sale of assets	-	-	77,715	77,715
Total other financing sources (use)	<u>2,008,001</u>	<u>2,008,001</u>	<u>2,399,334</u>	<u>391,333</u>
NET CHANGES IN FUND BALANCE	<u>\$ (2,076,906)</u>	<u>\$ (2,485,404)</u>	<u>1,654,970</u>	<u>\$ 4,140,374</u>
FUND BALANCE:				
Beginning of Year			40,926,434	
End of Year			<u>\$ 42,581,404</u>	



City of Lakewood
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2019

Budget and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.
2. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" covers substantially all City expenditures, with the exception of debt service on bond issues and capital improvement projects, which expenditures constitute legally-authorized "non-appropriated budget". There were no significant non-budgeted financial activities. Actual expenditures may not exceed budgeted appropriations at the fund level. The City Manager is authorized to make transfers of budget appropriations between classifications and activities within a fund.
3. Formal budgetary integration is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations, which are encumbered at year end, are added to the following year's budgeted appropriations. However, encumbrances at year end are reported as assigned fund balance.
4. Budgets for the General and Special Revenue Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparison is presented for the Park Dedication Special Revenue Fund, the Sewer Reconstruction Special Revenue Fund, and Open Space Special Revenue Fund since no budgets were adopted for these funds. No budgetary comparisons are presented for Proprietary Funds as the City is not legally required to adopt a budget for these types of funds.
5. Capital project budgets are long term in nature and, accordingly, no budgetary comparisons are reflected in the accompanying financial statements.
6. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2019, based on calculations by City Management, proceeds of taxes did not exceed related appropriations. Further, Section 5 of Article XIII B allows the City to designate a portion of fund balance for general contingencies, to be used in future years without limitation. In 2009-10, the City Council passed a resolution setting aside all unappropriated fund balances in the General Fund as contingency funds.

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System Defined Benefit Plan

Measurement period	2013-14	2014-15	2015-16	2016-17	2017-18 ¹
Total pension liability					
Service cost	\$ 2,144,455	\$ 2,028,208	\$ 2,109,082	\$ 2,355,437	\$ 2,527,432
Interest	8,019,215	8,236,636	8,472,508	8,766,071	9,163,433
Changes of benefit terms	-	-	-	-	-
Changes of assumptions	-	(1,943,097)	-	7,049,669	(603,969)
Differences between expected and actual experience	-	(2,731,071)	(2,102,094)	(581,254)	738,883
Benefit payments, including refunds of employee contributions	(4,389,897)	(4,981,710)	(5,258,099)	(5,386,901)	(6,182,947)
Net change in total pension liability	5,773,773	608,966	3,221,397	12,203,022	5,642,832
Total pension liability - beginning	108,045,583	113,819,356	114,428,322	117,649,719	129,852,741
Total pension liability - ending (a)	\$ 113,819,356	\$ 114,428,322	\$ 117,649,719	\$ 129,852,741	\$ 135,495,573
Pension fiduciary net position					
Net Plan to Plan Resource Movement	\$ -	\$ -	\$ -	\$ -	\$ (248)
Contributions - employer	1,873,372	1,871,751	2,717,060	2,344,596	2,573,441
Contributions - employee	1,012,408	939,852	1,051,966	1,098,583	1,161,949
Net investment income	14,100,175	2,111,030	554,532	10,269,191	8,596,094
Benefit payments, including refunds of employee contributions	(4,389,897)	(4,981,710)	(5,258,099)	(5,386,901)	(6,182,947)
Administrative expense	-	(105,557)	(57,099)	(136,863)	(157,210)
Other Miscellaneous Income/(Expense) ²	-	-	-	-	(298,545)
Net change in plan fiduciary net position	12,596,058	(164,634)	(991,640)	8,188,606	5,692,534
Plan fiduciary net position - beginning	81,258,902	93,854,960	93,690,326	92,698,686	100,887,292
Plan fiduciary net position - ending (b)	\$ 93,854,960	\$ 93,690,326	\$ 92,698,686	\$ 100,887,292	\$ 106,579,826
Plan net pension liability - ending (a) - (b)	\$ 19,964,396	\$ 20,737,996	\$ 24,951,033	\$ 28,965,449	\$ 28,915,747
Plan fiduciary net position as a percentage of the total pension liability	82.46%	81.88%	78.79%	77.69%	78.66%
Covered payroll	\$ 15,265,197	\$ 15,213,079	\$ 16,033,770	\$ 16,036,475	\$ 16,673,912
Plan net pension liability as a percentage of covered payroll	130.78%	136.32%	155.62%	180.62%	173.42%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

² During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios (Continued)
For the Year Ended June 30, 2019

Last Ten Fiscal Years

Public Agency Retirement System Defined Benefit Plan

Measurement period	2014-15	2015-16	2016-17	2017-18	2018-19 ¹
Total pension liability					
Service cost	\$ 501,866	\$ 522,429	\$ 538,102	\$ 447,262	\$ 513,290
Interest	972,653	898,895	1,102,003	1,161,853	1,184,779
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(345,830)	-	(127,926)	-
Changes of assumptions	-	2,749,085	-	1,311,695	-
Benefit payments, including refunds of employee contributions	(398,794)	(417,601)	(493,769)	(611,458)	(753,088)
Net change in total pension liability	1,075,725	3,406,978	1,146,336	2,181,426	944,981
Total pension liability - beginning	13,589,197	14,664,922	18,071,900	19,218,236	21,399,662
Total pension liability - ending (a)	<u>\$ 14,664,922</u>	<u>\$ 18,071,900</u>	<u>\$ 19,218,236</u>	<u>\$ 21,399,662</u>	<u>\$ 22,344,643</u>
Pension fiduciary net position					
Contributions - employer	\$ 3,884,844	\$ 54,800	\$ 597,130	\$ 568,494	\$ 644,970
Contributions - employee	293,815	281,187	272,183	243,461	224,569
Net investment income, net of investment expenses	212,179	(8,365)	1,290,294	878,414	954,443
Benefit payments, including refunds of employee contributions	(398,794)	(417,601)	(493,769)	(611,458)	(753,088)
Administrative expenses	(19,517)	(25,243)	(23,483)	(32,057)	(25,249)
Other	-	-	-	-	-
Net change in plan fiduciary net position	3,972,527	(115,222)	1,642,355	1,046,854	1,045,645
Plan fiduciary net position - beginning	8,796,523	12,769,050	12,653,828	14,296,183	15,343,037
Plan fiduciary net position - ending (b)	<u>\$ 12,769,050</u>	<u>\$ 12,653,828</u>	<u>\$ 14,296,183</u>	<u>\$ 15,343,037</u>	<u>\$ 16,388,682</u>
Plan net pension liability - ending (a) - (b)	<u>\$ 1,895,872</u>	<u>\$ 5,418,072</u>	<u>\$ 4,922,053</u>	<u>\$ 6,056,625</u>	<u>\$ 5,955,961</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>87.07%</u>	<u>70.02%</u>	<u>74.39%</u>	<u>71.70%</u>	<u>73.35%</u>
Covered payroll	<u>\$ 10,819,843</u>	<u>\$ 11,643,566</u>	<u>\$ 11,992,873</u>	<u>\$ 9,975,323</u>	<u>\$ 8,214,154</u>
Net pension liability as a percentage of covered payroll	<u>17.52%</u>	<u>46.53%</u>	<u>41.04%</u>	<u>60.72%</u>	<u>72.51%</u>

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pensions
For the Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System Defined Benefit Plan

	2013-14 ¹	2014-15	2015-16	2016-17	2017-18
Actuarially determined contribution	\$ 1,873,372	\$ 1,871,751	\$ 2,136,551	\$ 2,344,596	\$ 2,573,441
Contributions in relation to the actuarially determined contribution ²	(1,873,372)	(1,871,751)	(2,717,060)	(2,344,596)	(2,573,441)
Contribution deficiency (excess)	\$ -	\$ -	\$ (580,509)	\$ -	\$ -
Covered payroll ³	\$ 15,265,197	\$ 15,213,079	\$ 16,033,770	\$ 16,036,475	\$ 16,673,912
Contributions as a percentage of covered payroll ³	12.27%	12.30%	16.95%	14.62%	15.43%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Includes one year's payroll growth using 3.00 percent payroll assumption from 2017-18 to 2018-19.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were derived from the June 30, 2016 funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll
Asset valuation method	Market value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll Growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes Inflation.
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pensions (Continued)
For the Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System Defined Benefit Plan

	<u>2018-19</u>
Actuarially determined contribution	\$ 2,938,083
Contributions in relation to the actuarially determined contribution ²	<u>(2,938,083)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll ³	\$ 17,174,129
Contributions as a percentage of covered payroll ³	17.11%

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pensions (Continued)
For the Year Ended June 30, 2019

Last Ten Fiscal Years

Public Agency Retirement System Defined Benefit Plan

	2013-14 ¹	2014-15	2015-16	2016-17	2017-18
Actuarially determined contribution	\$ 799,971	\$ 871,044	\$ 874,736	\$ 594,125	\$ 493,923
Contributions in relation to the actuarially determined contribution	(723,539)	(3,884,844)	(54,800)	(54,800)	(568,494)
Contribution deficiency (excess)	<u>\$ 76,432</u>	<u>\$ (3,013,800)</u>	<u>\$ 819,936</u>	<u>\$ 539,325</u>	<u>\$ (74,571)</u>
Covered payroll	\$ 13,496,727	\$ 10,819,843	\$ 11,643,566	\$ 11,992,873	\$ 9,975,323
Contributions as a percentage of covered payroll	5.36%	35.90%	0.47%	0.46%	5.70%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

Notes to Schedule:

Valuation date: July 1, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	19 Years
Asset valuation method	None
Inflation	2.75%
Salary increases	Consistent with the rates used to value the CalPERS Miscellaneous Public Agency pension plans.
Cost of Living Adjustment	2.00%
Investment rate of return	5.50%
Withdraw/Disability/Mortality	Consistent with the Non-Industrial rate used to value the Miscellaneous CalPERS Pension Plans.
Retirement age	Ranges from 7.1% at age 55 to 100% at age 75+
Maximum Benefits and Salary	Salary used in the calculation of final average compensation is subject to the limitations of IRC 401(a)(17). The limit is assumed to increase 3.00% per annum.
Form of Payment	Single Life Annuity

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pensions (Continued)
For the Year Ended June 30, 2019

Last Ten Fiscal Years

Public Agency Retirement System Defined Benefit Plan

	<u>2018-19</u>
Actuarially determined contribution	\$ 814,859
Contributions in relation to the actuarially determined contribution	<u>(644,970)</u>
Contribution deficiency (excess)	<u>\$ 169,889</u>
Covered payroll	\$ 8,214,154
Contributions as a percentage of covered payroll	7.85%

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
For the Year Ended June 30, 2019

Last Ten Fiscal Years

Other Postemployment Benefits Plan

Measurement period	2017-18 ¹	2018-19
Total OPEB liability		
Service cost	\$ 320,972	\$ 330,601
Interest	573,684	599,131
Changes of benefit terms	-	-
Changes of assumptions	-	-
Differences between expected and actual experience	-	-
Benefit payments, including refunds of employee contributions	(417,410)	(525,242)
Net change in total OPEB liability	477,246	404,490
Total OPEB liability - beginning	9,767,059	10,244,305
Total OPEB liability - ending (a)	<u>\$ 10,244,305</u>	<u>\$ 10,648,795</u>
Plan fiduciary net position		
Contributions - employer	\$ 417,410	\$ 525,242
Net investment income	575,333	652,234
Benefit payments, including refunds of employee contributions	(417,410)	(525,242)
Administrative expense	(48,048)	(48,909)
Net change in plan fiduciary net position	527,285	603,325
Plan fiduciary net position - beginning	8,750,403	9,277,688
Plan fiduciary net position - ending (b)	<u>\$ 9,277,688</u>	<u>\$ 9,881,013</u>
Plan net OPEB liability - ending (a) - (b)	<u>\$ 966,617</u>	<u>\$ 767,782</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>90.56%</u>	<u>92.79%</u>
Covered payroll	<u>\$ 7,657,419</u>	<u>\$ 7,486,794</u>
Plan net OPEB liability as a percentage of covered payroll	<u>12.62%</u>	<u>10.26%</u>

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable. Additional years' information will be displayed as it becomes available.

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Contributions - Other Postemployment Benefits
For the Year Ended June 30, 2019

Last Ten Fiscal Years

Other Postemployment Benefits Plan

Fiscal year	2017-18 ¹	2018-19
Actuarially determined contribution	\$ 373,794	\$ 385,009
Contributions in relation to the actuarially determined contribution	(417,410)	(525,242)
Contribution deficiency (excess)	<u>\$ (43,616)</u>	<u>\$ (140,233)</u>
Covered payroll	\$ 7,657,419	\$ 7,486,794
Contributions as a percentage of covered payroll	5.45%	7.02%

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable. Additional years' information will be displayed as it becomes available.

Notes to Schedule:

Valuation date: July 1, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Level Percent of Pay
Salary increases	3.00%
Investment rate of return	6.00 %, net of OPEB plan investment expense
Healthcare cost trend rate	6.00 % for 2017; 5.00 % for 2018 and later years
Future cap levels	Pre-retirement: Cap assumed to increase with healthcare trend for all future years. Post-retirement increases limited to 2% per year for all future years. For retirements prior to age 65, the Medicare Supplement premium is projected to age 65 using healthcare trend and increased at 2% per year thereafter.



SUPPLEMENTARY INFORMATION



City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Housing Admin and Program Capital Projects Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 10,000	\$ 10,000	\$ 81,002	\$ 71,002
Other income	199,000	199,000	144,000	(55,000)
Total revenues	<u>209,000</u>	<u>209,000</u>	<u>225,002</u>	<u>16,002</u>
EXPENDITURES:				
Current:				
Community development	201,000	201,000	184,130	16,870
Total expenditures	<u>201,000</u>	<u>201,000</u>	<u>184,130</u>	<u>16,870</u>
NET CHANGES IN FUND BALANCE	<u>\$ 8,000</u>	<u>\$ 8,000</u>	40,872	<u>\$ 32,872</u>
FUND BALANCE:				
Beginning of year			12,843,479	
End of year			<u>\$ 12,884,351</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Lakewood Capital Improvements Capital Projects Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ -	\$ -	\$ 5,961,845	\$ 5,961,845
Total revenues	<u>-</u>	<u>-</u>	<u>5,961,845</u>	<u>5,961,845</u>
EXPENDITURES:				
Capital outlay:				
Transportation	-	5,532,744	7,077,634	(1,544,890)
Total expenditures	<u>-</u>	<u>5,532,744</u>	<u>7,077,634</u>	<u>(1,544,890)</u>
NET CHANGES IN FUND BALANCES	<u>\$ -</u>	<u>\$ (5,532,744)</u>	<u>(1,115,789)</u>	<u>\$ 4,416,955</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(1,535,670)	
End of year			<u>\$ (2,651,459)</u>	

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds:

Special Revenue Funds are used to account for taxes and other revenues set aside in accordance with the law or administrative regulations for a specific purpose.

State Gasoline Tax Fund - To account for state gasoline taxes received by the City. These funds are restricted for street maintenance, right-of-way acquisition, and street construction.

Park Dedication Fund - To account for business taxes collected on the construction of dwelling units. These funds are used only for park and recreation land and facilities.

Sewer Reconstruction Fund - To account for charges collected on construction permits to be used for the reconstruction of sanitary sewers.

Prop A Transit Fund - To account for Los Angeles County special 1/2 cent transportation sales tax which became effective July 1, 1982. These funds may be used only for certain transportation purposes.

Prop C Transportation Fund - To account for Los Angeles County additional special 1/2 cent transportation sales tax which became effective July 1, 1992. These funds may be only used for certain transportation purposes.

AB 2766 Fund - To account for motor vehicle registration fees authorized by Assembly Bill 2766. These funds are to be used solely to reduce air pollution from mobile sources.

Community Development Block Grant ("CDBG") Fund - To account for funds received from the U.S. Department of Housing and Urban Development for use in community development projects.

State COPS Grant Fund - To account for state funding under the Citizens Option for Public Safety program to supplement City's current funding for front-line law enforcement services.

LA County Measure M Fund - To account for Los Angeles County special 1/2 cent sales tax approved pursuant to SB767 which was approved by the METRO Board of Directors on June 23, 2016 and approved by the voters of Los Angeles County on November 8, 2016. These funds may be used to improve transportation and transit service and ease traffic congestion consistent with the Measure M Ordinance #16-01.

Beverage Container Recycle Grant Fund - To account for the Department of Resources Recycling and Recovery (CalRecycle) beverage container recycling program to reach and maintain an eighty percent recycling rate for all California refund value beverage containers - aluminum, glass, plastic and bi-metal.

JAG Grant Fund - To account for receipts and expenditures of federal grants to support a broad range of activities to prevent and control crime and to improve the criminal justice systems.

TDA Article Grant Fund - To account for proceeds received from LACMTA under the Transportation Development Act for use on pedestrians, bikeways and handicapped accessibility projects.

Used Oil Grant Fund - To account for funding received from California Integrated Waste Management for permanent and sustainable used oil recycling programs.

Prop A Recreation Fund - To account for expenditures and reimbursements of park maintenance and servicing of Prop A funded projects.

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds (Continued):

Measure R Fund - To account for Los Angeles County special 1/2 cent transportation sales tax which became effectively July 1, 2009. These funds may be used only for certain transportation purposes.

Open Space Fund - To account for funding received from the Los Angeles Regional Park and Open Space District for the West San Gabriel River Parkway Improvement Project – Phase III.

Road Maintenance and Rehab Account Fund - To account for transportation taxes from the Road Repair and Accountability Act of 2017 (SB1 Beall) to be used for local streets and roads and other transportation uses. The source of the revenue are: (1) an additional 12 cent per gallon to the gas excise tax, (2) an additional 10 cent per gallon to the diesel fuel excise tax, and (3) an additional vehicle registration tax.

City of Lakewood
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds				
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit	Prop C Transportation
ASSETS					
Cash and investments	\$ -	\$ 101,431	\$ 162,524	\$ 880,500	\$ 2,324,446
Restricted cash and investments:					
Cash in escrow	-	-	-	-	86,449
Accounts receivables	-	-	-	-	-
Total assets	\$ -	\$ 101,431	\$ 162,524	\$ 880,500	\$ 2,410,895
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 25,653	\$ 34,702
Accrued liabilities	-	-	-	4,500	21,750
Retention payable	-	-	-	-	86,449
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	-	-	30,153	142,901
Deferred Inflows of Resources:					
Unavailable revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances (Deficit):					
Restricted for:					
Public safety	-	-	-	-	-
Transportation	-	-	-	850,347	2,267,994
Health and sanitation	-	-	162,524	-	-
Culture and leisure	-	101,431	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances (deficit)	-	101,431	162,524	850,347	2,267,994
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 101,431	\$ 162,524	\$ 880,500	\$ 2,410,895

(Continued)

City of Lakewood
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds				
	AB 2766	CDBG	State COPS Grant	LA County Measure M	Beverage Container Recycle Grant
ASSETS					
Cash and investments	\$ 361,504	\$ -	\$ 278,448	\$ 1,817,296	\$ 156,701
Restricted cash and investments:					
Cash in escrow	-	-	-	-	-
Accounts receivables	27,298	154,655	-	-	-
Total assets	\$ 388,802	\$ 154,655	\$ 278,448	\$ 1,817,296	\$ 156,701
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 103	\$ 6,179	\$ 32,454	\$ 3,719	\$ 5,404
Accrued liabilities	-	8,060	-	-	-
Retention payable	-	-	-	-	-
Due to other funds	-	272,778	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	103	287,017	32,454	3,719	5,404
Deferred Inflows of Resources:					
Unavailable revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances (Deficit):					
Restricted for:					
Public safety	-	-	245,994	-	-
Transportation	388,699	-	-	1,813,577	-
Health and sanitation	-	-	-	-	151,297
Culture and leisure	-	-	-	-	-
Unassigned (deficit)	-	(132,362)	-	-	-
Total fund balances (deficit)	388,699	(132,362)	245,994	1,813,577	151,297
Total liabilities, deferred inflows of resources and fund balances	\$ 388,802	\$ 154,655	\$ 278,448	\$ 1,817,296	\$ 156,701

(Continued)

City of Lakewood
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds				
	JAG Grant	TDA Article Grant	Used Oil Grant	Prop A Recreation	Measure R
ASSETS					
Cash and investments	\$ -	\$ -	\$ 50,149	\$ -	\$ 3,314,064
Restricted cash and investments:					
Cash in escrow	-	-	-	-	-
Accounts receivables	-	4,478	-	29,145	-
Total assets	\$ -	\$ 4,478	\$ 50,149	\$ 29,145	\$ 3,314,064
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 5,673	\$ -	\$ 218,620
Accrued liabilities	-	-	-	1,542	1,372
Retention payable	-	-	-	-	9,193
Due to other funds	-	4,478	-	28,487	-
Unearned revenue	-	-	22,362	-	-
Total liabilities	-	4,478	28,035	30,029	229,185
Deferred Inflows of Resources:					
Unavailable revenues	-	-	-	29,145	-
Total deferred inflows of resources	-	-	-	29,145	-
Fund Balances (Deficit):					
Restricted for:					
Public safety	-	-	-	-	-
Transportation	-	-	-	-	3,084,879
Health and sanitation	-	-	22,114	-	-
Culture and leisure	-	-	-	-	-
Unassigned (deficit)	-	-	-	(30,029)	-
Total fund balances (deficit)	-	-	22,114	(30,029)	3,084,879
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 4,478	\$ 50,149	\$ 29,145	\$ 3,314,064

(Continued)

City of Lakewood
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds		
	Open Space	Road Maintenance and Rehab Account	Total
ASSETS			
Cash and investments	\$ -	\$ 1,401,271	\$ 10,848,334
Restricted cash and investments:			
Cash in escrow	-	-	86,449
Accounts receivables	-	265,685	481,261
Total assets	<u>\$ -</u>	<u>\$ 1,666,956</u>	<u>\$ 11,416,044</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 2,700	\$ 335,207
Accrued liabilities	-	-	37,224
Retention payable	-	-	95,642
Due to other funds	-	-	305,743
Unearned revenue	-	-	22,362
Total liabilities	<u>-</u>	<u>2,700</u>	<u>796,178</u>
Deferred Inflows of Resources:			
Unavailable revenues	-	-	29,145
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>29,145</u>
Fund Balances (Deficit):			
Restricted for:			
Public safety	-	-	245,994
Transportation	-	1,664,256	10,069,752
Health and sanitation	-	-	335,935
Culture and leisure	-	-	101,431
Unassigned (deficit)	-	-	(162,391)
Total fund balances (deficit)	<u>-</u>	<u>1,664,256</u>	<u>10,590,721</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 1,666,956</u>	<u>\$ 11,416,044</u>

(Concluded)

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds				
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit	Prop C Transportation
REVENUES:					
Taxes	\$ -	\$ 11,550	\$ -	\$ 1,591,472	\$ 1,320,082
Licenses and permits	-	-	3,747	-	-
Investment income, rents and concession	17,033	-	-	16,726	76,749
Intergovernmental revenues	1,554,647	-	-	-	-
Other revenues	-	-	-	3,800	-
Total revenues	1,571,680	11,550	3,747	1,611,998	1,396,831
EXPENDITURES:					
Current:					
General government	-	-	-	31,398	-
Public safety	-	-	-	-	-
Transportation	-	-	-	1,230,889	634,327
Community development	-	-	-	52,107	-
Health and sanitation	-	-	-	-	-
Culture and leisure	-	-	-	-	-
Capital outlay:					
General government	-	-	-	-	-
Transportation	-	-	-	175,469	1,876,689
Community development	-	-	-	-	-
Culture and leisure	-	-	-	-	-
Total expenditures	-	-	-	1,489,863	2,511,016
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,571,680	11,550	3,747	122,135	(1,114,185)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(1,571,680)	-	-	-	-
Total other financing sources (uses)	(1,571,680)	-	-	-	-
NET CHANGES IN FUND BALANCES	-	11,550	3,747	122,135	(1,114,185)
FUND BALANCES (DEFICIT):					
Beginning of year	-	89,881	158,777	728,212	3,382,179
End of year	\$ -	\$ 101,431	\$ 162,524	\$ 850,347	\$ 2,267,994

(Continued)

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds				
	AB2766	CDBG	State COPS Grants	LA County Measure M	Beverage Container Recycle Grant
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Investment income, rents and concession	8,046	-	7,121	21,724	3,441
Intergovernmental revenues	105,294	538,646	245,640	1,114,213	54,613
Other revenues	-	-	-	-	-
Total revenues	113,340	538,646	252,761	1,135,937	58,054
EXPENDITURES:					
Current:					
General government	-	4,060	-	-	-
Public safety	-	-	307,303	-	-
Transportation	10,000	-	-	150,936	-
Community development	-	232,103	-	-	-
Health and sanitation	49,760	-	-	-	10,961
Culture and leisure	-	34,000	-	-	-
Capital outlay:					
General government	-	-	-	-	-
Transportation	-	-	-	-	-
Community development	-	9,982	-	-	-
Culture and leisure	-	279,894	-	-	-
Total expenditures	59,760	560,039	307,303	150,936	10,961
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	53,580	(21,393)	(54,542)	985,001	47,093
OTHER FINANCING SOURCES (USES):					
Transfers in	61	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	61	-	-	-	-
NET CHANGES IN FUND BALANCES	53,641	(21,393)	(54,542)	985,001	47,093
FUND BALANCES (DEFICIT):					
Beginning of year	335,058	(110,969)	300,536	828,576	104,204
End of year	\$ 388,699	\$ (132,362)	\$ 245,994	\$ 1,813,577	\$ 151,297

(Continued)

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds				
	JAG Grants	TDA Article Grant	Used Oil Grant	Prop A Recreation	Measure R
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Investment income, rents and concession	-	195	-	-	66,694
Intergovernmental revenues	16,588	53,738	16,125	29,145	990,346
Other revenues	-	-	-	-	-
Total revenues	16,588	53,933	16,125	29,145	1,057,040
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	16,588	-	-	-	-
Transportation	-	-	-	-	212,432
Community development	-	-	-	-	-
Health and sanitation	-	-	15,410	-	-
Culture and leisure	-	-	-	29,145	-
Capital outlay:					
General government	-	-	-	-	-
Transportation	-	53,933	-	-	283,211
Community development	-	-	-	-	-
Culture and leisure	-	-	-	-	-
Total expenditures	16,588	53,933	15,410	29,145	495,643
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	715	-	561,397
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGES IN FUND BALANCES	-	-	715	-	561,397
FUND BALANCES (DEFICIT):					
Beginning of year	-	-	21,399	(30,029)	2,523,482
End of year	\$ -	\$ -	\$ 22,114	\$ (30,029)	\$ 3,084,879

(Continued)

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds		
	Open Space	Road Maintenance and Rehab Account	Total
REVENUES:			
Taxes	\$ -	\$ -	\$ 2,923,104
Licenses and permits	-	-	3,747
Investment income, rents and concession	-	16,622	234,351
Intergovernmental revenues	323,374	1,580,222	6,622,591
Other revenues	-	-	3,800
Total revenues	323,374	1,596,844	9,787,593
EXPENDITURES:			
Current:			
General government	-	-	35,458
Public safety	-	-	323,891
Transportation	-	-	2,238,584
Community development	-	-	284,210
Health and sanitation	-	-	76,131
Culture and leisure	-	-	63,145
Capital outlay:			
General government	-	-	-
Transportation	-	2,700	2,392,002
Community development	-	-	9,982
Culture and leisure	-	-	279,894
Total expenditures	-	2,700	5,703,297
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	323,374	1,594,144	4,084,296
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	61
Transfers out	-	-	(1,571,680)
Total other financing sources (uses)	-	-	(1,571,619)
NET CHANGES IN FUND BALANCES	323,374	1,594,144	2,512,677
FUND BALANCES (DEFICIT):			
Beginning of year	(323,374)	70,112	8,078,044
End of year	\$ -	\$ 1,664,256	\$ 10,590,721

(Concluded)

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
State Gasoline Tax Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 10,200	\$ 10,200	\$ 17,033	\$ 6,833
Intergovernmental revenues	2,017,258	2,017,258	1,554,647	(462,611)
Total revenues	<u>2,027,458</u>	<u>2,027,458</u>	<u>1,571,680</u>	<u>(455,778)</u>
OTHER FINANCING USES:				
Transfers out	(2,017,357)	(2,017,357)	(1,571,680)	445,677
Total other financing uses	<u>(2,017,357)</u>	<u>(2,017,357)</u>	<u>(1,571,680)</u>	<u>445,677</u>
NET CHANGES IN FUND BALANCE	<u>\$ 10,101</u>	<u>\$ 10,101</u>	-	<u>\$ (10,101)</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ -</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Prop A Transit Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 1,551,571	\$ 1,551,571	\$ 1,591,472	\$ 39,901
Investment income	13,000	13,000	16,726	3,726
Other revenues	-	-	3,800	3,800
Total revenues	<u>1,564,571</u>	<u>1,564,571</u>	<u>1,611,998</u>	<u>47,427</u>
EXPENDITURES:				
Current:				
General government	31,417	31,417	31,398	19
Transportation	1,311,289	1,311,289	1,230,889	80,400
Community development	75,516	75,516	52,107	23,409
Capital outlay:				
Transportation	-	-	175,469	(175,469)
Total expenditures	<u>1,418,222</u>	<u>1,418,222</u>	<u>1,489,863</u>	<u>(71,641)</u>
NET CHANGES IN FUND BALANCE	<u>\$ 146,349</u>	<u>\$ 146,349</u>	122,135	<u>\$ (24,214)</u>
FUND BALANCE:				
Beginning of year			<u>728,212</u>	
End of year			<u>\$ 850,347</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Prop C Transportation Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 1,286,988	\$ 1,286,988	\$ 1,320,082	\$ 33,094
Investment income	25,000	25,000	76,749	51,749
Total revenues	<u>1,311,988</u>	<u>1,311,988</u>	<u>1,396,831</u>	<u>84,843</u>
EXPENDITURES:				
Current:				
Transportation	751,305	751,305	634,327	116,978
Capital outlay:				
Transportation	-	145,297	1,876,689	(1,731,392)
Total expenditures	<u>751,305</u>	<u>896,602</u>	<u>2,511,016</u>	<u>(1,614,414)</u>
NET CHANGES IN FUND BALANCE	<u>\$ 560,683</u>	<u>\$ 415,386</u>	<u>(1,114,185)</u>	<u>\$ (1,529,571)</u>
FUND BALANCE:				
Beginning of year			<u>3,382,179</u>	
End of year			<u>\$ 2,267,994</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
AB2766 Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 7,500	\$ 7,500	\$ 8,046	\$ 546
Intergovernmental revenues	100,000	100,000	105,294	5,294
Total revenues	<u>107,500</u>	<u>107,500</u>	<u>113,340</u>	<u>5,840</u>
EXPENDITURES:				
Current:				
Transportation	10,000	10,000	10,000	-
Capital outlay:				
General government	-	-	-	-
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>97,500</u>	<u>97,500</u>	<u>103,340</u>	<u>5,840</u>
OTHER FINANCING SOURCES:				
Transfers in	-	-	61	61
Total other financing sources	<u>-</u>	<u>-</u>	<u>61</u>	<u>61</u>
NET CHANGES IN FUND BALANCE	<u>\$ 97,500</u>	<u>\$ 97,500</u>	103,401	<u>\$ 5,901</u>
FUND BALANCE:				
Beginning of year			335,058	
End of year			<u>\$ 438,459</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ 510,700	\$ 510,700	\$ 538,646	\$ 27,946
Total revenues	<u>510,700</u>	<u>510,700</u>	<u>538,646</u>	<u>27,946</u>
EXPENDITURES:				
Current:				
General government	12,373	12,373	4,060	8,313
Community development	223,097	223,097	232,103	(9,006)
Culture and leisure	37,500	37,500	34,000	3,500
Capital outlay:				
Community development	-	-	9,982	(9,982)
Culture and leisure	-	-	279,894	(279,894)
Total expenditures	<u>272,970</u>	<u>272,970</u>	<u>560,039</u>	<u>(287,069)</u>
NET CHANGES IN FUND BALANCE	<u>\$ 237,730</u>	<u>\$ 237,730</u>	(21,393)	<u>\$ (259,123)</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(110,969)	
End of year			<u>\$ (132,362)</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
State COPS Grant Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 4,500	\$ 4,500	\$ 7,121	\$ 2,621
Intergovernmental revenues	245,000	245,000	245,640	640
Total revenues	<u>249,500</u>	<u>249,500</u>	<u>252,761</u>	<u>3,261</u>
EXPENDITURES:				
Current:				
Public safety	312,822	312,822	307,303	5,519
Total expenditures	<u>312,822</u>	<u>312,822</u>	<u>307,303</u>	<u>5,519</u>
NET CHANGES IN FUND BALANCE	<u>\$ (63,322)</u>	<u>\$ (63,322)</u>	(54,542)	<u>\$ 8,780</u>
FUND BALANCE:				
Beginning of year			<u>300,536</u>	
End of year			<u>\$ 245,994</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
LA County Measure M Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 10,000	\$ 10,000	\$ 21,724	\$ 11,724
Intergovernmental revenues	1,093,939	1,093,939	1,114,213	20,274
Total revenues	<u>1,103,939</u>	<u>1,103,939</u>	<u>1,135,937</u>	<u>31,998</u>
EXPENDITURES:				
Current:				
Transportation	200,000	200,000	150,936	49,064
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u>150,936</u>	<u>49,064</u>
NET CHANGES IN FUND BALANCE	<u>\$ 903,939</u>	<u>\$ 903,939</u>	985,001	<u>\$ 81,062</u>
FUND BALANCE:				
Beginning of year			<u>828,576</u>	
End of year			<u>\$ 1,813,577</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Beverage Container Recycle Grant Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 3,000	\$ 3,000	\$ 3,441	\$ 441
Intergovernmental revenues	-	-	54,613	54,613
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>58,054</u>	<u>55,054</u>
EXPENDITURES:				
Current:				
Health and sanitation	-	20,341	10,961	9,380
Total expenditures	<u>-</u>	<u>20,341</u>	<u>10,961</u>	<u>9,380</u>
NET CHANGES IN FUND BALANCE	<u>\$ 3,000</u>	<u>\$ (17,341)</u>	47,093	<u>\$ 64,434</u>
FUND BALANCE:				
Beginning of year			104,204	
End of year			<u>\$ 151,297</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
JAG Grant Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ -	\$ -	\$ 16,588	\$ 16,588
Total revenues	<u>-</u>	<u>-</u>	<u>16,588</u>	<u>16,588</u>
EXPENDITURES:				
Current:				
Public safety	16,124	16,124	16,588	(464)
Total expenditures	<u>16,124</u>	<u>16,124</u>	<u>16,588</u>	<u>(464)</u>
NET CHANGES IN FUND BALANCE	<u>\$ (16,124)</u>	<u>\$ (16,124)</u>	-	<u>\$ 16,124</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ -</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
TDA Article Grant Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ -	\$ -	\$ 195	\$ 195
Intergovernmental revenues	53,738	58,637	53,738	(4,899)
Total revenues	<u>53,738</u>	<u>58,637</u>	<u>53,933</u>	<u>(4,704)</u>
EXPENDITURES:				
Capital outlay:				
Transportation	54,000	58,637	53,933	4,704
Total expenditures	<u>54,000</u>	<u>58,637</u>	<u>53,933</u>	<u>4,704</u>
NET CHANGES IN FUND BALANCE	<u>\$ (262)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ -</u>	

City of Lakewood
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Used Oil Grant Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ 21,457	\$ 21,457	\$ 16,125	\$ (5,332)
Total revenues	<u>21,457</u>	<u>21,457</u>	<u>16,125</u>	<u>(5,332)</u>
EXPENDITURES:				
Current:				
Health and sanitation	<u>23,000</u>	<u>23,000</u>	<u>15,410</u>	<u>7,590</u>
Total expenditures	<u>23,000</u>	<u>23,000</u>	<u>15,410</u>	<u>7,590</u>
NET CHANGES IN FUND BALANCE	<u>\$ (1,543)</u>	<u>\$ (1,543)</u>	715	<u>\$ 2,258</u>
FUND BALANCE:				
Beginning of year			<u>21,399</u>	
End of year			<u>\$ 22,114</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Prop A Recreation Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 700	\$ 700	\$ -	\$ (700)
Intergovernmental revenues	50,000	50,000	29,145	(20,855)
Total revenues	<u>50,700</u>	<u>50,700</u>	<u>29,145</u>	<u>(21,555)</u>
EXPENDITURES:				
Current:				
Culture and leisure	44,843	44,843	29,145	15,698
Total expenditures	<u>44,843</u>	<u>44,843</u>	<u>29,145</u>	<u>15,698</u>
NET CHANGES IN FUND BALANCE	<u>\$ 5,857</u>	<u>\$ 5,857</u>	-	<u>\$ (5,857)</u>
FUND BALANCE:				
Beginning of year			(30,029)	
End of year			<u>\$ (30,029)</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Measure R Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 60,000	\$ 60,000	\$ 66,694	\$ 6,694
Intergovernmental revenues	965,261	965,261	990,346	25,085
Total revenues	<u>1,025,261</u>	<u>1,025,261</u>	<u>1,057,040</u>	<u>31,779</u>
EXPENDITURES:				
Current:				
Transportation	12,755	233,755	212,432	21,323
Capital outlay:				
Transportation	-	599,625	283,211	316,414
Total expenditures	<u>12,755</u>	<u>833,380</u>	<u>495,643</u>	<u>337,737</u>
NET CHANGES IN FUND BALANCES	<u>\$ 1,012,506</u>	<u>\$ 191,881</u>	561,397	<u>\$ 369,516</u>
FUND BALANCE:				
Beginning of year			<u>2,523,482</u>	
End of year			<u>\$ 3,084,879</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Road Maintenance and Rehab Account Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 12,000	\$ 12,000	\$ 16,622	\$ 4,622
Intergovernmental revenues	1,420,282	1,420,282	1,580,222	159,940
Total revenues	<u>1,432,282</u>	<u>1,432,282</u>	<u>1,596,844</u>	<u>164,562</u>
EXPENDITURES:				
Current:				
Transportation	200,000	221,000	-	221,000
Capital outlay:				
Transportation	-	800,000	2,700	797,300
Total expenditures	<u>200,000</u>	<u>1,021,000</u>	<u>2,700</u>	<u>1,018,300</u>
NET CHANGES IN FUND BALANCES	<u>\$ 1,232,282</u>	<u>\$ 411,282</u>	1,594,144	<u>\$ 1,182,862</u>
FUND BALANCE:				
Beginning of year			70,112	
End of year			<u>\$ 1,664,256</u>	

Internal Service Funds

Central Garage - To account for maintenance and repair of vehicle and equipment used by various departments of the City. Costs are billed to the various departments as the work is completed.

Print Shop Fund - To account for the printing services provided to the various departments of the City. Costs of materials, supplies and services are billed as the work is completed.



City of Lakewood
Combining Statement of Net Position
Internal Service Funds
June 30, 2019

	Central Garage	Print Shop	Total
ASSETS			
Current Assets:			
Inventories	\$ 104,837	\$ 1,110	\$ 105,947
Total current assets	<u>104,837</u>	<u>1,110</u>	<u>105,947</u>
Noncurrent assets:			
Capital assets:			
Capital assets, being depreciated:			
Equipment	1,293,138	-	1,293,138
Less: accumulated depreciation	(1,203,156)	-	(1,203,156)
Total capital assets, net	<u>89,982</u>	<u>-</u>	<u>89,982</u>
Total noncurrent assets	<u>89,982</u>	<u>-</u>	<u>89,982</u>
Total assets	<u>194,819</u>	<u>1,110</u>	<u>195,929</u>
LIABILITIES			
Current liabilities:			
Accounts payable	23,352	10,243	33,595
Accrued liabilities	19,718	8,835	28,553
Due to other funds	43	-	43
Total current liabilities	<u>43,113</u>	<u>19,078</u>	<u>62,191</u>
Total liabilities	<u>43,113</u>	<u>19,078</u>	<u>62,191</u>
NET POSITION			
Investment in capital assets	89,982	-	89,982
Unrestricted	61,724	(17,968)	43,756
Total net position	<u>\$ 151,706</u>	<u>\$ (17,968)</u>	<u>\$ 133,738</u>

City of Lakewood
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2019

	Central Garage	Print Shop	Total
OPERATING REVENUES:			
Billing to departments	\$ 963,245	\$ 249,235	\$ 1,212,480
Total operating revenues	<u>963,245</u>	<u>249,235</u>	<u>1,212,480</u>
OPERATING EXPENSES:			
Operating expenses	914,378	292,804	1,207,182
Depreciation	28,906	-	28,906
Total operating expenses	<u>943,284</u>	<u>292,804</u>	<u>1,236,088</u>
OPERATING INCOME (LOSS)	<u>19,961</u>	<u>(43,569)</u>	<u>(23,608)</u>
CHANGE IN NET POSITION	19,961	(43,569)	(23,608)
NET POSITION:			
Beginning of the year	131,745	25,601	157,346
End of the year	<u><u>\$ 151,706</u></u>	<u><u>\$ (17,968)</u></u>	<u><u>\$ 133,738</u></u>

City of Lakewood
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2019

	Central Garage	Print Shop	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	\$ 963,288	\$ 249,235	\$ 1,212,523
Payments to suppliers for goods and services	(946,209)	(290,866)	(1,237,075)
Net cash provided by (used in) operating activities	<u>17,079</u>	<u>(41,631)</u>	<u>(24,552)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(18,523)	-	(18,523)
Net cash (used in) capital and related financing activities	<u>(18,523)</u>	<u>-</u>	<u>(18,523)</u>
Changes in cash and cash equivalents	(1,444)	(41,631)	(43,075)
CASH AND CASH EQUIVALENTS:			
Beginning of year	1,444	41,631	43,075
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 19,961	\$ (43,569)	\$ (23,608)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	28,906	-	28,906
Change in assets and liabilities:			
(Increase) decrease in inventories	(40,019)	129	(39,890)
Increase (decrease) in accounts payable	7,123	1,604	8,727
Increase (decrease) in accrued liabilities	1,065	205	1,270
Increase (decrease) in due to other funds	43	-	43
Total adjustment	<u>(2,882)</u>	<u>1,938</u>	<u>(944)</u>
Net cash provided by (used in) operating activities	<u>\$ 17,079</u>	<u>\$ (41,631)</u>	<u>\$ (24,552)</u>



Agency Funds

Deposits Fund - To account for collection and payment of such items as performance bond deposits.

Housing Rehabilitation Fund - To account for the housing rehabilitation loans financed by the Community Development Block Grant of the Department of Housing and Urban Development.

Sheriff Station Renovation Fund - To account for the County funds used for the renovation and expansion of the Sheriff Station. The fund was closed during the year ended June 30, 2019.

Lakewood Business Development Fund - To account for the small business revolving loans financed by the Economic Development Administration (EDA). The fund was closed during the year ended June 30, 2019.



City of Lakewood
Combining Statement of Fiduciary Assets and Liabilities
All Agency Funds
June 30, 2018

	Deposits	Housing Rehabilitation	Total
ASSETS:			
Cash and investments	\$ 504,979	\$ 349,363	\$ 854,342
Loans receivable	-	654,052	654,052
Total assets	\$ 504,979	\$ 1,003,415	\$ 1,508,394
LIABILITIES:			
Accounts payable	\$ 591	\$ 23,823	\$ 24,414
Accrued liabilities	-	1,266	1,266
Deposits	504,388	198,511	702,899
Due to HUD	-	779,815	779,815
Total liabilities	\$ 504,979	\$ 1,003,415	\$ 1,508,394

City of Lakewood
Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<u>Deposits</u>				
ASSETS:				
Cash and investments	\$ 767,083	\$ 288,594	\$ (550,698)	\$ 504,979
Total assets	\$ 767,083	\$ 288,594	\$ (550,698)	\$ 504,979
LIABILITIES:				
Accounts payable	\$ 17,179	\$ 524,405	\$ (540,993)	\$ 591
Deposits	749,904	294,295	(539,811)	504,388
Total liabilities	\$ 767,083	\$ 818,700	\$ (1,080,804)	\$ 504,979
<u>Housing Rehabilitation</u>				
ASSETS:				
Cash and investments	\$ 304,587	\$ 169,386	\$ (124,610)	\$ 349,363
Loans receivable	669,052	-	(15,000)	654,052
Total assets	\$ 973,639	\$ 169,386	\$ (139,610)	\$ 1,003,415
LIABILITIES:				
Accounts payable	\$ 2,271	\$ 108,750	\$ (87,198)	\$ 23,823
Accrued liabilities	-	-	1,266	1,266
Deposits	159,935	146,750	(108,174)	198,511
Due to HUD	811,433	170,407	(202,025)	779,815
Total liabilities	\$ 973,639	\$ 425,907	\$ (396,131)	\$ 1,003,415
<u>Sheriff Station Renovation</u>				
ASSETS:				
Cash and investments	\$ 13,475	\$ 326	\$ (13,801)	\$ -
Total assets	\$ 13,475	\$ 326	\$ (13,801)	\$ -
LIABILITIES:				
Deposits	\$ 13,263	\$ -	\$ (13,263)	\$ -
Interest payable	212	326	(538)	-
Total liabilities	\$ 13,475	\$ 326	\$ (13,801)	\$ -
<u>Lakewood Business Development</u>				
ASSETS:				
Cash and investments	\$ 1,098,827	\$ 806,646	\$ (1,905,473)	\$ -
Loans receivable	3,933	5	(3,938)	-
Total assets	\$ 1,102,760	\$ 806,651	\$ (1,909,411)	\$ -
LIABILITIES:				
Accounts payable	\$ -	\$ 869,918	\$ (869,918)	\$ -
Interest payable	222	1,024	(1,246)	-
Due to EDA	1,102,538	-	(1,102,538)	-
Total liabilities	\$ 1,102,760	\$ 870,942	\$ (1,973,702)	\$ -

City of Lakewood
Statement of Changes in Fiduciary Assets and Liabilities (Continued)
All Agency Funds
For the Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash and investments	\$ 2,183,972	\$ 1,264,952	\$ (2,594,582)	\$ 854,342
Loans receivable	672,985	5	(18,938)	654,052
Total assets	\$ 2,856,957	\$ 1,264,957	\$ (2,613,520)	\$ 1,508,394
LIABILITIES:				
Accounts payable	\$ 19,450	\$ 1,503,073	\$ (1,498,109)	\$ 24,414
Accrued liabilities	-	-	1,266	1,266
Deposits	923,102	441,045	(661,248)	702,899
Interest payable	434	1,350	(1,784)	-
Due to EDA	1,102,538	-	(1,102,538)	-
Due to HUD	811,433	170,407	(202,025)	779,815
Total liabilities	\$ 2,856,957	\$ 2,115,875	\$ (3,464,438)	\$ 1,508,394



STATISTICAL SECTION



City of Lakewood
Description of Statistical Section Contents
June 30, 2019

This part of the City of Lakewood's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents:	Pages
Financial Trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	150 - 159
Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	160 - 169
Debt Capacity - These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	170 - 177
Demographic and Economic Information - These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.	178 - 179
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report related to the services the City provides and activities it performs.	181 - 185

City of Lakewood
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2010	2011	2012	2013	2014*
Government activities:					
Net investment in capital assets	\$ 85,293,777	\$ 88,276,871	\$ 89,515,476	\$ 90,407,845	\$ 89,075,037
Restricted	14,548,668	14,470,603	18,104,141	12,213,220	3,994,605
Unrestricted	39,198,464	40,166,581	77,688,090	52,582,291	39,712,067
Total governmental activities net position	<u>\$ 139,040,909</u>	<u>\$ 142,914,055</u>	<u>\$ 185,307,707</u>	<u>\$ 155,203,356</u>	<u>\$ 132,781,709</u>
Business-type activities:					
Net investment in capital assets	\$ 22,410,549	\$ 23,324,720	\$ 24,189,811	\$ 24,816,486	\$ 24,587,382
Restricted	-	-	-	-	-
Unrestricted	9,181,738	8,450,077	8,063,991	8,568,199	7,988,528
Total business-type activities net position	<u>\$ 31,592,287</u>	<u>\$ 31,774,797</u>	<u>\$ 32,253,802</u>	<u>\$ 33,384,685</u>	<u>\$ 32,575,910</u>
Primary government:					
Net investment in capital assets	\$ 107,704,326	\$ 111,601,591	\$ 113,705,287	\$ 115,224,331	\$ 113,662,419
Restricted	14,548,668	14,470,603	18,104,141	12,213,220	3,994,605
Unrestricted	48,380,202	48,616,658	85,752,081	61,150,490	47,700,595
Total primary government net position	<u>\$ 170,633,196</u>	<u>\$ 174,688,852</u>	<u>\$ 217,561,509</u>	<u>\$ 188,588,041</u>	<u>\$ 165,357,619</u>

* 2014 unrestricted net positions are restated as result of implementation of GASB Statements No. 68 and 71.

City of Lakewood
Net Position by Component (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2015	2016	2017**	2018	2019
Government activities:					
Net investment in capital assets	\$ 88,511,175	\$ 90,100,125	\$ 94,918,550	\$ 100,416,548	\$ 108,108,047
Restricted	15,464,118	10,805,986	15,160,381	21,751,112	24,069,839
Unrestricted	26,918,679	31,932,235	25,186,231	17,346,009	16,446,872
Total governmental activities net position	<u>\$ 130,893,972</u>	<u>\$ 132,838,346</u>	<u>\$ 135,265,162</u>	<u>\$ 139,513,669</u>	<u>\$ 148,624,758</u>
Business-type activities:					
Net investment in capital assets	\$ 27,408,545	\$ 28,527,530	\$ 27,587,388	\$ 26,543,189	\$ 26,327,391
Restricted	-	-	-	-	-
Unrestricted	6,004,051	6,287,737	9,848,943	11,954,770	13,057,126
Total business-type activities net position	<u>\$ 33,412,596</u>	<u>\$ 34,815,267</u>	<u>\$ 37,436,331</u>	<u>\$ 38,497,959</u>	<u>\$ 39,384,517</u>
Primary government:					
Net investment in capital assets	\$ 115,919,720	\$ 118,627,655	\$ 122,505,938	\$ 126,959,737	\$ 134,435,438
Restricted	15,464,118	10,805,986	15,160,381	21,751,112	24,069,839
Unrestricted	32,922,730	38,219,972	35,035,174	29,300,779	29,503,998
Total primary government net position	<u>\$ 164,306,568</u>	<u>\$ 167,653,613</u>	<u>\$ 172,701,493</u>	<u>\$ 178,011,628</u>	<u>\$ 188,009,275</u>

** 2017 unrestricted net positions are restated as result of implementation of GASB Statement No. 75.

City of Lakewood
Changes in Net Position - Expenses and Program Revenues
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2010	2011	2012	2013	2014
Expenses:					
Governmental Activities:					
General government	\$ 7,405,705	\$ 7,202,986	\$ 7,333,030	\$ 7,527,025	\$ 7,412,703
Public Safety	12,625,750	12,715,680	12,277,420	12,450,911	12,983,054
Transportation	5,156,031	5,247,578	6,068,549	6,137,250	4,587,061
Community development	13,807,173	11,240,548	6,973,684	4,548,531	4,967,510
Health and sanitation	4,282,434	4,451,021	4,612,935	4,692,717	4,925,697
Culture and leisure	9,758,660	10,037,245	9,548,824	10,205,926	11,386,411
Unallocated infrastructure depreciation	2,247,016	2,325,713	2,492,155	2,606,851	2,676,442
Interest on long-term debt	649,264	454,054	650,838	-	-
Total governmental activities expenses	55,932,033	53,674,825	49,957,435	48,169,211	48,938,878
Business-type activities:					
Water	7,473,557	8,113,079	8,703,206	9,358,616	9,990,086
Total primary government expenses	\$ 63,405,590	\$ 61,787,904	\$ 58,660,641	\$ 57,527,827	\$ 58,928,964
Program revenues:					
Governmental activities:					
Charges for services:					
General government	\$ 1,200,911	\$ 1,077,906	\$ 1,177,789	\$ 1,500,664	\$ 1,753,540
Public safety	1,250,887	954,298	904,654	827,333	863,286
Community development	961,786	1,066,061	787,552	887,126	1,199,667
Health and sanitation	4,785,217	4,752,505	4,838,762	4,965,890	5,111,702
Culture and leisure	1,508,914	1,479,616	1,512,728	1,522,022	1,562,310
Operating grants and contributions	7,053,631	8,037,655	3,238,589	3,553,814	4,810,026
Capital grants and contributions	3,166,065	2,760,832	3,077,293	1,538,183	866,959
Total governmental activities program revenues	19,927,411	20,128,873	15,537,367	14,795,032	16,167,490
Business-type activities:					
Charges for services:					
Water	8,154,174	8,124,574	9,096,414	10,573,733	11,711,839
Total primary government program revenues	\$ 28,081,585	\$ 28,253,447	\$ 24,633,781	\$ 25,368,765	\$ 27,879,329
Net revenues (expenses):					
Governmental activities	\$ (36,004,622)	\$ (33,545,952)	\$ (34,420,068)	\$ (33,374,179)	\$ (32,771,388)
Business-type activities	680,617	11,495	393,208	1,215,117	1,721,753
Total net revenues (expenses)	\$ (35,324,005)	\$ (33,534,457)	\$ (34,026,860)	\$ (32,159,062)	\$ (31,049,635)

City of Lakewood
Changes in Net Position - Expenses and Program Revenues (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2015	2016	2017	2018	2019
Expenses:					
Governmental Activities:					
General government	\$ 10,354,630	\$ 7,187,053	\$ 7,618,899	\$ 8,414,207	\$ 8,623,397
Public Safety	13,525,219	14,271,008	14,266,703	14,934,025	15,587,612
Transportation	4,772,202	4,740,336	4,915,779	5,319,350	5,618,743
Community development	4,622,036	4,759,414	5,216,400	5,602,768	5,755,708
Health and sanitation	4,888,091	4,901,125	5,066,047	5,173,751	5,440,069
Culture and leisure	12,090,213	11,770,595	12,757,229	13,919,102	14,023,325
Unallocated infrastructure depreciation	2,695,986	2,721,461	2,732,259	2,680,800	2,610,286
Interest on long-term debt	-	15,143	14,308	12,246	10,065
Total governmental activities expenses	52,948,377	50,366,135	52,587,624	56,056,249	57,669,205
Business-type activities:					
Water	9,554,985	9,628,369	9,316,642	12,124,940	12,722,577
Total primary government expenses	\$ 62,503,362	\$ 59,994,504	\$ 61,904,266	\$ 68,181,189	\$ 70,391,782
Program revenues:					
Governmental activities:					
Charges for services:					
General government	\$ 1,679,199	\$ 1,790,751	\$ 1,961,794	\$ 1,701,064	\$ 1,842,865
Public safety	866,028	912,841	828,408	799,898	824,844
Community development	1,647,432	1,754,359	1,687,297	1,644,380	1,831,695
Health and sanitation	5,242,204	5,309,601	5,430,005	5,493,200	5,736,770
Culture and leisure	1,577,319	1,543,688	1,591,984	1,505,685	1,627,965
Operating grants and contributions	4,176,696	3,585,692	6,100,046	8,633,736	9,751,629
Capital grants and contributions	1,726,390	3,365,208	8,542,663	6,315,712	8,315,163
Total governmental activities program revenues	16,915,268	18,262,140	26,142,197	26,093,675	29,930,931
Business-type activities:					
Charges for services:					
Water	10,311,109	10,930,852	10,873,311	13,003,840	13,354,770
Total primary government program revenues	\$ 27,226,377	\$ 29,192,992	\$ 37,015,508	\$ 39,097,515	\$ 43,285,701
Net revenues (expenses):					
Governmental activities	\$ (36,033,109)	\$ (32,103,995)	\$ (26,445,427)	\$ (29,962,574)	\$ (27,738,274)
Business-type activities	756,124	1,302,483	1,556,669	878,900	632,193
Total net revenues (expenses)	\$ (35,276,985)	\$ (30,801,512)	\$ (24,888,758)	\$ (29,083,674)	\$ (27,106,081)

City of Lakewood
Changes in Net Position - Expenses and Program Revenues (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2010	2011	2012	2013	2014
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Sales taxes	\$ 10,658,959	\$ 11,262,520	\$ 14,217,422	\$ 15,461,092	\$ 15,792,115
Property taxes	19,558,410	19,062,606	14,444,518	12,030,119	11,310,210
Franchise taxes	1,374,501	1,455,300	1,538,068	1,607,535	1,697,405
Business operation taxes	456,269	469,595	546,279	508,100	542,110
Utility user taxes	3,591,722	3,508,512	3,360,149	3,626,639	3,520,414
Other taxes	252,997	246,165	260,456	308,522	322,834
Unrestricted, motor vehicle in lieu	245,415	383,059	41,395	42,894	35,499
Grants and contributions not restricted to specific programs	556,774	1,147,814	1,026,041	893,110	-
Gain on sale of property	-	-	-	108,469	-
Investment income	949,717	566,427	699,751	137,346	377,099
Total governmental activities	<u>37,644,764</u>	<u>38,101,998</u>	<u>36,134,079</u>	<u>34,723,826</u>	<u>33,597,686</u>
Business-type activities:					
Gain on sale of capital assets	-	-	-	-	-
Investment income	259,001	171,015	85,797	59,279	60,664
Total business-type activities	<u>259,001</u>	<u>171,015</u>	<u>85,797</u>	<u>59,279</u>	<u>60,664</u>
Total primary government	<u>\$ 37,903,765</u>	<u>\$ 38,273,013</u>	<u>\$ 36,219,876</u>	<u>\$ 34,783,105</u>	<u>\$ 33,658,350</u>
Changes in net assets, before special and extraordinary item					
Governmental activities	\$ 1,640,142	\$ 4,556,046	\$ 1,714,011	\$ 1,349,647	\$ 808,298
Business-type activities	939,618	182,510	479,005	1,274,396	1,782,417
Special item	-	-	-	-	-
Extraordinary item	-	-	40,679,641	(31,453,996)	-
Changes in net position					
Governmental activities	\$ 1,640,142	\$ 4,556,046	\$ 42,393,652	\$ (30,104,349)	\$ 808,298
Business-type activities	939,618	182,510	479,005	1,274,396	1,782,417
Total primary government	<u>\$ 2,579,760</u>	<u>\$ 4,738,556</u>	<u>\$ 42,872,657</u>	<u>\$ (28,829,953)</u>	<u>\$ 2,590,715</u>

City of Lakewood
Changes in Net Position - Expenses and Program Revenues (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2015	2016	2017	2018	2019
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Sales taxes	\$ 15,890,678	\$ 15,961,352	\$ 14,133,828	\$ 14,303,519	\$ 14,635,987
Property taxes	11,831,561	12,747,876	13,039,739	13,795,722	14,637,510
Franchise taxes	1,757,264	1,699,343	1,430,601	1,598,487	1,543,020
Business operation taxes	565,441	1,016,140	674,880	650,728	651,364
Utility user taxes	3,464,047	3,398,962	3,314,095	3,163,738	3,061,021
Other taxes	372,276	378,213	442,393	424,144	409,432
Unrestricted, motor vehicle in lieu	-	-	-	-	-
Grants and contributions not restricted to specific programs	-	-	-	-	-
Gain on sale of property	-	-	114,000	-	77,715
Investment income	264,105	482,676	459,477	274,743	1,833,314
Total governmental activities	<u>34,145,372</u>	<u>35,684,562</u>	<u>33,609,013</u>	<u>34,211,081</u>	<u>36,849,363</u>
Business-type activities:					
Gain on sale of capital assets	-	-	1,035,021	-	-
Investment income	80,562	100,188	131,040	182,728	254,365
Total business-type activities	<u>80,562</u>	<u>100,188</u>	<u>1,166,061</u>	<u>182,728</u>	<u>254,365</u>
Total primary government	<u>\$ 34,225,934</u>	<u>\$ 35,784,750</u>	<u>\$ 34,775,074</u>	<u>\$ 34,393,809</u>	<u>\$ 37,103,728</u>
Changes in net assets, before special and extraordinary item					
Governmental activities	\$ (1,887,737)	\$ 3,580,567	\$ 7,163,586	\$ 4,248,507	\$ 9,111,089
Business-type activities	836,686	1,402,671	2,722,730	1,061,628	886,558
Special item	-	(1,636,193)	-	-	-
Extraordinary item	-	-	-	-	-
Changes in net position					
Governmental activities	\$ (1,887,737)	\$ 1,944,374	\$ 7,163,586	\$ 4,248,507	\$ 9,111,089
Business-type activities	<u>836,686</u>	<u>1,402,671</u>	<u>2,722,730</u>	<u>1,061,628</u>	<u>886,558</u>
Total primary government	<u>\$ (1,051,051)</u>	<u>\$ 3,347,045</u>	<u>\$ 9,886,316</u>	<u>\$ 5,310,135</u>	<u>\$ 9,997,647</u>

City of Lakewood
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2010 ^(b)	2011 ^(a)	2012	2013	2014
General Fund:					
Reserved	\$ 24,638,651	\$ -	\$ -	\$ -	\$ -
Unreserved	26,616,473	-	-	-	-
Total general fund	<u>\$ 51,255,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:					
Reserved	\$ 21,940,936	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue fund	(780,506)	-	-	-	-
Debt service fund	(26,278,253)	-	-	-	-
Capital project fund	(5,983,071)	-	-	-	-
Total all other governmental funds	<u>\$ (11,100,894)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General fund:					
Nonspendable	\$ -	\$ 17,679,908	\$ 17,874,837	\$ 4,173,679	\$ 2,670,747
Restricted	-	-	-	-	-
Committed	-	28,402,628	30,036,038	29,066,342	32,456,408
Assigned	-	7,774,015	8,349,193	8,589,044	8,738,457
Unassigned	-	1,258,266	2,564,755	3,796,234	3,640,285
Total general fund	<u>\$ -</u>	<u>\$ 55,114,817</u>	<u>\$ 58,824,823</u>	<u>\$ 45,625,299</u>	<u>\$ 47,505,897</u>
All other governmental funds:					
Nonspendable	\$ -	\$ 7,526,041	\$ 8,014,163	\$ 8,536,583	\$ 8,537,919
Restricted	-	11,739,494	6,955,242	3,679,754	4,256,020
Unassigned	-	(33,387,970)	(98,847)	(626,208)	(1,408,079)
Total all other governmental funds	<u>\$ -</u>	<u>\$ (14,122,435)</u>	<u>\$ 14,870,558</u>	<u>\$ 11,590,129</u>	<u>\$ 11,385,860</u>

(a) The City implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54) during the year ended June 30, 2011.

(b) Presentation of fund balances in accordance with GASB 54 is not available for fiscal years prior to 2011.

City of Lakewood
Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2015	2016	2017	2018	2019
General Fund:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue fund	-	-	-	-	-
Debt service fund	-	-	-	-	-
Capital project fund	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General fund:					
Nonspendable	\$ 3,334,102	\$ 9,007,179	\$ 9,242,133	\$ 9,614,693	\$ 9,887,493
Restricted	-	-	-	-	617,122
Committed	28,993,127	22,470,125	24,641,778	25,016,682	24,952,465
Assigned	8,784,875	9,060,489	7,941,985	4,573,815	4,941,360
Unassigned	<u>4,737,497</u>	<u>2,545,033</u>	<u>1,388,222</u>	<u>1,721,244</u>	<u>2,182,964</u>
Total general fund	<u>\$ 45,849,601</u>	<u>\$ 43,082,826</u>	<u>\$ 43,214,118</u>	<u>\$ 40,926,434</u>	<u>\$ 42,581,404</u>
All other governmental funds:					
Nonspendable	\$ 10,614,864	\$ 7,216,652	\$ 7,293,057	\$ -	\$ -
Restricted	4,807,418	10,304,699	11,811,420	21,385,895	23,637,463
Unassigned	<u>(834,768)</u>	<u>(657,720)</u>	<u>(3,223,534)</u>	<u>(2,000,042)</u>	<u>(2,813,850)</u>
Total all other governmental funds	<u>\$ 14,587,514</u>	<u>\$ 16,863,631</u>	<u>\$ 15,880,943</u>	<u>\$ 19,385,853</u>	<u>\$ 20,823,613</u>

City of Lakewood
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2010	2011	2012	2013	2014
Revenues:					
Taxes	\$ 30,797,180	\$ 31,649,661	\$ 27,467,122	\$ 26,411,985	\$ 26,076,260
Licenses and permits	713,054	770,650	635,098	882,983	860,267
Fines and forfeitures	1,013,090	881,450	817,092	782,011	794,905
Investment income, rents and concessions	1,811,706	5,450,149	3,635,549	1,015,685	1,229,344
From other agencies	14,843,273	15,618,323	13,998,687	11,734,813	11,732,076
Current service charges	7,634,788	7,746,660	8,015,864	8,416,888	7,354,833
Other	310,301	1,168,393	138,664	250,038	1,209,438
Total revenues	57,123,392	63,285,286	54,708,076	49,494,403	49,257,123
Expenditures:					
Current:					
General government	7,348,565	6,859,346	6,975,939	7,080,629	7,198,445
Public safety	12,572,454	12,671,881	12,217,707	12,374,488	12,622,353
Transportation	5,071,028	5,230,678	6,018,040	6,108,720	4,454,458
Community Development	13,283,953	10,491,644	5,873,608	4,358,375	4,822,302
Health and sanitation	4,281,204	4,449,913	4,612,804	4,690,837	4,789,347
Culture and leisure	9,007,504	9,346,305	8,813,262	9,440,235	11,057,389
Capital outlay:					
General government	124,233	-	33,803	4,054	-
Public safety	-	71,053	41,530	543,434	-
Transportation	2,961,116	4,946,347	3,909,593	3,061,913	1,412,843
Community Development	412,622	72,347	-	-	-
Culture and leisure	1,910,047	1,301,069	933,986	1,653,418	1,194,657
Debt service:					
Owner participation agreement payments	761,781	764,882	-	-	-
Principal retirement	960,000	1,000,000	1,040,000	-	-
Interest and fiscal charges	3,048,683	4,558,769	3,876,203	-	-
Total expenditures	61,743,190	61,764,234	54,346,475	49,316,103	47,551,794
Excess of revenues over (under) expenditures	(4,619,798)	1,521,052	361,601	178,300	1,705,329
Other financing sources (uses):					
Issuance of lease payable	-	-	-	-	-
Transfers in	6,241,294	5,940,999	3,309,912	2,457,077	2,597,281
Transfers out	(6,241,294)	(5,940,999)	(3,309,912)	(2,457,077)	(2,597,281)
Sale of capital assets	-	-	-	511,875	-
Total other financing sources (uses)	-	-	-	511,875	-
SPECIAL ITEMS:					
Transfer to HACoLA	-	-	(926,715)	-	-
Gain(loss) on interest adjustment on the loans to the Successor Agency	-	-	-	-	-
Net change in fund balances, before extraordinary items	(4,619,798)	1,521,052	(565,114)	690,175	1,705,329
EXTRAORDINARY ITEM:					
Gain (loss) on dissolution of Redevelopment Agency	-	-	33,268,113	(17,199,128)	-
Net change in fund balances	\$ (4,619,798)	\$ 1,521,052	\$ 32,702,999	\$ (16,508,953)	\$ 1,705,329
Debt service as a percentage of noncapital expenditures	7.10%	10.04%	10.04%	0.00%	0.00%

City of Lakewood
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2015	2016	2017	2018	2019
Revenues:					
Taxes	\$ 26,285,474	\$ 28,512,153	\$ 27,428,381	\$ 27,840,342	\$ 28,653,388
Licenses and permits	1,236,029	1,305,394	1,271,711	1,213,898	1,356,208
Fines and forfeitures	800,988	792,042	726,158	803,671	877,832
Investment income, rents and concessions	1,348,984	1,579,999	1,628,636	1,549,043	3,172,061
From other agencies	12,262,584	13,040,289	16,801,522	21,529,691	22,305,483
Current service charges	7,603,770	7,820,247	7,676,870	7,727,896	8,102,123
Other	3,883,093	1,319,267	1,332,492	1,296,960	1,369,123
Total revenues	53,420,922	54,369,391	56,865,770	61,961,501	65,836,218
Expenditures:					
Current:					
General government	10,121,711	7,469,038	7,598,738	7,775,703	7,928,367
Public safety	13,279,510	14,035,382	13,957,135	14,643,744	15,297,771
Transportation	4,529,295	4,848,633	4,794,659	4,938,424	4,994,979
Community Development	4,550,855	4,877,917	5,266,588	5,448,344	5,576,834
Health and sanitation	4,884,931	4,908,103	5,064,902	5,173,879	5,406,156
Culture and leisure	11,029,303	11,356,886	11,845,756	12,296,334	12,275,314
Capital outlay:					
General government	43,032	60,392	71,163	125,383	201,076
Public safety	-	894,527	-	-	-
Transportation	605,487	2,474,885	7,838,438	6,122,168	9,821,988
Community Development	55,238	85,996	30,256	7,116	24,532
Culture and leisure	2,776,202	2,443,762	1,313,659	4,163,308	1,994,314
Debt service:					
Owner participation agreement payments	-	-	-	-	-
Principal retirement	-	31,313	35,564	37,626	39,807
Interest and fiscal charges	-	15,143	14,308	12,246	10,065
Total expenditures	51,875,564	53,501,977	57,831,166	60,744,275	63,571,203
Excess of revenues over (under) expenditures	1,545,358	867,414	(965,396)	1,217,226	2,265,015
Other financing sources (uses):					
Issuance of lease payable	-	278,121	-	-	750,000
Transfers in	2,107,215	1,771,504	1,564,966	1,808,209	1,571,741
Transfers out	(2,107,215)	(1,771,504)	(1,564,966)	(1,808,209)	(1,571,741)
Sale of capital assets	-	-	114,000	-	77,715
Total other financing sources (uses)	-	278,121	114,000	-	827,715
SPECIAL ITEMS:					
Transfer to HACoLA	-	-	-	-	-
Gain(loss) on interest adjustment on the loans to the Successor Agency	-	(1,636,193)	-	-	-
Net change in fund balances, before extraordinary items	1,545,358	(490,658)	(851,396)	1,217,226	3,092,730
EXTRAORDINARY ITEM:					
Gain (loss) on dissolution of Redevelopment Agency	-	-	-	-	-
Net change in fund balances	\$ 1,545,358	\$ (490,658)	\$ (851,396)	\$ 1,217,226	\$ 3,092,730
Debt service as a percentage of noncapital expenditures	0.00%	0.10%	0.10%	0.10%	0.10%

City of Lakewood
Major Tax Revenue By Sources
Last Ten Fiscal Years

Fiscal Year Ended June 30	Sales Taxes	Property Taxes	Franchise Taxes	Business Operation Taxes	Utility User Taxes	Other Taxes	Total
2010	\$ 10,658,959	19,558,410	\$ 1,374,501	\$ 456,269	\$ 3,591,722	\$ 252,997	\$ 35,892,858
2011	11,262,520	19,062,606	1,455,300	469,595	3,508,512	246,165	36,004,698
2012	14,217,422	14,444,518	1,538,068	546,279	3,360,149	260,456	34,366,892
2013	15,461,092	12,030,119	1,607,535	508,100	3,626,639	308,522	33,542,007
2014	15,792,115	11,310,210	1,697,405	542,110	3,520,414	322,834	33,185,088
2015	15,890,678	11,831,561	1,757,264	565,441	3,464,047	372,276	33,881,267
2016	15,961,352	12,747,876	1,699,343	1,016,140	3,398,962	378,213	35,201,886
2017	14,133,828	13,039,739	1,430,601	674,880	3,314,095	442,393	33,035,536
2018	14,303,519	13,795,722	1,598,487	650,728	3,163,738	424,144	33,936,338
2019	14,635,987	14,637,510	1,543,020	662,914	3,061,021	409,432	34,949,884

City of Lakewood
Top 25 Sales Tax Producers
Current Year and Nine Fiscal Years Ago

2019		2010	
Business Name	Business Category	Business Name	Business Category
Arco AM PM	Service Stations	76 Station	Service Stations
Best Buy	Electronics/Appliance Stores	Arco AM PM	Service Stations
Caruso Ford Lincoln	New Motor Vehicle Dealers	Bed Bath & Beyonds	Home Furnishings
Chevron	Service Stations	Best Buy	Electronics/Appliance Stores
CostCo	Discount Dept Stores	Caruso Ford Lincoln	New Motor Vehicle Dealers
CVS Pharmacy	Drug Stores	CostCo	Discount Dept Stores
Foot Locker	Shoe Stores	CVS Pharmacy	Drug Stores
Ganahl Lumber	Building Materials	Forever 21	Women's Apparel
Harbor Chevrolet/Hyundai	New Motor Vehicle Dealers	Harbor Chevrolet/Hyundai	New Motor Vehicle Dealers
Home Depot	Building Materials	Home Depot	Building Materials
JC Penney	Department Stores	JC Penney	Department Stores
Kohls	Department Stores	Kohls	Department Stores
Macys	Department Stores	Lakewood AM PM	Service Stations
Marshalls	Family Apparel	Lakewood Arco	Service Stations
McDonalds	Quick-Service Restaurants	Lakewood Chevron	Service Stations
Raising Cane's	Quick-Service Restaurants	Macys	Department Stores
Ross	Family Apparel	Marshalls	Family Apparel
Russell Sigler	Contractors	McDonalds	Quick-Service Restaurants
Target	Discount Dept Stores	Pacific Ford	New Motor Vehicle Dealers
United Oil	Service Stations	Rapid Gas	Service Stations
Victoria's Secret	Women's Apparel	Ross	Family Apparel
Vons	Grocery Stores	Target	Discount Dept Stores
Vons Fuel	Service Stations	Vons	Grocery Stores
Walgreens	Drug Stores	Vons Fuel	Service Stations
Walmart Supercenter	Discount Dept Stores	Walmart Supercenter	Discount Dept Stores

Source: HDL

Note: Due to confidentiality issues, the names of the top ten largest revenue payers are not available. The listed names are intended to provide alternative information regarding the sources of the City's revenue

City of Lakewood
Taxables Sales by Category
Last Ten Calendar Years

(in thousands of dollars)

	Fiscal Years				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Apparel Stores	\$ 97,887	\$ 91,080	\$ 90,540	\$ 91,821	\$ 94,682
General Merchandise	246,678	280,026	306,949	322,971	329,626
Food Stores	35,846	32,776	35,780	41,353	44,442
Eating and Drinking Places	139,486	139,487	147,412	157,219	167,347
Building Materials	52,250	52,489	55,154	58,739	63,714
Auto Dealers and Supplies	84,595	100,609	113,960	114,821	100,940
Service Stations	100,504	110,969	129,070	134,787	128,494
Other Retail Stores	161,251	164,822	163,435	177,164	178,010
All Other Outlets	<u>131,054</u>	<u>138,306</u>	<u>150,988</u>	<u>157,199</u>	<u>174,803</u>
	<u><u>\$ 1,049,551</u></u>	<u><u>\$ 1,110,564</u></u>	<u><u>\$ 1,193,288</u></u>	<u><u>\$ 1,256,074</u></u>	<u><u>\$ 1,282,058</u></u>

Source: HDL

City of Lakewood
Taxables Sales by Category (Continued)
Last Ten Calendar Years
(in thousands of dollars)

	Fiscal Years				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Apparel Stores	\$ 100,090	\$ 104,262	\$ 108,777	\$ 107,971	\$ 111,925
General Merchandise	339,237	335,292	326,877	332,043	319,083
Food Stores	46,198	47,494	47,845	46,073	46,429
Eating and Drinking Places	176,455	189,057	197,497	204,971	208,381
Building Materials	66,480	67,557	73,781	78,690	91,179
Auto Dealers and Supplies	113,843	133,160	154,323	161,696	130,424
Service Stations	123,183	100,673	86,673	93,554	107,480
Other Retail Stores	185,630	190,440	191,145	195,787	196,820
All Other Outlets	188,879	192,439	209,133	220,039	221,375
	<u>\$ 1,339,995</u>	<u>\$ 1,360,374</u>	<u>\$ 1,396,051</u>	<u>\$ 1,440,824</u>	<u>\$ 1,433,096</u>

Source: HDL

City of Lakewood
City Sales Tax Rates
Last Ten Fiscal Years
(Rate at June 30th of Fiscal Year)

	Fiscal Years									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City Sales Tax rate	9.750%	8.750%	8.750%	9.000%	9.000%	9.000%	9.000%	8.750%	9.500%	9.500%

City of Lakewood
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30	Secured	Nonunitary	Unsecured	Taxable Assessed Value	Total Direct Tax Rate
2010	6,877,477	268	129,973	7,007,718	0.180%
2011	6,899,318	268	132,663	7,032,249	0.180%
2012	7,028,289	258	140,375	7,168,922	0.181%
2013	7,132,189	258	149,168	7,281,615	0.186%
2014	7,335,693	258	138,341	7,474,292	0.061%
2015	7,750,838	258	148,398	7,899,494	0.061%
2016	8,155,338	258	142,831	8,298,427	0.060%
2017	8,561,782	258	136,052	8,698,092	0.060%
2018	9,028,557	225	136,546	9,165,328	0.060%
2019	9,513,618	225	141,465	9,655,309	0.060%

Note: In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is re-assessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

City of Lakewood
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate per \$100 of assessed value)

	Fiscal Years									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City Direct Rates:										
City basic rate	\$ 0.1796	\$ 0.1799	\$ 0.1811	\$ 0.1855	\$ 0.0607	\$ 0.0606	\$ 0.0604	\$ 0.0603	\$ 0.0602	\$ 0.0602
Overlapping Rates:										
Los Angeles County	-	-	-	-	-	-	-	-	-	-
School Districts	0.2824	0.2686	0.2830	0.3200	0.3039	0.3681	0.3066	0.3980	0.5239	0.5198
Sanitation and Water	-	-	-	-	-	-	-	-	-	-
Water Districts	0.0043	0.0037	0.0037	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035
Other	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
Total Direct Rate	<u>\$ 1.4663</u>	<u>\$ 1.4522</u>	<u>\$ 1.4679</u>	<u>\$ 1.5090</u>	<u>\$ 1.3681</u>	<u>\$ 1.4322</u>	<u>\$ 1.3706</u>	<u>\$ 1.4619</u>	<u>\$ 1.5876</u>	<u>\$ 1.5835</u>

Note: In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the School District bonds.

City of Lakewood
Principal Property Taxpayers
Current Year and Nine Fiscal Years Ago

	2019		2010	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
<u>Taxpayer</u>				
Macerich Lakewood LLC	\$ 373,175,551	3.86%	\$ 269,097,430	3.84%
Towne Center Fee Owner LLC	98,287,302	1.02%	N/A	N/A
Lakewood Manor Apartments LLC	93,167,620	0.96%	N/A	N/A
Lakewood Regional Medical Center	61,509,891	0.64%	68,201,288	0.97%
Lakewood Marketplace LLC	40,486,814	0.42%	35,551,491	0.51%
May Company Department Stores	35,695,346	0.37%	33,979,879	0.48%
Carwood Center LLC	33,420,536	0.35%	29,529,348	0.42%
Advanced Group	32,123,891	0.33%	81,808,556	1.17%
Lakewood Associates LLC	31,589,747	0.33%	27,911,737	0.40%
Regency Center LLC	30,764,678	0.32%	26,653,776	0.38%
Total	<u>\$ 830,221,376</u>	<u>8.6%</u>	<u>\$ 572,733,505</u>	<u>8.2%</u>

Note: The amounts shown above include assessed value data for both the City and the Redevelopment Agency.



City of Lakewood
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$	3,556,539	\$ 3,481,743	97.90%	\$ 74,796	\$ 3,556,539	100.00%
2011		3,735,728	3,574,761	95.69%	120,220	3,694,981	98.91%
2012		3,811,051	3,593,697	94.30%	217,354	3,811,051	100.00%
2013		4,024,637	3,811,325	94.70%	213,311	4,024,636	100.00%
2014		4,109,676	4,017,643	97.76%	92,033	4,109,676	100.00%
2015		4,251,103	4,158,507	97.82%	92,596	4,251,103	100.00%
2016		4,553,569	4,452,399	97.78%	101,169	4,553,568	100.00%
2017		4,613,693	4,456,610	96.60%	157,083	4,613,693	100.00%
2018		4,960,161	4,808,236	96.94%	151,925	4,960,161	100.00%
2019		5,235,071	5,104,779	97.51%	130,292	5,235,071	100.00%

Note:

In FY 2011, historical data was updated due to inaccurate levy amounts reported in prior fiscal years. The levied amounts were corrected in accordance with Los Angeles County Auditor-Controller numbers.

* Sum of Property Tax 06-07 Current Year Secured and Unsecured Taxes and Prior Year's Taxpayer Refund (based on Internal Cash Control Form)

City of Lakewood
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Governmental Activities				
Fiscal Year Ended June 30	General Obligation Bonds	Tax Allocation Bonds ¹	Lease Payable	Total Governmental Activities
2010	-	9,442,892	-	9,442,892
2011	-	8,447,372	-	8,447,372
2012	-	- ²	-	-
2013	-	- ²	-	-
2014	-	- ²	-	-
2015	-	- ²	-	-
2016	-	- ²	246,808	246,808
2017	-	- ²	211,244	211,244
2018	-	- ²	173,617	173,617
2019	-	- ²	883,811	883,811

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Prior year amounts were restated to include premium and adjustments.

² The Tax Allocation Bonds were transferred to the Successor Agency during the year ended June 30, 2012.

City of Lakewood
Ratios of Outstanding Debt by Type (Continued)
Last Ten Fiscal Years

Business-type Activities						
Water Revenue Bonds	Loan Payable to Water Replacement District	Lease Payable	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
5,666,181	1,676,353	-	7,342,534	16,785,426	0.76%	202
5,112,062	1,777,321	-	6,889,383	15,336,755	0.69%	183
4,537,944	1,579,841	-	6,117,785	6,117,785	0.27%	76
4,038,895	1,382,361	-	5,421,256	5,421,256	0.23%	67
3,385,206	1,184,881	-	4,570,087	4,570,087	0.19%	56
2,456,517	987,401	-	3,443,918	3,443,918	0.15%	42
-	789,921	1,762,532	2,552,453	2,799,261	0.12%	36
-	592,441	10,494,954	11,087,395	11,298,639	0.47%	143
-	394,961	10,139,347	10,534,308	10,707,925	0.43%	132
-	197,480	9,378,045	9,575,525	10,459,336	0.41%	129

¹ These ratios are calculated using personal income and population for the prior calendar year.

City of Lakewood
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In thousands, except per capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent Assessed Value ¹	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
2010	-	9,475	9,475	0.14%	-
2011	-	-	-	0.12%	-
2012	-	-	-	0.00%	-
2013	-	-	-	0.00%	-
2014	-	-	-	0.00%	-
2015	-	-	-	0.00%	-
2016	-	-	-	0.00%	-
2017	-	-	-	0.00%	-
2018	-	-	-	0.00%	-
2019	-	-	-	0.00%	-

Notes: General bonded is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

¹ Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

City of Lakewood

Direct and Overlapping Debt

As of June 30, 2019

Total Assessed Valuation		\$8,451,334,788	
	Percentage Applicable ¹	Outstanding Debt 6/30/19	Estimated Share of Overlapping Debt
Overlapping Debt:			
Metropolitan Water District	0.694%	\$ 23,317,224	161,903
Cerritos Community College District 2004 Series 2009C	7.196%	1,360,000	97,869
Cerritos Community College District 2004 Series 2012D	7.196%	80,556,991	5,797,092
Cerritos Community College District 2012 Series 2014A	7.196%	73,900,000	5,318,037
Cerritos Community College District 2014 Ref Bonds Series A	7.196%	77,305,000	5,563,070
Cerritos Community College District 2014 Ref Bonds Series B	7.196%	11,900,000	856,355
Cerritos Community College District 2012 Series 2018B	7.196%	168,430,000	12,120,664
Compton Community College District 2002 Series 2008A	2.817%	320,000	9,016
Compton Community College District 2002 Series 2012C	2.817%	14,301,318	402,919
Compton Community College District 2012 Refunding Bonds	2.817%	9,545,000	268,917
Compton Community College District 2002 Series 2013D	2.817%	16,407,909	462,269
Compton Community College District 2014 REF	2.817%	16,360,000	460,920
Compton Community College District 2015 REF BONDS	2.817%	12,485,000	351,747
Compton Community College District 2014 Series A	2.817%	50,440,677	1,421,094
Long Beach Community College District DS 2002 Series D 2007	8.562%	15,767,306	1,349,968
Long Beach Community College District 2008 Series 2009B	8.562%	15,096,105	1,292,501
Long Beach Community College District Ref 02 12 Series A	8.562%	34,060,000	2,916,156
Long Beach Community College District DS Ref Bonds 2014 Series C	8.562%	139,578,695	11,950,478
Long Beach Community College District DS Ref Bonds 2014 Series E	8.562%	7,850,000	672,103
Long Beach Community College District DS Ref Bonds 2015 Series F	8.562%	42,430,000	3,632,781
Long Beach Community College District DS 2008 Series D	8.562%	28,165,000	2,411,437
Long Beach Community College District DS 2016 Series B	8.562%	55,570,000	4,757,804
Long Beach Community College District DS Ref Bonds 2017 Series G	8.562%	81,655,000	6,991,155
ABC Unified School District 2003 Ref Bond Series A	10.840%	26,204,469	2,668,733
ABC Unified School District DS 1997 Series B	10.184%	6,055,000	616,657
Bellflower Unified School District, District 2012 Series A	27.713%	34,360,000	9,522,134
Bellflower Unified School District, District 2012 Series B	27.713%	41,915,000	11,615,840
Long Beach Unified School District DS 2008 Refunding Bonds	8.560%	19,540,606	1,672,684
Long Beach Unified School District DS 2008 Series A	8.560%	20,910,000	1,789,905
Long Beach Unified School District DS 2009 Ref Bonds Series B	8.560%	1,500,000	128,401
Long Beach Unified School District DS 2010 Ref Bonds Series A	8.560%	38,265,000	3,275,500
Long Beach Unified School District DS 2008 SR B-1 QSCB	8.560%	72,406,000	6,197,983
Long Beach Unified School District DS 2011 Refunding Bonds	8.560%	7,725,686	661,322
Long Beach Unified School District DS 2012 Refunding Bonds	8.560%	79,675,000	6,820,213
Long Beach Unified School District DS 2008 Series C	8.560%	34,010,000	2,911,270
Long Beach Unified School District DS 2008 Series D	8.560%	249,328,410	21,342,615
Long Beach Unified School District DS 2016 Refunding Bonds	8.560%	136,395,000	11,675,468
Long Beach Unified School District DS 2008 Series E	8.560%	149,395,000	12,788,274
Long Beach Unified School District DS 2016 Series A	8.560%	268,085,000	22,948,186
Paramount Unified School District 2006 Series 2011 Bonds	10.044%	41,316,359	4,149,824
Paramount Unified School District 2006 2013 Series C	10.044%	32,638,515	3,278,220
Paramount Unified School District Ref Bond Series 2015	10.044%	31,145,000	3,128,211
Paramount Unified School District 2016 Series 2017A	10.044%	22,845,000	2,294,557
Paramount Unified School District 2016 Series 2018B	10.044%	30,496,089	3,063,034
Total overlapping debt		\$ 2,321,012,359	\$ 201,815,286
City Direct Debt:			
Lease payable	100.000%	883,811	883,811
Total Direct and Overlapping Debt			\$ 202,699,097

¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Statistical. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident—and therefore responsible for repaying the debt—of each overlapping government.

City of Lakewood
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Years				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Assessed valuation (In thousands)	\$ 7,007,717	\$ 7,032,248	\$ 7,168,922	\$ 7,281,614	\$ 7,474,292
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit (In thousands)	1,051,158	1,054,837	1,075,338	1,092,242	1,121,144
Total net debt applicable to the limit:					
General obligation bonds (In thousands)	-	-	-	-	-
Legal debt margin (In thousands)	<u>\$ 1,051,158</u>	<u>\$ 1,054,837</u>	<u>\$ 1,075,338</u>	<u>\$ 1,092,242</u>	<u>\$ 1,121,144</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%

Note: Section 43605 of the Government Code of the State of California limits the amount of indebtedness for public improvements to 15% of the assessed valuation of all real and personal property of the City.

The City of Lakewood has no general bonded indebtedness.

City of Lakewood
Legal Debt Margin Information (Continued)
Last Ten Fiscal Years

	Fiscal Years				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assessed valuation (In thousands)	\$ 7,899,494	\$ 8,298,427	\$ 8,698,092	\$ 9,165,328	\$ 9,655,309
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit (In thousands)	1,184,924	1,244,764	1,304,714	1,374,799	1,448,296
Total net debt applicable to the limit:					
General obligation bonds (In thousands)	-	-	-	-	-
Legal debt margin (In thousands)	<u>\$ 1,184,924</u>	<u>\$ 1,244,764</u>	<u>\$ 1,304,714</u>	<u>\$ 1,374,799</u>	<u>\$ 1,448,296</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%

Note: Section 43605 of the Government Code of the State of California limits the amount of indebtedness for public improvements to 15% of the assessed valuation of all real and personal property of the City.

The City of Lakewood has no general bonded indebtedness.

City of Lakewood
Pledged-Revenue Coverage
Last Ten Fiscal Years
(In thousands)

Fiscal Year Ended June 30	Water Revenue Bonds					
	Water Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2010	8,154	6,008	2,146	560	258	2.62
2011	8,132	6,556	1,576	580	238	1.93
2012	9,096	7,090	2,006	600	218	2.45
2013	10,574	7,696	2,878	620	196	3.53
2014	11,712	6,927	4,785	645	172	5.86
2015	10,311	7,826	2,485	670	148	3.04
2016	10,931	7,849	3,082	687	67	4.09
2017	10,873	7,280	3,593	233	45	12.92
2018	13,004	9,589	3,415	233	38	12.60
2019	13,355	10,473	2,882	245	32	10.40

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

City of Lakewood
Pledged-Revenue Coverage (Continued)
Last Ten Fiscal Years
(In thousands)

Fiscal Year Ended June 30	Tax Allocation Bonds			
	Tax Increment	Debt Service		Coverage
		Principal	Interest	
2010	9,305	960	468	6.52
2011	8,747	1,000	426	6.13
2012	4,010	1,040	381	2.82
2013	1,418	1,085	333	1.00
2014	1,436	1,155	281	1.00
2015	1,435	1,210	225	1.00
2016	1,430	1,265	165	1.00
2017	1,432	1,330	102	1.00
2018	1,425	1,390	35	1.00
2019	-	-	-	-

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

City of Lakewood
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2009	83,196	2,207,459	26,533	7.5%
2010	83,636	2,216,103	26,497	8.2%
2011	80,378	2,297,042	28,578	8.0%
2012	80,781	2,386,755	29,546	7.1%
2013	81,224	2,388,960	29,412	4.9%
2014	81,261	2,363,232	29,082	6.4%
2015	78,471	2,426,233	30,918	5.2%
2016	79,272	2,406,040	30,351	4.0%
2017	81,179	2,490,791	30,682	3.3%
2018	81,352	2,579,207	31,704	4.4%

City of Lakewood
Principal Employers
Current Year and Nine Fiscal Years Ago

Employer	2019		2010	
	Number of Employees	Percentage of Total Employment*	Number of Employees	Percent of Total Employment
Long Beach Unified School District	923	2.25%	901	5.40%
Lakewood Regional Medical Center	812	1.98%	N/A	N/A
City of Lakewood	583	1.42%	604	3.62%
Dept. of Children & Family Services	511	1.24%	550	3.29%
Bellflower Unified School District	491	1.19%	418	2.50%
LA County Sheriff's Department	384	0.93%	317	1.90%
ABC Unified School District	376	0.91%	360	2.16%
Wal-Mart	374	0.91%	N/A	N/A
CostCo	317	0.77%	N/A	N/A
Albertson's	269	0.65%	500	2.99%
Long Beach Mazda	N/A	N/A	400	2.40%
Piazza McDonald's	N/A	N/A	258	1.55%
Pacific Ford	N/A	N/A	250	1.50%

* Based on updated estimated U.S. Census Bureau's Labor Force count (2019)



City of Lakewood
Full-Time City Employees by Function
Last Ten Fiscal Years

<u>Division</u>	Fiscal Years									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City Administration	32	32	32	32	31	30	30	30	29	29
City Clerk	2	2	2	2	2	2	2	2	2	2
Administrative Services	21	21	21	21	21	20	21	21	20	20
Community Development	15	15	15	15	15	14	14	14	14	14
Public Works	31	31	31	31	31	31	32	32	32	32
Recreation and Community Services	59	59	59	59	60	62	62	62	61	61
Water Resources	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>17</u>	<u>17</u>
Total	<u>179</u>	<u>179</u>	<u>179</u>	<u>179</u>	<u>179</u>	<u>178</u>	<u>180</u>	<u>180</u>	<u>175</u>	<u>175</u>

City of Lakewood
Operating Indicators by Function
Last Ten Fiscal Years

		Fiscal Years				
		<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Public works:						
Street resurfacing (miles)		4	8	6	6	1
Recreation and community services:						
Number of recreation classes		1,945	2,230	1,805	1,786	1,812
Number of facility rentals		4,845	5,486	6,871	7,320	7,473
Water						
New connections		7	12	27	24	11
Number of consumers		20,396	20,421	20,440	20,453	20,469
Average daily consumption (thousands of gallons)		7,323	6,920	7,200	7,330	7,549
Community development						
Number of building permits issued	*	2,825	2,889	2,781	2,915	3,107

*Includes both residential and commercial permits.

City of Lakewood
Operating Indicators by Function (Continued)
Last Ten Fiscal Years

	Fiscal Years				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Public works:					
Street resurfacing (miles)	-	1	-	-	3
Recreation and community services:					
Number of recreation classes	1,615	1,931	1,711	1,924	1,888
Number of facility rentals	8,259	7,919	5,838	1,577**	1,715**
Water					
New connections	6	2	7	4	9
Number of consumers	20,489	20,481	20,180	20,196	20,148
Average daily consumption (thousands of gallons)	6,857	5,887	6,262	6,050	5,954
Community development					
Number of building permits issued	3,457	4,408	4,051	3,986	3,765

*Includes both residential and commercial permits.

**In November 2016 the RCS Department initiated a transition from CLASS facility booking software to the ActiveNet online system. For the duration of 2017 to date, inclusive of the 2017/18 fiscal year, the ActiveNet system has represented blocks of facility reservations for multiple dates as one event. The CLASS system previously represented a block of facility reservations for multiple dates as many events- i.e. one date equals one event. This is the reason for the significant decline in facility rentals from FY 2017 to FY 2018.

City of Lakewood
Capital Assets Statistics by Function
Last Ten Fiscal Years

	Fiscal Years				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Public works:					
Streets (miles)	196	196	196	196	196
Streetlights	6,654	6,654	6,654	6,654	6,654
Recreation and community services:					
Number of recreation facilities	13	13	13	13	13
Acreage of facilities	189.0	189.0	189.0	189.0	189.0
Number of pools	2	2	2	2	2
Water					
Water mains (miles)	195.00	195.00	195.00	195.00	195.00
Wastewater					
Sewers (miles)	167.00	167.00	167.00	167.00	167.00

*Increase in acreage of recreation facilities due to completion
of nature trails within City limits

City of Lakewood
Capital Assets Statistics by Function (Continued)
Last Ten Fiscal Years

	Fiscal Years				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Public works:					
Streets (miles)	196	196	196	196	196
Streetlights	6,654	6,654	6,654	6,654	6,654
Recreation and community services:					
Number of recreation facilities	13	13	13	13	13
Acreage of facilities	189.0	189.0	189.0	189.0	189.0
Number of pools	2	2	2	2	2
Water					
Water mains (miles)	195.00	195.00	195.00	195.00	195.00
Wastewater					
Sewers (miles)	167.00	167.00	167.00	167.00	167.00



**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***

Independent Auditors' Report

To the Honorable Mayor and Members of City Council
of the City of Lakewood
Lakewood, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakewood, California (the "City") as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic 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.

Compliance and Other Matters

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

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

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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
November 26, 2019

D I V I D E R S H E E T

COUNCIL AGENDA

December 10, 2019

TO: The Honorable Mayor and City Council

SUBJECT: Approval of Agreements for Water Billing and Data Management Services

BACKGROUND

On Saturday November 9, 2019, the City of Lakewood was informed that its current water billing services vendor, Global Water Management, Inc. (Fathom), would no longer be providing service to its clients and would cease operations on November 30, 2019. On November 12, Fathom offered a solution that involved contracting with an alternate service provider, Vertex Data Utility Services, LLC (Vertex), which proposed to acquire the rights to utilize Fathom's software and billing platform to provide uninterrupted billing services to the City and its customers for a period of time until the migration to Vertex's platform. This solution was contingent upon Vertex receiving contract commitments from a minimum number of utilities. On November 24, the City was notified by Vertex that the necessary level of commitment from other utilities was not secured, effectively rendering Fathom's proposed solution unviable. In the meantime, a new entity emerged who made a proposal to buy Fathom outright.

On November 26, in a Special Meeting Study Session of the City Council, the City Council received an update on the status of the Fathom situation and outlined what were the only two viable options available to the City at the time that would provide for some semblance of continuity and the least disruption for our customers:

- 1) The scenario whereby the new entity purchased Fathom; and,
- 2) The scenario whereby the City contracts with the various Fathom subcontractors and takes on the "back office" functions that Fathom had heretofore been performing (Conglomerate Solution).

It was conveyed to the City Council that Scenario #1 was a matter between Fathom and the new entity, and if formalized would not require any action on the City's part because, in effect, the City's contractual relationship with Fathom would not change (in so much as the new entity would essentially become Fathom). It was also conveyed that Scenario #2 would only come into play if Scenario #1 did not materialize, but that it (Conglomerate Solution) would require the approval of various contracts with the respective subcontractors.

On December 5, the City was informed that the entity attempting to buy Fathom was unsuccessful in its efforts, thus eliminating Scenario #1 as an option. All along, the City was endeavoring to better understand the scope of duties and costs involved under the Conglomerate Solution related to the "back office" functions. The City of Huntington Beach uses the same conglomeration of subcontracts to perform its water billing functions, with the City (Huntington Beach) fulfilling the "back office" functions. City staff visited Huntington Beach's Water Billing operation earlier this

week to observe how they do so and left feeling very comfortable that Lakewood staff could easily perform the necessary "back office" functions. This knowledge gives us much more confidence in recommending moving forward with Scenario #2. It should be noted that earlier in the week we were notified that Fathom has extended the continuance of their operation to December 17 (possibly December 20), allowing its customers, including the City, additional time to execute the requisite contracts with the various subcontractors.

Background on Scenario #2 Option (Conglomerate Solution):

Fathom currently uses a combination of proprietary software and subcontractor technology to provide several components of its billing services to the City. The billing software component that Fathom uses is a proprietary product owned by Advanced Utility Systems (AUS). AUS has offered a solution that meets the City's short-term and long-term objectives of seamless transition for our customers. The short-term solution includes interim managed services to ensure uninterrupted billing and support services to the City consistent with the level of service currently provided by Fathom. This involves the transfer of the City's customer and billing data from Fathom to AUS to the same software that Fathom currently uses, which ensures immediate continuity by eliminating the need to design, change, and test a new billing system. AUS will also provide the necessary personnel to generate bills, make any customer data changes and apply customer payments until City staff is fully trained to use the AUS technology. Additionally, the AUS system is already integrated with Paymentus, a separate vendor that processes debit and credit transactions, and Utilitec, a separate bill print and mail service provider; thus, migration efforts will be minimal to the City. In the long term, the City will have the opportunity to modify processes to better match its ongoing requirements and further improve on efficiencies.

AUS was established in 1997 for the sole purpose of providing customer information and billing solutions to utilities, and currently serves over 150 utility customers internationally. AUS is owned by Harris, but is recognized as its own entity within the organization. Additionally, Harris is a subsidiary of Constellation Software, Inc., a publicly traded company on the Toronto Stock Exchange. This long-term business partnership has provided AUS with the financial strength and security to operate successfully for over 20 years. Notably, the City has confirmed that several of Fathom's water utility clients are pursuing contracts with AUS as well.

On the customer-facing side of billing services, WaterSmart Software, Inc. (WaterSmart) owns and operates software and services that, in conjunction with AUS services, provides the customer payment portal, currently through Fathom. Under the current system, customers access electronic bills, view historical water use, and make payments through the customer portal. The customer portal provided by WaterSmart will basically have no changes.

WaterSmart is a leader in its industry, providing a suite of automated business processes for its utility customers, while offering various customer engagement technologies for water consumers. WaterSmart is utilized by over 100 utilities in 26 states representing over four million customer accounts. Through a contract with WaterSmart, City staff and customers would immediately have the ability to customize settings and input specific customer information, sign-up for electronic bills, enroll in automatic payments, etc.

As mentioned above, there are a multitude of vendors that worked under the Fathom umbrella. AUS and WaterSmart are the two biggest and most critical components. There will also be a need to contract with other vendors as outlined in the chart below:

"Conglomerate" Solution - Software Systems/Platforms

Provider	Function/Task	Annual Fees	Cost per Bill (Per Month)	One-time Setup Costs
"CONGLOMERATE" MODEL				
AUS - Advanced Utilities System/Harris *	Customer Info System (CIS)/Billing	\$ 305,280	\$ 1.06	\$ 10,000.00
Paymentus	On-line/Electronic payment	72,000	0.25	5,000
Utilitec	Print/send bill	96,000	0.33	20,000
Other Costs Under Separate Contracts				
Neptune System	Meter read collections	55,000	0.19	2,000
WaterSmart	Customer Portal interface	51,900	0.18	2,000
Cityworks	Service request ticket to staff	9,000	0.03	20,000
Lockbox	Farmer's & Merchants	24,000	0.08	
Software Total (without Call Center)		\$ 613,180	\$ 2.13	\$ 59,000
Call Center Operation	Assuming In-house call center	118,000	0.41	
Subtotal		731,180	2.54	59,000
Contingency (10%)		73,118	0.25	5,900
Total "Conglomerate" Model Cost		\$ 804,298.00	\$ 2.79	\$ 64,900
FATHOM - Complete Cost		\$ 1,301,760.00	\$ 4.52	
"Conglomerate" Model Savings (not including one-time costs)		\$ 497,462.00	\$ 1.73	
		Number of meters	24,000	

*The proposed cost is \$2.12 per bi-monthly bill. AUS lowered it from the original \$2.25 proposed. For comparison purposes, the \$2.12 is converted to \$1.06 per month.

Attached are the six (6) separate agreements needed to effectuate the Conglomerate Solution.

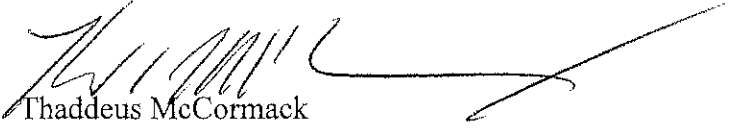
Please note that the Conglomerate solution would entail the City bringing back in-house, the Customer Call Center operations. We will be able to do so through the addition of 1.5 FTE (full-time equivalent) staff, that will total \$118,000 annually, which is a significant savings from what we are currently paying Fathom.

Lastly, the Water Committee has been closely involved with the situation as it has unfolded and evolved. A Water Committee meeting has been scheduled for the afternoon of December 10 to review, discuss and potentially recommend staff's recommendation herein.

RECOMMENDATION

Approval of agreements for water utility services with entities as follows:

- AUS – AKA N. Harris Computer Corporation
- Paymentus
- Utilitec
- Neptune/Ferguson
- Water Smart
- Cityworks



Thaddeus McCormack
City Manager

AUS

- Software Subscription
- Hosting Service

SOFTWARE SUBSCRIPTION AGREEMENT

THIS SOFTWARE SUBSCRIPTION AGREEMENT (the "AGREEMENT") is made as of the [REDACTED] day of [REDACTED], 2019.

BETWEEN:

N. HARRIS COMPUTER CORPORATION
("Harris")

- and -

[REDACTED] ("Organization")

RECITALS

1. Harris owns the Software (as defined below);
2. Harris wishes to (a) grant the Organization licenses to the Software, and (b) provide the Professional and Support Services to the Organization, all upon the terms and conditions set out in this Agreement.
3. The Organization and Harris agree to enter into two (2) separate agreements each dealing with a separate aspect of the Software: a Software Subscription Agreement, a Hosting Service Agreement.

NOW THEREFORE, in consideration of the mutual covenants set out in this Agreement and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties agree as follows:

ARTICLE I INTERPRETATION

1.1 Definitions

Throughout this Agreement, except as otherwise expressly provided, the following words and expressions shall have the following meanings:

- (a) "Agreement" and similar expressions mean this Software Subscription Agreement, including all of its Schedules and all instruments supplementing, amending or confirming this Agreement. All references to "Articles" or "Sections" mean and refer to the specified Article or Section of this Agreement except where a different agreement is explicitly identified.

- (b) **"Bill"** means the invoice by the Organization produced for its customers, whether printed or accessed by the customer electronically. Harris and Organization agree that a minimum number of Bills per month will be invoiced to the Organization even if the number of invoices produced by the Organization is lower than the mutually agreed upon minimum as specified in Schedule "B" - Fee Structure and Payment Schedule".
- (c) **"Confidential Information"** means, with respect to a party to this Software Subscription Agreement, all information or material which: is (A) marked "Confidential," "Restricted," or "Proprietary Information" or other similar marking, (B) known by the parties to be considered confidential or proprietary, such as the Software, or (C) which should be known or understood to be confidential or proprietary by an individual exercising reasonable commercial judgment in the circumstances. Confidential Information does not include information to the extent that such information: (i) is or becomes generally known to the public by any means other than a breach of the obligations of a receiving party hereunder; (ii) was previously known to the receiving party as evidenced by its written records; (iii) is rightly received by the receiving party from a third party who is not under an obligation of confidentiality; or (iv) is independently developed by the receiving party without reference to or use of the other party's Confidential Information.
- (d) **"Designated Computer System"** shall mean the Organization's platform and operating system environment which is operating the Software.
- (e) **"Documentation"** means user guides, operating manuals, education materials, product descriptions and specifications, technical manuals, supporting materials, and other information relating to the Software, regardless of the media on which it is provided, in effect as of the date the Software is licensed by the Organization.
- (f) **"Required Programs"** have the meaning set out in Section 4.3
- (g) **"License"** means the license granted to the Organization pursuant to section 2.1 hereof and is on a Per Bill Per Month basis
- (h) **"Source Code"** of the Software means the Software written in programming languages, including all comments and procedural code, such as job control language statements, in a form intelligible to trained programmers and capable of being translated into object code for operation on computer equipment through assembly or compiling, and accompanied by documentation, including flow charts, schematics, statements of principles of operations, and architecture standards, describing the data flows, data structures, and control logic of the Software in sufficient detail to enable a trained programmer through study of such documentation to maintain and/or modify the Software without undue experimentation.

- (i) **“Software”** means the program material in machine-readable or interpreted form, and may include, where appropriate, listings of either machine code or source code and related materials, including instructions and documentation provided by Harris to Organization, including any such programs provided subsequent to this Agreement, and including all copies made by Organization. The Software to be provided by Harris is identified on the attached Schedule A.
- (j) **“Support Services”** means those support services to be provided by Harris as further described in Schedule “C” to this Agreement. Provision of the Support Services by Harris are included in the Per Bill per Month fees outlined in this Software Subscription Agreement.
- (k) **“Professional Services Fees”** means the professional service(s) fees for the Professional Services delivered by Harris as defined in Schedule “E”. The Professional Services Fees are included in the Per Bill per Month fees outlined in this Software Subscription Agreement.
- (l) **“Update”** means a minor modification or enhancement to the Software related to a bug fix, or minor additional functionality.
- (m) **“Upgrade”** means a major overhaul of the Software which is a completely new version of the Software.

1.2 Currency

Unless otherwise specified, all references to amounts of money in this Agreement refer to U.S. currency.

1.3 Headings

The descriptive headings preceding Articles and Sections of this Agreement are inserted solely for convenience of reference and are not intended as complete or accurate descriptions of the content of such Articles or Sections. The division of this Agreement into Articles and Sections shall not affect the interpretation of this Agreement.

1.4 Plurals and Gender

The use of words in the singular or plural, or referring to a particular gender, shall not limit the scope or exclude the application of any provision of this Agreement to such persons or circumstances as the context otherwise permits.

1.5 Schedules

The Schedules described below and appended to this Agreement shall be deemed to be integral parts of this Agreement.

Schedule “A” - Description of Software

Schedule "B" -	Fee Structure
Schedule "C" -	Support Services
Schedule "D" -	Escrow Terms
Schedule "E" -	Professional Services

ARTICLE II SOFTWARE LICENSES

2.1 Grant of Licenses

- (a) Subject to the terms and conditions of this Software Subscription Agreement, Harris hereby grants to the Organization a personal, non-exclusive, non-transferable and limited right and license to use the Software in object code format on the Designated Computer System (the "License") in consideration for the payment of the License fees. All Updates and Upgrades are subject to this License.
- (b) Any Software furnished by Harris in machine-readable form may be copied in whole or in part by Organization for use on the Designated Computer System, access to which by users can be from any computer terminal, whether internal to or external to Organization's facility incorporating the Designated Computer System. To the extent that any temporary files associated with the Software are created during such use on terminals those temporary files are permitted under this License but only for such time that the temporary files are actually required. Organization agrees that the original copy of all Software furnished by Harris and all copies thereof made by Organization are and at all times remain the sole property of Harris.
- (c) Any License granted under this Software Subscription Agreement permits the Organization to: (i) use the Software for its Organization's purposes including, but not limited to, performing testing, disaster recovery, disaster testing, training, archival and backup as the Organization deems necessary, and (ii) use, copy and modify the Documentation for the purpose of creating and using training materials relating to the Software, which training materials may include flow diagrams, system operation schematics, and/or screen prints from operation of the Software. Access to and use of the Software by independent contractors of the Organization shall be considered authorized use under this Section so long as any such independent contractors are bound by obligations of confidentiality and have been approved by Harris in advance of the independent contractors' access to the Software. The Organization shall be responsible for (i) all of the actions of and (ii) any misuse of the Software by any independent contractor.
- (d) The Software is licensed on a "Per Bill Per Month" basis as set forth in Section 5 and Schedule "A" of this Agreement.
- (e) The Organization may duplicate Documentation, at no additional charge, for the Organization's permitted uses so long as all required proprietary markings are retained on all duplicated copies.

- (f) As between Harris and Organization, Harris reserves all rights, title and interest in and to the Software not expressly granted herein and the License specifically excludes all such reserved rights, title and interest.

2.2 Term of Agreement

This Agreement shall begin on the Effective Date and continue for a period of five (5) years (the "Initial Term"). Thereafter, this Agreement may be auto-renewed for additional two (2) year period(s) upon mutual agreement of the parties in writing. Organization shall provide Harris not less than ninety (90) days' notice in writing prior to the end of the term or of its intent to not renew the Agreement. The Initial Term and the Renewal Terms shall collectively be referred to as the "Term".

2.3 Restrictions on Use

- (a) Without limiting the generality of the License granted in Section 2.1 and the other restrictions listed therein, Organization shall not, and will not allow, direct or authorize (directly or indirectly) any other party to: (i) use the Software for any purpose other than in connection with Organization's primary business or operations; (ii) disassemble, de-compile, reverse engineer, defeat license encryption mechanisms, or translate any part of the Software, or otherwise attempt to reconstruct or discover the Source Code of the Software except and only to the extent that applicable law expressly permits, despite this limitation; (iii) modify or create derivative works of the Software; (iv) rent, lease, lend, or use the Software for timesharing or bureau use or to publish or host the Software for others to use; or (v) take any actions that would cause the Software to become subject to any open source or quasi-open source license agreement. Organization shall be wholly liable to Harris for any misuse of the Software and these restrictions are absolute except as and only to the extent that this Software Subscription Agreement may expressly permit Organization to do otherwise.
- (b) The Software and related materials supplied by Harris are protected by copyright and trademark laws. The Software is licensed and may not be resold by Organization. Any rights not expressly granted herein are reserved. Organization may not obscure, remove or otherwise alter any copyright, trademark or other proprietary notices from the Software and related materials supplied by Harris.

2.4 Ownership of Software and Confidential Information

- (a) The Organization acknowledges that the Software contains proprietary and confidential information of Harris which shall, at all times, remain the property of Harris. Through the grant of licenses pursuant to Section 2.1, the Organization is only entitled to use of the Software in accordance with the terms of this Agreement.
- (b) The Organization will ensure that the Universal Copyright Convention symbol and other copyright and proprietary notices of Harris will remain on the Software in machine-

readable form. The Organization will take the same care to safeguard the Software as it takes to safeguard its own confidential information and such care shall not be any less than would be taken by a reasonable person to safeguard its own confidential information. No third party, other than duly authorized agents or employees of the Organization authorized pursuant to the Licenses issued under this Agreement, shall have access to or use of the Software.

- (c) In order to assist Harris with the protection of its proprietary rights with respect to the Software and to enable Harris to ensure that the Organization is complying with its obligations with respect to the proprietary nature and confidentiality of the Software, the Organization shall permit, on reasonable advance written notice, Harris to visit during normal business hours any premises at which the Software is used and shall provide Harris with reasonable access to such Software.

2.5 Ownership and Disposition of Documents and Software Tools

- (a) The parties agree that no materials or documents are being created for Organization by Harris under this Software Subscription Agreement as of the effective date. All materials and documents which were developed or prepared by Harris for general use and which are not the copyright of any other party or publicly available, including educational materials, the Software and any other computer applications, shall continue to be the property of Harris.
- (b) Only where the Organization requests custom materials or documents, then upon the agreement of the parties in writing as evidenced by a duly executed scope of work, the Organization shall be the exclusive owner of all such custom, materials and documents which are developed or prepared by Harris specifically for the Organization so long as such customer materials and documents are specifically described as being deliverables that are subject to this Subsection 2.5 (b) in the relevant scope of work, except to the extent to which such materials or documents may contain pre-existing Harris materials, in which case the scope of work will describe the license for such pre-existing Harris materials.
- (c) Organization agrees that Harris may install, access and run certain scripts and other software tools on Organization's hardware as required by Harris to perform the Support Services (the "Harris Tools"). Organization acknowledges and agrees that Harris is and shall remain the sole owner of all such Harris Tools, including all copyright, patents, trademarks, trade secrets and other intellectual property rights therein, and Organization is granted no license to access or use the Harris Tools. Organization may retain a paper and/or electronic copy of any reports provided by Harris to Organization as part of the Support Services, however Harris is and shall remain the owner of all copyright, patents, trademarks, trade secrets and other intellectual property rights in and to such reports.

ARTICLE III HARRIS SERVICES

3.1 Professional Services

The Organization has retained Harris to perform certain services ("Services"), as defined in Schedule "E" of this Agreement.

- (a) Harris's Obligations. Harris shall use commercially reasonable efforts to provide the professional services set out in the applicable Statement of Work (the "Services").
- (b) Organization's Obligations. To enable Harris to perform the Services, Organization agrees to provide the following to Harris:
 - (i) Personnel and assistance as is reasonably required to enable Harris to perform the Services; and
 - (ii) A representative with authority to approve the Services.

3.2 Support and Maintenance Services

- (a) Harris shall provide support and maintenance services as further described in Schedule "C" of this Agreement (the "Support Services"), which shall apply to the maintenance and support services provided by Harris to the Organization. Harris shall provide software support primarily via telephone and electronic mail in addition to site visits only when necessary. The Support Services will be provided only during the hours of operation as described in Schedule "C" hereto and which are in effect as of the Effective Date, as such services may, at Harris's sole discretion, be modified or supplemented from time to time. To enable Harris to provide effective support, the Organization will establish auto remote access procedures compatible with Harris's then current practices which may be revised over time.
- (b) Harris shall supply all Upgrades to Organization at no additional charge other than the payment of the Fees. Upgrades may require additional services to be performed by Harris outside of the scope of those services provided by Harris as described in Schedule "C" including additional training and professional services for the installation and implementation of the Upgrade that will be subject to Harris's then-prevailing policies, terms and Billable Fees related to pricing and hourly rates.
- (c) All Updates of the Software and all those services listed in Schedule "C" which are included as part of Organization's Software support will be made available to Organization at no additional charge other than the payment of the Fees.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

4.1 Warranty of Performance

Harris warrants to the Organization that:

- (a) the Software will substantially perform as described in the Documentation if the Software is used in accordance with the Documentation, the terms of this Software Subscription Agreement and where the Organization has the Required Programs and the hardware meets the requirements of Section 4.3 (b). The Organization's primary recourse in the event the Software does not conform to the Documentation is the repair and replacement of the Software.
- (b) it has the full right, authority and power to enter into this Software Subscription Agreement and to grant to the Organization the Licenses and rights conveyed by this Software Subscription Agreement; and
- (c) the Software is an original work of authorship.
- (d) Harris warrants that the Services will be performed in a professional and diligent manner by personnel who are competent in performing their individual tasks.

4.2

No Other Warranties

TO THE GREATEST EXTENT PERMITTED BY LAW, THE SOFTWARE IS LICENSED AND ALL OTHER MATERIALS AND SERVICES ARE PROVIDED TO THE ORGANIZATION "AS IS" AND THERE ARE NO WARRANTIES, REPRESENTATIONS OR CONDITIONS, EXPRESSED OR IMPLIED, WRITTEN OR ORAL, ARISING BY STATUTE, OPERATION OF LAW, COURSE OF DEALING, USAGE OF TRADE OR OTHERWISE, REGARDING THEM OR ANY OTHER PRODUCT, SERVICE OR MATERIAL PROVIDED HEREUNDER OR IN CONNECTION HERewith.

HARRIS, ITS LICENSORS AND SUPPLIERS DISCLAIM ANY IMPLIED WARRANTIES OR CONDITIONS REGARDING THE SOFTWARE AND ANY OTHER PRODUCTS, SERVICES AND MATERIALS PROVIDED HEREUNDER OR IN CONNECTION HERewith, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY, DURABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE OR NON-INFRINGEMENT.

HARRIS DOES NOT REPRESENT OR WARRANT THAT THE SOFTWARE SHALL OPERATE ERROR FREE OR IN THE COMBINATIONS SELECTED, THAT THE SOFTWARE OR SERVICES SHALL MEET ANY OR ALL OF THE ORGANIZATION'S PARTICULAR REQUIREMENTS, OR THAT ALL ERRORS OR DEFECTS IN THE SOFTWARE CAN BE FOUND OR CORRECTED. NO AGREEMENTS VARYING OR EXTENDING ANY EXPRESS WARRANTIES SET FORTH IN THIS AGREEMENT SHALL BE BINDING ON EITHER PARTY UNLESS IN WRITING AND SIGNED BY AN AUTHORIZED SIGNING OFFICER OF HARRIS.

4.3

Required Programs

- (a) The Organization acknowledges that the use of the Software requires that the Organization obtain and install additional required software programs (the "Required Programs"), as detailed in the attached Schedule "A". The Organization agrees that the acquisition of the Required Programs shall be at its sole cost and that the cost thereof is not included in the fees herein, including for any future updates about which Organization is provided with commercially reasonable advance notice.
- (b) Organization's hardware must also be of sufficient quality, condition and repair, and the Organization agrees to maintain its hardware in the appropriate quality, condition and repair at its sole cost and expense, in order to facilitate the achievement of the proper installation and implementation of the Software in accordance the Professional Services Agreement. If Harris determines that Organization's hardware is not of sufficient quality, condition and repair, Harris shall notify Organization in writing of the Hardware

deficiencies. Organization will strive to remedy any hardware deficiencies within 30 days of notification

4.4 Exclusions to Warranty

Harris shall not be liable for any breach of the foregoing warranties which results from causes beyond the reasonable control of Harris, including

- (a) where the installation, integration, modification or enhancement of the Software has not been carried out by Harris or its authorized agent, or where Organization has taken any action which is expressly prohibited by the Documentation or this Software Subscription Agreement;
- (b) any use or combination of the Software with any software, equipment or services not supplied by or on behalf of Harris;
- (c) user error, or other use of the Software in a manner or in an operating environment for which it was not intended or other than as permitted in the relevant scope of work or in this Software Subscription Agreement;
- (d) Organization's failure to install a new Update which has been released to remedy an error or bug, and which Harris has stated to Organization is a required Update necessary for security purposes or for legislative compliance purposes or other reasons as Harris may determine is important in its sole discretion; or
- (e) natural disasters, power surges, lightning strikes, and the like.

ARTICLE V FEES AND PAYMENTS

5.1 Fees and Payments

- (a) The Organization agrees to pay Harris the total fees described in Schedule "B" of this Agreement (the "Fees"), which are exclusive of applicable taxes and inclusive of Software License, Hosting and Professional Services Fees per the Hosting Service Agreement and this Software Subscription Agreement. The Organization shall be responsible for the payment of any applicable duties and sales/consumption taxes. The Fees will be billed monthly and are due 30 days from the invoice date.
- (b) For further clarification, the Software is licensed to the Organization on an "Per Bill per Month" basis, subject to the minimum bills per month as defined in Schedule "B" of this Agreement. The Organization shall pay the Fees monthly, based on the number of Bills produced in the month.

- (c) Calculation of the Fees commence upon the first bill being issued to a customer of the Organization.
- (d) The Fees will apply to the actual number of Bills at the end of each calendar month, subject to the minimum number of Bills per month. In the event that the actual number of Bills is less than the minimum, then the Fees will be based on the minimum number of Bills. A Harris representative shall gather the monthly accounting of the number of Bills on the first day of each month, for the prior month.
- (e) Harris may change the Fees from time to time in relation to each Renewal Term.
- (f) In addition to the Fees, Organization shall reimburse Harris for its direct expenses in providing support services ("Billable Fees") pursuant to this Software Subscription Agreement which include as of the Effective Date:
 - (i) courier services, photocopying, faxing, long distance phone calls and reproduction services,
 - (ii) all direct travel expenses including, but not limited to hotel, airfare, car rental, tolls, parking and airline and travel agent fees; each individual's travel time billing rate of \$95.00/hour; a per diem rate of \$70.00 for week days and a \$125.00 for weekends and statutory holidays that includes all meal, food and telecommunications expenses (no receipts will be provided); and a mileage charge consistent with the Internal Revenue Service recommended rate per mile,
 - (iii) and all other reasonable expenses incurred in the performance of Harris's duties hereunder.
 - (iv) Harris may update its reimbursement policies from time to time, in which case such updated policies shall apply for purposes of this Support and Maintenance Agreement, provided that such updated reimbursement policies must generally apply to all clients of Harris.
- (g) Where the notice of non-renewal has not been provided in accordance with the terms defined in Section 2.2 - Term of Agreement, the Organization is obliged to pay the Fees for the then applicable Term.
- (h) In the case of the Organization unilaterally canceling the Agreement prior to the end of the current Term, the Organization agrees to pay an early termination fee equivalent to fifty percent (50%) of the remaining Fees due for the current Term. Fees will be calculated using the average number of Bills over the previous twelve (12) months, subject to the minimum number of Bills, in the first full month prior to the date cancellation notification is received.
- (i) Harris shall not refund any Fees in the event of termination of this Agreement.

- (j) The Organization shall maintain complete and accurate records with respect to this Agreement. All such records shall be clearly identifiable. The Organization shall allow a representative of Harris, during normal business hours, to examine, audit, and make transcripts or copies of such records and any other documents created, pursuant to the Agreement. The Organization shall allow inspection of all work, data, documents, proceedings, and activities related to the agreement for a period of not less than three (3) years from the date of final payment under this Agreement unless the Organization is required to maintain such records pursuant to any law or regulation.
- (k) In the event Organization fails to pay all or any portion of an invoice on or before thirty (30) days after the date it becomes due, in addition to all other remedies Harris has under this Agreement or otherwise, Harris shall have the option to suspend or terminate this Agreement. Suspension or termination shall not relieve the Organization of its obligation to pay its outstanding invoices, including any applicable late charges.

ARTICLE VI REMEDIES, LIABILITY AND INDEMNITY

6.1 Remedies and Liability

- (a) Termination of this Agreement shall not affect any right of action of either party arising from anything which was done or not done, as the case may be, prior to the termination taking effect.
- (b) The Organization and Harris recognize that circumstances may arise entitling the Organization to damages for breach or other fault on the part of Harris arising from this Agreement. The parties agree that in all such circumstances the Organization's remedies and Harris's liabilities will be limited as set forth below and that these provisions will survive notwithstanding the termination or other discharge of the obligations of the parties under this Agreement.
 - (i) EXCEPT FOR DAMAGES ARISING OUT OF HARRIS'S INTENTIONAL MISREPRESENTATION, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT, BOTH PARTIES AGREE THAT HARRIS'S LIABILITY (UNDER BREACH OF CONTRACT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE), IF ANY, FOR ANY DAMAGES RELATING TO THIS AGREEMENT SHALL NOT EXCEED THE FEES PAID TO HARRIS BY ORGANIZATION UNDER THIS AGREEMENT DURING THE TWELVE (12) MONTH PERIOD PRECEDING THE CLAIM.
 - (ii) IN ADDITION TO THE FOREGOING NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL OR OTHER DAMAGES OF ANY KIND, INCLUDING BUT

NOT LIMITED TO LOST REVENUE OR LOSS OF PROFITS, EVEN IF SUCH OTHER PARTY HAS BEEN ADVISED OF THE LIKELIHOOD OF THE OCCURRENCE OF SUCH DAMAGES AND NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY.

- (iii) CLAUSE (i) AND (ii) SHALL APPLY IN RESPECT OF ANY CLAIM, DEMAND OR ACTION BY THE ORGANIZATION IRRESPECTIVE OF THE NATURE OF THE CAUSE OF ACTION UNDERLYING SUCH CLAIM, DEMAND OR ACTION, INCLUDING, BUT NOT LIMITED TO, BREACH OF CONTRACT OR TORT.

6.2 Intent

The parties hereby confirm that the waivers and disclaimers of liability, releases from liability, limitations and apportionments of liability, and exclusive remedy provisions expressed throughout this Software Subscription Agreement shall apply even in the event of default, negligence (in whole or in part), strict liability or breach of contract of the person released or whose liability is waived, disclaimed, limited, apportioned or fixed by such remedy provision, and shall extend to such person's affiliates and to its shareholders, directors, officers, employees and affiliates.

6.3 Intellectual Property Indemnity

- (a) In the event there is a third party claim against Organization alleging that Organization's use of the Software in accordance with this Software Subscription Agreement constitutes an infringement of a Canadian or United States' patent, copyright, trade-mark or trade secret or other intellectual property that is valid and enforceable in Organization's jurisdiction, Harris shall, at its expense, defend and indemnify Organization and pay any final judgment (including all damages awarded against Organization) against Organization or settlement agreed to by Harris on Organization's behalf. This indemnity is only effective where (i) Organization has not made any admissions or begun settlement negotiations either prior to or after providing notice to Harris of the applicable claim except with Harris's prior written consent, (ii) Harris has sole control of the defense of any claim or proceeding and all negotiations for its compromise or settlement; (iii) Organization assists and provides information to Harris throughout the action or proceeding, and (iv) Organization has not modified the Software in any manner whatsoever except with the prior written consent of Harris. Any breach by Organization of its covenants under this Section 6.3 shall nullify this indemnity but not the sole right of Harris to have full and complete authority of the defense to defend such claim or proceeding and of all negotiations related therewith and the settlement thereof. In the event that the Organization's use of the Software is finally held to be infringing or Harris deems that it may be held to be infringing, Organization agrees that the only remedy available to it is that Harris shall be, at Harris's election, for Harris to: (1) procure for the

Organization the right to continue use of the Software; or (2) modify or replace the Software so that it becomes non-infringing.

- (b) The foregoing states Harris's entire liability, and the Organization's exclusive remedy, with respect to any claims of infringement of any copyright, patent, trademark, trade secret or other property interest rights relating to the Software, or any part thereof or use thereof.
- (c) Organization may, at Organization's sole cost and expense—which is outside the scope of this indemnity—retain counsel of its own choosing who shall be permitted to attend all settlement conferences and hearings or other court appearances (except where the court has specifically made an order against such attendance) related to the proceeding.

6.4 Remedies

Where remedies are expressly afforded by this Agreement, such remedies are intended by the parties to be the sole and exclusive remedies of the Organization for liabilities of Harris arising out of or in connection with this Agreement, notwithstanding any remedy otherwise available at law or in equity.

ARTICLE VII GENERAL

7.1 Confidentiality

- (a) Duty Owed to the Organization -- Harris acknowledges that it may receive information from the Organization or otherwise in connection with this Software Subscription Agreement. Except for information in the public domain, unless such information falls into the public domain by disclosure or other acts of the Organization or through the fault of the Organization, Harris agrees:
 - (i) to maintain this information in confidence;
 - (ii) not to use this information other than in the course of this Software Subscription Agreement;
 - (iii) not to disclose or release such information;
 - (iv) not to disclose or release such information to any third person without the prior written consent of the Organization, except for authorized employees or agents of Harris; and
 - (v) to take all reasonable actions, whether by instruction, agreement or otherwise, to ensure that third persons with access to the information under the direction or control or in any contractual privity with Harris, do not disclose or use, directly or indirectly, for any purpose other than for

performing the Services during or after the term of this Software Subscription Agreement, any material or information, including the information, without first obtaining the written consent of the Organization.

- (b) Duty Owed to Harris -- The parties agree that if the Organization breaches any term of Section 2.3 or Section 2.4 then Harris shall have the right to terminate this Software Subscription Agreement and the grant of Licenses herein forthwith without giving notice as set forth in Section 7.2 (b).

7.2 Default

- (a) Failure or unreasonable delay by any party to perform or otherwise act in accordance with any material provision of this Agreement for a period of thirty (30) days after written notice from the non-breaching party ("Cure Period"), constitutes a default under this Agreement. The notice shall specify the nature of the alleged default.
- (b) If the failure or delay is such that more than thirty (30) days would reasonably be required to perform such action or comply with any term or provision, then such party will have additional time as may be necessary to perform or comply so long as such party completes such performance or fulfills such obligation not more than sixty (60) days after written notice from the non-breaching party. Notwithstanding the above, the parties may mutually agree, in writing, to a longer Cure Period.
- (c) In the event such default is not cured within the Cure Period, the Agreement may be immediately terminated by the party not in default in accordance with Section 7.3.
- (d) If Organization has failed to pay the Fees in accordance with Article V then Harris shall have the right to terminate the License and this Software Subscription Agreement immediately without complying with Section 7.5.

7.3 Termination

- (a) Either party may terminate this Agreement, only for default and only after complying with the provisions of Section 7.2, by providing thirty (30) days written notice to the defaulting party.
- (b) Within thirty (30) days after termination or expiration of this Agreement under any circumstances, the following event must occur:
 - (i) The license and other provisions of this Agreement are terminated.
 - (ii) Organization's use of the Software is terminated.
 - (iii) Organization must return to Harris or destroy all copies of the Software and Harris Tools, and shall delete or destroy all portions or excerpts of the Software and Harris Tools contained, commingled, or incorporated in any

form with Organization's information and electronic systems, including electronic data files and magnetically encoded media, so that neither Organization nor any of Organization's affiliates retain any of the Software or Harris Tools in whole or in part. Upon request, Organization must certify in writing the complete return or destruction of the Software and Harris Tools within thirty (30) days of the request.

- (iv) Within thirty (30) days after termination of this Agreement, Organization must either return to Harris or destroy all copies of Harris data and documentation, including electronic data files and magnetically encoded media, such that neither Organization nor any of Organization's affiliates retain any of Harris's data in whole or in part. Upon request, Organization must certify such complete return or destruction in writing to Harris within thirty (30) days of the request.

- (c) Notwithstanding any provision to the contrary, neither the termination nor expiration of this Agreement relieves either party from its obligations to pay the other any sums accrued under this Agreement. In the event this Agreement is terminated prior to the end of any Term, the Organization shall be responsible for payment of the License Fees for the remainder of the Term.

7.4 Mediation

Except where this Software Subscription Agreement explicitly states that this Section 7.4 does not apply, the parties agree to submit any claim, controversy or dispute arising out of or relating to this Software Subscription Agreement or the relationship created by this Software Subscription Agreement to non-binding mediation before bringing a claim, controversy or dispute in a court or before any other tribunal. The mediation is to be conducted by either an individual mediator or a mediator appointed by mediation services mutually agreeable to the parties. The mediation shall take place at a time and location which is also mutually agreeable; provided; however, in no event shall the mediation occur later than ninety (90) days after either party notifies the other of its desire to have a dispute be placed before a mediator. Such mediator shall be knowledgeable in software system agreements. The costs and expenses of mediation, including compensation and expenses of the mediator (and except for the attorneys fees incurred by either party), is to be shared by the parties equally. If the parties are unable to resolve the claim, controversy or dispute within ninety (90) days after the date either party provides the other notice of mediation, then either party may bring and initiate a legal proceeding to resolve the claim, controversy or dispute unless the time period is extended by a written agreement of the parties. Nothing in this Section shall inhibit a party's right to seek injunctive relief at any time.

7.5 Addresses for Notice

Any notice required or permitted to be given to any party to this Software Subscription Agreement shall be given in writing and shall be delivered personally or mailed by prepaid registered post to the appropriate address set out below. Any such notice shall be conclusively deemed to have been given and received on the day on which it is delivered or (or on the next succeeding business day if delivered after 5:00 p.m. local time on the date of delivery

or receipt, or if delivered on a day other than a business day), if personally delivered or, if mailed, on the third business day following the date of mailing, and addressed, in the case of Harris, to:

N. HARRIS COMPUTER CORPORATION
2235 Sheppard Ave East, Suite 1400
Toronto, Ontario M2J 5B5
Attention: Peter Fanous
Telephone: 416-496-0149,

and in the case of the Organization, to:

XXX
XXX
XXX, XX, XXXXX
Attention: XXX
Telephone: XX-XXX-XXXX

Each party may change its particulars respecting notice, by issuing notice to the other party in the manner described in this Section 7.5.

7.6 Assignment

Neither party may assign any of its rights or duties under this Software Subscription Agreement without the prior written consent of the other party, such consent not to be unreasonably withheld, except that either party may assign to a successor entity in the event of its dissolution, acquisition, sale of substantially all of its assets, merger or other change in legal status. The Software Subscription Agreement shall inure to the benefit of and be binding upon the parties to this Software Subscription Agreement and their respective successors and permitted assigns

7.7 Reorganizations

The Organization acknowledges that the Fees set out in this Software Subscription Agreement has been established on the basis of the structure of the Organization as of the Effective Date. To the extent that the Organization amalgamates, consolidates or undergoes any similar form of corporate reorganization or transition (a "Reorganization"), and the resulting entity (whether or not the Organization is the resulting or continuing entity) issues additional Bills from the same company configured in the Software, Harris shall be entitled to receive, and the Organization shall pay, additional Fees based on the then prevailing Fees in the Term. The provisions of this Section 7.7 shall apply to any subsequent Reorganizations occurring following the first Reorganization. The provisions of this Section 7.7 shall not apply where the Organization undergoes a Reorganization involving only other organizations that have already have a current Software Subscription Agreement with Harris only to the extent that the Software Subscription Agreement is for the same Software. For purposes of this Software Subscription Agreement, any corporate changes undergone by the Organization will be characterized as either

an assignment, in which case Section 7.6 will apply, or a Re-organization, in which case Section 7.7 will apply, but it is not intended that Section 7.6 and Section 7.7 will apply to any single sequence of events, if such application would result in a duplication of the fees provided for in those provisions.

7.8 Entire Agreement

This Software Subscription Agreement shall constitute the entire agreement between the parties hereto with respect to the matters covered herein with respect to the License and Support of the Software. No other agreements, representations, warranties or other matters, oral or written, purportedly agreed to or represented by or on behalf of Harris by any of its employees or agents, or contained in any sales materials or brochures, shall be deemed to bind the parties hereto with respect to the subject matter hereof. However, the parties agree that Organization is entering into a Hosting Service Agreement concurrently with this Software Subscription Agreement which is a separate agreement and is binding in its own right and upon its own terms.

7.9 Section Headings

Section and other headings in this Software Subscription Agreement are for reference purposes only, and are in no way intended to describe, interpret, define or limit the scope or extent of any provision hereof.

7.10 Governing Law

This Software Subscription Agreement shall be governed by the laws of the province of Ontario and Canada therein. The United Nations Convention on Contracts for the International Sale of Goods (UNCCISG) does not apply to this Agreement.

7.11 Trial by Jury

Organization and Harris hereby waive, to the fullest extent permitted by applicable law, the right to trial by jury in any action, proceeding or counterclaim filed by any party, whether in contract, tort or otherwise, relating directly or indirectly to this Software Subscription Agreement or any acts or omissions of Harris in connection therewith or contemplated thereby.

7.12 Invalidity

The invalidity or unenforceability of any provision or covenant contained in this Software Subscription Agreement shall not affect the validity or enforceability of any other provision or covenant herein contained and any such invalid provision or covenant shall be deemed to be severable.

7.13 Waiver

A term or condition of this Software Subscription Agreement may be waived or modified only by written consent of both parties. Forbearance or indulgence by either party in any regard shall not constitute a waiver of the term or condition to be performed, and either party

may evoke any remedy available under the Software Subscription Agreement or by law despite such forbearance or notice.

7.14 Counterparts

This Software Subscription Agreement may be executed in counterparts (whether by facsimile signature, in an email PDF or otherwise), each of which when so executed shall constitute an original and all of which together shall constitute one and the same instrument.

7.15 Further Assurances

The parties shall do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated hereby, and each party shall provide such further documents or instruments required by any other party as may be reasonably necessary or desirable to effect the purposes of this Software Subscription Agreement and carry out its provisions.

7.16 Allocation of Risk

Organization acknowledges that the limited warranties, disclaimers and limitations of liability contained in this Software Subscription Agreement set forth an allocation of risk reflected in the fees and payments due hereunder.

IN WITNESS WHEREOF the parties hereto have duly executed this Software Subscription Agreement on the day and year first written above.

N. HARRIS COMPUTER CORPORATION

Per: _____
Name:
Title:

XXX

Per: _____
Name:
Title:

Schedule "A"
Description of Software

CIS Infinity Version 3

Required Programs – Hosted Clients

Network

Widely accepted network infrastructure utilizing TCP/IP as its primary communication protocol.

Workstation Operating System

Windows 8.1 or Windows 10
8GB RAM recommended
i5 or higher Intel Core Chip
7200 RPM or better Hard Disk (SSD's will provide optimal performance)
1GB or higher NIC / Network Interface Card

Schedule "B"
Fee Structure

Year	Price Per Bill (USD)
1	\$2.12
2	\$2.23
3	\$2.34
4	\$2.46
5	\$2.58

Minimum Number of Bills = 11,500/month
Price Per Bill/Month does not include Bill Print

Paymentus Transaction Fees

The following Paymentus Pricing Model options are available. These fees are in addition to the Per Bill/Month fees noted above.

Full Absorb Model: (compliant)

Absorb echeck \$0.25

Absorb credit card (Visa, MC, Discover, Amex) \$1.63

Absorb non-qualified 2.65%

Full Convenience Fee Model: (compliant)

CF echeck \$2.50

CF credit card (Visa, MC, Discover, Amex) \$2.50

Other Options for Pricing Scenarios:

(Hybrid – noncompliant)

Differential flat rate

Absorb echeck \$0.25

CF credit card (Visa, MC, Discover, Amex) \$2.50

Percentage CF

Absorb echeck \$0.25

CF credit card (Visa, MC, Discover, Amex) 2.8%

Schedule "C"
Support Services

Standard Support and Maintenance Services – Standard Guidelines

The purpose of this Schedule 'C' is to provide our customers with information on our standard coverage, the services which are included as part of your annual software support, a listing of call priorities, an outline of our escalation procedures and other important details.

Harris reserves the right to make modifications to this document as required; provided, however, Harris shall not reduce the scope of support provided hereunder without the prior consent of the Organization.

The services listed below are services that are included as part of your software support.

- 800 Toll Free Telephone support
- Software for Life
 - Guaranteed Support on your existing applications for life
 - Scheduled assistance for installations, upgrades and other special projects (there may be charges depending on the scope of work)
- Technical troubleshooting and issue resolution
- E-mail support call logging and notification
- eSupport access 24 x 7 with the following on-line benefits:
 - Log and close calls
 - View and update calls
 - Update contact information
 - Access published documentation
 - Access available downloads
 - Access Support knowledge base
 - Participate in Discussion Forums
- Standard software releases and updates
 - Defect corrections (as warranted)
 - Planned enhancements
 - State and/or Federal mandated changes (charges may exist depending on scope)
 - Participation in beta program
 - Release notes
- Customer Care Program
 - Quarterly Newsletter with support tips
 - Technical support bulletins
 - Communication on new products and services
 - On-site visits (as required)
- Design review for potential enhancements or custom modifications
- Ability to attend the annual customer conference (attendance fees apply)

Help Desk Hours

Our standard hours of support are from 8:00 a.m. EST to 8:00 p.m. EST, Monday to Friday, excluding designated statutory holidays. After hours telephone support is available from 8:00 p.m. EST through to 8:00 a.m. EST. Weekend and holiday assistance is available and must be scheduled in advance and in most cases is billable.

Response Times

Response times will vary and are dependent on the priority of the call. We do our best to ensure that we deal with incoming calls in the order that they are received, however calls will be escalated based on the urgency of the issue reported. Our response time guidelines are as follows:

Priority 1: 1 - 4 hours

Priority 2: 1 - 8 hours

Priority 3: 1 - 24 hours

Call Priorities

In an effort to assign our resources to incoming calls as effectively as possible, we have identified three types of call priorities, 1, 2 and 3. A Priority 1 call is deemed by our support staff to be an Urgent or High Priority call, Priority 2 is classified as a Medium Priority and Priority 3 is deemed to be a Low Priority. The criteria used to establish guidelines for these calls are as follows:

Priority 1 – High

- System Down (Software Application, Hardware, Operating System, Database)
- Inability to process bills
- Program errors without workarounds
- Aborted postings or error messages preventing data integration and update
- Performance issues of severe nature impacting critical processes

Priority 2 - Medium

- System errors that have workarounds
- Reports calculation issues
- Printer related issues (related to interfaces with our software and not the printer itself)
- Security issues
- Hand-held issues not preventing billing
- Performance issues not impacting critical processes
- Usability issues
- Workstation connectivity issues (Workstation specific)

Priority 3 - Low

- Report formatting issues
- Training questions, how to, or implementing new processes
- Aesthetic issues
- Issues with workarounds
- Recommendations for enhancements on system changes
- Questions on documentation

Call Process

All issues or questions reported to support are tracked via a support call or ticket; our support analysts cannot provide assistance unless a support call or ticket is logged. Our current process for logging calls and tickets includes the following: eSupport (via website), email, phone and fax.

- Your ticket must contain at a minimum: your organization name, contact person, software product and version, module and/or menu selection, nature of issue, detailed description of your question or issue and any other information you believe pertinent.
- Our ticketing system or one of our support analysts will provide you with a ticket ID to track your issue.
- Your ticket will be assigned to the first available support representative.
- As the support representative assigned to your ticket investigates your issue, you will be contacted and advised as to where the issue stands and the course of action that will be taken for resolution. If we require additional information, you will be contacted by the assigned support representative to supply the information required.
- All correspondence and actions associated with your ticket will be tracked in our support ticketing system. At any time, if available to you, you may log onto our ticketing system to see the status of your call.
- Once your issue has been resolved, you will receive an automated notification by email that your ticket has been closed. This email will contain the entire event history of the issue from the time the ticket was created and leading up to the resolution of the issue. You also have the option of viewing both your open and closed tickets, if available to you, via our support ticketing system.
- Contact the support department at your convenience for a status update on your development issues, or log onto our ticketing system (if available to you) to view your issues on-line.

Escalation Process

Our escalation process is defined below. This process has been put in place to ensure that issues are being dealt with appropriately. If at any time you are not completely satisfied with the resolution of your issue, you are encouraged to escalate with the support department as follows:

- Level 1:** Contact the support representative working on your issue
- Level 2:** Contact the Team Lead
- Level 3:** Contact the Manager of Support
- Level 4:** Contact the Vice President of Support Services
- Level 5:** Contact the Executive Vice President

Holiday Schedule

Below is a listing of statutory holidays. Please note that support services will be closed on designated days as outlined below.

New Year's Day	Closed
President's Day	Closed
Memorial Day	Closed
Independence Day	Closed
Labor Day	Closed
Thanksgiving	Closed
Christmas Eve	Early Closure
Christmas Day	Closed
New Year's Eve	Early Closure

Billable Support Services

The services listed below are services that are out of scope of your support and maintenance agreement and are therefore considered billable services.

- Extended telephone training
- Forms redesign or creation (includes Bill Prints, Notice Prints and Letters)
- Setup and changes to interfaces or creation of new interface
- Setup of new services or changes to services (PAP, ACH, etc.)
- File imports/exports
- Custom modifications (reports, bills, forms, reversal of customizations)
- Setting up additional companies / agencies / tokens / general ledgers
- Data conversions / global modification to setup table data
- Database maintenance, repairs and optimization
- Installations / re-installations (workstations, servers)

Test Databases and Environments

We support customers in the maintenance of independent test environments for testing purposes. This allows customers the opportunity to test fixes, modifications, new business processes and/or scenarios without risking any potentially unwanted changes to the live environment.

Connection Methods

To ensure we can effectively support our clients, we require that a communication link is established and maintained between our two sites. It is the Organization's responsibility to ensure the connection is valid at your location so that we can connect to your site and resolve any issues. Our preferred method of connection is through Remote Desktop which can be accomplished using a VPN account and the MS Windows Remote Desktop client or a variety of remote connection tools (logmein.com, TeamViewer, join.me, VNC, etc). Harris will work with the client to establish a mutually agreeable remote connection policy.

Schedule "D"
Escrow Terms

Where the Organization has agreed to be a beneficiary of the Escrow Agreement (as defined below) by entering into the Escrow Arrangement, the following sections shall apply upon the execution of the Escrow Arrangement.

- (a) Harris and Lincoln-Parry (the "**Escrow Agent**") have entered into an escrow agreement (the "**Escrow Agreement**"). The Source Code is provided by Harris to the Escrow Agent pursuant to the terms of this Agreement. The Organization has a right to the Source Code pursuant to the provisions of this Schedule and the Escrow Agreement as it has agreed to participate in the Escrow Arrangement and is a beneficiary because the Organization has completed the Escrow Arrangement document. Harris agrees that if an "Event of Default" occurs, then the Organization shall have the right to one copy of the most current version of the Source Code for the affected Software and associated Documentation.
- (b) An **Event of Default** is defined as and shall be deemed to have occurred if Harris:
(1) ceases to market or make available maintenance or support services for the Software during a period in which the Organization is entitled to receive or to purchase, or is receiving or purchasing, such maintenance and support and Harris has not promptly cured such failure despite the Organization's demand that Harris make available or perform such maintenance and support, (2) becomes insolvent, executes an assignment for the benefit of creditors, or becomes subject to bankruptcy or receivership proceedings, and it continues to be subject to bankruptcy proceedings ninety (90) days following either its application into bankruptcy protection or the commencement of such proceedings, or (3) has transferred all or substantially all of its assets or obligations set forth in this Agreement to a third party which has not assumed all of the obligations of Harris set forth in this Agreement.
- (c) Harris will promptly and continuously update and supplement the Source Code as necessary with all corrections, improvements, updates, releases, or other changes developed for the Software and Documentation. Such Source Code shall be in a form suitable for reproduction and use and shall consist of a full source language statement of the program or programs comprising the Software.
- (d) The governing License for the Software includes the right to use Source Code received under this Schedule as necessary to modify, maintain, and update the Software but for no other purposes outside the normal business operations of the Organization.
- (e) The termination of the Agreement shall immediately end the Organization's rights as a beneficiary under the Escrow Agreement and Escrow Arrangement, as applicable.

This Schedule "D" shall form part of the Agreement only where an Escrow Arrangement is entered into by the parties. The Escrow Agreement provides that either the Escrow Agent or

Harris will annually send notices to the Organization of the Escrow Agent's continued possession of the Source Code and will also state the activity related to the Source Code provided to the Escrow Agent by Harris for the previous year. The Escrow Agreement cannot be terminated without the consent of each beneficiary (licensee) of the Escrow Agreement.

Schedule "E"
Professional Services

The following Professional Services Fees will be provided by Harris to migrate the Organization's existing CIS Infinity database currently hosted by a third party to Harris' hosting environment. For clarity, the Organization will remain on their current Software version and build with current CIS Infinity configurations.

Organization must provide to Harris:

A backup of the following Microsoft SQL Databases from Organization's Production Server:

- CIS Infinity V3 database

The above files need to be in a database file format as below:

- .BAK
- .MDF
- .LDF

A backup of the following application files from your Production Server:

- CIS3 folder (includes reports, letters, notice, bill print etc.)

Upon receipt of above noted items by Organization, Harris will:

1. Install the current production database and Software in the Harris hosting environment.
2. Provide Organization's users with access to the Production instance of the software.
3. Ensure batch meter readings can be imported and exported into/from the database.
4. Provide batch integration to the WaterSmart customer portal.
5. Provide batch integration into the Paymentus payment solution.
6. Provide a batch EBP file to Utilitec to allow Utiltec to print bills for Organization.
7. Provide a batch lockbox payment import file.

Organization will be required to enter any transactions/activity (e.g. payments, moves etc.) of the Organization that occurred between the time of the database back up and the completion of the migration of the Organization's server to the Harris hosting environment ("catch up activities").

Organization, in coordination with Harris, will test CIS Infinity and the defined interfaces to ensure the solution is functional. Organization will provide Harris with written authorization for Go Live.

For clarity, this scope of services does not include integrations to CityWorks or other software

solutions not specifically identified above.

Additionally, for clarity, Organization will be responsible for the daily and ongoing operations of the Software (e.g. importing meter reading, billing, collections, cashiering etc.). Managed services will not be provided by Harris.

Paymentus

Paymentus

MASTER SERVICES AGREEMENT

Client:	City of Lakewood
Client Address:	5050 Clark Ave Lakewood, CA. 90712
Contact for Notices to Client:	Jose Gomez

This Master Services Agreement ("Agreement") is entered into as of the Effective Date below, by and between the Client identified above ("City of Lakewood") and **Paymentus Corporation**, a Delaware corporation ("Paymentus").

WHEREAS Paymentus desires to provide and Client desires to receive certain services under the terms and conditions set forth in this Agreement. Paymentus provides electronic bill payment services to utilities, municipalities, insurance and other businesses.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, hereby covenant and agree as follows. This Agreement consists of this signature page, General Terms and Conditions, and the schedules listed below:

Schedule A: Paymentus Service Fee Schedule

Schedule B: Paymentus Service Fee Schedule, Additional Services

This Agreement represents the entire agreement between the parties with respect to its subject matter and supersedes all prior written or oral agreements or understandings related to its subject matter and may be changed only by agreements in writing signed by the authorized representatives of the parties.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives.

Client:

By: _____

Name: _____

Title: _____

Date: _____

Paymentus:

By: _____

Name: _____

Title: _____

Date: _____

Paymentus

GENERAL TERMS AND CONDITIONS

1 **Definitions:**

For the purposes of this Agreement, the following terms and words shall have the meaning ascribed to them, unless the context clearly indicates otherwise.

- 1.1 **"Agreement"** or **"Contract"** shall refer to this Agreement, as amended from time to time.
- 1.2 **"Approved Payment Types"** shall mean credit and debit means of payment, such as Visa®, MasterCard®, Discover®, E-check and other payment methods as deemed necessary by Paymentus, except as excluded on Schedule A.
- 1.3 **"Average Bill Amount"** shall mean the total amount of Payments processed through Paymentus in a given month divided by the number of the Payments for the same month.
- 1.4 **"Effective Date"** shall be the last date upon which the parties signed this Agreement. The Agreement will not be effective against any party until that date.
- 1.5 **"Excess Payment Amount"** shall mean the amount by which the total of all Payment Amounts from Non-Qualified Transactions processed in a calendar month exceeds 5% of the total of the Payment Amounts of all card Payments processed that month.
- 1.6 **"Fee Assumptions"** shall mean information used to calculate the Paymentus Service Fee (as defined in Section 3.2.1), including the projected Average Bill Amount, projected payment method mix (credit vs debit vs e-check) and that the total Payment Amount processed each month resulting from Non-Qualified Transactions shall not exceed 5% of the total Payment Amount of all card Payments processed that month.
- 1.7 **"Initial Setup"** shall mean the first personalization and activation of the standard service as specified during the implementation process.
- 1.8 **"Launch Date"** shall be the date on which Client launches the Services to the Users.
- 1.9 **"Non-Qualified Transaction"** shall mean (i) a Payment made with a card generally issued for business use that results in interchange fees or other processing charges assessed by a Paymentus Authorized Processor or card association that are higher than those charged for transactions with cards issued for consumer use; or (ii) a Payment that does not qualify for reduced interchange fees under programs that Client may be participating in. These high-cost cards may include, among others, corporate cards, virtual cards, purchase cards, business cards, and travel and entertainment cards.
- 1.10 **"Payment"** shall mean payment by a User through the Platform for Client's services, Client's bills, or other amounts owed to Client.
- 1.11 **"Payment Amount"** shall mean the amount of a Payment.
- 1.12 **"Paymentus Authorized Processor"** shall mean a Paymentus authorized merchant account provider and payment processing gateway.
- 1.13 **"Reversed or Charged-back Transactions"** shall mean cancelled transactions due to User error, a User's challenge to Payment authenticity, or action by a financial institution or a Paymentus Authorized Processor (commonly referred to as ACH or eCheck returns or credit/debit card chargebacks).
- 1.14 **"Services"** shall mean the performance of the payment and related services by Paymentus as set forth in Section 2 of this Agreement.
- 1.15 **"User"** shall mean the users of Client's services.

Paymentus

2 Description of Services to be Performed

2.1 Scope of Services

Paymentus shall provide Users the opportunity to make Payments by Approved Payment Types. Payments may be made by Interactive Telephone Voice Response System ("IVR") or secure Internet interface provided at the Paymentus web site or other websites that are part of Paymentus' Instant Payment Network ("Websites"), collectively referred to as the ("System" or "Platform"). Paymentus will be the exclusive provider to Client of services included in the Services.

2.2 Professionalism

Paymentus shall perform in a professional manner all Services required to be performed under this Agreement.

3 Compensation

3.1 No Fee Installation

Paymentus will charge no fees related to the Initial Setup of either or both of the Web and IVR interfaces to its standard service.

3.2.1 Paymentus Service Fee

Paymentus will charge each User or Client a Service fee for each Payment ("Paymentus Service Fee") as provided in Schedule A. If so provided in Schedule A, the Paymentus Service Fee is to be collected in addition to the corresponding Payment as part of the transaction.

For each Payment, the Paymentus Service Fee will be collected and Paymentus will pay the corresponding processing and related fees of the Approved Payment Types ("Transaction Fees") except for fees related to Reversed or Charged-back Transactions.

A schedule of Paymentus Service Fees is attached as Schedule A. The Paymentus Service Fee is based on the Fee Assumptions. Client shall be billed additional Paymentus Service Fees equal to 2.65% of the Excess Payment Amount for each month during which there is an Excess Payment Amount. Paymentus may amend Schedule A upon prior written notice to Client if a change is caused by changes in the card or payment system rules or changes in credit card fees or if the Fee

Assumptions prove to have been materially incorrect. The amended Service Fee shall take effect 30 days after written notice to Client.

4 Payment Processing

4.1 Integration with Client's Billing System

At no charge from Paymentus to Client, Paymentus will develop one (1) file format interface with Client's billing system using Client's existing text file format currently used to post payments to Client's billing system. Client will be responsible to provide Paymentus with the one file format specification and will fully cooperate with Paymentus during the development of the said interface. If Client chooses to create an automated file integration process to download the posting file, due to Paymentus security requirements, Client will use Paymentus specified integration process. The Paymentus platform is an independent full service fully hosted platform per PCI-DSS requirements for a fully hosted solution. As such, the Paymentus platform does and can function independent of any billing system integration. A payment posting file can be emailed or downloaded from the Paymentus Agent Dashboard. If Client chooses to have the Paymentus platform integrated with its billing system, Paymentus offers two options:

(i) Paymentus standard integration specification that Client can use to integrate its billing systems with Paymentus platform ("Standard Integration"); or

(ii) Paymentus to either customize or configure its platform to integrate with Client using file specification or APIs supported by Client's billing system ("Client Specific Integration").

If Client chooses Standard Integration, Paymentus agrees to fully cooperate with Client and provide its specification to Client. Paymentus also agrees to participate in meetings with Client's software vendor to provide any information or clarifications needed to understand Standard Integration. Paymentus agrees to provide all integration/interface specifications within 30 days from the Effective Date. Client will take commercially reasonable steps to develop the integration within 60 days from the date on which Client has received all integration specifications from Paymentus.

If Client chooses Client Specific Integration, Paymentus agrees to develop that integration at no charge from Paymentus to Client, provided however,

Paymentus

Client agrees to fully cooperate with Paymentus and cause its software vendors and other service providers to fully cooperate with Paymentus. Client agrees to provide all specifications required for Client Specific Integration. Client further agrees to participate in testing with Paymentus and if needed, cause its billing software vendors and other service providers to participate in testing. Client agrees to provide or make available all integration/interface specifications within 30 days from the Effective Date. Paymentus will take commercially reasonable steps to develop the integration within 60 days from the date on which Paymentus has received all the integration specifications from Client or its vendors.

Parties agree that if the parties do not cooperate fully, it can lead to each party being unable to perform its duties to deliver the integration in time.

Based on Client's use of the Paymentus platform and its respective modules selected under this Agreement, Paymentus will require the following integration points:

(i) For one-time Payment Module:

- a. Customer Information – Text File or Real-time
- b. Payment Posting – Text File or Real-time

(ii) For Recurring Payment Module

- a. Text File

(iii) For E-billing Module

- a. Billing Data - Text File or Real-time link to billing data

(iv) For Outbound Notification

- a. Audience File – Text File for customer engagement messages

Each of these can be based on Standard Integration or Client Specific Integration.

The Initial Setup for the Web or IVR interface will be considered complete when the first Standard Integration or Client Specific Integration, as applicable, is completed such that Paymentus and Client are able to exchange files relevant to that interface, as contemplated in this Section 4.1. In the event the Services are implemented without

integration, the Initial Setup will be considered complete when a User is able to access the Paymentus website or IVR to process a payment.

4.2 Enhancements

The parties agree that the Services are provided on a "platform as a service" basis, and not as a result of custom software development. Paymentus' standard Platform will be personalized to achieve certain additional functional requirements of Client, as clarified and agreed during implementation ("Enhancements"). Enhancements may include some or all of the features included in any technical requirements or similar document provided to Paymentus. The parties will fully co-operate with one another to: a) ensure that requirements with respect to Enhancements are clarified as needed; b) accept Paymentus proposed reasonable alternatives to achieve Client's functional objectives within the limits of the Paymentus platform; and c) accept Paymentus' reasonable estimates of time for completion, designs and plans with respect to agreed Enhancements. There will be no fee charged by Paymentus to Client for Enhancements, provided Paymentus designs and plans are accepted by Client. If the Services are to be offered at multiple locations, or if the Services include multiple Enhancements, the parties will agree to a phased implementation.

4.3 PCI Compliance

For PCI Compliance, Client has two options for using Paymentus platform:

- (i) Paymentus Fully Hosted Solution; or
- (ii) Any other configuration

To substantially reduce or eliminate any PCI compliance risks and to render all Client systems out of scope from PCI compliance requirements, Client agrees to use Paymentus' fully hosted service where Paymentus uses its own platform to capture Payments and to manage the entire (end to end) user experience from the following channels for Payment acceptance: Web, Mobile, IVR, POS devices operated by Client's employees (per Paymentus recommended setup), recurring payments, Ebill Presentment ("Paymentus Fully Hosted Solution"). If Client chooses any other integration, such as third party web pages integrated with Paymentus APIs, third party gateway pages, or

Paymentus

its own IVR systems or other POS or customer self-service solutions, or a cashiering module from a third party, Client expressly agrees that Client shall not be exempt from PCI requirements and shall be liable for any data breaches occurring on its own systems as Client recognizes that Client systems are participating in the transactions and are in scope for PCI compliance. Under those circumstances, Paymentus shall not be responsible for any PCI obligations outside of Paymentus own platform and Paymentus expressly disclaims any PCI or security obligations related to Client systems or any third party systems that participate in the payment transactions that are outside of Paymentus Platform.

Paymentus highly recommends that Client uses Paymentus Fully Hosted Solution to substantially reduce its PCI compliance and data breach risks.

If Client chooses to use any other option other than Paymentus Fully Hosted Solution, Client agrees and warrants that Client shall remain PCI compliant throughout the term of this Agreement. For clarity, just because Client uses PCI compliant applications, such as its billing software, it does not eliminate the need for Client to be PCI compliant. Per PCI requirements, if a party's systems participate in processing, or accepting or storing card transactions, that party is required to be PCI compliant as the systems are in scope.

4.4 Explicit User Confirmation

Paymentus shall confirm the dollar amount of all Payments, and when paid by the User, the corresponding Paymentus Service Fee to be charged to a card and electronically obtain the User's approval of the charges prior to initiating card authorizations transaction. Paymentus will provide User with electronic confirmation of all transactions.

4.5 Merchant Account

Paymentus will arrange for Client to have a merchant account with the Paymentus Authorized Processor for processing and settlement of the card transactions.

4.6 Card Authorization

For authorization purposes, Paymentus will electronically transmit all card transactions to the appropriate card-processing center, in real time as the transactions occur.

4.7 Settlement

Paymentus together with its authorized card processor shall forward the payment transactions, and when paid by User, the corresponding Paymentus Service Fee to the appropriate card organizations for settlement (other than the Paymentus Service Fee) directly to Client's depository bank account previously designated by Client (hereinafter the "Client Bank Account"). When as provided in Schedule A Client pays the Paymentus Service Fee, Paymentus will invoice Client and debit the fees from Client's account on a monthly basis.

Paymentus together with the Paymentus Authorized Processor will continuously review its settlement and direct debit processes for its simplicity and efficiencies. Client and Paymentus agree to fully co-operate with each other if Paymentus were to change its settlement and invoicing processes.

4.8 Reversed or Charged-back Transactions

With respect to all Reversed or Charged-back Transactions Client authorizes Paymentus and Paymentus Authorized Processor (and/or the respective card organizations) to debit the Client Bank Account for the Payment Amount and Paymentus shall refund to the card organization for credit back to the User the corresponding Paymentus Service Fee, if any.

Paymentus together with Paymentus Authorized Processor will continuously review its processes for Reversed or Charged-back Transactions for simplicity and efficiencies. Client and Paymentus agree to reasonably co-operate with each other if Paymentus requires any change to its settlement and invoicing processes for these transactions.

5 General Conditions of Services

5.1 Service Reports

Paymentus shall provide Client with reports summarizing use of the Services by Users for a given reporting period.

5.2 User Adoption Communication by Client

Client will make Paymentus' Services available to its residential and commercial Clients by different means of Client communication including a) through bills, invoices and other notices; b) by providing IVR

Paymentus

and Web payment details on Client's website including a "Pay Now" or similar link on a mutually agreed prominent place on the web site; c) through Client's general IVR/Phone system; and d) other channels deemed appropriate by Client.

Paymentus shall provide Client with logos, graphics and other marketing materials for Client's use in its communications with its users regarding the Services and/or Paymentus.

Both parties agree that Paymentus will be presented as a payment method option. Client will communicate the Paymentus option to its end residential and commercial Clients wherever Client usually communicates its other payment methods.

5.3 Independent Contractor

Client and Paymentus agree and understand that the relationship between both parties is that of an independent contractor.

5.4 Client's Responsibilities

In order for Paymentus to provide the Services outlined in this Agreement, Client shall co-operate with Paymentus by:

- (i) Entering into all applicable merchant card, cash management, ACH origination, or kiosk agreements.
- (ii) Keeping throughout the duration of this Agreement a bill payment link connecting to Paymentus System at a prominent and mutually agreed location on Client's website. The phone number for IVR payments will also be added to the web site. Client will also add the IVR payment option as part of Client's general phone system.
- (iii) Sharing User Adoption marketing as described in Section 5.2.
- (iv) Launching the Service within 30 days of the merchant account setup.
- (v) Dedicating sufficient and properly trained personnel to support the implementation process and its use of the Services in compliance with all laws applicable to its use of the Services.

- (vi) Providing Paymentus with the file format specification currently used to post payments to the billing system to allow Paymentus to provide Client with a posting file for posting to Client's billing system.

- (vii) Fully cooperating with Paymentus and securing the cooperation of its software and service providers and providing the information required to integrate with Client's billing system.

6 Governing Law

This Agreement shall be governed by the laws of the state of Delaware, without giving effect to any principles of conflicts of law.

7 Miscellaneous

7.1 Authorized Representative

Each party shall designate an individual to act as a representative for the respective party, with the authority to transmit instructions and receive information. The parties may from time to time designate other individuals or change the individuals.

7.2 Notices

All notices of any type hereunder shall be in writing and shall be given by Certified Post or a national courier or by hand delivery to an individual authorized to receive mail for the below listed individuals, all to the following individuals at the following locations:

To Client

C/O:
Address:
Email:

To Paymentus

C/O: President and CEO
Address: 13024 Ballantyne Corporate Place
Suite 450
Charlotte, NC 28277
Email: ceo@paymentus.com

Notices shall be declared to have been given or received on the date the notice is physically

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received. Any party by giving notice in the manner set forth herein may unilaterally change the name of the person to whom notice is to be given or the address at which the notice is to be received.

7.3 Interpretation

It is the intent of the parties that no portion of this Agreement shall be interpreted more harshly against either of the parties as the drafter.

7.4 Amendment of Agreement

Modifications or changes in this Agreement must be in writing and signed by the parties to this Agreement.

7.5 Severability

If a word, sentence or paragraph herein shall be declared illegal, unenforceable, or unconstitutional, the said word, sentence or paragraph shall be severed from this Agreement, and this Agreement shall be read as if said word, sentence or paragraph did not exist.

7.6 Attorney's Fees

Should any litigation arise concerning this Agreement between the parties hereto, the parties agree to bear their own costs and attorney's fees.

7.7 Confidentiality

Client will not for any purpose inconsistent with this Agreement disclose to any third party or use any confidential or proprietary non-public information it has obtained during the procurement process or during the term of this Agreement about Paymentus' business, including the terms of this Agreement, operations, financial condition, technology, systems, know-how, products, services, suppliers, clients, marketing data, plans, and models, and personnel. Paymentus will not for any purpose inconsistent with this Agreement or its privacy policy in effect from time to time disclose to any third party or use any confidential User information it receives in connection with its performance of the services.

7.8 Intellectual Property

In order that Client may promote the Services and Paymentus' role in providing the Services, Paymentus grants to Client a revocable, non-exclusive, royalty-free, license to use Paymentus' logo and other service marks (the "Paymentus

Marks") for this purpose only. Client does not have any right, title, license or interest, express or implied in and to any object code, software, hardware, trademarks, service mark, trade name, formula, system, know-how, telephone number, telephone line, domain name, URL, copyright image, text, script (including, without limitation, any script used by Paymentus on the IVR or the Website) or other intellectual property right of Paymentus ("Paymentus Intellectual Property"). All Paymentus Marks, Paymentus Intellectual Property, and the System and all rights therein (other than rights expressly granted herein) and goodwill pertain thereto belong exclusively to Paymentus.

7.9 Force Majeure

Paymentus will be excused from performing the Services as contemplated by this Agreement to the extent its performance is delayed, impaired or rendered impossible by acts of God or other events that are beyond Paymentus' reasonable control and without its fault or judgment, including without limitation, natural disasters, war, terrorist acts, riots, acts of a governmental entity (in a sovereign or contractual capacity), fire, storms, quarantine restrictions, floods, explosions, labor strikes, labor walk-outs, extra-ordinary losses utilities (including telecommunications services), external computer "hacker" attacks, and/or delays of common carrier.

8 Indemnification

8.1 Paymentus Indemnification and Hold Harmless

Paymentus agrees to the fullest extent permitted by law, to indemnify and hold harmless Client and its governing officials, agents, employees, and attorneys (collectively, the "Client Indemnitees") from and against all third-party liabilities, demands, losses, damages, costs or expenses (including reasonable attorney's fees and costs), incurred by any Client Indemnitee as a result or arising out of (i) the willful misconduct or negligence of Paymentus in performing the Services or (ii) a material breach by Paymentus of its covenants.

8.2 Client Indemnification and Hold Harmless

Client agrees to the fullest extent permitted by law, to indemnify and hold harmless Paymentus, its affiliates, officers, directors, stockholders, agents, employees, and representatives, (collectively, the

Paymentus

"Paymentus Indemnitees") from and against all third-party liabilities, demands, losses, damages, costs or expenses (including without limitation reasonable attorney's fees and expenses) incurred by any Paymentus Indemnatee as a result or arising out of (i) the willful misconduct or negligence of Client related to the Services or (ii) a material breach of Client's covenants.

8.3 Warranty Disclaimer

Except as expressly set forth in this Agreement, Paymentus disclaims all other representations or warranties, express or implied, made to Client or any other person, including without limitation, any warranties regarding quality, suitability, merchantability, fitness, for a particular purpose or otherwise of any services or any good provided incidental to the Services provided under this Agreement.

8.4 Limitation of Liability

Notwithstanding the foregoing, Paymentus shall not be liable for any lost profits, lost savings or other special, indirect or consequential damages, even if it has been advised of or could have foreseen the possibility of these damages. In no event will Paymentus be liable for any losses or damages resulting from the acts, omissions or errors of third parties or of Client. Paymentus' total liability for damages for any and all actions associated with this Agreement or the Services shall in no event exceed the specific dollar amount of the Paymentus Service Fee paid to Paymentus for the particular payment transaction which is the subject matter of the claim of damage.

9 Term and Termination

9.1 Term

The term of this Agreement shall commence on the effective date of this Agreement and continue for a period of 2 (two) years ("Initial Term") from the Launch Date. Services under this Agreement shall begin within 30 days of the merchant account setup.

At the end of the Initial Term, this Agreement will automatically renew for successive three (3) year periods unless either Client or Paymentus provide the other party with not less than 60 (sixty) days prior written notice before the automatic renewal date that it elects not to automatically renew the term of this Agreement.

9.2 Material Breach

A material breach of this Agreement shall be cured within 90 business days ("Cure Period") after a party notifies the other of the breach. In the event the material breach has not been cured within the Cure Period, the non-breaching party can terminate this Agreement by providing the other party with a 30 business days' notice.

9.3 Upon Termination

Upon termination of this Agreement, the parties agree to cooperate with one another to ensure that all Payments are accounted for and all refundable transactions have been completed. Upon termination, Paymentus shall cease all Services being provided hereunder unless otherwise directed by Client in writing.

Paymentus

Schedule A – Paymentus Service Fee Schedule (Convenience Fee or Absorb Model)

Paymentus Service Fees are charged to the User or Biller and will be based on one of the following tables: Any combination of these payment methods can be used below for any agency.

In addition the customer agrees to amend section 8.1 in the original agreements to include the following new paragraph at the end of the section to read as: "Paymentus' obligation to indemnify Customer under the section 8.1 shall not apply to any claims related to Customer's failure set forth in the Master Service Agreement regarding any and all actions by card associations against Paymentus and/or Customer as a result of such refusal shall be solely the Customer's responsibility and the Customer shall hold harmless Paymentus from any claims related to such refusal."

Any notification from card associations regulations or requirements needing to be addressed will be made available to Paymentus and the Customer understands that some pricing models being used are against card brand regulations and could result in non-compliance.

Paymentus Service Fee charged to the User will be based on the following table:

Paymentus Fee Model
<input type="checkbox"/> Absorbed Model or Convenience Fee needs to be chosen
<input type="checkbox"/> Average Bill Amount: Varies
<input type="checkbox"/> Paymentus Service Fee per transaction includes web solutions, IVR, agent dashboard, counter POS
<u>Full Absorb Model: (compliant)</u>
Absorb echeck \$0.25
Absorb credit card (Visa, MC, Discover, Amex) \$1.63
Absorb non-qualified 2.65%
<u>Full Convenience Fee Model: (compliant)</u>
CF echeck \$2.50
CF credit card (Visa, MC, Discover, Amex) \$2.50
<u>Other Options for Pricing Scenarios:</u>
(Hybrid)
<u>Differential flat rate</u>

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Absorb echeck \$0.25

CF credit card (Visa, MC, Discover, Amex) \$2.50

Percentage CF

Absorb echeck \$0.25

CF credit card (Visa, MC, Discover, Amex) 2.8%

☐ Chargebacks and returned checks will be billed at **\$9.95** per chargeback/returned check.

Note: Maximum Amount per Payment is \$10,000.00 for % and absorb models \$500.00 cap per payment on CF flat rate. Multiple payments can be made.

The Paymentus Service Fee will be collected in addition to the end-user bill payment total. Paymentus may apply different limits per transactions for user adoption or to mitigate risks. Paymentus may apply chargeback and returned check fees as needed from previous systems as migrations occur from previous Merchant services used.

Paymentus

Schedule B – Paymentus Service Fee Schedule, Additional Services

Paymentus Service Fee charged to Client will be based on the following tables:

Additional Services
<input type="checkbox"/> Outbound Notifications include: <input type="checkbox"/> Unlimited
<input type="checkbox"/> Swipe device readers: <ul style="list-style-type: none">• As needed, no cost, up to 5 per agency if using the Paymentus Agent Dashboard

Utilitec



Agreement

This Operating Agreement ("Agreement") is made and entered into this date, December 10, 2019 by and between Doxim Utilitec LLC, whose address is 1911 Woodslee Drive, Troy, MI 48083, and City of Lakewood, whose address is 5050 Clark Avenue, Lakewood, CA 90712.

Now, therefore, in consideration of the mutual promises contained below, Doxim Utilitec, LLC and City of Lakewood. agree as follows:

1. TERM:

This Agreement shall commence on December 10, 2019. Unless terminated earlier in accordance with Section 7 of this Agreement, the term of this Agreement shall be for a period of three (3) years, with a two (2) year contract renewal option. Thereafter, the contract will automatically renew on the anniversary date for a one-year period.

2. SERVICES:

2.1 Doxim Utilitec, LLC shall provide the Services to City of Lakewood. in accordance with the terms of this Agreement.

2.2 If City of Lakewood. wishes to change or add to the level or type of Services described in the Services and Pricing Agreement; City of Lakewood. shall advise Doxim Utilitec, LLC in writing and provide specifications for such work. If Doxim Utilitec, LLC is willing to perform such work and the parties agree on cost and other terms and conditions, the attached Addendum A: Services and Pricing Agreement shall be amended to include such additional work. The terms and conditions of this Agreement shall otherwise govern the performance of, and payment for, such work.

3. PERFORMANCE:

3.1 Doxim Utilitec, LLC shall provide services to City of Lakewood. and perform in accordance with the terms of this Agreement and Addendum B: Service Level Agreement.

3.2 Holidays: The following dates are defined as Doxim Utilitec, LLC company holidays:

- New Year's Day
- Memorial Day
- Independence Day
- Labor Day
- Thanksgiving and the day of after Thanksgiving
- Christmas Eve and Christmas Day

All Doxim Utilitec, LLC services are closed on the above holidays unless agreed to by Doxim Utilitec, LLC senior management. If City of Lakewood. requires Doxim Utilitec, LLC to open facilities specifically for



City of Lakewood., City of Lakewood. will pay Doxim Utilitec, LLC a \$2,000 facilities fee in addition to regular service prices.

4. ACCOUNT MANAGEMENT:

Doxim Utilitec, LLC shall appoint an Account Manager, who shall serve as the principal Doxim Utilitec, LLC interface with City of Lakewood. and have the responsibility for the overall supervision and conduct of the Services, and City of Lakewood. shall appoint an Administrator who will interface with Doxim Utilitec, LLC and have the overall responsibility for this Agreement.

5. FEES AND PAYMENT:

5.1 City of Lakewood. shall pay Doxim Utilitec, LLC in accordance with the fee schedules set forth in the attached Addendum A: Services and Pricing Agreement. Any change in the fees shall require the prior approval of both parties.

5.2 Doxim Utilitec, LLC shall invoice City of Lakewood. on a monthly basis for Services rendered under this Agreement. Upon presentation of appropriate supporting documentation, City of Lakewood. shall also reimburse Doxim Utilitec, LLC for all costs not shown in Addendum A: Services and Pricing Agreement and reasonably approved by City of Lakewood. in connection with the performance of the Services. City of Lakewood. shall advance Doxim Utilitec, LLC an amount equal to the estimated postage charges to be incurred over a typical 45-day period. City of Lakewood. will be invoiced monthly based on actual postage used which is due upon receipt. City of Lakewood. shall pay each service invoice from Doxim Utilitec, LLC within fifteen (15) days after receipt of such invoice. If City of Lakewood. or Doxim Utilitec, LLC should default in the performance of any obligation under this Agreement, then, in addition to any other damages, City of Lakewood. or Doxim Utilitec, LLC shall reimburse the other party for all of its costs and expenses, including, without limitation, reasonable attorney's fees and expenses, incurred in connection with the enforcement of the terms of this Agreement. It is understood by City of Lakewood. that Doxim Utilitec, LLC will not apply postage unless City of Lakewood. has postage on account.

5.3 Taxes: The City of Lakewood. is exempt from all sales, excise and transportation taxes.

6. LIMITATION OF LIABILITY:

Doxim Utilitec, LLC's sole liability under this Agreement for damages resulting from claims made by City of Lakewood. (or any third party claiming under or through City of Lakewood.) arising from or related to any and all causes of actions, whether in contract or in tort, shall be limited to the lesser of (i) the amount of actual damages incurred by City of Lakewood. (or such third party), or (ii) the fees paid to Doxim Utilitec, LLC pursuant to this Agreement one (1) month period immediately preceding the event(s) giving rise to City of Lakewood. cause(s) of action.

7. TERMINATION:

7.1 Either Doxim Utilitec, LLC or City of Lakewood. may terminate this Agreement immediately: (a) upon the material breach of this Agreement by the other party and the failure of such party to cure such breach within thirty (30) days after receipt of written notice specifying in detail the breach



claimed; or (b) upon nonpayment of any invoice within ninety (90) days of receipt thereof (c) immediately if: (i) the other party makes as assignment for the benefit of creditors; (ii) a receiver, trustee in bankruptcy or similar agent is appointed to take charge of all or part of such other party's property; (iii) a voluntary petition under the bankruptcy laws of the United States is filed by the other party; (iv) an involuntary petition under the bankruptcy laws of the United States is filed with respect to the other party and is not dismissed within sixty (60) days after the filing; or (v) without cause a Force Majeure Event has continued for more than fourteen (14) days; (d) upon not less than sixty (60) days prior written notice.

Termination for Convenience: Either Doxim Utilitec, LLC or City of Lakewood. may terminate this Agreement any time after the initial term by providing the other party not less than (3) month written notice.

7.2 Materials: Upon termination, City of Lakewood. will reimburse Doxim Utilitec, LLC of all unused materials pre-printed or acquired specially on have behalf of City of Lakewood.. These materials will be returned to City of Lakewood. upon receipt of payment.

7.3 Postage: Upon termination, Doxim Utilitec, LLC will reimburse City of Lakewood. for any current postage held on account less any outstanding postage invoices at that time.

8. FORCE MAJEURE:

Each party shall be excused from performance under this Agreement, and shall have no liability, for any period and to the extent that such party is prevented, hindered or delayed from performing any Services or other obligations under this Agreement, in whole, or in part, as a result of acts, omissions or events beyond the reasonable control of such party, including by way of illustration and not limitation, acts or omissions of the other party, strikes, lockouts, acts of war, fire, acts of God or governmental regulations ("Force Majeure Event")

9. NOTICES:

All notices under this Agreement shall be deemed given and received when personally delivered, received via facsimile or overnight delivery service, or three (3) calendar days after being mailed by certified mail or registered mail, postage prepaid, to the parties at the addresses indicated below (or at any other address designated by a party pursuant to notice in accordance with this paragraph).

Gary Zavislak
President
Doxim Utilitec, LLC
1911 Woodslee Drive
Troy, MI 48083

([REDACTED])
([REDACTED])
City of Lakewood.
5050 Clark Avenue
Lakewood, CA 90712

10. MODIFICATION:

This Agreement may be modified or amended only by an instrument in writing executed by authorized representatives of both Doxim Utilitec, LLC and City of Lakewood..



11. SEVERABILITY:

If any provision of this Agreement shall be determined to be illegal, unenforceable, or in conflict with any laws governing this Agreement, the remaining provisions of this Agreement shall remain in full force and effect.

12. ASSIGNMENT:

This Agreement is binding on the parties and their respective successors and assigns. Neither party may assign this Agreement (whether such assignment is affected in connection with a sale of such party's assets or stock or through merger or otherwise) without the prior written consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed. Any purported assignment without the prior written consent of the other party shall be null and void and of no force and effect.

13. GOVERNING LAW/ARBITRATION:

13.1 All disputes, controversies, or differences arising out of this Agreement or any claimed breach thereof shall be finally settled under the Commercial Arbitration Rules established by the American Arbitration Association then in effect.

13.2 The arbitration shall take place in (Los Angeles County, CA) and shall apply the governing law of this Agreement. The decision of the arbitrators shall be final and binding and judgment on the award may be entered in any court of competent jurisdiction. The arbitrators shall be instructed to state the reasons for their decisions, including findings of fact and law. The warranties, limitations of liability, and other provisions of this Agreement shall bind the arbitrators. Unless otherwise directed by City of Lakewood, in writing, Doxim Utilitec, LLC shall continue to perform the Services pursuant to this Agreement during arbitration, and City of Lakewood, shall continue to pay undisputed fees.

13.3 Within ten (10) days after delivery of written notice ("Notice of Dispute") by one party to the other in accordance with this Section, the parties each shall use good faith efforts to mutually agree upon one (1) arbitrator. If the parties are not able to agree upon one (1) arbitrator within such period of time, each of the parties shall, within ten (10) days (i) appoint one (1) arbitrator who has at no time ever represented or acted on behalf of either of the parties, and (ii) deliver written notice of the identity of such party and a copy of his or her written acceptance of such appointment to the other party hereto. If either party fails or refuses to appoint an arbitrator within such ten (10) day period, the single arbitrator appointed by the other party shall decide alone the issues set out in the Notice of Dispute. Within ten (10) days after such appointment and notice, such arbitrators shall appoint a third arbitrator. In the event the two arbitrators fail to appoint a third arbitrator within ten (10) days of the appointment of the second arbitrator, either arbitrator or either party may apply for the appointment of a third arbitrator to the American Arbitration Association.

13.4 All arbitrators selected pursuant to this Section shall be practicing attorneys with at least five (5) years' experience in technology law applicable to the Services. Any such appointment shall be binding upon the parties. The parties shall use best efforts to set the arbitration within sixty (60) days after selection of the arbitrator or arbitrators, as applicable, but in no event shall the arbitration be set more than ninety (90) days after selection of the arbitrator or arbitrators, as applicable. Discovery as



permitted by the Federal Rules of Civil Procedures then in effect will be allowed in connection with arbitration to the extent consistent with the purpose of the arbitration and as allowed by the arbitrator or arbitrators, as applicable. The decision or award of the arbitrator or the majority of the three arbitrators, as applicable, shall be rendered within fifteen (15) days after the conclusion of the hearing, in writing, and shall set forth the basis therefore, and shall be final, binding and non-appealable upon the parties and may be enforced and executed upon in any court having jurisdiction over the party against whom the enforcement of such decision or award is sought. Each party shall bear its own arbitration costs and expenses and all other costs and expenses of the arbitration shall be divided equally between the parties; provided, however, the arbitrator or arbitrators, as applicable, may modify the allocation of fees, costs and expenses in the award in those cases where fairness so dictates.

13.5 The validity, construction, and interpretation of this Agreement and the rights and duties of the parties hereto, shall be governed by the laws of the State of (California), including its principles of conflict of laws. The parties consent to venue in (California), and to the exclusive jurisdiction of the Courts of (Los Angeles County, CA), and the Federal District Court for the () for all litigation which may be brought, subject to the requirement for arbitration hereunder, with respect to the terms of, and the transactions and relationships contemplated by, this Agreement. The parties further consent, to the jurisdiction of any federal or state court located within a district which encompasses assets of a party against which a judgment as been rendered, either through arbitration or through litigation, for the enforcement of such judgment or award against the assets of such party.

14. ENTIRE AGREEMENT:

The provisions, terms and conditions of this Agreement and any or all schedules hereto represent the entire agreement of the parties hereto and supersede any prior written agreement or understanding not incorporated herein. If any inconsistencies exist between this Agreement and any prior written agreements or understandings, the terms of this Agreement shall prevail. Any representations or statements by Doxim Utilitec, LLC or City of Lakewood, that differ in any way from the terms of this Agreement shall have no force or effect. In the event of a conflict between the body of this Agreement and any Schedule, the body of this Agreement shall govern. The following schedules are attached hereto and made a part of this Agreement:

Addendum A: Service and Pricing Agreement

Addendum B: Service Level Agreement (SLA)

This Agreement and the above referenced Addendums constitute the entire agreement between Doxim Utilitec, LLC and City of Lakewood, with respect to the subject matters hereof, and supersedes all previous communications, negotiations, and agreements, whether written or oral.

15. FUTURE PRICE INCREASES:

The Provider shall be compensated in a manner set forth in Addendum A. The unit prices set forth in Addendum A shall be fixed during the term of this Agreement; provided, however, at any time after December 4, 2020, provider may upon 6 months prior written notice to City of Lakewood, request no



more than once per Contract Year (defined hereinbelow) an adjustment to the unit price based on the change during the preceding Contract Year in the Consumer Price Index (CPI) for similar services as published by the U.S. Bureau of Labor Statistics. City of Lakewood, shall consider the requested price adjustment in good faith and communicate its decision to Provider within ten (10) days after City of Lakewood's receipt of the request.

16. INSURANCE AND HOLD HARMLESS

16.1 INSURANCE

Doxim Utilitec, LLC shall not commence work until Doxim Utilitec, LLC has obtained and delivered to City of Lakewood, a certificate of insurance which shall name the City of Lakewood, as an additional insured. All insurance carriers must be acceptable to City of Lakewood, and licensed and admitted to do business in the State of Michigan

16.2 HOLD HARMLESS

To the fullest extent permitted by law, Contractor agrees to defend, pay in behalf of, indemnify and hold harmless City of Lakewood, its elected and appointed officials, employees and volunteers and others working in behalf of City of Lakewood, against any and all claims, demands, suits, or loss, including all costs and attorney fees connected therewith, and for any damages which may be asserted, claimed or recovered against or from City of Lakewood, its elected and appointed officials, employees, volunteers or others working in behalf of the City of Lakewood, by reason of personal injury, including bodily injury and death and/or property damage, including loss of use thereof, which arises out of or is in any way connected or associated with this contract.

17. COUNTERPARTS:

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same agreement. Facsimile or Photo static reproductions of this Agreement may be made and relied upon to the same extent as though an original.

In witness whereof, the parties have caused this Agreement to be executed by their duly authorized officers as of the date set forth above,

Doxim Utilitec, LLC

City of Lakewood.

By: _____
Gary Zavislak
President

By: _____
([REDACTED])
([REDACTED])

Date: _____

Date: _____

Addendum B: Utilitec Service Level Agreement



This Service Level Agreement (SLA) and any attachments hereto are governed by and between City of Lakewood., (MD) and Doxim Utilitec, LLC effective December 4, 2019.

Scope of Work:

Doxim Utilitec, LLC shall provide bill processing, printing, and mailing services during the normal operating days of 6:00 am Monday through 7:00 pm Friday EST. Client may request work to be performed on Saturday or Sunday at an additional charge. Work for this agreement shall be performed at 1911 Woodslee Dr., Troy MI, 48083. All mail is processed in accordance with United States Postal Service guidelines.

Now therefore, in consideration of our mutual promises, Doxim Utilitec, LLC agrees to perform as follows:

- a. Doxim Utilitec, LLC shall receive, either by physical medium or through electronic transfer, applications that include billing statements and other applications as defined by Customer. These transfers will be conducted on an agreed upon schedule. Failure to provide these applications within the schedule time frame may void the SLA conditions for that particular cycle.
- b. Paper (bill form), outer mailing envelope and customer remittance envelope is supplied by Doxim Utilitec, LLC as part of this Agreement unless otherwise provided by the customer for use in their mailing; these materials must conform to USPS standards.
- c. All data will be processed according to customer instructions. The data will be printed, collated, folded, inserted, presorted and delivered to the USPS. Some data may be sent to other mediums (i.e. diskettes, CD, FTP or as requested by Customer). Delivery to USPS will be complete within 24 hours of client confirmation.
- d. Doxim Utilitec, LLC will prepare all required paperwork for mail entry in the USPS system.
- e. Changes to applications, or other software changes, must be completed and approved by 4:00pm the day prior to the application being processed. This deadline provides adequate time to ensure all aspects of the programming change has been implemented in accordance with the Doxim Utilitec, LLC quality process prior to bill printing.
- f. Message changes or other minor formatting changes on City of Lakewood. bill application can be submitted up to one business day prior to the bill printing.
- g. Approved cycles are billing cycles that have been reviewed and authorized to print per the Customer via the automated file handling process, unless the customer has previously waived such review in writing. In addition, no cycle can be approved if customer provided materials; envelopes, inserts, or other items to be included in the mailing, have not arrived at our facility prior to the file being received by Doxim Utilitec, LLC. Approved cycles received by 12:00 am, with total volumes (of all approved cycles) not exceeding 50,000 printed pages, will be processed and delivered to the USPS facility within 24 hours, providing it is not a USPS



recognized holiday or weekend day. If materials should be "pulled" because of errors, Customer will notify Doxim Utilitec, LLC before 11:00 a.m. on the day of mailing.

- h. Billing data files will be stored in a secure method for a period of 30 days. After (30) days, data will be removed (excluding Webview archive) unless notified by Customer of further storage requirements.
- i. Customer will fund in advance all USPS postage requirements prior to processing of mail by Doxim Utilitec, LLC (2 months in advance). A Postage Summary Report will be supplied each month to Customer, with an accounting of postage used.
- j. Client service personnel will respond to issues and questions within two hours, Monday through Friday 7:30 am to 5:30 pm EST. Operations support is available 24 hours per day, M-F.
- k. Doxim Utilitec, LLC will not share, rent, or sell any contents of the application provided by the customer.
- l. Payment will be in accordance with the terms of the contract and after acceptance of services rendered. Correct invoices will be paid net 30 days.
- m. With respect to any items delivered to the USPS containing errors caused by Doxim Utilitec, LLC, Doxim Utilitec, LLC shall correct such errors and re-perform the services with respect to such items at Doxim Utilitec, LLC sole expense and without charge to the customer, within 24 hours of the discovery of such error.



1911 Woodslee Drive Troy, MI 48063

City of Lakewood Service Price List

www.utilitec.net

Service Type	Description	Price
Statement Printing & Processing	Duplex print, #10 mailing envelope, #9 return envelope	\$.13/each
Letter Printing & Processing	Duplex print, #10 mailing envelope, #9 return envelope	\$.13/each
Insert Fee	Cost to include inserts into bill envelope	\$.01/each
Additional Page Fee	per page cost to print and insert additional pages if bill contains more than 1 duplex page	\$.05/each
Paperless Processing Fee	Processing of data and composition of bills for paperless accounts	\$.06/each
NCOA/Move Update Compliance	Corrections of address that are in the NCOA database to comply with Move Update USPS Standards	\$.20/corrected record only
USPS Address Services	CASS/DPV standardization, IMB barcodes, Postal qualification, Full Service USPS discount	\$.005/each
Hand Fulfillment	Cost for oversize envelopes	\$.35/each
Special Handling		
Co-Mingling of non-qualifying purchases	Reduce postage cost by co-mingling non-qualified pieces of mail.	\$.015/each (if required)
PDF Creation and Storage	Creation, indexing and 13 month storage for all bills, letters and notices	\$.02/each
IT Programming		\$125/hour
API web call for PDF display	Monthly fee to maintain API calls	\$250/month
UConnect™ Client Portal	UConnect is our utility facing portal that allows for real time job tracking and management of the entire document process. Full training is included.	\$1,500/year
UTrack™ Fee	Online job-tracking module that provides real-time updates of the entire production process.	Included with UConnect
UReview™ (Static) Fee	Online bill review and audit tool that assists CUS to review pulled bills from bill intercept.	\$175/month
UReview™ (Dynamic) Fee	Online bill review and audit tool that assists CUS to review pulled bills from bill intercept, in addition to over 50 proven audit thresholds	\$295/month
UView™ Fee	Online interface to view PDF images and to print, fax or email bills. Not required if utilizing API calls into CIS	\$500/month
UMail™ Fee	Online tool that reduces the percentage of undeliverable mail	\$250/month
UChange™ Fee	Online on-bill message campaign and letter management tool to allow you to deliver specific messages and letters to various audiences.	\$250/month
Website Hosting		
EBilling website	EBilling accessed through single sign on or full enrollment process.	Available upon request
Email Fees		
QuickBill™ Fee	Interactive bill notification email that will allow customers to view bill without logging in and can allow customers to go paperless right from the email.	\$.08/email
Reminder Email Fee	Reminder email 3-5 days prior to due date and past due email sent x days after due date	\$.08/email
Text Messaging Fees		
Monthly Hosting Fee	Unlimited usage	Available upon request
Transactional Fee	Bill notification text allowing a customer to pay, Reminder text prior to due date and past due text. Features include: Convenience fee model is supported, Credit and Debit cards accepted, allows for a saved payment method	Available upon request
IVR Fees		
Monthly Hosting Fee		Available upon request
Transactional Fee	<ul style="list-style-type: none"> • Includes Local DID and can be used by CSR's to transfer a call to the IVR. • Balance look up & Text receipts • Convenience fee model supported (transaction fee eliminated) • Credit cards, Debit Cards and ACH accepted 	Available upon request
Payment Processing		
ACH Processing	Electronic Checks received through all payment channels	Available upon request
ACH Returns	ACH Returns are billed to the Utility	Available upon request
Credit/Debit Cards	Credit/Debit cards received through all payment channels	Available upon request
Chargebacks	Credit/Debit Card chargebacks are billed to the Utility	Available upon request
Build out of Kiosk	Includes: 19" touch screen, Receipt printer, Bill acceptor, EMVCC reader, Cash magazine (no change provided), Hardwired connection, Configuration, Training, and Multi Lingual (English and Spanish)	Available upon request
Advanced Payment Kiosk Software		Available upon request
Monthly Hosting Fee	Includes: Unlimited payments, 24/7 software support, Hardware support, Real-time alerts, and Real-time reporting	Available upon request
Component Upgrades		
Check Reader		Available upon request
Bar Code Reader		Available upon request
Security Cameras		Available upon request
Additional Cash Magazine		Available upon request
Kiosks accept Credit/Debit cards, Check (ACH) and Cash	No cost for cash payments. Kiosk can support both a convenience fee model and an absorbed model or a combination of both.	Available upon request
Payment processing fees listed above		
Monthly Hosting Fee	Maintain URL	Available upon request
Transactional Fee	Payment fee per transaction (includes reporting)	Available upon request
Record Fee	Bill records maintained on the platform	
Bill Print Setup Costs	Replicate existing bill, design data mapping, creation of business rules, and implementation of products. **A Bill Redesign is quoted separately.	\$2,500 (one-time only)
EBilling and Payment Setup Costs	Implementation of business rules, testing, training, and branded payment pages; including Guest Pay, IVR and Kiosk	\$2,500 (one-time only)

Neptune System

NEPTUNE 360 SOFTWARE-AS-A-SERVICE TERMS AND CONDITIONS

These Terms and Conditions ("SaaS Terms" or the "Agreement") set forth the terms and conditions whereby Neptune Technology Group Inc. ("Neptune") agrees to provide the customer of Distributor (the "Customer") with software, related documentation, and support. For purposes of these SaaS Terms, Neptune and Customer are referred to as a "Party."

1. Definitions:

- a. *Affiliated Parties* - employees, officers, directors, agents, and financial, legal, and other advisors and affiliates (including a parent, subsidiary, or other related company) of a Party.
- b. *APIs* - published Neptune application programming interfaces.
- c. *Application* - Neptune's SaaS application, Neptune 360.
- d. *Confidential Information* - the contents and existence of this Agreement as well as any information that is not generally known outside the Discloser relating to any aspect of business of the Discloser, whether existing or foreseeable, including but not limited to: project files; product designs, processes; new or existing product development; production characteristics; testing procedures and results thereof; engineering evaluations and reports; know-how, trade secrets, business plans, financial statements and projections; Consumer lists and information; software and computer programs, including source code; training manuals; policy and procedure manuals; price and cost information; and any information received by the Discloser under an obligation of confidentiality to a third-party. A "Recipient" receives Confidential Information; a "Discloser" discloses Confidential Information.
- e. *Connectivity* - the ability for data collection Devices to send readings through a network to the Application, assuming the Devices are operational.
- f. *Consumer* - Customer's clients or users, both residential and commercial.
- g. *Customer Data* - any data and non-public information provided to Neptune by Customer.
- h. *Devices* - radio devices that interface with meters or other sensors and redistribute data over networks.
- i. *Distributor* - Neptune's authorized distributor of the Application and other Neptune Products pursuant to an Authorized Distribution Agreement between Neptune and distributor.
- j. *Documentation* - any user manuals, reference manuals, release, application and methodology notes, written utility programs and other materials in any form provided by Neptune.
- k. *Indemnified Persons* - Customer or its Consumers or Affiliated Parties.
- l. *Initial Term* - as defined in Section 4.
- m. *Key* - a license key provided by Neptune pertaining to the API.
- n. *Maintenance Window* - a scheduled outage of services for planned changes, upgrades, and/or repairs for the Application.
- o. *Renewal Term* - as defined in Section 4.
- p. *Service Level Objectives* - as defined in Section 3.
- q. *Software as a Service (SaaS)* - a software model in which Neptune's Application is delivered on a subscription basis and managed remotely via an online network.

- r. *Term* - as defined in Section 4.
2. **Services.** Customer shall not use, and shall not permit the use of, the Service by any unauthorized third-parties. Unless mutually agreed in writing, the Services include only the following:
- Providing Customer secure access to the hosted Application;
 - Providing application, server and Application monitoring, security monitoring, and database preventive maintenance monitoring;
 - Providing telephone support at 1-800-647-4832 Monday-Friday from 7:00am-5:00pm central time, excluding corporate holidays and email support at support@neptunetg.com;
 - Providing updates, with prior notice via email, and upgrades to the Application.
3. **Service Level Objectives:**
- Availability.* Neptune will use commercially reasonable efforts to provide at least 99% uptime of the SaaS Application, less Maintenance Windows.
 - Ticket Issuance.* Neptune will open a trouble ticket upon the earlier to occur of: (i) when Neptune first observes an issue; or (ii) when Customer first reports the issue. If an issue relates to Customer's system and Neptune becomes aware of the issue, Neptune will promptly report this information to Customer. Technical support hours are Monday-Friday from 7am-5pm Central Time. Neptune's commitment is to open a ticket and respond to said ticket within 24 hours of issue identification.
 - Response Time.* The urgency and time to correct will be dependent upon the issue itself and its impact to the Customer to perform billing functions (a "Billing Impediment"). Neptune shall prioritize the correction of any Billing Impediment and shall endeavor to correct such problems within 72 hours after issue identification. Other issues are considered a bug and fixes will be implemented upon an assigned software major or minor release schedule.
 - Service Failures.* If at any time during the Term a Billing Impediment goes unresolved within the window above, Customer's exclusive remedies include, at Customer's election, a credit for one (1) month of Service or termination of this Agreement with repayment of any prepaid fees on a prorated basis.
4. **Term and Termination:**
- The "Initial Term" of this Agreement shall be listed on the accepted purchase order.
 - By Customer.* Customer may terminate this Agreement and any Exhibits without cause prior to the expiration of the then current Term without refund.
 - By Neptune.* Neptune may immediately terminate this Agreement and any Exhibits should (a) Customer fail to cure its breach of this Agreement within 30 days of notice by Neptune or (b) should Customer breach this Agreement in an incurable way.
 - Data Ownership and Rights upon Termination.* Any data and information provided to Neptune by Distributor, Customer or its Consumers ("Customer Data") remains the property of Customer. Customer grants to Neptune the right and license to host, access, store, and use the Customer Data for the purposes of Neptune's performance pursuant to this Agreement, including, but not limited to for the purposes of providing and maintaining the Service. Upon expiration or termination of this Agreement, Neptune will no longer provide the Service and Customer may no longer use the Service. Following such expiration or termination, so long as Customer is current in all payments to Neptune, upon the written request of the Customer made within thirty (30) days after the effective date of the

expiration or termination, Neptune will use commercially reasonable efforts to prepare for export or download any Customer Data, with such export or download to be made in a mutually agreed format. After such thirty (30) day period, Neptune has no obligation to maintain or provide the Customer Data, and Neptune shall delete or destroy all Customer Data (and all copies of Customer Data) in its systems or otherwise in its possession or control, unless prohibited by law.

5. **Billing and Payment.** Upon the Effective Date and thereafter on each successive anniversary and receipt of a purchase order, Distributor shall issue an invoice payable within 30 days. A late charge will be assessed on all amounts not paid by the due date at a rate equal to the lesser of five percent (5%) per annum or the maximum rate permitted by applicable law.
6. **Force Majeure.** Neptune shall incur no liability of any kind to Customer due to (i) causes unrelated to the Application or the provision of Services, including, but not limited to, any disruption in Customer's networks not administered by Neptune or any disruption in the Internet or World Wide Web, or (ii) any other causes beyond Neptune's reasonable control, including, but not limited to, acts of God, war, terrorism, electrical storm, wind storm, tornado, hurricane, strikes or lack of access to equipment at Customer's site or Subscriber modules. Neptune does not guarantee network security, or the integrity of any data which is sent over, backed up, stored or subject to load balancing.
7. **Disclaimer of Warranties.** OTHER THAN THE SERVICE LEVELS LISTED ABOVE, NEPTUNE DOES NOT MAKE ANY WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE SERVICES RENDERED HEREUNDER, AND HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESS AND IMPLIED, WITH RESPECT TO SUCH SERVICES, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTIES OR CONDITIONS OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NEPTUNE EXPRESSLY DISCLAIMS SUCH WARRANTIES AND CONDITIONS.
8. **Application Programming Interfaces:**
 - a. *License.* For the sole purpose of creating an interface between the Application and software or applications licensed by Customer from third parties, Neptune hereby grants to Customer a non-exclusive, non-transferable license to use APIs. Neptune will provide to Customer Documentation related to the APIs, and Neptune grants Customer a non-exclusive, nontransferable license to use one copy of the Documentation solely in furtherance of the license granted herein.
 - b. *Limitations on Rights of Use.* Customer shall not use the API for any other purpose except as expressly authorized in this Agreement and Documentation. Neptune reserves the right to make the APIs available to Customer only pursuant to a Key. Customer will not disclose the Key to, or allow the use of the Key by, any third party other than the third party. Neptune will provide Customer the APIs in object code only. Neptune reserves the right to encrypt the API as it deems appropriate. Customer has no other rights in the object code or source code of the API. Customer may not disassemble, decompile, reverse translate or apply any other procedure to a non-source code delivered API. If Customer has relationships with additional utilities (or other entities) that are Neptune customers and Customer desires to use APIs or SaaS with other Neptune customers, then Customer must enter into a separate agreement with Neptune and such customer. Any rights in API(s) and the Documentation not expressly granted to Customer in this Agreement shall remain with Neptune.
 - c. *Upgrades.* Neptune may make changes to the APIs from time to time. Neptune will make commercially reasonable efforts to maintain backward compatibility of the APIs but makes no guarantees and assumes no obligation to ensure backward compatibility. APIs may not remain

compatible with third party software or programs after changes to the APIs, changes to third party software or programs, or changes to the SaaS.

9. **Limitation of Liability.** NOTWITHSTANDING ANYTHING IN THE AGREEMENT TO THE CONTRARY, IN NO EVENT SHALL NEPTUNE BE LIABLE TO CUSTOMER, ANY SUBSCRIBER OR ANY OTHER THIRD PARTY FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, INDIRECT, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES FOR LOSS OF BUSINESS, LOSS OF PROFITS, LOSS OF GOODWILL OR BUSINESS REPUTATION, BUSINESS INTERRUPTION, COSTS OF PROCURING SUBSTITUTE GOODS, LOSS OF DATA, OR LOSS OF BUSINESS INFORMATION) ARISING OUT OF OR CONNECTED IN ANY WAY WITH THIS AGREEMENT OR ANY EXHIBIT OR THE PROVISION OR NON-PROVISION OF THE SERVICE (WHETHER IN CONTRACT, TORT OR OTHERWISE), EVEN IF CUSTOMER, ANY SUBSCRIBER OR ANY SUCH THIRD PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. NEPTUNE'S LIABILITY FOR DAMAGES ARISING OUT OF OR CONNECTED IN ANY WAY WITH THE AGREEMENT OR ANY EXHIBIT OR THE PROVISION OR NON-PROVISION OF THE SERVICE (WHETHER IN CONTRACT, TORT OR OTHERWISE) SHALL BE DIRECT DAMAGES, NOT TO EXCEED AN AGGREGATE OF THE AMOUNT PAID TO NEPTUNE ON THE APPLICABLE PURCHASE ORDER. CUSTOMER HEREBY ACKNOWLEDGES THAT WITHOUT THE LIMITATION OF LIABILITY SET FORTH HEREIN THE FEES CHARGED FOR THE SERVICE WOULD BE HIGHER.
10. **Responsibilities of Customer:**
 - a. The procurement, compatibility, operation, security, support and maintenance of Customer's hardware and software (that are not the express subject of this Agreement) is the responsibility of Customer.
 - b. Application user administration, including but not limited to the definition, management, and security of usernames and passwords are the sole responsibility of Customer.
 - c. Customer represents and warrants to Neptune that it will hold at all relevant times all appropriate licenses and consents required to operate its business for which the Service is provided and that it will at all relevant times conduct its business in accordance with applicable law and regulation. Customer shall be responsible for the payment of any taxes, assessments or fees associated with the use of the Service. Neptune prohibits use of its Service in any way that: (i) is unlawful; (ii) interferes with use of the Application or the Internet by any other person or entity; (iii) infringes the intellectual property rights or privacy rights of any other person or entity; (iv) presents security or privacy risks, including, without limitation, interfering with or gaining unauthorized access to or otherwise violating the security of the Application or any other person or entity's server, e-mail accounts, or data; or (v) is inconsistent with the terms and conditions of this Agreement.
 - d. *Connectivity with Customer.* Unless otherwise modified by an Exhibit, Customer shall be solely responsible for supplying routing Connectivity between its network, its collection hardware, and the Application.
 - e. *Equipment Maintenance.* Unless otherwise modified by an Exhibit, Neptune shall not be responsible for the maintenance of Customers' networks.
11. **Indemnification.** Upon notice and demand from Customer, Neptune shall promptly assume full responsibility for the defense, at Neptune's expense, of any claim, demand, proceeding or action that may be brought (or threatened to be brought) against Indemnified Persons alleging any of the following: (a) violation or infringement of any patent, trademark or copyright or of any contractual, intellectual property or other rights of any third parties arising out of the Services or the use or sale of any products provided in connection with the Services; (b) any loss or damage

resulting from a breach of Section 12. Notwithstanding the foregoing, Neptune shall have no duty to indemnify Customer in the event of Customer's negligence.

12. Confidentiality:

- a. Recipient shall use Confidential Information only for performing under the Agreement and shall comply with all applicable laws in Recipient's use of Confidential Information. Other than explicitly stated herein, nothing in this Agreement shall be construed as granting any rights to Recipient, by license or otherwise, to any Confidential Information. Recipient shall protect the Confidential Information by using the same degree of care as Recipient uses to protect its own confidential and proprietary information of a like nature, but not less than a reasonable degree of care. Recipient shall not disclose or provide Confidential Information or any summary or derivative thereof to any third-party without the express prior written consent of Discloser in each instance. Recipient shall take all commercially reasonable steps to ensure that the Confidential Information is not used or disclosed by its Affiliated Parties in violation of this Agreement. Recipient shall (i) not remove the copyright notice, trademarks and all other proprietary rights notices and (ii) reproduce all copyright notices, trademarks and all other proprietary rights notices contained in the Confidential Information. Recipient shall only permit access to the Confidential Information to those Affiliated Parties who reasonably need to know such information to perform under this Agreement. Recipient shall require that all such Affiliated Parties who have access to any Confidential Information execute, or be subject to, a written confidentiality agreement that protects such information at least to the same extent as provided in this Agreement prior to any such access. Recipient shall be responsible for any violation of this Agreement on the part of such Affiliated Parties.
- b. Recipient's duty to protect the Confidential Information, and to refrain from using such information except for performing its obligations under this Agreement expires five years following the termination of this Agreement from the date of disclosure of such piece of Confidential Information; provided, however, that information that is a "trade secret" shall be kept confidential by Recipient until such information is no longer a "trade secret" under applicable law. Recipient and its Affiliated Parties shall not disclose any of the Confidential Information in any manner whatsoever, except as provided in this Agreement and shall hold and maintain the Confidential Information in strictest confidence. Notwithstanding the foregoing, the Parties acknowledge that, pursuant to a Defense of Trade Secrets Act of 2016, an individual may not be held criminally or civilly liable for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding.
- c. This Agreement imposes no obligation upon Recipient with respect to any information that: (a) is or becomes publicly known or publicly available or otherwise in the public domain through no act of Recipient or its Affiliated Parties; (b) is already known to, or in the possession of, Recipient or its Affiliated Parties at the time of the disclosure; (c) is rightfully received by Recipient or its Affiliated Parties from a third-party under no obligation of confidentiality to Discloser or Discloser's Affiliated Parties; (d) is disclosed by Recipient with Discloser's prior written approval; or (e) is required to be disclosed by order of a court or governmental agency; provided, however, that in such a case, Recipient shall immediately notify Discloser of such order to allow Discloser to seek a protective order or other appropriate relief.

- 13. Governing Law, Venue.** The interpretation and construction of this Agreement, and all matters relating to this Agreement, will be governed by the laws of the state in which Customer located without giving effect to any conflict of law provisions thereof. Any legal action or proceeding with respect to

this Agreement must be brought in the in which Customer located and by execution and delivery of this Agreement, each party to this Agreement irrevocably submits itself in respect of its property, generally and unconditionally, to the exclusive jurisdiction of the aforesaid courts in any legal action or proceeding arising out of this Agreement. Each of the parties to this Agreement irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement brought in the courts referred to in the preceding sentence. Nothing in this paragraph will affect or eliminate any right to serve process in any other manner permitted by law. CUSTOMER IRREVOCABLY WAIVES ITS RIGHTS TO TRIAL BY JURY OF ANY CAUSE OR ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION OR OTHER PROCEEDING WITH RESPECT TO ANY MATTER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR ANY PORTION OF THIS AGREEMENT, WHETHER BASED UPON CONTRACTUAL, STATUTORY, TORTIOUS OR OTHER THEORIES OF LIABILITY. CUSTOMER REPRESENTS THAT IT HAS CONSULTED WITH COUNSEL REGARDING THE MEANING AND EFFECT OF THE FOREGOING WAIVER OF ITS JURY TRIAL RIGHT.

14. **Miscellaneous.** Customer may not assign or otherwise transfer, by operation of law or otherwise, this Agreement or any of its rights or obligations thereunder without first obtaining the written consent of Neptune. Neptune may freely assign its rights and obligations under the SOAs and this Agreement to any party that succeeds to its interest in the assets used to provide the Service, whether by stock sale, asset sale or merger. This Agreement shall be binding upon and inure to the benefit of each party's permitted assigns and successors. This Agreement constitutes the entire understanding and agreement between the parties with respect to the subject matter hereof and shall supersede any prior proposals, understandings and agreements, whether written or oral, between the parties with respect to that subject matter. This Agreement may not be amended or modified except by a written instrument executed by duly authorized representatives of the Parties. The headings in this Agreement, including all Section and subsection titles or captions, are inserted for convenience only and shall not constitute a part hereof nor affect the interpretation of this Agreement. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A facsimile copy of a counterpart shall have the same effect as an original. Any notice required or permitted by this Agreement shall be in writing, in English and delivered by overnight commercial courier (such as FedEx) providing proof of delivery, addressed as set forth on the bottom of the first page of this Agreement.

FERGUSON WATERWORKS

11909 Tech Center Ct
 Poway, CA 92064
 Phone: 949.467.4758
 Fax: 858.391.5958

Quotation # Lakewood 11252019

Date: 11/25/2019

Bill To:

Derwin Dy
 Lakewood, City of
 5812 Arbor Rd.
 Lakewood, CA 90713

Project:
AMI Specialists:
Valid Until:
Terms:

Annual Neptune SaaS Fee
 Adam Milauskas
 1/1/2020-12/31/2020
 Net Thirty Days

Item	Quantity	Product or Service Description	Per Item	Extended
1	20,000	Annual Neptune 360 Software-as-a-Service (SaaS) Renewal (12961-002)	\$2.75	\$55,000.00
2				
3				
4				
5				
6				

Ship Date

Sub Total	\$55,000.00
Taxable Freight	\$0.00
Estimated Sales Tax	\$0.00
Freight	\$0.00
Total Investment	\$55,000.00



11909 Tech Center Ct
Poway, CA 92064
Phone: 949.467.4758
Fax: 858.391.5958

Quotation # Lakewood 11252019

Date: 11/25/2019

Prices quoted are for this project only and do not include sales or use taxes, if any. Quoted prices are based upon receipt of the total quantity for immediate shipment or shipments within thirty (30) days of a bid opening only, and are offered contingent upon the Buyer's acceptance of Seller's terms and conditions. Seller objects to all terms and conditions. Future shipments subject to price changes. Seller not responsible for delays caused beyond our control. Purchaser's sole warranties, if any, are those provided by the manufacturer. SELLER DISCLAIMS ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING ALL IMPLIED WARRANTIES OF MERCHANT ABILITY OR FITNESS OR FITNESS FOR A PARTICULAR PURPOSE. IN NO EVENT WILL SELLER BE LIABLE FOR ANY INCIDENTAL, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING DIRECTLY OR INDIRECTLY FROM THE OPERATION OR USE OF THE PRODUCT. SELLER'S LIABILITY, IF ANY, SHALL BE LIMITED TO THE NET SALES PRICE RECEIVED BY SELLER. All returns are subject to Ferguson and/or Manufactures return policy and maybe subject to a restocking fee. Complete terms and conditions are available upon request or can be view at www.ferguson.com/sales-terms.html

Watersmart



20 California Street
Suite 200
San Francisco, CA 94111
US

Customer Name City of Lakewood, CA
Billing Address 5050 Clark Ave
Lakewood, CA 90712
US

Quote Number 00000433

Expiration Date 12/31/2019

Contract Effective Date: Utility's signature date below.

Contract End Date 36 months from the Contract Effective Date

Payment Terms Annually in Advance

Billing Contact: _____

Email: _____

Phone: _____

Prepared By Nick Trowbridge

Email ntrowbridge@watersmart.com

Product	Quantity	Sales Price	Total Price
Remote Training	1.00	\$0.00	\$0.00
WaterSmart Platform	23,450.00	\$2.00	\$46,900.00
WaterSmart Platform Renewal Year 2	23,450.00	\$2.00	\$46,900.00
WaterSmart Platform Renewal Year 3	23,450.00	\$2.00	\$46,900.00
Single Sign On	1.00	\$5,000.00	\$5,000.00
Single Sign On Renewal Year 2	1.00	\$5,000.00	\$5,000.00
Single Sign On Renewal Year 3	1.00	\$5,000.00	\$5,000.00

Totals

Software Recurring	\$46,900.00
Service Recurring	\$5,000.00
Services One Time Fee	\$0.00
Order Total	\$51,900.00

Renewals

Year 2 Renewal	\$51,900.00
Year 3 Renewal	\$51,900.00

Comments

This legally binding Order Form is governed by the Agreement (attached hereto) made between WaterSmart Software, Inc. ("WaterSmart") and Lakewood, CA ("Utility") which are hereby incorporated into this Order Form by reference. A Utility signature below constitutes acceptance of the terms of that Agreement. In the event of a conflict between the Agreement and this Order Form, the Order Form shall control.

Signatures

WaterSmart Software

City of Lakewood, CA

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Signature: _____

Signature: _____

Program At a Glance



20 California Street
Suite 200
San Francisco, CA 94111
US

Program Overview

Program Length 36 months
Total Meters 23,850

Meter Data

AMI Yes

Electronic Bill Presentment & Payments

Bill Display Bill Amount Due and History + PDFs
Paperless Billing Yes
Payment Website Embedded Payment Pages
Integration

Customer Letter

Customer Letter No

Dashboard and Portal

Utility Analytics Profiles for all accounts
Dashboard
Customer Portal Access for all accounts

Alerts and Notifications

Print Leak Alerts No

Water Reports

Water Reports No

Additional Services

On-site Training No

Special Single Sign On refers to the embedded
Circumstances payments solution with your payments provider.

Cityworks

CITYWORKS® LICENSE AND MAINTENANCE AGREEMENT

This Software License and Maintenance Agreement made by and between Azteca Systems, LLC ("Azteca Systems") a Delaware limited liability company, with a place of business at 11075 South State, Suite 24, Sandy, Utah 84070 USA and the City of Lakewood, California, using certain of Azteca Systems Licensed Products hereinafter referred to as "Licensee." This Agreement is effective immediately upon delivery of Licensed Products (the "Effective Date").

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This signed Agreement includes (i) this License and Maintenance Agreement, (ii) Addendum #1 – Product Licensing, (iii) Addendum #2 – Standard Maintenance and Support and (iv) Addendum #3 – Third Party Contractor Acknowledgment.

This signed Agreement may be executed in duplicate by the Parties. An executed Agreement, modification, amendment, or separate signature page shall constitute a duplicate if it is transmitted through electronic means, such as fax or email, and reflects the signing of the document by any Party. Duplicates are valid and binding even if an original paper document bearing each Party's original signature is not delivered.

ARTICLE 1—DEFINITIONS

1.1 Definitions. The terms used are defined as follows:

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- b. "Authorization Code(s)" means any key, authorization number, enablement code, login credential, activation code, token, account user name and password, or other mechanism required for use of a Product.
- c. "Authorized User" or "User" shall mean: (i) a direct user of the Licensed Products, including but not limited to Licensee's employees; (ii) Licensee's consultants who have agreed to maintain the Licensed Property in confidence and use it only for the benefit of Licensee, or (iii) members of the public gaining access to, and only limited use of, the Licensed Products via the Software's public web portal (if applicable). Other than limited use of the Products through the software's web portal, the public is not considered an authorized user.
- d. "Client Data" means the data provided or inputted by or on behalf of Licensee, including personally identifiable information, for use with the Software.
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- f. "Deployment Server License" means a license that, in addition to providing staging server License rights, authorizes Licensee to install and use the Software for deployment in Licensee's internal use.
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- h. "Documentation" means all user reference documentation that is delivered with the Software.
- i. "Internal Use" means use of the Licensed Products by employees of Licensee in Licensee's internal operations but does not include access of the Licensed Products by, or use of the Licensed Products in the provisions of services to, Licensee's clients or customers. Internal Use also includes use of the Licensed Products by contractors of Licensee, including contractors providing outsourcing or hosting services, as long as Licensee assumes full responsibility for the compliance with this Agreement in such use. Use of the Licensed Products (or any part thereof) for the benefit of others, whether by means of a software as a service offering, service bureau application, application service provider, outsourcing or other means of providing service to any third party shall not be considered Internal Use.
- j. "Licensed Products" or "Products" shall mean the portion of the Cityworks Software and the Documentation to which Licensee has purchased a License as identified as specified in Addendum #1

- attached hereto. Licensed Products shall include any updates or upgrades to the Licensed Products that Azteca Systems may at its discretion deliver to Licensee. Products includes but is not limited to Software, Online Services, and Documentation licensed under the terms of this license Agreement.
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 - l. "Online Services" means any Internet-based system, including applications and associated APIs, hosted by Azteca Systems or its licensors, for storing, managing, publishing, and using Cityworks software and data, and other information.
 - m. "Ordering Document(s)" means a sales quotation, purchase order, or other document identifying the Products that Licensee orders.
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 - p. "Server" means each single instance of an operating system, whether physically installed on a computer or within a virtualized environment.
 - q. "Software" or "Cityworks Software" means all or any portion of Azteca Systems proprietary software technology, excluding data, accessed or downloaded from an Azteca Systems (Cityworks) authorized website or delivered on any media in any format including backups, updates, upgrades, and service packs.
 - r. "Standard Maintenance" or "Maintenance Addendum" shall mean the Standard Software Maintenance & Support Addendum #2.
 - s. "Term License" means a license or access provided for use of a Product for a limited time period ("Term") or on a subscription or maintenance basis as specified herein.

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3.4 Delivery. Unless otherwise requested by Licensee, Azteca Systems shall provide an electronic link to make available to Licensee the Licensed Property by electronic download and a license key to activate the Licensed Property.

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5.1. This License Agreement is effective upon date and signature of Licensee below. The initial term of this License Agreement will begin upon the dates set forth in Addendum 1 and provided the fees are paid. This License agreement and its maintenance provisions may then be renewed annually by payment of the then current maintenance fees for the next annual maintenance period as set forth in Addendum 1.

5.2. Either party may terminate this License Agreement or any Product license for a material breach that is not cured within thirty (30) days of written notice to the breaching party, except that termination is immediate for a material breach that is impossible to cure.

5.3. Termination for Convenience: Either party may terminate this Agreement by giving the other party thirty (30) days' written notice prior to the end of the current Term Maintenance Period.

5.4. In the event that either funding from Licensee or other sources is withdrawn, reduced, or limited, or the authority of Licensee to perform any of its duties is withdrawn, reduced, or limited in any way after the Effective Date of this Agreement and prior to normal completion, the parties shall have the authority to exercise the Termination for Convenience option to terminate this Agreement in whole or in part. If a party to this Agreement chooses to terminate for convenience that party may do so by thirty (30) days' written notice to the other party.

5.5. Upon termination of the License and Maintenance Agreement, all Product licenses granted hereunder terminate as well. Upon termination of a License or the License and Maintenance Agreement, Licensee will (i) stop accessing and using affected Product(s); (ii) clear any client-side data cache derived from Online Services; and (iii) uninstall, remove, and destroy all copies of affected Product(s) in Licensee's possession or control, including any modified or merged portions thereof, in any form, and execute and deliver evidence of such actions to Azteca Systems.

5.6. If this Agreement is terminated for convenience, the Licensee is only liable for payment required by the terms of this Agreement for license, maintenance and support services rendered or products and software received and accepted prior to the effective date of termination.

5.7. If this Agreement is terminated under section 5.3 or 5.4 above, Licensee shall then return to Azteca Systems all of the Software, related modules, related updates, and any whole or partial copies, codes, modifications, and merged portions in any form. Azteca will then for no additional charge to Licensee and at Licensee's option either grant a license to the Licensee, for a period of one (1) year, which will allow Licensee to retain the ability to access records and data contained in the Software or allow Licensee to create digital copies of all files needed by the Licensee for the same period. If Licensee needs to retain access to records or data for a period longer than one (1) year, in order to transfer data to another system, Azteca will consider reasonable requests to extend beyond one (1) year.

5.8. The parties hereby agree that all provisions which operate to protect the intellectual rights of Azteca Systems shall remain in force should breach or termination of any kind occur.

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9.3 Taxes and Fees, Shipping Charges. License fees quoted to Licensee are exclusive of any and all taxes or fees, including, but not limited to, sales tax, use tax, value-added tax (VAT), customs, duties, or tariffs, and shipping and handling charges.

9.4 No Implied Waivers. The failure of either party to enforce any provision of this License Agreement shall not be deemed a waiver of the provisions or of the right of such party thereafter to enforce that or any other provision.

9.5 Severability. The parties agree that if any provision of this License Agreement is held to be unenforceable for any reason, such provision shall be reformed only to the extent necessary to make the intent of the language enforceable.

9.6 Successor and Assigns. Licensee shall not assign, sublicense, or transfer Licensee's rights or delegate Licensee's obligations under this License Agreement without Azteca Systems' prior written consent, and any attempt to do so without consent shall be void. This License Agreement shall be binding on the respective successors and assigns of the parties to this License Agreement. Notwithstanding, a government contractor under contract to the government to deliver Products may assign this License Agreement and Products acquired for delivery to its government customer upon written notice to Azteca Systems, provided the government customer assents to the terms of this License Agreement.

9.7 Survival of Terms. The provisions of Articles 2, 5, 6, 7, 8, and 9 of this License Agreement, and the provisions of section 4.1 of Addendum 2, shall survive the expiration or termination of this License and Maintenance Agreement.

9.8 Equitable Relief. Licensee agrees that any breach of this License Agreement by Licensee may cause irreparable damage and that, in the event of such breach, in addition to any and all remedies at law, Azteca Systems shall have the right to seek an injunction, specific performance, or other equitable relief in any court of competent jurisdiction without the requirement of posting a bond or proving injury as a condition for relief.

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- *Consultation and negotiation in good faith and a spirit of mutual cooperation;*
- Mediation, by a mutually acceptable mediator chosen by the parties, which cost is shared equally;
- If the matter cannot be settled through negotiation or mediation, then it shall be finally settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules. Judgment on the award rendered by the arbitrator may be entered in a court of competent jurisdiction. If Licensee is a US government agency, this License Agreement is subject to the Contract Disputes Act of 1978, as amended (41 USC 601-613), in lieu of the arbitration provisions of this clause. This License Agreement shall not be governed by the United Nations Convention on Contracts for the International Sale of Goods, the application of which is expressly excluded.

9.11 Maintenance. Maintenance for qualifying Software consists of updates and other benefits, such as access to technical support, are provided during the Term of Use. Maintenance is specified as set forth in Addendum #2.

9.12 Feedback. Azteca Systems may freely use any feedback, suggestions, or requests for Product improvements that Licensee provides to Azteca Systems. Regardless of the source of any feedback or suggestions, any improvements to Cityworks Software or Products, and any related intellectual property, are owned by Azteca Systems.

9.13 Patents. Licensee may not seek, and may not permit any other user to seek, a patent or similar right worldwide that is based on or incorporates any Azteca Systems technology or services. This express prohibition on patenting shall not apply to Licensee's software and technology except to the extent that Azteca Systems technology or services, or any portion thereof, are a part of any claim or preferred embodiment in a patent application or a similar application.

9.14 Entire Agreement. This License Agreement, including its incorporated documents, addendums, and exhibits, constitutes the sole and entire agreement of the parties as to the subject matter set forth herein and supersedes any previous license agreements, understandings, and arrangements between the parties relating to such subject matter. Additional or conflicting terms set forth in any purchase orders, invoices, or other standard form documents exchanged during the ordering process, other than product descriptions, quantities, pricing, and delivery instructions, are void and of no effect. Any modification(s) or amendment(s) to this License Agreement must be in writing and signed by each party or as otherwise provided in Addendum #1.

IN WITNESS WHEREOF, the parties hereto have caused this License Agreement to be executed and made effective by their respective authorized representatives.

AZTECA SYSTEMS, LLC

CITY OF LAKEWOOD, CA – (LICENSEE)

By: _____

By: _____

Name: Brian L. Haslam

Name: _____

Title: President - CEO

Title: _____

Date: ____/____/____

Date: ____/____/____

ADDENDUM #1

PRODUCT LICENSING

1. Licensed Software:

Cityworks Online Workgroup Server AMS Standard 5 Named Logins for:
Office
Respond
Mobile Native Apps (for iOS/Android)

--Includes the following Add-ons:

Web Hooks
Local Government Templates (LGT)
Use of Cityworks AMS Application Programming Interfaces (APIs) with commercially available
Cityworks-centric applications that are licensed and maintained by authorized Cityworks partners

Additional Software Products & Licenses: Additional Software Products & licenses may be added to this License Agreement with either an acknowledgement of an official Cityworks quote signed by Licensee and additional fees, if necessary or applicable being paid, or receipt of Purchase Order from Licensee in response to an official Cityworks quote and additional fees, if applicable being paid.

2. **Notices & Licensee Information:** Until or unless otherwise, modified, all notices relevant to this agreement shall be sent to the following address:

Azteca Systems, LLC 11075 South State, Suite 24 Sandy, Utah 84070	City of Lakewood 5050 Clark Avenue Lakewood, CA 90712
	Attn: Jason J. Wen, Ph.D, P.E.
	E-mail: jwen@lakewoodcity.org
	Phone: 562.866.9771 ext. 2701

3. **Delivery Date/Effective Date of Software**

MM/DD/YYYY

12/20/2019

4. **Schedule of Payments and Fees under License and Maintenance Agreement**

Support Period	Date From/To (mm/dd/yyyy)	Amount
Period 1	12/20/2019 – 12/19/2020	\$9,000.00

5. Additional

Updates to the above licensed software means a subsequent release of the program which Azteca generally makes available to its supported customers as part of the annual maintenance plan for which fees have been paid.

Occasionally, Azteca changes the name of its licensed software as part of its ongoing process to improve and increase the functionality of the software. In the event the software licensed or listed above changes in name, and/or improvements are made, Azteca will provide software with functionality that is similar to or with substantially the same or greater functionality of the originally licensed software, provided all current license fees have been paid.

Updates may not always include any release, option or future program that Azteca licenses separately. Updates are provided when available (as determined by Azteca). Azteca is under no obligation to develop any future programs or functionality. Any updates made available will be delivered to you, or made available to you for download. You shall be responsible for copying, downloading and installing the updates.

ADDENDUM #2

STANDARD MAINTENANCE AND SUPPORT

Standard Maintenance and Support Addendum provisions are between the Licensee and Azteca, Systems, LLC. Maintenance and Support are provided subject to the terms and conditions of the signed License Agreement and which is incorporated by reference.

1. **MAINTENANCE & SUPPORT:** Azteca Systems will provide maintenance and support services to Licensee for qualifying Products during the applicable Term for such Products provided the applicable license fees have been paid for the times and periods and amounts specified in Addendum #1. Maintenance and Support Services consist of the following benefits: Technical support, new version software, service packs, software upgrades, and software updates.

1.1. Azteca Systems will ensure upward compatibility for the Covered Software applications within a reasonable timeframe for minor Esri® ArcGIS and Cityworks supported database revisions. Azteca Systems will not ensure upward compatibility for Covered Software Applications when there are major Esri ArcGIS revisions (for example, from rev 10.x to rev 11.x), however Azteca Systems will make all reasonable efforts to provide upward compatibility.

1.2. Azteca Systems shall, without additional charge (except as allowed for in paragraph 3.4), during the term of this Agreement provide the following:

- (a) Software Updates. Software Updates includes Upgrades and service packs which are a collection of files that enhance or correct the Covered Software and which will be available for Licensee to download during the Maintenance Term/Period. Updates and Upgrades may also include new versions;
- (b) Provide Telephone Support, Email Support, Web Support, during normal business hours, 8 AM to 5 PM Mountain Time, Monday through Friday (excepting Holidays) and after hour emergency support line, and other benefits deemed appropriate by Azteca Systems (as set forth in Section 2 below); and
- (c) Implement and maintain a means of secure, remote direct network access (VPN, Web-access, etc.) to the Licensee's systems in order to perform thorough remote diagnostics.

1.3. The following items, among others, however, are specifically excluded as support services under this section of this Maintenance and Support:

- (a) Support for applying or installing upgrades and service packs;
- (b) Assistance with questions related to third party software, computer hardware, networking, and other similar items that are not provided by Azteca;
- (c) Assistance with computer operating system questions not directly pertinent to the Covered Software or Program Modifications;
- (d) Licensee Data debugging and/or correcting;
- (e) Services necessitated as a result of any cause other than authorized ordinary and proper use by the Licensee of the Covered Software, including but not limited to neglect, abuse, unauthorized modifications and/or unauthorized updates;
- (f) Consulting regarding customizations created to function with the Covered Software unless the customization is identified and listed as Covered Software in Addendum 1;
- (g) Assistance with applications which are not part of a standard life cycle, such as preview, beta, or candidate releases; and
- (h) Questions such as configuration, implementation and walk-throughs.

1.4. Support Periods are renewable unless terminated as provided in Section 3 below. The Maintenance Services consists of software and documentation updates and access to technical support via telephone, email, web-based (www.MyCityworks.com) and after hours support as set forth in Section 1 of this Addendum.

1.5. Technical support provided pursuant these maintenance provisions shall be performed in a professional and workmanlike manner. Azteca Systems will use commercially reasonable efforts to provide corrections to a technical issue or provide a workaround, but Azteca Systems cannot guarantee that all technical issues can be fixed or resolved.

1.6. **Authorized Callers.** Licensee may designate a limited number of authorized callers per software product listed in Addendum 1. Licensee may replace Authorized Callers at any time by notifying Azteca Systems Support services. Authorized callers may be designated in this Addendum #2 or by email. Azteca may limit the total number of authorized callers as may be reasonably necessary and may request an updated list of authorized callers.

1.7. **Cityworks Online Support and Customer Portal.** Azteca has created a self-help support website center for Authorized Callers to submit technical issues, chat with technical specialists, track technical support incidents through the 'MyCityworks' portal, and view technical articles, updated product documentation, blogs, links to forums, and technology announcements. The support and care website can be found at <http://www.mycityworks.com>.

2. PROCEDURES FOR ACCESSING SUPPORT:

2.1. All problem categories from routine, non-critical and critical that occur during normal business hours shall procedurally occur as follows: 1) Licensee's system administration staff as first line of support, and then 2) Azteca Systems staff as the second line of support. Azteca Systems will make all reasonable efforts to acknowledge all requests for support during normal business hours within 4 hours.

2.2. Prior to calling Azteca Systems for support services, the Licensee will first attempt to isolate any problems that occur within the Licensee's System. The Licensee will try to reduce the problem down to a specific software or system component. If it is determined that the problem is The Cityworks Software component, Licensee will first try and resolve the problem without Azteca Systems' involvement. If Licensee cannot resolve the problem or isolate the problem, Licensee may contact Azteca Systems via telephone, chat, or self-service portal. In each case, Cityworks technical support will log the information and provide, an answer to the question, a resolution to the problem, or submit a verified bug to the development group. Any support request that is not quickly resolved will be assigned to a technical support representative. Phone calls and chat requests are accepted during normal business hours as outlined on the Contact Support page of MyCityworks.com. Voicemails and requests submitted via the self-service portal outside of the posted business hours will be responded to on a first come, first served basis the next business day.

2.3. For critical problems that occur outside of Azteca Systems' normal business hours (8 AM to 5 PM, Mountain Time) and cannot be isolated and resolved by the Licensee, Azteca Systems will provide an after-hours phone number or pager number that will forward the call to the currently assigned Azteca Systems support representative. Azteca Systems will make all reasonable efforts to acknowledge and respond to the request for support for critical problems that occur outside of normal business hours within 4 hours of receipt of the call from a designated and authorized Licensee representative. Critical problems are defined as problems that cause several users to be unable to perform their duties. For routine and non-critical problems Licensee will submit support requests during normal business hours as outline in 2.2 above.

2.4. After a Technical Support Incident is logged, Azteca Systems will use commercially reasonable efforts to provide corrections to a technical issue or provide a work around. While it is Azteca's goal to provide an acceptable solution to technical issues, Azteca cannot guarantee that all technical issues can be fixed or resolved.

2.5. Azteca will use all reasonable efforts to utilize remote support-type services. However, in the event Licensee and Azteca Systems agree it becomes necessary for Azteca Systems to be on-site to provide support for the Covered Software, the parties by mutual negotiation, shall develop a separate agreement that will govern the terms and conditions for any on-site work or services.

3. CHARGES/FEEES

3.1. License, Maintenance and Support Services herein are included in the payment of annual fees as set forth in Addendum #1, and shall be paid by Licensee. The annual fee for each twelve (12) month period is set forth in Addendum #1, and shall be paid prior to the start for each License and Maintenance Period unless otherwise specified. The annual fee for successive Terms/Periods (twelve-month periods) commencing upon the anniversary of the first maintenance period, shall become due prior to the end of the preceding paid-up Maintenance Period.

3.2. Upon sixty (60) days written notice, the fee for the License and Maintenance Periods listed in Addendum 1 subsequent to year three (3) of the Maintenance Period, may be adjusted by Azteca Systems to reflect increases in costs of providing the services; provided, however, that the fee shall not increase by more than the CPI from the previous annual fee. Azteca Systems will notify Licensee of the new pricing no later than ninety (90) days prior to the annual renewal date of the year preceding the year for which such adjusted pricing applies.

3.3. **Maintenance Expiration.** Azteca Systems will send Licensee a notice of expiration approximately sixty (60) days before the Maintenance term expires. If Azteca Systems does not receive a purchase order prior to the expiration date, Azteca will send the notification to Licensee upon expiration of the Maintenance term. Azteca Systems will continue to provide technical support for an additional thirty (30) days, but Licensee will no longer receive Software updates released after the Maintenance term's expiration. If Licensee does not reinstate Maintenance within thirty (30) days of the expiration date, Licensee will no longer receive technical support. All other Maintenance benefits and Support services will end with the expiration of the Maintenance term.

3.4. **Reinstatement Fee for Lapsed Maintenance.** Azteca Systems will reinstate Maintenance if Licensee sends a purchase order or payment within thirty (30) days of the expiration date. If Licensee does not renew Maintenance within thirty (30) days of the expiration date but at a later date wants to reinstate Maintenance, Maintenance fees will include the Maintenance fees that Licensee would have paid since the expiration date.

4. MISCELLANEOUS

4.1. **Data Confidentiality Statement:** Azteca Systems will take reasonable measures to ensure that any Licensee data and/or confidential information provided to Azteca Systems is not inappropriately accessed or distributed to any third-party. Data provided to Azteca Systems by the Licensee may be loaded onto Azteca Systems servers or employee computers for the purpose of testing The Cityworks Software, database structure, or database values, and related Esri® software to resolve database or software performance issues, software enhancements and software defects. At no time will the data be distributed to individuals or organizations who are not Azteca Systems employees without first receiving written approval from Licensee. If requested by the Licensee, and once the testing has been completed, Azteca Systems will delete all data provided by the Licensee.

4.2. **No Implied Waivers:** No failure or delay by Azteca Systems or Licensee in enforcing any right or remedy under this Agreement shall be construed as a waiver of any future or other exercise of such right or remedy by Azteca Systems.

ADDENDUM #3

THIRD PARTY CONSULTANT/CONTRACTOR ACKNOWLEDGMENT

If Licensee (**City of Lakewood, CA**) engages any Third Party Contractor and desires to grant access to or permission to use the licensed software, the access may be granted subject to the following terms conditions and provisions:

1. Access and use of the Licensed Products by any third party is solely for Licensee's benefit;
2. The Third Party Contractor (or, if applicable, its employee) shall be considered, as applicable, the Authorized User for purposes of the applicable license type, and all use by such contractor shall be in accordance with the terms and conditions of the License and Maintenance Agreement;
3. Before accessing the Licensed Products, the Third Party Contractor agrees in writing that (a) the software shall be used solely in accordance with the terms of this Agreement and solely for Licensee's benefit and (b) said contractor shall be liable to Azteca Systems for any breach by it of this Agreement;
4. Licensee hereby agrees and acknowledges that Licensee will be liable for any and all actions or omissions of the Third Party Contractor with respect to the use of the Licensed Products, as if such actions or omissions were the Licensee's;
5. Upon expiration or termination of this License Agreement, the rights of usage to any Third Party Contractor shall immediately terminate;
6. Use of the Software by such Third Party Contractors on Licensee's behalf will be governed by the terms of this Agreement, and will require that Licensee purchase the appropriate license for each user utilized by such contractor;
7. Any breach of this Agreement by any Third Party Contractor(s) will be deemed to be a breach by Licensee;
8. Licensee will ensure that Third Party Contractor agrees to comply with and does comply with the terms of this Agreement on the same basis as the terms apply to Licensee; and
9. Any Third Party Contractor must sign a copy of this Addendum acknowledging that it has a copy of the License Agreement and agrees to the terms herein, further Licensee shall provide a signed copy of this Addendum for every Third Party contractor to which it has granted permission to access and/or use the licensed software;

The rights granted under Third-Party Contractor Addendum, do not modify the license or increase the number of licenses granted under this Agreement. Third-Party Contractor acknowledges acceptance by signing below, and providing a copy to Azteca Systems at contracts@cityworks.com.

Third Party Contractor Name (Print)

By: _____
Authorized Signature

Date: _____



For: Derwin Dy
 Organization: Lakewood, CA
 Purpose: Implementation of Azteca Systems' Cityworks Online

Quote#:
 By: David Horton
 Date: 12/9/19

Item	Description	Qty	Unit Price	Cost
Azteca Systems LLC will provide the City of Lakewood, CA with the services to install, configure, and rollout Cityworks Online in the areas Cityworks AMS is being used. This effort will contain the following:				
1	Evaluation: The organization's geodatabase and Cityworks database will be delivered to Azteca. Azteca will evaluate/verify the configuration in Cityworks Online and identify any changes needed to the configuration. Changes will be performed by the organization under the direction of Azteca. <u>The organization is also responsible for publishing and externalizing all map services to be consumed by Cityworks Online, and for acquiring the appropriate Esri licensing for each Cityworks user.</u>	1.00	4,000.00	4,000.00
2	Remote Install (1 day): Azteca will perform a remote installation of the organizations upgraded Cityworks database and configure a site for training and testing on Cityworks Online. This site will also be the production Cityworks Online site (refreshed with the organizations current Cityworks data prior to go live).	1.00	1,600.00	1,600.00
3	Onsite Admin Training (2 days): Azteca will perform an onsite administrative user training. The training will cover topics pertaining to the Cityworks Onlines' architecture, its configuration and deployment, its tie to ESRI/ArcGIS Online, and other administrative functions related to Cityworks Online. Training classes to be no more than 6 students. Task to be combined with Tasks 4 and 5.	2.00	2,200.00	4,400.00
4	Onsite End User Refresher Training (1 days): Azteca will provide onsite end user refresher training. The training will cover topics pertaining to Server AMS' processing of Service Requests, Work Orders, and Custom Inspections. Coming into the training, students should have some familiarity with these same functions in Cityworks. Users should also possess basic pc skills. Training classes to be no more than 6 students plus the instructor. Additional students/users will not be permitted. The organization is responsible for providing and configuring the training facility.	1.00	2,200.00	2,200.00
5	Onsite Rollout Assistance (1 days): Azteca will provide onsite rollout assistance and respond to questions that might arise as a result of the user's day-to-day operations.	1.00	2,200.00	2,200.00
6	Up to 8 ad-hoc remote hours: Provided during the implementation or after the rollout, as needed to address any questions or to supply support on technical implementation matters. (1/2 hour minimum billing, every 15 minutes thereafter)	8.00	200.00	1,600.00
TOTAL:		n/a	n/a	16,000.00

Notes:

1. This firm-fixed price-quote is valid for 60 days.
2. Price-quote includes travel expenses where applicable.
3. The Client shall provide and have operational all 3rd party software required for this implementation.
4. The Client shall provide and have operational all hardware needed to support this implementation and shall match the specifications on MyCityworks.com.
5. Installation, configuration, deployment and management of all 3rd party software and hardware associated with this effort is the responsibility of the Client.
6. Tasks are invoiced upon completion. Payment of invoices is expected in full no later than 30 days past the date of the invoice.

DIVIDER SHEET

COUNCIL AGENDA

December 10, 2019

TO: The Honorable Mayor and City Council

SUBJECT: Plant 27 Filter Underdrain Replacement Project

INTRODUCTION

Well 27 was drilled in 2006 but was unable to be placed into operation due to a high concentration of arsenic found in the well. In 2009, Plant 27, including three pressure filter vessels and the associated control facilities, was constructed to treat the arsenic from Well 27. Since 2010, Well 27 and its treatment system have been in operation without encountering any major issues.

In the 2017 routine reservoir inspection, staff noticed small amounts of black sediments at the bottom of the reservoir where Well 27 discharges into. Subsequently, staff contacted the treatment system designer and manufacturer, Pureflow Filtration Division of California Environmental Control, Inc. (Pureflow) for a follow up inspection. The black sediment was confirmed to be filter media leaking out from Plant 27 filters. The vessels were opened and inspected. Since the media loss at that time was very small, staff decided to closely monitor the progress of the media loss condition. During the 2019 inspection, staff noticed much more black sediment inside the storage reservoir. Pureflow concluded that the PVC underdrains in the filter vessels had likely cracked and were allowing media to leak through, and a timely repair is needed to maintain the normal operation of the treatment system. Pureflow recommended that the broken PVC underdrains should be replaced to stop the filter media from leaking, with new stainless steel underdrains installed to prevent similar issues from occurring in the future. Staff has been diligently operating and maintaining the treatment filters until reaching a low-demand season needed to perform the proposed replacement.

STATEMENT OF FACT

Well 27 is the City's newest well and has the highest pumping capacity (2,300 gpm) among the City's 10 potable wells. Well 27 alone provides about 25% of the overall system's production capacity, making it critical to minimize the down time. Due to the arsenic level in the well, the treatment system must be used as required in the state-issued operation permit. Therefore, staff plans to schedule the proposed work during the off-peak season in February 2020. It is critical to complete this work by March 2020 because when as the weather starts to warm, Well 27 will be needed to meet the higher water demand. It is imperative that the work start as soon as possible because based on Pureflow's proposal dated September 27, 2019, the work could take 2 ½ months to 3 months to complete. The equipment has a 6-8 weeks lead-time and the installation will take another 2-3 weeks to complete. Advertising and soliciting multiple bids would likely add another 4 to 8 weeks to the schedule, pushing the completion date to May 2020 at the earliest.

In addition to the urgent nature of the project, there are other concerns if a different vendor is selected through the standard bidding process. Plant 27 treatment system is highly specialized and specifically designed for the Well 27 production and water quality. It includes the special type of media for arsenic removal, layers of supporting media in the vessels, the number of underdrains and slot size design on the underdrain piping, and the treatment control system including pressure control and filter backwash, etc. The underdrain design and installation are critical to the overall performance of the system, especially for the routine filter backwash operation. An incorrect design may affect the filter media backwash rate and filter performance: if the rate is too fast, we can lose media, if it is too slow, it would be rendered ineffective. As the original designer and equipment provider, Pureflow has the best understanding of the performance and operating requirements of the treatment system and is less likely to encounter issues.

There are three pressure filter vessels and each of them is 7 feet in diameter and 17 feet long. The proposed scope represents a major repair work for the treatment facilities. All filter media (about 175,000 lbs.) have to be removed from the vessels, with the underdrain laterals to be replaced located at the bottom of those vessels. Pureflow has provided a quote of \$275,500 for the proposed labor and materials of repairs and replacement including:

- (1) 156 new stainless steel underdrain laterals.
- (2) Partial filter media makeup for three filter vessels.
- (3) Removal of the existing media.
- (4) Installation of 156 new stainless-steel underdrains and media.

A number of 12" control valves started to have performance issues shortly after it was determined the media was leaking from the vessels. The valves have an expected life of 20 plus years but due to leaking filter media, three of the control valves have been damaged and began to fail with opening/closing issues causing the system to shut down. Replacing the underdrain will prevent the other nine control valves from failing prematurely. It would be a good opportunity to replace the damaged valves during replacement of the underdrains, requiring a single shutdown instead of two.

RECOMMENDATION

The project was discussed at the November 5, 2019 Council Water Resources Committee meeting. Due to the nature of the proposed project, it is the recommendation of the Committee that the City Council award the proposed emergency repair work on a sole source basis to Pureflow Filtration Division of California Environmental Control, Inc.

1. Appropriate \$359,750 in Water Fund Reserves for the Plant 27 Filter Underdrain Replacement Project.

2. Award a contract to Pureflow for Plant 27 underdrains replacement for an amount of \$275,500 and replacement of the three valves for an amount of \$51,250.
3. Authorize staff to approve a cumulative total of contract change orders, as needed, not to exceed \$33,000.
4. Authorize the Mayor to sign the contract in a form approved by the City Attorney.

Jason J. Wen, Ph.D., P.E.
Director of Water Resources




Thaddeus McCormack
City Manager

D I V I D E R S H E E T

*Successor
Agency*

COUNCIL AGENDA

December 10, 2019

TO: The Honorable Mayor and City Council

SUBJECT: Recognized Obligation Payment Schedule (ROPS) for July 1, 2020 Through June 30, 2021 – ROPS 20-21

INTRODUCTION

The Successor Agency is required to submit an annual ROPS pursuant to California Health and Safety Code Section 34177(o)(1) to the county auditor controller and Department of Finance (DOF) no later than February 1st, with an annual amendment process as stated in Section 34177(o)(1)(E).

STATEMENT OF FACT

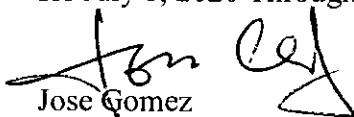
The ROPS 20-21 includes the following updates:

- As adopted by Oversight Board Resolution No. OB-2016-3 and as allowed by H&S Section 34191.4(b), the loan agreements between the redevelopment agency and the low and moderate income housing fund are available for repayment in FY19-20. This includes the Educational Revenue Augmentation Fund (ERAF) loan outstanding in the amount of \$90,492, the Supplemental Educational Revenue Augmentation Fund (SERAF) loans totaling \$3,377,735, and the \$1,085,310 deferred housing funds. Repayment is subject to the calculation set forth by H&S Section 34191.4(b)(3)(A). Repayment of housing loans has priority over repayment of any other loans to the city.
- Per H&S Code 34191.4(b) upon issue of finding of completion by the DOF and approval of the oversight board, loan agreements entered into between the redevelopment agency and the city shall be deemed to be enforceable and shall be recalculated at three percent. Twenty percent of repayment is to be set-aside for The Housing Successor Agency. Loans will be re-assessed at four percent after DOF approval of the Last and Final ROPS.
- Per DOF's letter dated December 17, 2015, they approved the unfunded pension obligations but stated that the liabilities calculation be based on the fixed amount from 2012 and not the one updated in 2013, as originally requested by the Agency. CalPERS recalculates liabilities annually to reflect new factors. The Agency's stance is that although the Successor Agency ceased to exist in January 2012, the liabilities continue to exist therefore the calculation should be updated accordingly.

The ROPS 20-21 will be presented to the 4th District of Los Angeles County Consolidated Oversight Board for approval on January 28, 2020.

RECOMMENDATION

It is recommended that the City Council approve the Recognized Obligations Payment Schedule for July 1, 2020 Through June 30, 2021 – ROPS 20-21.



Jose Gomez

Director of Finance and Administrative Services



Thaddeus McCormack

City Manager

Recognized Obligation Payment Schedule (ROPS 20-21) - Summary
Filed for the July 1, 2020 through June 30, 2021 Period

Successor Agency: Lakewood

County: Los Angeles

Current Period Requested Funding for Enforceable Obligations (ROPS Detail)	20-21A Total (July - December)	20-21B Total (January - June)	ROPS 20-21 Total
A Enforceable Obligations Funded as Follows (B+C+D)	\$ -	\$ -	\$ -
B Bond Proceeds	-	-	-
C Reserve Balance	-	-	-
D Other Funds	-	-	-
E Redevelopment Property Tax Trust Fund (RPTTF) (F+G)	\$ 2,353,144	\$ 2,390,343	\$ 4,743,487
F RPTTF	2,228,144	2,265,343	4,493,487
G Administrative RPTTF	125,000	125,000	250,000
H Current Period Enforceable Obligations (A+E)	\$ 2,353,144	\$ 2,390,343	\$ 4,743,487

Certification of Oversight Board Chairman:

Pursuant to Section 34177 (o) of the Health and Safety code, I hereby certify that the above is a true and accurate Recognized Obligation Payment Schedule for the above named successor agency.

Name Title

/s/ _____
Signature Date

Lakewood
Recognized Obligation Payment Schedule (ROPS 20-21) - ROPS Detail
July 1, 2020 through June 30, 2021

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W
Item #	Project Name	Obligation Type	Agreement Execution Date	Agreement Termination Date	Payee	Description	Project Area	Total Outstanding Obligation	Retired	ROPS 20-21 Total	ROPS 20-21A (Jul - Dec)					20-21A Total	Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	20-21B Total
											Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF							
								\$19,336,584		\$4,743,487		\$-	\$-	\$2,228,144	\$125,000	\$2,353,144	\$-	\$-	\$-	\$2,285,343	\$125,000	\$2,390,343
7	County Deferral	Unfunded Liabilities	06/27/1989	06/30/2042	County of Los Angeles	County Deferral Loan	Project Area 2	756,943	N	\$-		-	-	-	-	\$-	-	-	-	-	-	\$-
8	City Advance to Agency	City/County Loan (Prior 06/28/11), Cash exchange	07/10/1973	06/30/2023	City of Lakewood	Initial funds to operate plan area	Project Area 1	76,400	N	\$38,200		-	-	-	-	\$-	-	-	-	38,200	-	\$38,200
9	Housing Fund Deficit	Unfunded Liabilities	06/30/1999	06/30/2022	Low and Moderate Income Housing Fund	Housing fund deficit repayments (HSC section 3334.6(d))	Project Area 1	1,085,310	N	\$-		-	-	-	-	\$-	-	-	-	-	-	\$-
17	Administrative Costs	Admin Costs	07/01/2020	06/30/2021	City of Lakewood	Administrative costs including audit, payroll, legal, and other admin fees.	All Project Areas	250,000	N	\$250,000		-	-	-	125,000	\$125,000	-	-	-	-	125,000	\$125,000
18	LMIHF Loan (SERAF)	SERAF/ERAF	05/10/2010	06/30/2042	Low and Moderate Income Housing Fund	Loan for SERAF payment to County for FY 09/10 (HSC section 33690 (c)(1))	All Project Areas	2,715,627	N	\$2,715,627		-	-	-	1,357,814	\$1,357,814	-	-	-	1,357,813	-	\$1,357,813
19	LMIHF Loan (SERAF)	SERAF/ERAF	05/04/2011	06/30/2042	Low and Moderate Income Housing Fund	Loan for SERAF payment to County for FY 10/11 (HSC section 33690 (c)(1))	All Project Areas	662,108	N	\$-		-	-	-	-	\$-	-	-	-	-	-	\$-
20	LMIHF Loan (ERAF)	SERAF/ERAF	05/10/2005	06/30/2042	Low and Moderate Income Housing	Loan for ERAF payment to County for FY	All Project Areas	90,492	N	\$-		-	-	-	-	\$-	-	-	-	-	-	\$-

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W
Item #	Project Name	Obligation Type	Agreement Execution Date	Agreement Termination Date	Payee	Description	Project Area	Total Outstanding Obligation	Retired	ROPS 20-21 Total	Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	20-21A Total	Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	20-21B Total
					Fund	04/05 (HSC section 33681.12 (b))																
21	City Loans and Advances to Agency	City/County Loan (Prior 06/28/11), Cash exchange	12/17/1985	06/30/2042	City of Lakewood	Loans for development and financial assistance of Project Areas 1, 2, and 3 (80%)	All Project Areas	9,568,035	N	\$-	-	-	-	-	-	\$-	-	-	-	-	-	\$-
22	City Loans and Advances to Agency	City/County Loan (Prior 06/28/11), Cash exchange	12/17/1985	06/30/2042	Lakewood Housing Successor	Loans for development and financial assistance of Project Areas 1, 2, and 3 (20%)	All Project Areas	2,392,009	N	\$-	-	-	-	-	-	\$-	-	-	-	-	-	\$-
26	Legal Fee	Admin Costs - Litigation	06/11/2013	06/30/2023	City of Lakewood/ Colantuono & Levin	Temporary city loan for legal counsel paid to firm Colantuono & Levin for Successor Agency litigation over DOF.	All Project Areas	1,000	N	\$1,000	-	-	-	1,000	-	\$1,000	-	-	-	-	-	\$-
30	Proportional Share of Unfunded Pension Liabilities	Unfunded Liabilities	01/01/2020	06/30/2021	City of Lakewood	Obligation to Share in Payment of Unfunded Liabilities	All Project Areas	1,738,660	N	\$1,738,660	-	-	-	869,330	-	\$869,330	-	-	-	869,330	-	\$869,330

Lakewood
Recognized Obligation Payment Schedule (ROPS 20-21) - Report of Cash Balances
July 1, 2017 through June 30, 2018
 (Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177 (l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation.									
A	B	C	D	E	F	G	H		
	ROPS 17-18 Cash Balances (07/01/17 - 06/30/18)	Fund Sources					Comments		
		Bond Proceeds		Reserve Balance	Other Funds	RPTTF			
		Bonds issued on or before 12/31/10	Bonds issued on or after 01/01/11	Prior ROPS RPTTF and Reserve Balances retained for future period(s)	Rent, grants, interest, etc.	Non-Admin and Admin			
1	Beginning Available Cash Balance (Actual 07/01/17) RPTTF amount should exclude "A" period distribution amount.	1,456,776	-		41,276	-			
2	Revenue/Income (Actual 06/30/18) RPTTF amount should tie to the ROPS 17-18 total distribution from the County Auditor-Controller	2,368			34,261	1,848,022			
3	Expenditures for ROPS 17-18 Enforceable Obligations (Actual 06/30/18)	1,459,144			-	453,734			
4	Retention of Available Cash Balance (Actual 06/30/18) RPTTF amount retained should only include the amounts distributed as reserve for future period(s)								
5	ROPS 17-18 RPTTF Prior Period Adjustment RPTTF amount should tie to the Agency's ROPS 17-18 PPA form submitted to the CAC			No entry required					
6	Ending Actual Available Cash Balance (06/30/18) C to F = (1 + 2 - 3 - 4), G = (1 + 2 - 3 - 4 - 5)	\$-	\$-	\$-	\$75,537	\$1,394,288			

Lakewood
Recognized Obligation Payment Schedule (ROPS 20-21) - Notes
July 1, 2020 through June 30, 2021

Item #	Notes/Comments
7	
8	
9	
17	
18	Per H&S Code 34191.4(b)(3)(A) the maximum repayment amount authorized each fiscal year for repayments shall be equal to one-half of the increase between the amount distributed to the taxing entities and the amount distributed to taxing entities 2012-13 base year. Listed is the estimated maximum RPTTF available for distribution to Lakewood Successor Agency to repay approved ERAF/ SERAF loans.
19	Per H&S Code 34191.4(b)(3)(A) the maximum repayment amount authorized each fiscal year for repayments shall be equal to one-half of the increase between the amount distributed to the taxing entities and the amount distributed to taxing entities 2012-13 base year. Listed is the estimated maximum RPTTF available for distribution to Lakewood Successor Agency to repay approved ERAF/ SERAF loans.
20	Per H&S Code 34191.4(b)(3)(A) the maximum repayment amount authorized each fiscal year for repayments shall be equal to one-half of the increase between the amount distributed to the taxing entities and the amount distributed to taxing entities 2012-13 base year. Listed is the estimated maximum RPTTF available for distribution to Lakewood Successor Agency to repay approved ERAF/ SERAF loans.
21	Per H&S Code 34191.4(b) upon issue of finding of completion by the DOF and approval of the oversight board, loan agreements entered into between the redevelopment agency and the city shall be deemed to be enforceable and shall be recalculated at 3%. Twenty percent of repayment will be set-aside for Successor Housing. Loans will be re-assessed at 4% after DOF approval of the Last and Final ROPS. The balance shown is the calculation as of 6/30/19.
22	Per H&S Code 34191.4(b) upon issue of finding of completion by the DOF and approval of the oversight board, loan agreements entered into between the redevelopment agency and the city shall be deemed to be enforceable and shall be recalculated at 3%. Twenty percent of repayment will be set-aside for Successor Housing. Loans will be re-assessed at 4% after DOF approval of the Last and Final ROPS. The balance shown is the calculation as of 6/30/19.
26	
30	Per DOF letter dated December 17, 2015, the DOF approved the unfunded pension obligation but stated that liabilities calculation be based on the dissolution year 2012 and not 2013 as originally requested by the Agency. CalPERS recalculated pension liabilities in 2013 to reflect new factors such as mortality rate. The Agency's stance is that although the Successor Agency ceased to exist in January 2012, the liabilities continue to exist therefore calculation should be updated accordingly.

DIVIDER SHEET

Housing Successor

**CITY OF LAKEWOOD SUCCESSOR AGENCY - HOUSING
FUND SUMMARY 11/27/2019**

In accordance with section 2521 of the Lakewood Municipal Code there is presented herewith a summary of obligations to be paid by voucher 372 through 373. Each of the following demands has been audited by the Director of Administrative Services and approved by the City Manager.

3901	HOUSING SUCCESSOR AGENCY	3,476.00
		<hr/> 3,476.00

Council Approval

Date

City Manager

Attest

City Clerk

Director of Administrative Services

**CITY OF LAKEWOOD SUCCESSOR AGENCY - HOUSING
SUMMARY CHECK REGISTER**

CHECK #	CHECK DATE	VEND #	VENDOR NAME	GROSS	DISC.	CHECK AMOUNT
372	11/21/2019	40572	CHICAGO TITLE CO	76.00	0.00	76.00
373	11/27/2019	2177	SINDAHA SAMIR	3,400.00	0.00	3,400.00
Totals:				<u>3,476.00</u>	<u>0.00</u>	<u>3,476.00</u>

**CITY OF LAKEWOOD SUCCESSOR AGENCY - HOUSING
FUND SUMMARY 12/5/19**

In accordance with section 2521 of the Lakewood Municipal Code there is presented herewith a summary of obligations to be paid by voucher 374 through 374. Each of the following demands has been audited by the Director of Administrative Services and approved by the City Manager.

3901	HOUSING SUCCESSOR AGENCY	20.00
		<hr/>
		20.00

Council Approval

Date

City Manager

Attest

City Clerk

Director of Administrative Services

**CITY OF LAKEWOOD SUCCESSOR AGENCY - HOUSING
SUMMARY CHECK REGISTER**

CHECK #	CHECK DATE	VEND #	VENDOR NAME	GROSS	DISC.	CHECK AMOUNT
374	12/05/2019	3699	TICOR TITLE COMPANY	20.00	0.00	20.00
Totals:				<u>20.00</u>	<u>0.00</u>	<u>20.00</u>