CITY OF WEST COVINA

CITY COUNCIL/SUCCESSOR AGENCY

MARCH 2, 2021, 7:00 PM
REGULAR MEETING

CITY HALL COUNCIL CHAMBERS
1444 W. GARVEY AVENUE SOUTH
WEST COVINA, CALIFORNIA 91790

Mayor Letty Lopez-Viado
Mayor Pro Tem Dario Castellanos
Councilwoman Rosario Diaz
Councilmember Brian Tabatabai
Councilman Tony Wu

On March 4, 2020, Governor Newsom proclaimed a State of Emergency in California as a result of the threat of COVID-19. On March 17, 2020, Governor Newsom issued Executive Order N-29-20, suspending certain requirements of the Brown Act relating to the conduct of public meetings. Pursuant to the Executive Orders, Council Members may attend City Council meetings telephonically and the City Council is not required to make available a physical location from which members of the public may observe the meeting and offer public comment.

On June 18, 2020, the California Department of Public Health issued guidance mandating that people in California wear cloth face coverings in specified circumstances, including when they are inside of, or in line to enter, any indoor public space. Due to the ongoing COVID-19 emergency and pursuant to State and County public health directives, the City Council Chambers will havel imited seating available on a first-come, first-served basis for members of the public to attend and participate in the City Council meeting in person. All persons attending the meeting are required to wear cloth face coverings and observe social distancing protocols. Members of the public may also watch City Council the meeting live on the City's website at:https://www.westcovina.org/departments/city-clerk/agendas-and-meetings/current-meetings-and-agendas under the "Watch Live" tab or through the West Covina City YouTube channel at www.westcovina.org/LIVE. If you are experiencing symptoms such as fever or chills, cough, shortness of breath or difficulty breathing, fatigue, or sore throat, the City requests that you participate in the meeting from home by watching the meeting live via the links set forth above.

REMOTE PUBLIC PARTICIPATION:
In lieu of attending the meeting in person, members of the public can submit public comments via email or address the City Council by telephone using the methods described below.

EMAILED PUBLIC COMMENT:
Members of the public can submit public comments to the City Clerk via e-mail at City_Clerk@westcovina.org. The subject line should specify "Oral Communications – 3/2/2021". Please include your full name and address in your e-mail. All emails received by 5:00 P.M. on the day of the Council meeting will be posted to the City's website under "Current Meetings and Agendas" and provided to the City Council prior to the meeting. No comments will be read out loud during the meeting. All comments received by the start of the meeting will be made part of the official public record of the meeting.

TELEPHONIC ACCESSIBILITY.
Members of the public that wish to address the Council by telephone during Oral Communications may contact the City Clerk by email City_Clerk@westcovina.org or by telephone (626) 939-8433 by 5:30 P.M. on the day of the Council meeting for

instructions regarding addressing the City Council by telephone during the meeting.

Please turn off all cell phones and other electronic devices prior to entering the Council Chambers

AMERICANS WITH DISABILITIES ACT
The City complies with the Americans with Disabilities Act (ADA). If you will need special assistance at Council meetings, please call (626) 939-8433 (voice) or (626) 960-4422 (TTY) from 8 to 5 Monday through Thursday. Do call at least one day prior to the meeting date to inform us of your particular needs and to determine if accommodation is possible. For sign language interpreter services at Council meetings, please request no less than four working days prior to the meeting.

AGENDA MATERIAL
Agenda material is available for review at the City Clerk's Office, Room 317 in City Hall, 1444 W. Garvey Avenue South, West Covina and at www.westcovina.org. Any writings or documents regarding any item on this agenda, not exempt from public disclosure, provided to a majority of the City Council that is distributed less than 72 hours before the meeting, will be made available for public inspection in the City Clerk's Office, Room 317 of City Hall located at 1444 W. Garvey Avenue South, West Covina, during normal business hours.

NOTICE
The City Council will regularly convene on the first and third Tuesday of the month. The West Covina Community Development Commission, West Covina Public Financing Authority and the West Covina Community Services Foundation are agencies on which the City Council serves as members. Agendas may contain items for these boards, as necessary.

PUBLIC COMMENTS
ADDRESSING THE CITY COUNCIL
(Per WCMC 2-48, Ordinance No. 2150)

Any person wishing to address the City Council on any matter listed on the agenda or on any other matter within their jurisdiction should complete a speaker card that is provided at the entrance to the Council Chambers and submit the card to the City Clerk.

***Please identify on the speaker card whether you are speaking on an agenda item or non-agenda.* Requests to speak on agenda items will be heard prior to requests to speak on non-agenda items. All comments are limited to five (5) minutes per speaker.**

Oral Communications may be limited to thirty (30) minutes, unless speakers addressing agenda items have not concluded.

Any testimony or comments regarding a matter set for a Public Hearing will be heard during the hearing.

RULES OF DECORUM
Excerpts from the West Covina Municipal Code and Penal Code pertaining to the Rules of Decorum will be found at the end of agenda.

AGENDA

CITY OF WEST COVINA
CITY COUNCIL/SUCCESSOR AGENCY

TUESDAY MARCH 2, 2021, 7:00 PM
REGULAR MEETING

INVOCATION
Led by Pastor Samuel Martinez from Amazing Love Ministries.

PLEDGE OF ALLEGIANCE
Led by Councilman Wu

ROLL CALL

REPORTING OUT FROM CLOSED SESSION

PRESENTATIONS

- Presentation & question and answer with Senator Susan Rubio
- Certificate of Recognition presented to teachers of San Jose Academy: Danny Woo and Giselle Arguello

ORAL COMMUNICATIONS - Five (5) minutes per speaker
Please step forward to the podium and state your name and city of residence for the record when recognized by the Mayor.

CITY MANAGER'S REPORT

City Manager's report on current City projects.

CONSENT CALENDAR

All matters listed under CONSENT CALENDAR are considered to be routine and can be acted on by one roll call vote. There will be no separate discussion of these items unless members of the City Council/Community Development Commission request specific items to be removed from the Consent Calendar for separate discussion or action.

APPROVAL OF MEETING MINUTES

1) FEBRUARY 16, 2021, CITY COUNCIL/SUCCESSOR AGENCY CLOSED SESSION MEETING MINUTES
FEBRUARY 16, 2021, CITY COUNCIL/SUCCESSOR AGENCY REGULAR SESSION MEETING MINUTES
FEBRUARY 23, 2021, CITY COUNCIL/SUCCESSOR AGENCY SPECIAL REGULAR SESSION MEETING MINUTES

It is recommended that the City Council approve the February 16, 2021, Closed Session Meeting Minutes, the February 16, 2021, Regular Session Meeting Minutes, and the February 23 Special Regular Session Meeting Minutes.

CLAIMS AGAINST THE CITY

2) CONSIDERATION OF GOVERNMENT TORT CLAIMS

It is recommended that the City Council deny the following Government Tort Claim and direct that the claimant(s) be notified:

1. County of Los Angeles vs. City of West Covina

COMMUNITY DEVELOPMENT

3) CONSIDERATION OF APPROVAL OF CONSTRUCTION AGREEMENT FOR TRAFFIC SIGNAL INSTALLATION AT CAMERON AVENUE AND BARRANCA STREET PROJECT - PROJECT NO. 18040

It is recommended that the City Council take the following actions:

1. Award the construction agreement for the Cameron Avenue at Barranca Street Traffic Signal Improvements Project (Project No. 18040) to P.T.M. General Engineering Services, Inc. for $336,036.00, as the lowest responsible bidder;
2. Authorize 15% of the awarded contract amount as contingency allowance to be used, if necessary and with the City Manager's approval, for unforeseen conditions;
3. Authorize the City Manager to negotiate and execute the agreement and any authorized amendments to the agreement; and
4. Adopt the following resolution:

    RESOLUTION NO. 2021-13 – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST COVINA, CALIFORNIA, ADOPTING A BUDGET AMENDMENT FOR THE FISCAL YEAR COMMENCING JULY 1, 2020 AND ENDING JUNE 30, 2021 (PROP C 25% - PROJECT NO. 18040)

FINANCE DEPARTMENT

4) CONSIDERATION OF SECOND QUARTER FINANCIAL REPORT FOR FISCAL YEAR 2020-21

It is recommended that the City Council take the following actions:

1) Receive and file the Second Quarter Financial Report for Fiscal Year 2020-21; and
2) Adopt the following resolution:

RESOLUTION NO. 2021-14 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST COVINA, CALIFORNIA, ADOPTING A BUDGET AMENDMENT FOR THE FISCAL YEAR COMMENCING JULY 1, 2020 AND ENDING JUNE 30, 2021 (SECOND QUARTER FINANCIAL REPORT)

5) CONSIDERATION OF COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AND OTHER RELATED REPORTS FOR THE YEAR ENDED JUNE 30, 2020

It is recommended that the City Council receive and file the following letters and financial reports for the year ended June 30, 2020:

- Comprehensive Annual Financial Report;
- Government Auditing Standards Letter;
- Audit Communication Letter;
- West Covina Housing Authority Fund Financial Report;
- West Covina Housing Authority Fund Addendum to the Annual Progress Report; and
- Air Quality Improvement Fund Financial Statements.

PUBLIC SERVICES

6) CONSIDERATION OF EXTENSIONS TO TRANSPORTATION AND LEASE AGREEMENTS WITH MV TRANSPORTATION, INC.

It is recommended that the City Council take the following actions:

1. Approve the amendment to the Transportation Services Agreement with MV Transportation, Inc., to extend the term on a month-to-month basis, for up to 12 months, while the City conducts a formal solicitation for the transportation services;
2. Approve the amendment to the Lease Agreement with MV Transportation, Inc., on a month-to-month basis, for up to 12 months, to coincide with the term of the Transportation Services Agreement; and
3. Authorize the City Manager to negotiate and execute the amendments to both agreements in substantially the form as attached and in such final form as approved by the City Attorney.

END OF CONSENT CALENDAR

DEPARTMENTAL REGULAR MATTERS

POLICE DEPARTMENT

7) Update on City's Homeless Initiatives

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

MAYOR/COUNCILMEMBERS REPORTS

AB 1234 Conference and Meeting Report (verbal, if any)

(In accordance with AB 1234, Councilmembers shall make a brief report or file a written report on any meeting/event/conference attended at City expense.)

CITY COUNCIL REQUESTS FOR REPORTS, STUDIES OR INVESTIGATION

(Per City of West Covina Standing Rules 4.f - Requests for reports, studies, or investigations that are not readily available must be placed on the City Council/Successor Agency agenda as items of business and must be approved by a majority of the City Council/Successor Agency Board.)

CITY COUNCIL COMMENTS

ADJOURNMENT

Next Tentative City Council Meeting

Regular Meeting	March 16, 2021	7:00 PM

RULES OF DECORUM

The following are excerpts from the West Covina Municipal Code:

Sec. 2-48. Manner of addressing council; time limit; persons addressing may be sworn.

a. Each person addressing the council shall step up to the rostrum, shall give his or her name and city of residence in an audible tone of voice for the record and unless further time is granted by the council, shall limit his or her address to five (5) minutes.
b. The city council may establish a limit on the duration of oral communications.
c. All remarks shall be addressed to the council as a body and not to any member thereof. No person, other than the council and the person having the floor, shall be permitted to enter into any discussion, either directly or through a member of the council, without the permission of the presiding officer. No question shall be asked of a councilmember except through the presiding officer.
d. The presiding officer may require any person to be sworn as a witness before addressing the council on any subject. Any such person who, having taken an oath that he or she will testify truthfully, willfully and contrary to such oath states as true any material matter which he knows to be false may be held to answer criminally and subject to the penalty prescribed for perjury by the provisions of the Penal Code of the state.

Sec. 2-50. Decorum--Required.

a. While the council is in session, the members shall preserve order and decorum, and a member shall neither, by conversation or otherwise, delay or disrupt the proceedings or the peace of the council nor interrupt any member while speaking or refuse to obey the orders of the council or its presiding officer, except as otherwise herein provided.
b. Members of the public shall not willfully disrupt the meeting or act in a manner that actually impairs the orderly conduct of the meeting. For the purposes of this code, “willfully disrupt” includes, but is not limited to, continuing to do any of the following after being warned by the Mayor that continuing to do so will be a violation of the law:
    a. Addressing the Mayor and City Council without first being recognized.
    b. Persisting in addressing a subject or subjects, other than that before the Mayor and City Council.
    c. Repetitiously addressing the same subject.
    d. Failing to relinquish the podium when directed to do so.
    e. From the audience, interrupting or attempting to interrupt, a speaker, the Mayor, a council member, or a staff member or shouting or attempting to shout over a speaker, the Mayor, a council member or a staff member.
    f. As a speaker, interrupting or attempting to interrupt the Mayor, a council member, or a staff member, or shouting over or attempting to shout over the Mayor, a council member, or a staff member. Nothing in this section or any rules of the council shall be construed to prohibit public criticism of the policies, procedures, programs, or services of the City or of the acts or omissions of the City Council. It shall be unlawful to violate the provisions of this Section.

If any subsection, sentence, clause, or phrase or word of this Section 2-50 is for any reason held to be invalid or unconstitutional, such decision shall not affect the validity of the remaining portions of this Section. The City Council hereby declares that it would have passed this section and each subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more subsections, sentences, clauses, phrases or words had been declared invalid or unconstitutional.

Sec. 2-52. Persons authorized to be within council area.
No person, except city officials, their representatives and members of the news media shall be permitted within the rail in front of the council chamber without the express consent of the council.

The following are excerpts from the Penal Code

148(a) (1) Every Person who willfully resists, delays, or obstructs any public officer, peace officer, or an emergency medical technician, as defined in Division 2.5 (commencing with Section 1797) of the Health and Safety code, in the discharge or attempt to discharge any duty of his or her office or employment, when no other punishment is prescribed, shall be punished by a fine not exceeding one thousand dollars ($1,000), or by imprisonment in a county jail not to exceed one year, or by both that fine and imprisonment.

403 Every person who, without authority of law, willfully disturbs or breaks up any assembly or meeting that is not unlawful in its character, other than an assembly or meeting referred to in Section 303 of the Penal Code or Section 18340 of the Elections Code, is guilty of a misdemeanor.

AGENDA ITEM NO. 1

AGENDA STAFF REPORT

City of West Covina | Office of the City Manager

DATE: March 2, 2021

TO: Mayor and City Council

FROM: David Carmany
City Manager

SUBJECT: **FEBRUARY 16, 2021, CITY COUNCIL/SUCCESSOR AGENCY CLOSED SESSION MEETING MINUTES**
FEBRUARY 16, 2021, CITY COUNCIL/SUCCESSOR AGENCY REGULAR SESSION MEETING MINUTES
FEBRUARY 23, 2021, CITY COUNCIL/SUCCESSOR AGENCY SPECIAL REGULAR SESSION MEETING MINUTES

RECOMMENDATION:

It is recommended that the City Council approve the February 16, 2021, Closed Session Meeting Minutes, the February 16, 2021, Regular Session Meeting Minutes, and the February 23 Special Regular Session Meeting Minutes.

DISCUSSION:

That the City Council adopt the attached minutes.

Prepared by: Lisa Sherrick, Assistant City Clerk

Attachments

Attachment No. 1 - 2.16.2021 Closed Session Minutes Draft

Attachment No. 2 - 2.16.2021 Regular Session Minutes Draft

Attachment No. 3 - 2.23.2021 Special Session Minutes Draft

CITY COUNCIL GOALS & OBJECTIVES: Enhance the City Image and Effectiveness

CITY OF WEST COVINA

CITY COUNCIL/SUCCESSOR AGENCY

FEBRUARY 16, 2021, 6:00 PM
REGULAR MEETING-CLOSED SESSION

MANAGEMENT RESOURCE CENTER 3RD FLOOR
1444 W. GARVEY AVENUE SOUTH
WEST COVINA, CALIFORNIA 91790

Mayor Letty Lopez-Viado
Mayor Pro Tem Dario Castellanos
Councilwoman Rosario Diaz
Councilmember Brian Tabatabai
Councilman Tony Wu

MINUTES

CALL TO ORDER

A Closed Session Meeting was called to order by Mayor Lopez-Viado on Tuesday, February 16, 2021 at 6:00 p.m., in the Management Resource Center Conference Room on the 3rd Floor, 1444 West Garvey Avenue South, West Covina, California

ROLL CALL

Council Members
Present: Council Members Tony Wu, Brian Tabatabai, Rosario Diaz, Mayor Pro Tem Castellanos, Mayor Lopez-Viado.

Council Members
Absent: None

City Staff: David Carmany City Manager, Thomas P. Duarte City Attorney, Helen Tran Human Resources Director, Robbeyn Bird Finance Director, Paulina Morales Economic Development Manager, Baron Bettenhausen Deputy City Attorney.

PUBLIC COMMENTS ON ITEMS ON THE AGENDA

None

CLOSED SESSION

1. CONFERENCE WITH REAL PROPERTY NEGOTIATORS
   Pursuant to Government Code § 54956.8 Property: 8731-020-900
   Agency Negotiator: Carmany, Morales, Duarte
   Negotiating Parties: CCATT LLC (Crown Castle)
   Under Negotiation: Price and Terms of Payment

2. CONFERENCE WITH REAL PROPERTY NEGOTIATORS
   Pursuant to Government Code § 54956.8
   Property: 8486-008-903
   Agency Negotiator: Carmany, Morales, Duarte
   Negotiating Parties: CCATT LLC (Crown Castle)
   Under Negotiation: Price and Terms of Payment

3. CONFERENCE WITH REAL PROPERTY NEGOTIATORS
   Pursuant to Government Code § 54956.8
   Property: 8474-007-934, 8747-007-929, 8747-003-940
   Agency Negotiator: Carmany, Morales, Duarte
   Negotiating Parties: Plaza West Covina
   Under Negotiation: Price and Terms of Payment

4. CONFERENCE WITH LABOR NEGOTIATOR
   Pursuant to Government Code § 54957.6
   City Negotiators: Carmany, Duarte Employee Organizations
   - Confidential Employees
   - Maintenance & Crafts Employees
   - Non-Sworn
   - W.C. Police Officers' Association
   - W.C. Firefighters' Management Assoc.
   - W.C. Firefighters' Association, I.A.F.F., Local 3226 General Employees
   - Mid-Management Employees
   - W.C. Police Management Association

   Unrepresented Employee Group
   - Department Heads

REPORTING OUT

None

-This Section has intentionally been left blank-

ADJOURNMENT

A motion to adjourn the Closed Session Meeting was made by Mayor Lopez-Viado, and the meeting was adjourned at 6:45 p.m. The next regularly scheduled Closed Session City Council Meeting will be held on Tuesday March 02, 2021 at 6:00 p.m. in the Management Resource Center Conference Room, 3rd Floor, 1444 West Garvey Avenue South, West Covina, California.

Submitted by:

____
Lisa Sherrick
Assistant City Clerk

____
Letty Lopez-Viado
Mayor

CITY OF WEST COVINA

CITY COUNCIL/SUCCESSOR AGENCY

FEBRUARY 16, 2020, 7:00 PM
REGULAR MEETING

CITY HALL COUNCIL CHAMBERS
1444 W. GARVEY AVENUE SOUTH
WEST COVINA, CALIFORNIA 91790

Mayor Letty Lopez-Viado
Mayor Pro Tem Dario Castellanos
Councilwoman Rosario Diaz
Councilmember Brian Tabatabai
Councilman Tony Wu

MINUTES

CALL TO ORDER

A Regular Meeting was called to order by Mayor Lopez-Viado on Tuesday, February 16, 2021 at 7:00 p.m. in the Council Chambers, 1444 West Garvey Avenue South, West Covina, California.

INVOCATION

Led by Pastor Tony Rodriguez from Calvary Chapel New Beginnings West Covina.

PLEDGE OF ALLEGIANCE

Led by Mayor Pro Tem Castellanos

ROLL CALL

Present: Council Members Brian Tabatabai, Tony Wu, Rosario Diaz, Mayor Pro Tem Castellanos, Mayor Lopez-Viado.

Council Members
Absent: None
City Staff: David Carmany City Manager, Thomas P. Duarte City Attorney, Lisa Sherrick Assistant City Clerk; other City staff presented reports and responded to questions as indicated in the minutes.

REPORTING OUT FROM CLOSED SESSION

None

CLOSED SESSION

1. CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to Government Code § 54956.8
   Property: 8731-020-900
   Agency Negotiator: Carmany, Morales, Duarte Negotiating Parties: CCATT LLC (Crown Castle) Under Negotiation: Price and Terms of Payment

2. CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to Government Code § 54956.8
   Property: 8486-008-903
   Agency Negotiator: Carmany, Morales, Duarte Negotiating Parties: CCATT LLC (Crown Castle) Under Negotiation: Price and Terms of Payment

3. CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to Government Code § 54956.8
   Property: 8474-007-934, 8747-007-929, 8747-003-940
   Agency Negotiator: Carmany, Morales, Duarte Negotiating Parties: Plaza West Covina
   Under Negotiation: Price and Terms of Payment

4. CONFERENCE WITH LABOR NEGOTIATORS Pursuant to Government Code § 54957.6
   City Negotiators: Carmany, Duarte
   Employee Organizations
   - Confidential Employees
   - Maintenance & Crafts Employees
   - Non-Sworn
   - W.C. Police Officers' Association

- W.C. Firefighters' Management Assoc.
- W.C. Firefighters' Association,
- I.A.F.F., Local 3226 General Employees
- Mid-Management Employees
- W.C. Police Management Association

Unrepresented Employee Group

- Department Heads

PRESENTATIONS

- Certificate of Recognition for One & All Church and God's Pantry for monthly food
- donations Proclamation for Black History Month

ORAL COMMUNICATIONS - Five (5) minutes per speaker

Mike Greenspan
Armando Herman
John Shewmaker
Alex Lam
Lisa Mayon
Jerri Potras
Sophia Chavira
Jim Grivich
Cary Eatmon
Yolanda Eatmon
Frank Williams

CITY MANAGER'S REPORT

Presentation given by Mr. Carmany.

CONSENT CALENDAR

ACTION: Motion by Councilman Wu, Second by Mayor Pro Tem Castellanos 5-0 to: *Approve Consent Calendar Items 1,2,4.*
ACTION: Motion by Councilman Wu, Second by Councilwoman Diaz 5-0 to: *Approve Consent Calendar Items 3 (Item 3 was pulled for discussion by Councilmember Tabatabai).*

APPROVAL OF MEETING MINUTES

1) **FEBRUARY 2, 2021, CITY COUNCIL/SUCCESSOR AGENCY SPECIAL CLOSED SESSION MEETING MINUTES**
FEBRUARY 2, 2021, CITY COUNCIL/SUCCESSOR AGENCY CLOSED SESSION MEETING MINUTES
FEBRUARY 2, 2021, CITY COUNCIL/SUCCESSOR AGENCY REGULAR SESSION MEETING MINUTES
Carried 5-0 to: approve the February 2, 2021, Special Closed Session Meeting Minutes, the February 2, 2021, Closed Session Meeting Minutes, and the February 2, 2021, Regular Session Meeting Minutes.

INVESTMENT REPORT

2) **CONSIDERATION OF INVESTMENT REPORT FOR THE MONTH ENDED DECEMBER 31, 2020**

Carried 5-0 to: receive and file the Investment Report for the month ended December 31, 2020.

CITY MANAGER'S OFFICE

3) **CONSIDERATION OF RESOLUTION NO. 2021-12 DETERMINING THERE IS A NEED TO CONTINUETHE LOCAL EMERGENCY**

Carried 5-0 to: adopt the following resolution:

RESOLUTION NO. 2021-12 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST COVINA, CALIFORNIA, DETERMINING THE NEED TO FURTHER CONTINUE THE LOCAL EMERGENCY PROCLAIMED ON MARCH 16, 2020, AND PREVIOUSLY CONTINUED ON APRIL7, 2020, MAY 5, 2020, JUNE 2, 2020, JUNE 23, 2020, JULY 21, 2020, AUGUST 18, 2020, SEPTEMBER 15, 2020, OCTOBER 6, 2020, OCTOBER 20, 2020, NOVEMBER 17, 2020, DECEMBER 1, 2020 AND JANUARY 19, 2021

COMMUNITY DEVELOPMENT

4) **CONSIDERATION OF APPROVAL OF THE TRAFFIC COMMITTEE MEETING MINUTES ANDTRAFFIC COMMITTEE RECOMMENDATIONS FROM THE JANUARY 12, 2021 TRAFFIC COMMITTEE MEETING**

Carried 5-0 to: approve the Traffic Committee Meeting Minutes and Traffic Committee recommendations from the January 12, 2021 Traffic Committee Meeting for the following item:

a. **Traffic Review of East Garvey Avenue South between Citrus Street and Barranca Avenue**

i. **Request:** The City of West Covina received a request to review the traffic conditions along this segment of East Garvey Avenue South between Citrus Street and Barranca Avenue due to speeding vehicles as well as review if a STOP sign is warranted at the driveway near the dealership.

ii. **Review Standard:** After a thorough review of existing field and traffic conditions and per the California Manual on Uniform Traffic Control Devices (CAMUTCD), it was determined that the driveway intersectionalong this section of East Garvey Avenue South east of Citrus Street near the Crestview Cadillac dealership does not meet warrants to install a stop-sign at the western-most entrance to dealership. However,the installation of various sign upgrades, sign installation, pavement legends, and other safety measures will increase safety and ensure increased awareness of roadway conditions for vehicles traveling along East Garvey Avenue South near this location.

iii. **Recommendation:** The Traffic Committee unanimously recommended the following items: to remove and replace the existing faded curve signs to add more visual awareness to drives approaching the curve; remove and replace the posted speed limit signs with larger speed limit signs (35 mph) to make the speed limit more visible for drivers traveling along this segment; install adjacent pavement legends of the speed opposite of the signs (35 mph); install three sets of double-sided chevron signs for both directions along the curve; install a T warning sign to alert drivers of approaching vehicles along the curve; and to remove conflicting and faded signage.

b. **Parking Review along Holt Avenue/Garvey Avenue north of Springcreek Road**

i. **Request:** The City of West Covina received a request to review the parking conditions along Holt Avenue/Garvey Avenue north of Springcreek Road due to vehicles parking for an extended period of time as well as high profile vehicles parking along this segment.
ii. **Review Standard:** After a thorough review of existing field and traffic conditions and per the City's Municipal Code Section 22-184, it was determined that installation of "No Commercial Parking" over 10,000 pounds signs along this segment of Holt Avenue/Garvey Avenue will aide in deterring high profile and commercial vehicles from parking along the segment.
iii. **Recommendation:** The Traffic Committee unanimously recommended to install "No Commercial Parking" along this segment.

END OF CONSENT CALENDAR

MAYOR/COUNCILMEMBERS REPORTS
None

CITY COUNCIL REQUESTS FOR REPORTS, STUDIES OR INVESTIGATION
Mayor Lopez-Viado has requested a presentation be given on homeless initiatives within the City.

CITY COUNCIL COMMENTS
Councilman Wu wishes everyone a very happy lunar new year. Happy Year of the Ox.

-This Section has intentionally been left blank-

ADJOURNMENT

This meeting was adjourned by Mayor Lopez-Viado in memory of nurse Amelia Baclig, Deputy District Director and Military/Veterans Liaison Hector Elizalde and Councilman Wu adjourned in memory of Community Activist Nancy Fox. All three will be missed by family and friends. A motion to adjourn the Regular Meeting was made by Councilmember Tabatabai, and the meeting was adjourned at 8:22 p.m. The next regularly scheduled Regular City Council Meeting will be held on Tuesday, March 2, 2021 at 7:00 p.m. in the Council Chambers, 1444 West Garvey Avenue South, West Covina, California.

Submitted by:

____
Lisa Sherrick
Assistant City Clerk

____
Letty Lopez-Viado
Mayor

CITY OF WEST COVINA

CITY COUNCIL/SUCCESSOR AGENCY

FEBRUARY 23, 2020, 4:00 PM
SPECIAL REGULAR MEETING

CITY HALL COUNCIL CHAMBERS
1444 W. GARVEY AVENUE SOUTH
WEST COVINA, CALIFORNIA 91790

Mayor Letty Lopez-Viado
Mayor Pro Tem Dario Castellanos
Councilwoman Rosario Diaz
Councilmember Brian Tabatabai
Councilman Tony Wu

MINUTES

CALL TO ORDER
A Special Meeting was called to order by Mayor Lopez-Viado on Tuesday, February 23, 2021 at 4:03 p.m. in the Council Chambers, 1444 West Garvey Avenue South, West Covina, California.

PLEDGE OF ALLEGIANCE
Led by Councilman Tabatabai

ROLL CALL

Present: Council Members Brian Tabatabai, Tony Wu, Rosario Diaz, Mayor Pro Tem Castellanos, Mayor Lopez-Viado.

Council Members
Absent: None
City Staff: David Carmany City Manager, Thomas P. Duarte City Attorney, Lisa Sherrick Assistant City Clerk; other City staff presented reports and responded to questions as indicated in the minutes.

PUBLIC COMMENTS ON ITEMS ON THE AGENDA

- Lisa Sauer
- Bill Cagle
- Elise Weinberg
- Giuseppe Mancuso
- Elsie Messman
- Therese Garcia
- Douglas Fore
- Bill Elliott
- Gabriel Padua Rodriguez
- Peter Dien
- Yusuf Arifi
- Angie Gillingham
- Chris Miller
- Sherry Fischer
- Carmen Saylor
- Rachel Zhou
- Doncy Z
- Jim Grivich
- Steve Bennett
- Francoise Coulton
- Jerri Potras
- Peggy Martinez
- Teresa Cozad
- Fredrick Sykes
- Dr. Muntu Davis
- Jefferson DeRoux
- Brian Gutierrez
- Robert Torres
- Carlos Roman
- Brian Jobst
- James Toma
- Minerva Avila
- John Shewmaker
- Shahrzad
- Andrea
- Lawrence
- Raquel
- Robbin
- Sheryl

DEPARTMENTAL REGULAR MATTERS

ACTION: Motion by Councilman Wu, Second by Mayor Pro Tem Castellanos 4-1 (No: Tabatabai) to: *Approve Resolution No. 2021-15*
ACTION: Motion by Councilman Wu, Second by Mayor Pro Tem Castellanos 4-1 (No: Tabatabai) to: *Approve Urgency Ordinance No. 2476*

CITY ATTORNEY'S OFFICE

1) Consideration of Termination of Health Officer Services Provided by the Los Angeles County Department of Public Health Pursuant to California Health and Safety Code section 101375

1. Adopt the following resolution:

RESOLUTION NO. 2021-15 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST COVINA, CALIFORNIA, TERMINATING THE LOS ANGELES COUNTY HEALTH OFFICER'S SERVICES RELATING TO ORDERS AND QUARANTINE REGULATIONS PRESCRIBED BY THE STATE DEPARTMENT OF PUBLIC HEALTH, OTHER REGULATIONS ISSUED UNDER THE HEALTH AND SAFETY CODE AND STATUTES RELATING TO THE PUBLIC HEALTH

Carried 4-1 (No: Tabatabai) to: approve Resolution 2021-15, Terminating the Los Angeles County Health Officer's Services relating to orders and quarantine regulations prescribed by the State Department of Public Health, other regulations issued under the Health and Safety Code and statutes relating to public health.

2. Introduce and adopt, by a four-fifths (4/5) vote of the City Council, the following urgency ordinance:

URGENCY ORDINANCE NO. 2476 - AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF WEST COVINA, CALIFORNIA, TERMINATING THE LOS ANGELES COUNTY HEALTH OFFICER'S SERVICES RELATING TO ORDERS AND QUARANTINE REGULATIONS PRESCRIBED BY THE STATE DEPARTMENT OF PUBLIC HEALTH, OTHER REGULATIONS ISSUED UNDER THE HEALTH AND SAFETY CODE AND STATUTES RELATING TO THE PUBLIC HEALTH

Carried 4-1 (No: Tabatabai) to: approve Urgency Ordinance No. 2476, Terminating the Los Angeles County Health Officer's Services relating to orders and quarantine regulations prescribed by the State Department of Public Health, other regulations issued under the Health and Safety Code and statutes relating to public health.

-This Section has intentionally been left blank-

ADJOURNMENT

A motion to adjourn the Regular Meeting was made by Councilmember Tabatabai, and the meeting was adjourned at 8:21 p.m. The next regularly scheduled Regular City Council Meeting will be held on Tuesday, March 2, 2021 at 7:00 p.m. in the Council Chambers, 1444 West Garvey Avenue South, West Covina, California.

Submitted by:

____
Lisa Sherrick
Assistant City Clerk

____
Letty Lopez-Viado
Mayor

AGENDA ITEM NO. 2

AGENDA STAFF REPORT

City of West Covina | Office of the City Manager

DATE: March 2, 2021

TO: Mayor and City Council

FROM: David Carmany
City Manager

SUBJECT: **CONSIDERATION OF GOVERNMENT TORT CLAIMS**

RECOMMENDATION:
It is recommended that the City Council deny the following Government Tort Claim and direct that the claimant(s) be notified:

1. County of Los Angeles vs. City of West Covina

BACKGROUND:
The Government Claims Act, commonly referred to as the The Tort Claims Act, governs the filing of claims against a government entity. The Tort Claims Act is found in Division 3.6 of Title 1 of the California Government Code (Govt. Code § 810 et seq.). Generally, most actions seeking money or damages against a public entity must be preceded by a proper administrative claim. Claims for wrongful death, personal injury, or damage to personal property must be presented within six (6) months of the accrual of the cause of action. Other claims must be presented within one (1) year of the accrual of the cause of action.

DISCUSSION:
As all claims should be considered potential lawsuits, it is requested that all Councilmembers refrain from making specific public comments so as not to prejudice any claim. Specific questions should be referred to the City Attorney.

Prepared by: Helen Tran, Director of Human Resources/Risk Management Department

CITY COUNCIL GOALS & OBJECTIVES: Achieve Fiscal Sustainability and Financial Stability

AGENDA ITEM NO. 3

AGENDA STAFF REPORT

City of West Covina | Office of the City Manager

DATE: March 2, 2021

TO: Mayor and City Council

FROM: David Carmany
City Manager

SUBJECT: CONSIDERATION OF APPROVAL OF CONSTRUCTION AGREEMENT FOR TRAFFIC SIGNAL INSTALLATION AT CAMERON AVENUE AND BARRANCA STREET PROJECT - PROJECT NO. 18040

RECOMMENDATION:

It is recommended that the City Council take the following actions:

1. Award the construction agreement for the Cameron Avenue at Barranca Street Traffic Signal Improvements Project (Project No. 18040) to P.T.M. General Engineering Services, Inc. for $336,036.00, as the lowest responsible bidder;
2. Authorize 15% of the awarded contract amount as contingency allowance to be used, if necessary and with the City Manager's approval, for unforeseen conditions;
3. Authorize the City Manager to negotiate and execute the agreement and any authorized amendments to the agreement; and
4. Adopt the following resolution:

RESOLUTION NO. 2021-13 – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST COVINA, CALIFORNIA, ADOPTING A BUDGET AMENDMENT FOR THE FISCAL YEAR COMMENCING JULY 1, 2020 AND ENDING JUNE 30, 2021 (PROP C 25% - PROJECT NO. 18040)

BACKGROUND:

The 2016 Consolidated Appropriation Act allowed the City to transfer its Federal Transportation Earmark(s) to the Los Angeles County Metropolitan Transportation Authority (LACMTA or Metro). On May 25, 2016, LACMTA Board of Directors approved the Federal Transportation Earmark Exchange Program. The exchange of funds allows the City to proceed with delivery of the project without federal compliance requirements, streamlining the completion of the project.

In September 2020, the City requested to exchange $119,255 of the City's Federal Transportation Earmark Funds for a like amount of LACMTA Proposition C (25%) per 2016 Federal Transportation Earmark Exchange Program Agreement 920000000E1726 for Project No. 18040. On or about such date, the City's Federal Transportation Earmark Exchange Balance of $119,225 was transferred to LACMTA.

On December 1, 2020, the City Council authorized the City Manager to execute the Funding Agreement between the City and LACMTA under the 2016 Federal Transportation Earmark Exchange Program for Traffic Signal

Installation at Cameron Avenue and Barranca Street Project.

Upon receipt of the fully executed Funding Agreement, LACMTA will pay the City $115,677 of LACMTA Funds, which includes the deduction for the processing fee by LACMTA.

DISCUSSION:

On January 13, 2021, staff advertised the construction bid package for Project No. 18040. The following seven (7) bids were received by the City at the Bid Opening held on February 2, 2021, at 11:00 A.M.

Contractor Name	Total Bid Amount
PTM General Engineering Services	$336,036.00
International Line Builders	$337,186.00
Elecnor Belco Electric	$341,125.00
Crosstown Electrical & Data	$345,972.00
Calpromax Engineering	$354,947.00
California Professional Engineering	$368,385.00
DBX	$376,504.00

Staff conducted a bid analysis including checking references, California Contractor Licensing, Department of Industrial Relations registration, and State and Federal debarment list review for the apparent low bidder, P.T.M. General Engineering Services, Inc.

<u>Lowest Responsive Bid</u>

The lowest responsive bid was submitted by P.T.M. General Engineering Services, Inc. in the amount of $336,036.00. The agreement to be executed with P.T.M. General Engineering Services, Inc. is included as Attachment No. 1.

<u>Budget</u>

The following is the breakdown of the budget for Project No. 18040:

Construction Agreement	$336,036.00
Contingency Budget allowance authorization to staff to utilize for unforeseen conditions as necessary (15%)	$50,405.40
Total Construction Budget	**$386,441.40**
Design Engineering	$23,098.00
Project Management and Administration	$17,500.00
Construction Management and Inspection	$38,644.00
Newspaper Advertisement and Miscellaneous Expenses	$5,000.00
Total Project Budget	**$470,683.40**

LEGAL REVIEW:

The City Attorney's Office has reviewed the agreement and approved it as to form.

OPTIONS:

The City Council has the following options:

1. Approve staff's recommendation; or
2. Provide alternative direction.

ENVIRONMENTAL REVIEW:

The proposed Project is a project subject to California Environmental Quality Act (CEQA). Staff has reviewed the proposed project and has determined that it is categorically exempt from CEQA pursuant to CEQA Guidelines Section(s) 15302: Replacement or reconstruction; (c) Replacement or reconstruction of existing utility and/or facilities involving negligible or no expansion of capacity.

Prepared by: Okan Demirci, PE, CIP Manager

Fiscal Impact

FISCAL IMPACT:

The funds available for this project are as follows:

Project No.	Funds	Account No.	Amount
18040	Measure M	235.80.7006.7800	$355,006.40
18040	LACMTA Prop C - 25%	122.80.7006.7800	$115,677.00
		Total	**$470,683.40**

Attachments

Attachment No. 1 - Construction Services Agreement with PTM General Engineering Services

Attachment No. 2 - Resolution No. 2021-13

Attachment No. 3 - Exhibit A of Resolution No. 2021-13

CITY COUNCIL GOALS & OBJECTIVES: Enhance City Facilities and Infrastructure
Enhance the City Image and Effectiveness
Protect Public Safety

CITY OF WEST COVINA
CONSTRUCTION SERVICES AGREEMENT FOR
PROJECT NO. 18040
CAMERON AVENUE AT BARRANCA STREET
TRAFFIC SIGNAL IMPROVEMENTS PROJECT

THIS CONSTRUCTION SERVICES AGREEMENT (herein "Agreement"), is made and entered into this 2nd day of March, 2021 ("Effective Date") by and between the CITY OF WEST COVINA, a municipal corporation (herein "City"), and P.T.M. GENERAL ENGINEERING SERVICES, INC., a California corporation (herein "Contractor").

RECITALS

A. City requires construction services for the Cameron Avenue at Barranca Street Traffic Signal Improvements Project, Project No. 18040 ("Project"), that meet the requirements as shown in the project specifications and this Agreement.

B. Contractor has submitted a bid to perform the construction services for the Project and has represented to City that Contractor is qualified to perform said services.

C. City and Contractor desire to enter into this Agreement for the Project on the terms and conditions set forth herein.

NOW, THEREFORE, based on the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Contractor hereby agree as follows:

1.0 SERVICES OF CONTRACTOR

1.1 Scope of Services. In compliance with all terms and conditions of this Agreement, the Contractor shall provide all work described in the Contract Documents, as further described herein, which services may be referred to herein as the "services" or "work". As a material inducement to the City entering into this Agreement, Contractor represents and warrants that Contractor is a provider of first class work and services and Contractor is experienced in performing the work and services contemplated herein and, in light of such status and experience, Contractor covenants that it shall follow the highest professional standards in performing the work and services required hereunder and that all materials will be of good quality and fit for the purpose intended.

1.2 Documents Included in Contract. The complete Agreement consists of:

(a) This Agreement;
(b) Notice to Contractors and Instructions to Bidders, Bid Documents and Contract Documents for the Project (collectively, "Bid Documents"), incorporated by this reference as if fully set forth herein;
(c) Contractor's Proposal, attached hereto as Exhibit A and incorporated herein;
(d) Certificates of Insurance, attached hereto as Exhibit B and incorporated herein;

(e) Bonds, attached hereto as Exhibit C and incorporated herein;
(f) The Standard Specifications and Standard Specifications for Public Works Construction, as detailed in Section 19-1 of the West Covina Municipal Code, incorporated by this reference as if fully set forth herein; and
(g) All exhibits and attachments to the foregoing documents.

The documents comprising the complete Agreement may be referred to in this Agreement as the "Contract Documents." In the event of an inconsistency between any of the terms in this Agreement and any of the documents referenced above, this Agreement shall govern.

1.3 Compliance with Law. All services rendered hereunder shall be provided in accordance with all ordinances, resolutions, statutes, rules, and regulations of the City and any Federal, State or local governmental agency having jurisdiction in effect at the time the work is performed.

1.4 Licenses, Permits, Fees, and Assessments. Contractor shall obtain at its sole cost and expense such licenses, permits and approvals as may be required by law for the performance of the services required by this Agreement, including a business license from the City. Contractor shall have the sole obligation to pay for any fees, assessments and taxes, plus applicable penalties and interest, which may be imposed by law and arise from or are necessary for the Contractor's performance of the services required by this Agreement, and shall indemnify, defend and hold harmless City against any such fees, assessments, taxes penalties or interest levied, assessed or imposed against City hereunder. Contractor shall be responsible for all subcontractors' compliance with this Section.

1.5 Familiarity with Work. By executing this Agreement, Contractor warrants that Contractor (a) has thoroughly investigated and considered the Scope of Services to be performed, (b) has carefully considered how the services should be performed, and (c) fully understands the facilities, difficulties and restrictions attending performance of the services under this Agreement. If the services involve work upon any site, Contractor warrants that Contractor has or will investigate the site and is or will be fully acquainted with the conditions there existing, prior to commencement of services hereunder. Should the Contractor discover any latent or unknown conditions, which will materially affect the performance of the services hereunder, Contractor shall immediately inform the City of such fact and shall not proceed except at Contractor's risk until written instructions are received from the Contract Officer.

1.6 Care of Work. The Contractor shall adopt reasonable methods during the life of this Agreement to furnish continuous protection to the work, and the equipment, materials, papers, documents, plans, studies and/or other components thereof to prevent losses or damages, and shall be responsible for all such damages, to persons or property, until acceptance of the work by City, except such losses or damages as may be caused by City's own active negligence.

1.7 Further Responsibilities of Parties. Both parties agree to use reasonable care and diligence to perform their respective obligations under this Agreement. Both parties agree to act in good faith to execute all instruments, prepare all documents and take all actions as may be reasonably necessary to carry out the purposes of this Agreement. Contractor shall require all subcontractors to comply with the provisions of this Agreement.

1.8 Additional Services. City shall have the right at any time during the performance of the services, without invalidating this Agreement, to order extra work beyond that specified in the Scope of Services or make changes by altering, adding to or deducting from said work. No such extra work may be undertaken unless a written change order is first given by the Contract Officer to the Contractor, incorporating therein any adjustment in (i) the Contract Sum, and/or (ii) the time to perform this Agreement, which said adjustments are subject to the written approval of the Contractor. All change orders are subject to the requirements of West Covina Municipal Code Section 19-302. It is expressly understood by Contractor that the provisions of this Section shall not apply to services specifically set forth in the Scope of Services or reasonably contemplated therein. Contractor hereby acknowledges that it accepts the risk that the services to be provided pursuant to the Scope of Services may be more costly or time consuming than Contractor anticipates and that Contractor shall not be entitled to additional compensation therefor.

1.9 Prevailing Wages Requirements.

(a) Prevailing Wage Laws. Contractor is aware of the requirements of Chapter 1 (beginning at Section 1720 et seq.) of Part 7 of Division 2 of the California Labor Code, as well as Title 8, Section 16000 et seq. of the California Code of Regulations ("Prevailing Wage Laws"), which require the payment of prevailing wage rates and the performance of other requirements on "public works" and "maintenance" projects. This Project is a "public works" project and requires compliance with the Prevailing Wage Laws. Contractor shall defend, indemnify and hold the City, its elected officials, officers, employees and agents free and harmless from any claim or liability arising out of any failure or alleged failure to comply with the Prevailing Wage Laws.

(b) Payment of Prevailing Wages. Contractor shall pay the prevailing wage rates for all work performed under this Agreement. When any craft or classification is omitted from the general prevailing wage determinations, Contractor shall pay the wage rate of the craft or classification most closely related to the omitted classification. A copy of the general prevailing wage rate determination is on file in the Office of the City Clerk and is incorporated into this Agreement as if fully set forth herein. Contractor shall post a copy of such wage rates at all times at the project site(s).

(c) Legal Working Day. In accordance with the provisions of Labor Code Section 1810 et seq., eight (8) hours is the legal working day. Contractor and any subcontractor(s) of Contractor shall comply with the provisions of the Labor Code regarding eight (8)-hour work day and 40-hour work week requirements, and overtime, Saturday, Sunday, and holiday work. Work performed by Contractor's or any subcontractor's employees in excess of eight (8) hours per day, and 40 hours during any one week, must include compensation for all hours worked in excess of eight (8) hours per day, or 40 hours during any one week, at not less than one and one-half times the basic rate of pay. Contractor shall forfeit as a penalty to City Twenty-Five Dollars ($25.00), or any greater penalty set forth in the Labor Code, for each worker employed in the execution of the work by Contractor or by any subcontractor(s) of Contractor, for each calendar day during which such worker is required or permitted to the work more than eight (8) hours in one calendar day or more than 40 hours in any one calendar week in violation of the Labor Code.

(d) Apprentices. Contractor shall comply with the provisions of Labor Code Section 1777.5 concerning the employment of apprentices on public works projects. Contractor shall be responsible for ensuring compliance by its subcontractors with Labor Code Section 1777.5.

(e) Payroll Records. Pursuant to Labor Code Section 1776, Contractor and any subcontractor(s) shall keep accurate payroll records, showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by Contractor or any subcontractor in connection with this Agreement. Each payroll record shall contain or be verified by a written declaration that it is made under penalty of perjury, stating both of the following: (1) The information contained in the payroll record is true and correct; and (2) The employer has complied with the requirements of Sections 1771, 1881, and 1815 of the Labor Code for any work performed by his or her employees on this Project. The payroll records shall be certified and shall be available for inspection at all reasonable hours in accordance with the requirements of Labor Code Section 1776.

(f) Registration with DIR. Contractor and any subcontractor(s) of Contractor shall comply with the provisions of Labor Code Section 1771 and Labor Code Section 1725.5 requiring registration with the DIR.

2.0 COMPENSATION

2.1 Contract Sum. For the services rendered pursuant to this Agreement, the Contractor shall be compensated as specified herein, but not exceeding the maximum contract amount of Three Hundred Thirty-Six Thousand Thirty-Six Dollars ($336,036.00) (herein "Contract Sum"), except as provided in Section 1.8 (Additional Services). The Contract Sum shall include the attendance of Contractor at all project meetings reasonably deemed necessary by the City; Contractor shall not be entitled to any additional compensation for attending said meetings.

2.2 Progress Payments. Prior to the first day of the month, during the progress of the work, commencing on the day and month specified in the Agreement, Contractor shall submit to the Contract Officer a complete itemized statement of all labor and materials incorporated into the work during the preceding month and the portion of the Contract Sum applicable thereto. Upon approval in writing by the Contract Officer, payment shall be made within thirty (30) days. City shall pay Contractor a sum based upon ninety five percent (95%) of the Contract Sum apportionment of the labor and materials incorporated into the work under the Agreement during the month covered by said statement. The remaining five percent (5%) of the Contract Sum shall be retained as performance security as detailed in Section 2.3 (Retention of Funds).

2.3 Retention of Funds. Progress payments shall be made in accordance with the provisions of Section 2.2 (Progress Payments) of this Agreement. In accordance with said section, City will retain five percent (5%) of the Contract Sum apportionment from each progress payment as performance security to be paid to the Contractor within sixty (60) days after final acceptance of the work by the City Council, after Contractor furnishes City with a release of all undisputed contract amounts if required by City. If there are any claims specifically excluded by Contractor from the operation of the release, the City may retain proceeds as authorized by Public Contract Code Section 7107 of up to 150% of the amount in dispute. City's failure to deduct or withhold shall not affect Contractor's obligations hereunder. To the extent consistent with Public Contract Code Section 22300, Contractor may request and City shall make payment of retentions earned directly to an escrow agent at the expense of Contractor, and may direct the investment of the payments into securities and Contractor shall receive the interest earned on the investments upon the same terms provided for in Public Contract Code Section 22300 for securities deposited by Contractor. Upon satisfactory completion of this Agreement, Contractor shall receive from the escrow agent all securities, interest, and payments received by the escrow agent from the City.

3.0 PERFORMANCE SCHEDULE

3.1 Time of Essence. Time is of the essence in the performance of this Agreement.

3.2 Schedule of Performance. Contractor shall procure all necessary equipment and materials within one hundred fifty (150) working days from the date specified in the Notice to Proceed for Procurement. After the procurement period, City will issue a Notice to Proceed for Construction. Contractor shall commence the work upon receipt of the Notice to Proceed for Construction and shall complete the work within thirty-five (35) working days from the date specified in the Notice to Proceed for Construction. Contractor shall submit for the Contract Officer's approval its proposed Construction Schedule. Contractor shall perform the services in accordance with the approved Construction Schedule. When requested by the Contractor, extensions to the time period(s) specified in the Construction Schedule may be approved in writing by the Contract Officer.

3.3 Force Majeure. The time period(s) specified in the Construction Schedule for performance of the services rendered pursuant to this Agreement shall be extended to the extent caused by delays due to unforeseeable causes beyond the control and without the fault or negligence of the Contractor, including, but not restricted to, acts of God or of the public enemy, unusually severe weather, fires, earthquakes, floods, epidemics, quarantine restrictions, riots, strikes, freight embargoes, wars, litigation, and/or acts of any governmental agency other than the City, if the Contractor within ten (10) days of the commencement of such delay notifies the Contract Officer in writing of the causes for the delay. The Contract Officer shall ascertain the facts and the extent of delay, and extend the time for performing the services for the period of the enforced delay when and if in the judgment of the Contract Officer such delay is justified. The Contract Officer's determination shall be final and conclusive upon the parties to this Agreement. Contractor shall not be entitled to any damages or increase in compensation due to force majeure.

3.4 Term. Unless earlier terminated as set forth herein, this Agreement shall continue in full force and effect until final approval and acceptance of the project by the City.

4.0 COORDINATION OF WORK

4.1 Representative of Contractor. The following principal(s) of Contractor are hereby designated as being the principal(s) and representative(s) of Contractor authorized to act in its behalf with respect to the work specified herein and make all decisions in connection therewith:

Elizabeth H. Mendoza de McRae, President

It is expressly understood that the experience, knowledge, capability and reputation of the foregoing principal(s) were a substantial inducement for City to enter into this Agreement. Therefore, the foregoing principal(s) shall be responsible during the term of this Agreement for directing all activities of Contractor and devoting sufficient time to personally supervise the services hereunder. For purposes of this Agreement, the foregoing principal(s) may not be replaced nor may their responsibilities be substantially reduced by Contractor without the express written approval of City.

4.2 Contract Officer. The Contract Officer shall be such person as may be designated by the City Manager or City Engineer of City. The Contractor shall keep the Contract Officer informed of Contractor's progress on the services. The Contractor shall refer any decisions which must be made by City to the Contract Officer. Unless otherwise specified herein or in the City's Municipal Code, any approval of City required hereunder shall mean the approval of the Contract Officer. The Contract Officer shall have authority to sign all documents on behalf of the City required by this Agreement, to the extent permitted by the City's Municipal Code.

4.3 Prohibition Against Assignment. The experience, knowledge, capability and reputation of Contractor, its principals and employees were a substantial inducement for the City to enter into this Agreement. Neither this Agreement nor any interest herein may be transferred, assigned, conveyed, hypothecated or encumbered voluntarily or by operation of law, whether for the benefit of creditors or otherwise, without the prior written approval of City. Transfers restricted hereunder shall include the transfer to any person or group of persons acting in concert of more than twenty-five percent (25%) of the present ownership and/or control of Contractor, taking all transfers into account on a cumulative basis. In the event of any such unapproved transfer, including any bankruptcy proceeding, this Agreement shall be void. No approved transfer shall release the Contractor or any surety of Contractor of any liability hereunder without the City's express consent.

4.4 Independent Contractor. Neither the City nor any of its employees shall have any control over the manner, mode or means by which Contractor, its subcontractors, agents or employees, performs the services required herein, except as otherwise set forth herein. City shall have no voice in the selection, discharge, supervision or control of Contractor's employees, subcontractors, servants, representatives or agents, or in fixing their number, compensation or hours of service. Contractor shall perform all services required herein as an independent contractor of City and shall remain at all times as to City a wholly independent contractor with only such obligations as are consistent with that role. Contractor shall not at any time or in any manner represent that it or any of its subcontractors, agents or employees are agents or employees of City. City shall not in any way or for any purpose become or be deemed to be a partner of Contractor in its business or otherwise or a joint venture or a member of any joint enterprise with Contractor.

4.5 Identity of Persons Performing Work. Contractor represents that it employs or will employ at its own expense all personnel required for the satisfactory performance of any and all tasks and services set forth herein. Contractor represents that the tasks and services required herein will be performed by Contractor or under its direct supervision, and that all personnel engaged in such work shall be fully qualified and shall be authorized and permitted under applicable State and local law to perform such tasks and services.

4.6 Utility Relocation. City, and not Contractor, is responsible for removal, relocation, or protection of existing main or trunkline utilities but only to the extent such utilities were not identified in the invitation for bids or specifications. Where the specifications call for the Contractor to remove, relocate, reconstruct or protect such lines, all such work shall be deemed included in the Contract Sum. Contractor having been presented with a reasonable basis to suspect that any previously unidentified main or trunkline may need to be removed, relocated or protected in place, Contractor shall immediately notify City and the affected utility company in writing of such belief, and the basis therefor, and Contractor shall thereafter work with the City and the utility company to coordinate such removal, relocation or protection. City shall reimburse Contractor for its reasonable costs incurred in locating and repairing damage not caused by Contractor, and removing or relocating such unidentified utility facilities, including equipment idled during such work. Contractor shall not be assessed liquidated damages for delays which meet both of the following requirements: (i) the delays occurred after Contractor gave City the written notice required by this Section; and (ii) the delays were caused by the removal, protection, or relocation of such unidentified utility facilities. Nothing herein shall be deemed to prevent the City from seeking reimbursement of any such costs from the affected utility company.

4.7 Trenches or Excavations. Pursuant to Public Contract Code Section 7104, if the work included in this Agreement requires excavations more than four (4) feet in depth, the following shall apply:

(a) Contractor shall promptly, and before the following conditions are disturbed, notify City, in writing, of any: (1) material that Contractor believes may be material that is hazardous waste, as defined in Section 25117 of the Health and Safety Code, that is required to be removed to a Class I, Class II, or Class III disposal site in accordance with provisions of existing law; (2) subsurface or latent physical conditions at the site different from those indicated; or (3) unknown physical conditions at the site of any unusual nature, different materially from those ordinarily encountered and generally recognized as inherent in work of the character provided for in the Agreement.

(b) City shall promptly investigate the conditions, and if it finds that the conditions do materially so differ, or do involve hazardous waste, and cause a decrease or increase in Contractor's cost of, or the time required for, performance of any part of the work, shall issue a change order per Section 1.8 (Additional Services) of this Agreement.

(c) If a dispute arises between City and Contractor whether the conditions materially differ, or involve hazardous waste, or cause a decrease or increase in Contractor's cost of, or time required for, performance of any part of the work, Contractor shall not be excused from any scheduled completion date provided for by the Agreement, but shall proceed with all work to be performed under the Agreement. Contractor shall retain any and all rights provided either by contract or by law which pertain to the resolution of disputes and protests between the contracting parties.

5.0 INSURANCE

5.1 Minimum Scope and Limits of Insurance. Contractor shall obtain, maintain, and keep in full force and effect during the life of this Agreement all of the following minimum scope of insurance coverages with an insurance company admitted to do business in California, with a current A.M. Best's rating of no less than A:VII, and approved by City:

(a) Broad-form commercial general liability, including premises-operations, products/completed operations, broad form property damage, blanket contractual liability, independent contractors, personal injury or bodily injury with a policy limit of not less than Two Million Dollars ($2,000,000.00), combined single limits, per occurrence. If such insurance contains a general aggregate limit, it shall apply separately to this Agreement or shall be twice the required occurrence limit.

(b) Business automobile liability for owned vehicles, hired, and non-owned vehicles, with a policy limit of not less than One Million Dollars ($1,000,000.00), combined single limits, per accident for bodily injury and property damage.

(c) Workers' compensation insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with a limit of no less than One Million Dollars ($1,000,000.00) per accident for bodily injury or disease. Contractor agrees to waive, and to obtain endorsements from its workers' compensation insurer waiving subrogation rights under its workers' compensation insurance policy against the City, its officers, agents, employees, and volunteers for losses arising from work performed by Contractor for the City and to require each of its subcontractors, if any, to do likewise under their workers' compensation insurance policies.

By execution of this Agreement, the Contractor certifies as follows:

I am aware of, and will comply with, Section 3700 of the Labor Code, requiring every employer to be insured against liability of Workers' Compensation or to undertake self-insurance before commencing any of the work.

The Contractor shall also comply with Section 3800 of the Labor Code by securing, paying for and maintaining in full force and effect for the duration of this Agreement, complete Workers' Compensation Insurance, and shall furnish a Certificate of Insurance to the City before execution of this Agreement by the City. The City, its officers and employees shall not be responsible for any claims in law or equity occasioned by failure of the Contractor to comply with this section.

(d) Builder's Risk (Course of Construction) insurance utilizing an "All Risk" (Special Perils) coverage form, with limits equal to the completed value of the Project and no coinsurance penalty provisions. The Builder's Risk coverage shall name the City as a loss payee. If the Project does not involve new or major construction, City may, in its discretion, permit an Installation Floater. If authorized, a Property Installation Floater shall be obtained that provides for the improvement, remodel, modification, alteration, conversion, or adjustment to existing buildings, structures, processes, machinery and equipment. The Property Installation Floater shall provide property damage coverage for any building, structure, machinery, or equipment damaged, impaired, broken or destroyed during the performance of the work, including during transit, installation, and testing at the project site.

If the Contractor maintains higher limits or has broader coverage than the minimums shown above, the City requires and shall be entitled to all coverage, and to the higher limits maintained by the Contractor. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City.

5.2 Endorsements. The insurance policies are to contain, or be endorsed to contain, the following provisions:

(a) Additional Insureds: The City of West Covina and its elected and appointed boards, officers, officials, agents, employees, and volunteers are additional insureds with respect to: liability arising out of activities performed by or on behalf of the Contractor pursuant to its contract with the City; products and completed operations of the Contractor; premises owned, occupied or used by the Contractor; automobiles owned, leased, hired, or borrowed by the Contractor.

(b) Notice of Cancelation: Each insurance policy required above shall provide that coverage shall not be canceled, except with notice to the City.

(c) Primary Coverage: The Contractor's insurance coverage shall be primary insurance as respects the City of West Covina, its officers, officials, agents, employees, and volunteers. Any other insurance maintained by the City of West Covina shall be excess and not contributing with the insurance provided by this policy.

(d) Waiver of Subrogation: Contractor hereby grants to City a waiver of any right to subrogation which any insurer of said Contractor may acquire against the City by virtue of the payment of any loss under such insurance. Contractor agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City has received a waiver of subrogation endorsement from the insurer.

(e) Coverage Not Affected: Any failure to comply with the reporting provisions of the policies shall not affect coverage provided to the City of West Covina, its officers, officials, agents, employees, and volunteers.

(f) Coverage Applies Separately: The Contractor's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

5.3 Deductible or Self Insured Retention. If any of such policies provide for a deductible or self-insured retention to provide such coverage, the amount of such deductible or self-insured retention shall be approved in advance by City. The City may require the Contractor to purchase coverage with a lower retention or provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention. The policy language shall provide, or be endorsed to provide, that the self-insured retention may be satisfied by either the named insured or City.

5.4 Certificates of Insurance. Contractor shall provide to City certificates of insurance showing the insurance coverages and required endorsements described above, in a form and content approved by City, prior to performing any services under this Agreement. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

5.5 Non-limiting. Nothing in this Section shall be construed as limiting in any way the indemnification provision contained in this Agreement or the extent to which Contractor may be held responsible for payments of damages to persons or property resulting from Contractor's or its subcontractors' performance of the work covered under this Agreement.

5.6 Subcontractors. Contractor shall require and verify that all subcontractors maintain insurance meeting all requirements stated herein, and Contractor shall ensure that the City is listed as an additional insured on insurance required of subcontractors.

5.7 Sufficiency of Insurers. Insurance required by this Agreement shall be satisfactory only if issued by companies authorized to do business in California, rated with a current A.M. Best's rating of no less than A:VII unless such requirements are waived by the City's Risk Manager in writing due to unique circumstances. If the City's Risk Manager determines that the work or services to be performed under this Agreement creates an increased risk of loss to the City, the Risk Manager may increase the minimum limits of the insurance policies required by this Section by providing written notice to Contractor; provided that the Contractor may appeal such determination to the City Council of City within ten (10) days of receipt of notice from the Risk Manager.

6.0 BONDS

6.1 Labor and Materials, Performance and Warranty Bonds. Concurrently with execution of this Agreement, Contractor shall deliver to City: (1) a labor and materials bond in an amount equal to one hundred percent (100%) of the Contract Sum as security for the payment of all persons furnishing labor or materials in connection with the work, (2) a performance bond in an amount equal to one hundred percent (100%) of the Contract Sum as security for the faithful performance of this Agreement, and (3) a warranty bond in an amount equal to fifty percent (50%) of the Contract Sum to guarantee the work for a period of one (1) year following completion of the work, on the forms provided by the City. The bonds shall contain the original notarized signature of an authorized officer of the surety and affixed thereto shall be a certified and current copy of his/her power of attorney. The bonds shall be unconditional and remain in force during the entire term of the Agreement and shall be released or exonerated only if the Contractor promptly and faithfully performs all terms and conditions of this Agreement.

6.2 Sufficiency of Sureties. Sureties must be authorized to issue bonds in California. In addition, sureties must possess a minimum rating from A. M. Best Company of A:VII and must be listed as an acceptable surety on federal bonds by the United States Department of the Treasury, http://www.fms.treas.gov/c570/c570.html, subject to the maximum amount shown in the listing. If co-sureties are used, their bonds must be on a joint and several basis.

6.3 Substitution of Securities. Pursuant to California Public Contract Code Section 22300, substitution of eligible equivalent securities for any moneys withheld to ensure performance under the Agreement for the work to be performed will be permitted at the request and expense of Contractor.

7.0 INDEMNIFICATION

Contractor agrees to defend (with legal counsel of City's choosing), indemnify, hold free and harmless the City, its elected and appointed officials, officers, agents and employees, at Contractor's sole expense, from and against any and all claims, demands, actions, suits or other legal proceedings brought against the City, its elected and appointed officials, officers, agents and employees arising out of the performance of the Contractor, its employees, and/or authorized subcontractors, of the work undertaken pursuant to this Agreement. The defense obligation provided for hereunder shall apply without any advance showing of negligence or wrongdoing by the Contractor, its employees, and/or authorized subcontractors, but shall be required whenever any claim, action, complaint, or suit asserts as its basis the negligence, errors, omissions or misconduct of the Contractor, its employees, and/or authorized subcontractors, and/or whenever any claim, action, complaint or suit asserts liability against the City, its elected and appointed officials, officers, agents and employees based upon the work performed by the Contractor, its employees, and/or authorized subcontractors under this Agreement, whether or not the Contractor, its employees, and/or authorized subcontractors are specifically named or otherwise asserted to be liable. Notwithstanding the foregoing, the Contractor shall not be liable for the defense or indemnification of the City for claims, actions, complaints or suits arising out of the sole active negligence or willful misconduct of the City. This provision shall supersede and replace all other indemnity provisions contained in any other document, which shall be of no force and effect.

(a) Contractor will defend any action or actions filed in connection with any of said claims or liabilities and will pay all costs and expenses, including legal costs and attorneys' fees incurred in connection therewith.

(b) Contractor will promptly pay any judgment rendered against the City, its officers, agents or employees for any such claims or liabilities arising or alleged to arise out of or in connection with Contractor's (or its agents', employees', subcontractors', or invitees') negligent performance of or failure to perform such work, operations or activities hereunder; and Contractor agrees to save and hold the City, its officers, agents, and employees harmless therefrom.

(c) If the City, its officers, agents or employees is/are made a party to any action or proceeding filed or prosecuted against Contractor for such damages or other claims arising or alleged to arise out of or in connection with the negligent performance of or failure to perform the work, operation or activities of Contractor hereunder, Contractor shall pay to the City, its officers, agents or employees, any and all costs and expenses incurred by the City, its officers, agents or employees in such action or proceeding, including but not limited to, legal costs and attorneys' fees for counsel acceptable to City.

(d) Contractor's duty to defend and indemnify as set forth herein shall include any claims, liabilities, obligations, losses, demands, actions, penalties, suits, costs, expenses or damages or injury to persons or property arising or alleged to arise from, in connection with, as a consequence of or pursuant to any state or federal law or regulation regarding hazardous substances, including but not limited to the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA"), Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), Resource Conservation and Recovery Act of 1976 ("RCRA"), the Hazardous and Solid Waste Amendments of 1984, the Hazardous Material Transportation Act, the Toxic Substances Control Act, the Clean Air Act, the Clean Water Act, the California Hazardous Substance Account Act, the California Hazardous Waste Control Law or the Porter-Cologne Water Quality Control Act, as any of those statutes may be amended from time to time.

Contractor's indemnification obligations pursuant to this Section shall survive the termination of this Agreement. Contractor shall require the same indemnification in favor of City from all subcontractors.

8.0 RECORDS AND REPORTS

8.1 Reports. Contractor shall periodically prepare and submit to the Contract Officer such reports concerning the performance of the services required by this Agreement as the Contract Officer may require. Contractor hereby acknowledges that the City is greatly concerned about the cost of work and services to be performed pursuant to this Agreement. For this reason, Contractor agrees that if Contractor becomes aware of any facts, circumstances, techniques, or events that may or will materially increase or decrease the cost of the work or services contemplated herein, Contractor shall promptly notify the Contract Officer of said fact, circumstance, technique or event and the estimated increased or decreased cost related thereto.

8.2 Records. Contractor shall keep, and require subcontractors to keep, such books and records (including but not limited to payroll records as required herein) as may be necessary to perform the services required by this Agreement and enable the Contract Officer to evaluate the performance of such services. The Contract Officer shall have full and free access to such books and records at all times during normal business hours of City, including the right to inspect, copy, audit and make records and transcripts from such records. Such records shall be maintained for a period of three (3) years following completion of the services hereunder, and the City shall have access to such records in the event any audit is required.

8.3 Ownership of Documents. All drawings, specifications, reports, records, documents and other materials prepared by Contractor, its employees, subcontractors and agents in the performance of this Agreement shall be the property of City and shall be delivered to City upon request of the Contract Officer or upon the termination of this Agreement, and Contractor shall have no claim for further employment or additional compensation as a result of the exercise by City of its full rights of ownership of the documents and materials hereunder. Contractor may retain copies of such documents for its own use. Contractor shall have an unrestricted right to use the concepts embodied therein. All subcontractors shall provide for assignment to City of any documents or materials prepared by them, and in the event Contractor fails to secure such assignment, Contractor shall indemnify City for all damages resulting therefrom.

9.0 ENFORCEMENT OF AGREEMENT; TERMINATION

9.1 Governing Law. This Agreement shall be construed and interpreted both as to validity and to performance of the parties in accordance with the laws of the State of California. Legal actions concerning any dispute, claim or matter arising out of or in relation to this Agreement shall be instituted in the Superior Court of the County of Los Angeles, State of California, or any other appropriate court in such county, and Contractor covenants and agrees to submit to the personal jurisdiction of such court in the event of such action.

9.2 Notice of Default and Cure Period. If either party fails to perform its obligations hereunder, the nondefaulting party may provide the defaulting party written notice of such default. The defaulting party shall have ten (10) days to cure the default; provided that, if the default is not reasonably susceptible to being cured within said ten (10) day period, the defaulting party shall have a reasonable time to cure the default, not to exceed a maximum of thirty (30) days, provided the defaulting party commences to cure such default within ten (10) days of service of such notice and diligently prosecutes the cure to completion; provided further that if the default is an immediate danger to the health, safety and general welfare, the defaulting party shall take such immediate action as may be necessary. Notwithstanding the foregoing, the nondefaulting party may, in its sole and absolute discretion, grant a longer cure period. Should the defaulting party fail to cure the default within the time period provided in this Section, the nondefaulting party shall have the right, in addition to any other rights the nondefaulting party may have at law or in equity, to terminate this Agreement, and/or to call upon any completion or payment bond or other security for performance thereof. Compliance with the provisions of this Section shall be a condition precedent to bringing any legal action, and such compliance shall not be a waiver of any party's right to take legal action in the event that the dispute is not cured.

9.3 Termination for Default of Contractor. If termination is due to the failure of the Contractor to fulfill its obligations under this Agreement, Contractor shall vacate any City owned property which Contractor is permitted to occupy hereunder and City may, upon termination, take over the work and prosecute the same to completion by contract or otherwise, and the Contractor shall be liable to the extent that the total cost for completion of the services required hereunder exceeds the compensation herein stipulated (provided that the City shall use reasonable efforts to mitigate such damages), and City may withhold any payments to the Contractor for the purpose of setoff or partial payment of the amounts owed the City as previously stated.

9.4 Termination for Convenience. The City may terminate this Agreement without cause for convenience of the City upon giving Contractor thirty (30) days prior written notice of termination of the Agreement. Upon receipt of the notice of termination, the Contractor shall cease all further work pursuant to the Agreement. Upon such termination by the City, the Contractor shall not be entitled to any other remedies, claims, actions, profits, or damages except as provided in this paragraph. Upon the receipt of such notice of termination, Contractor shall be entitled to the following compensation:

(a) The contract value of the work completed through and including the date of receipt of the notice of termination, less the amount of progress payments received by Contractor.

(b) Actual move-off costs including labor, rental fees, equipment transportation costs, the costs of maintaining on-site construction office for supervising the move-off.

(c) The cost of materials custom-made for this Agreement which the Contractor cannot use in its normal course of business, and for which the City has not already paid.

(d) Any costs shall not include any markups as might otherwise be allowed by any plans or specifications which were a part of the Agreement.

The provisions of this Section shall supersede any inconsistent provisions of the Agreement or the Bid Documents. City and Contractor agree that the provisions of this Section are a substantive part of this Agreement's consideration.

9.5 "Claims" by Contractor under Section 9204. Notwithstanding any other provision of this Agreement to the contrary, this Agreement shall be subject to all requirements of Public Contract Code Section 9204 ("Section 9204") as it may be amended from time to time. The parties acknowledge that Section 9204 applies to certain requests by Contractor, such as certain requests for time extensions, certain requests for payments not covered by contract, and certain requests for payments of amounts disputed by City. The parties further acknowledge that Section 9204 establishes all of the following: (i) Contractor may submit a "claim" to the City, as that term is defined in Section 9204; (ii) City has an initial 45 days to review and respond to the claim to state "what portion of the claim is disputed and what portion is undisputed". If the City does not issue a written statement, the claim is deemed rejected in its entirety; (iii) Contractor must furnish reasonable documentation to support the claim; (iv) City has 60 days from its written determination to pay any undisputed amount; and (v) specified procedures apply to resolve any amounts in dispute.

9.6 Waiver. No delay or omission in the exercise of any right or remedy by a nondefaulting party on any default shall impair such right or remedy or be construed as a waiver. A party's consent to or approval of any act by the other party requiring the party's consent or approval shall not be deemed to waive or render unnecessary the other party's consent to or approval of any subsequent act. Any waiver by either party of any default must be in writing and shall not be considered a waiver of any other default concerning the same or any other provision of this Agreement.

9.7 Rights and Remedies are Cumulative. Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the parties are cumulative and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

9.8 Legal Action. In addition to any other rights or remedies, either party may take legal action, at law or in equity, to cure, correct or remedy any default, to recover damages for any default, to compel specific performance of this Agreement, to obtain declaratory or injunctive relief, or to obtain any other remedy consistent with the purposes of this Agreement.

9.9 Liquidated Damages. Contractor agrees that failure to complete work within the time allowed herein will result in damages being sustained by the City. Contractor further agrees that the determination of actual damages for any delay in performance of this Agreement would be extremely difficult or impractical to determine in the event of a breach of this Agreement. Therefore, Contractor agrees that it and its sureties shall be liable for and shall pay to the City liquidated damages in the amount of Five Hundred Dollars ($500.00) for each calendar day of delay in the performance of any service required hereunder. Contractor further agrees that liquidated damages may be assessed for failure to comply with the emergency call out requirements described in the Scope of Services. The City may withhold from any amounts payable on account of services performed by the Contractor any accrued liquidated damages. Contractor, on behalf of itself and its sureties, and City agree that the liquidated damages constitute a reasonable estimate of actual damages, and are not punitive.

10.0 CITY OFFICERS AND EMPLOYEES, NONDISCRIMINATION

10.1 Non-liability of City Officers and Employees. No officer or employee of the City shall be personally liable to the Contractor, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to the Contractor or to its successor, or for breach of any obligation of the terms of this Agreement.

10.2 Conflict of Interest. The Contractor warrants that it has not paid or given and will not pay or give any third party any money or other consideration for obtaining this Agreement.

10.3 Covenant Against Discrimination. Contractor covenants that, by and for itself, its heirs, executors, assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, gender, gender expression, marital status, national origin, disability, pregnancy, sexual orientation or ancestry in the performance of this Agreement. To the extent required by law, Contractor shall take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, color, creed, religion, sex, gender, gender expression, marital status, national origin, disability, pregnancy, sexual orientation or ancestry.

11.0 MISCELLANEOUS PROVISIONS

11.1 Notice. Any notice, demand, request, document, consent, approval, or communication either party desires or is required to give to the other party or any other person shall be in writing and shall be deemed to be given when served personally or deposited in the U.S. Mail, prepaid, first-class mail, return receipt requested, addressed as follows:

To City: City of West Covina
1444 West Garvey Avenue South
West Covina, CA 91790
Attn: City Engineer

To Contractor: P.T.M. General Engineering Services, Inc.
5942 Acorn Street
Riverside, CA 92504
Attn: Elizabeth H. Mendoza de McRae, President/CFO

11.2 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply.

11.3 Integration; Amendment. It is understood that there are no oral agreements between the parties hereto affecting this Agreement and this Agreement supersedes and cancels any and all previous negotiations, arrangements, agreements and understandings, if any, between the parties, and none shall be used to interpret this Agreement. This Agreement may be amended at any time by the mutual consent of the parties by an instrument in writing.

11.4 Severability. If one or more of the words, phrases, sentences, clauses, paragraphs, or sections in this Agreement is declared unenforceable by a court of competent jurisdiction, such unenforceability shall not affect any of the remaining words, phrases, sentences, clauses, paragraphs, or sections of this Agreement which are severable. Remaining enforceable provisions shall be interpreted to carry out the intent of the parties unless an invalid provision is so material that its invalidity deprives either party of the basic benefit of their bargain or renders this Agreement meaningless.

11.5 Hiring of Undocumented Aliens Prohibited. Contractor shall not hire, employ, or allow any person to work under this Agreement unless such person is properly documented and may legally work within the United States.

11.6 Unfair Business Practices Claims. Consistent with Public Contract Code Section 7103.5, Contractor, on behalf of itself and all subcontractors, offers and agrees to assign to the City all rights, title, and interest in and to all causes of action they may have under Section 4 of the Clayton Act (15 U.S.C. Section 15) and under the Cartwright Act (Chapter 2 (commencing with Section 16700) of Part 2 of Division 7 of the Business and Professions Code), arising from purchases of goods, services or materials pursuant to this Agreement. This assignment becomes effective when the City renders final payment to the Contractor without further acknowledgment by the parties.

11.7 Corporate Authority. The persons executing this Agreement on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Agreement on behalf of said party, (iii) by so executing this Agreement, such party is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other Agreement to which said party is bound.

11.8 Legal Responsibilities. The Contractor shall keep itself informed of City, State, and Federal laws, ordinances and regulations, which may in any manner affect the performance of its services pursuant to this Agreement. The Contractor shall at all times observe and comply with all such laws, ordinances and regulations. Neither the City, nor its officers, agents, assigns nor employees shall be liable at law or in equity as a result of the Contractor's failure to comply with this Section.

11.9 Counterparts and Electronic Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original. All counterparts shall be construed together and shall constitute one agreement. Counterpart written signatures may be transmitted by facsimile, email or other electronic means and have the same legal effect as if they were original signatures.

[SIGNATURE PAGE FOLLOWS.]

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first written above.

CITY OF WEST COVINA,
A municipal corporation

_______________________________ Date: ________________________
David Carmany
City Manager

CONTRACTOR

_______________________________ Date: ________________________
Elizabeth H. Mendoza de McRae
President/CFO

ATTEST:

____
Lisa Sherrick
Assistant City Clerk

APPROVED AS TO FORM:

_______________________________ Date: ______________________
Thomas P. Duarte
City Attorney

APPROVED AS TO INSURANCE:

_________________________________ Date: ______________________
Helen Tran
Risk Management

EXHIBIT A

CONTRACTOR'S PROPOSAL

EXHIBIT B

CERTIFICATES OF INSURANCE

EXHIBIT C

BONDS

ATTACHMENT NO. 2

RESOLUTION NO. 2021-13

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST COVINA, CALIFORNIA, ADOPTING A BUDGET AMENDMENT FOR THE FISCAL YEAR COMMENCING JULY 1, 2020 AND ENDING JUNE 30, 2021 (PROP C 25% - PROJECT NO. 18040)

WHEREAS, the City Manager, on or about June 23, 2020, submitted to the City Council a proposed budget for the appropriation and expenditure of funds for the City for West Covina for Fiscal Year 2020-21; and

WHEREAS, following duly given notice and prior to budget adoption, the City Council held public meetings, considered and evaluated all comments, and adopted a budget for the fiscal year commencing July 1, 2020 and ending July 30, 2021; and

WHEREAS, amendments must periodically be made to the budget to conform to changed circumstances following adoption of the budget.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF WEST COVINA, CALIFORNIA DOES RESOLVE AS FOLLOWS:

SECTION 1. The City Council hereby approves Budget Amendment No. 032, attached hereto as Exhibit A, related to Fiscal Year 2020-21.

SECTION 2. The City Clerk shall certify to the adoption of this resolution and shall enter the same in the book of original resolutions and it shall become effective immediately.

APPROVED AND ADOPTED this 2nd day of March, 2021.

____
Letty Lopez-Viado
Mayor

APPROVED AS TO FORM

____
Thomas P. Duarte
City Attorney

ATTEST

____
Lisa Sherrick
Assistant City Clerk

ATTACHMENT NO. 2

I, LISA SHERRICK, Assistant City Clerk of the City of West Covina, California, do hereby certify that the foregoing Resolution No. 2021-13 was duly adopted by the City Council of the City of West Covina, California, at a regular meeting thereof held on the 2nd day of March, 2021, by the following vote of the City Council:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Lisa Sherrick
Assistant City Clerk

BA # 032	Exhibit A
Posted By:	
Date Posted:	

CITY OF WEST COVINA

BUDGET AMENDMENT

Date:	3/2/2021	Fiscal Year:	2020/2021
Requested by:	Kelly McDonald	Amount:	-
Dept/Div:	Public Services	Description:	Prop C 25%
			Proj No 18040

EXPENDITURES

Account Number	Dept/Account Description	Current Budget	Proposed Amendment	Amended Budget
18040.122.7800/	Prop C 25%/Cameron &	-	115,677.00	115,677.00
122.80.7006.7800	Barranca Traffic Signal			

REVENUES

Account Number	Account Description	Current Budget	Proposed Amendment	Amended Budget
122.61.4558	Prop C 25%	-	115,677.00	155,677.00
				-

REASON/JUSTIFICATION (Please be specific)

City will be reimbursed in the amount of $115,677 as a result of a fund exchange with Metro, as approved by the City Council on December 1, 2020

APPROVALS

City Council Approval Date (if required, attach minutes): ________________ □ Approval Not Required

Dept Head Approval: ______________________________ Date: ________________

Finance Director: ______________________________ Date: ________________

Funds Available? □ Yes □No

City Manager: ______________________________ Date: ________________

Comment: □ Approved □ Denied

AGENDA STAFF REPORT

City of West Covina | Office of the City Manager

DATE: March 2, 2021

TO: Mayor and City Council

FROM: David Carmany
City Manager

SUBJECT: CONSIDERATION OF SECOND QUARTER FINANCIAL REPORT FOR FISCAL YEAR 2020-21

RECOMMENDATION:

It is recommended that the City Council take the following actions:

1) Receive and file the Second Quarter Financial Report for Fiscal Year 2020-21; and
2) Adopt the following resolution:

RESOLUTION NO. 2021-14 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST COVINA, CALIFORNIA, ADOPTING A BUDGET AMENDMENT FOR THE FISCAL YEAR COMMENCING JULY 1, 2020 AND ENDING JUNE 30, 2021 (SECOND QUARTER FINANCIAL REPORT)

DISCUSSION:

The City of West Covina has completed the second quarter of Fiscal Year 2020-21. The attached Quarterly Financial Report summarizes the City's overall financial position for the period of July 1, 2020 through December 31, 2020, but it is not meant to be inclusive of all finance and accounting transactions. While the focus of the report is the General Fund, summary financial information is also provided for the Enterprise Fund (West Covina Service Group) and Special Revenue Funds (i.e. Measure R, Proposition A, etc.). In addition, it should be noted that all entries for both revenues and expenditures related to the issuance of Pension Obligation Bonds have been eliminated from the Second Quarter Financial report to facilitate comparison between Fiscal Year 2019-20 and 2020-21.

With only 33.9% of the City's General Fund Revenues received by December 31, 2020, the General Fund Revenues are below budget at this time. This is expected, as the City's two largest General Fund revenues (sales and property taxes) are not received on a consistent basis. In fact, most property tax revenues are received in December/January and April/May. As part of the second quarter review, staff reviewed General Fund revenue trends and current available information to provide revised General Fund revenue projections. The revised revenue projections reflect increases and decreases of various estimated revenues with a net total increase of $1,785,900. There were several decreases including Transient Occupancy Tax ($927,700), Prop A Exchange ($300,000), School Resource Officer ($300,000), and False Alarms ($100,000). All these reductions were a result of the COVID-19 pandemic. These reductions in revenue were offset by increases in revenue for a General Fund reimbursement of

$1,034,800, receipt of COVID Relief Funds in the amount of $1,308,800, and Mutual Aid reimbursement in the amount of $1,070,000.

With 50% of the year completed, a review of the City's General Fund Expenditures by department shows that five of the nine departments are on target with budget projections. The Planning Department is just slightly higher than 50% and is expected to be within the budgeted amount by June 30, 2021. The Community Development Department was over due to salaries being higher than budgeted. Staff is performing analysis to determine the reason for the difference between budget and actuals. A budget amendment may be needed before year end depending on the outcome of this analysis. The Fire Department expenditures for the second quarter are trending at 61.8% of budget. A study evaluating alternative options for the provision of fire services is underway. The use of overtime is being closely monitored and evaluated by the City Manager and the Finance Director and when the study is complete it will be presented to the City Council for review and direction to resolve this issue.

The overtime budgets for the Police and Fire Departments are being reviewed biweekly by City staff. Staff will also provide another update on the overtime for both departments in the Third Quarter Financial Report.

The City will make the second quarter financial report available on the City's website for review by the City's stakeholders.

Prepared by: Robbeyn Bird, Finance Director

Fiscal Impact

FISCAL IMPACT:

The proposed budget amendment will increase General Fund estimated revenues by $1,785,900 and decrease General Fund expenditures by $3,657,357. In addition, multiple times during the fiscal year, budget amendments were approved by the City Council which resulted in a decrease in revenue of $300,000 for a decrease in Contractor's License Tax and an increase in expenditures of $5,143,257. The net increase in both revenues and expenditures is $1,485,900. Therefore, the General Fund remains in balance for Fiscal Year 2020-21.

Proposed General Fund (Fund 110) changes are summarized as follows:

Budgeted Revenues	$ 66,672,236
Budget Amendments:	
BA#019	(300,000)
TOT	(927,700)
Prop A	(300,000)
GF Reimbursement for Lark Ellen	1,034,800
False Alarms	(100,000)
School Resource Officer	(300,000)
Mutual Aid Reimbursement	1,070,000
COVID Relief Funds	1,308,800
Adjusted Budgeted Revenues	**$ 68,158,136**
Budgeted Expenditures	$ 66,672,236
Budget Amendments:	
BA #011 Fire Turnouts	$ 434,847
BA #019 MOE	$ 567,148
BA #021 Carry Overs	$ 320,000
BA #021 Restroom	$ 408,600
BA #021 Dispatch Roof	$ 60,000
BA #021 Energy Efficient Project	$ 2,805,162
Decrease in UAL	$ (8,787,891)
POB Interest Payment	$ 3,560,534
BA #023 CARE Ambulance	$ 547,500
Mutual Aid OT	$ 885,500
Pay Off Trucks	$ 184,500
HR	$ 500,000
Adjusted Expenditures	**$ 68,158,136**

It should be noted that revenues and expenditures for Fiscal Year 2020-21 remain balanced.

Attachments

Attachment No. 1 - Second Quarter Financial Report for Fiscal Year 20-21

Attachment No. 2 - Resolution No. 2021-14

Exhibit No. 1

CITY COUNCIL GOALS & OBJECTIVES: Achieve Fiscal Sustainability and Financial Stability

ATTACHMENT NO. 1

CITY OF WEST COVINA

SECOND QUARTER FINANCIAL REPORT

Fiscal Year 2020-21

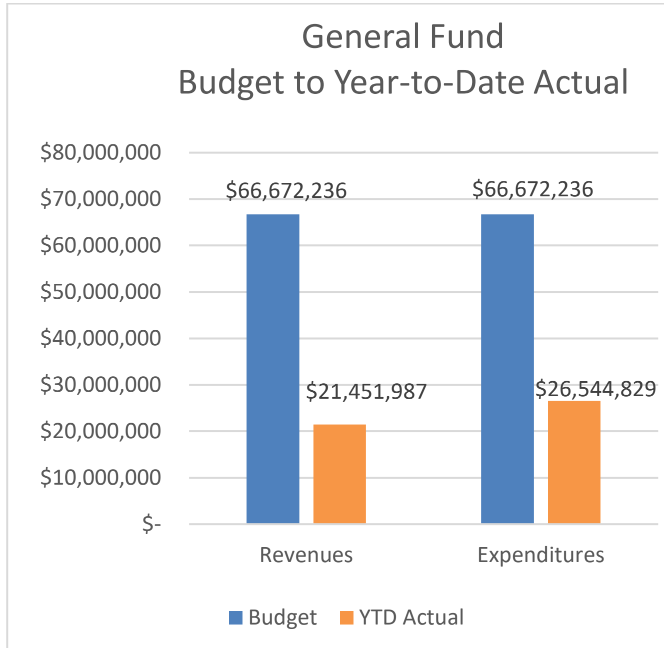
The City has completed the second quarter of Fiscal Year 2020-21. This report summarizes the overall financial performance of the City for the period of July 1, 2020 through December 31, 2020, but it is not meant to be inclusive of all finance and accounting transactions. While the focus of the report is the General Fund, summary financial information is also provided for the Enterprise Fund and Special Revenue Funds. The information presented is unaudited. This report is intended only to provide the City Council and the public with an overview of the City's general fiscal condition.

The revenue and expenditure budgets per the Budget to Actual comparisons include adjustments for carryovers and any appropriations made as of December 31, 2020. The information presented reports revenues as they are received and expenditures when paid. Revenues and expenditures are only accrued at year end to account for such activity in the correct fiscal year.

GENERAL FUND

The General Fund is the general operating fund for the City. It provides the resources to sustain the day-to-day activities and services to the community. All nine departments receive support, either directly or indirectly, from the General Fund.

The General Fund original budget for FY 20-21 was $66,672,236 for revenues and expenditures excluding the payment to CalPERS for the Unfunded Accrued Liability in the amount of $185,582,240 as a result of issuing the Pension Obligation Bonds in July. All General Fund Budget Amendments during the fiscal year have been offset with the annual Unfunded Liability payment that was budgeted in the amount of $11,870,931 to keep the General Fund in balance during the current fiscal year. With 50% of the year complete, General Fund revenues are at 32.2% of budget and expenditures are at 40.0% excluding the budget of the PERS Unfunded Accrued Liability (UAL).



GENERAL FUND REVENUES	ORIGINAL BUDGET	YTD ACTUAL	%
Property Tax	$ 27,386,200	$ 5,115,696	18.7%
Sales Tax	15,900,000	5,754,067	36.2%
Other Taxes	8,800,700	1,974,325	22.4%
Licenses & Permits	1,636,550	1,026,936	62.8%
Fines & Forfeitures	588,000	433,013	73.6%
Interest & Rents	1,111,054	625,281	56.3%
Revenue from other Agencies	2,255,000	2,726,563	120.9%
Charges for Services	7,052,139	2,111,772	29.9%
Other Revenues	412,500	51,003	12.4%
Transfers In	1,530,093	1,633,331	106.7%
TOTAL	$ 66,672,236	$ 21,451,987	32.2%

The City's two major General Fund revenue sources are Property Tax and Sales Tax which make up over 65% of the General Fund revenues.

- **Property Tax:** The first major apportionment distribution to the City for FY 2020-21 occurred in December 2020. Also, the revenues received in July and August are for the prior year and accrued as such. Included in this line item are Secured Property Taxes, Property Taxes In-Lieu of Vehicle License Fees (VLF), and residual payments from the dissolution of the former redevelopment agency.

- **Sales Tax:** The City received the first monthly allocation for sales tax in September 2020. As of December 2020, the allocation received represents approximately 36% of the total sales tax allocation for the year. The City will continue to receive sales tax allocations with the final quarter allocation distributed by the California State Department of Taxes and Fees Administration (CDTFA) in August 2021. Sales Tax projections were adjusted downward when the budget was prepared. Despite the COVID-19 pandemic, Sales Tax projections do not need to be adjusted at this time.

- **Other Taxes:** This category includes Franchise Fees, Business License Tax, Transient Occupancy Tax (TOT), and Property Transfer Tax. These revenues are not received evenly throughout the year and with the exception of Transient Occupancy Tax, are expected to be on target by the close of the fiscal year. Transient Occupancy Tax is expected to be down approximately $927,700 or 50%. This reduction in revenue is addressed in the attached budget amendment presented to the City Council with this report.

- **License & Permits:** Revenues for licenses & permits include building and engineering permits, and animal licenses. Revenue projections are higher than originally projected mainly due to building activity increases.

- **Revenues from other Agencies:** This category includes Vehicle In-Lieu, State Mandated Cost reimbursement revenue, the exchange of Prop A funds, which are the largest revenue source in this category, and COVID-19 relief funds of $1.3 million that was not budgeted. The Prop A exchange was $300,000 less than budgeted due to declines in anticipated Prop A revenues. The increase in revenue for the COVID-19 relief funds and the decrease in the Prop A exchange funds is part of the budget amendment included in this report.

- **Charges for Services:** These revenues include plan check and zoning related fees, recreation fees, interfund charges, and police and fire fees. These fees are at approximately 30% through the first half of the fiscal year. Due to the COVID-19 pandemic, the City's daycare programs have not been operating and; therefore, the City is not collecting revenue for these programs. However, the expenditures of these programs offsets the reduction in revenue.

Revenue projections were revised based on revenue trends, and activity to date. The following revised revenue projections reflect a total increase in estimated revenues of $1,485,100. The single largest reason for this increase is due to receipt of COVID Relief funds in the amount of $1.3 million with a corresponding decline in TOT of $927,700. Due to the wildfires in California, an adjustment of $1,070,000 is being made in the Other Revenue category. There was a large reimbursement to the General Fund in the amount of $1,034,800.

GENERAL FUND REVENUES	ORIGINAL BUDGET	ADJUSTMENT	REVISED PROJECTION	% of Revenues
Property Tax	$ 27,386,200	$ -	$ 27,386,200	40.2%
Sales Tax	15,900,000	-	15,900,000	23.3%
Other Taxes	8,800,700	(927,700)	7,873,000	11.6%
Licenses & Permits	1,636,550	-	1,636,550	2.4%
Fines & Forfeitures	588,000	-	588,000	0.9%
Interest & Rents	1,111,054	-	1,111,054	1.6%
Revenue from other Agencie	2,255,000	408,800	2,663,800	3.9%
Charges for Services	7,052,139	(100,000)	6,952,139	10.2%
Other Revenues	412,500	1,070,000	1,482,500	2.2%
Transfers In	1,530,093	1,034,800	2,564,893	3.8%
TOTAL	$ 66,672,236	$ 1,485,900	$ 68,158,136	100.0%

As of December 31, 2020, with 50% of the year complete, $26.5 million or 39.8% of the General Fund budget has been expensed (refer to chart on the next page). Most departments are at or below 50% through the first six months of the fiscal year with the exception of Human Resources, Planning, Fire and Community Development.

GENERAL FUND EXPENDITURES	BUDGET	YTD ACTUAL	%
Administration	$ 2,497,876	$ 1,052,401	42.1%
City Clerk	612,557	117,802	19.2%
Finance	1,683,086	800,559	47.6%
Human Resources	655,931	415,893	63.4%
Planning	336,434	179,457	53.3%
Police	25,151,357	11,680,539	46.4%
Fire	15,777,197	9,743,861	61.8%
Public Services	5,256,017	1,786,143	34.0%
Community Development	1,210,528	768,174	63.5%
Transfers Out/Debt Service	1,620,322	-	0.0%
TOTAL (Excluding PERS UAL)	$ 54,801,305	$26,544,829	48.4%
PERS (UAL)	11,870,931	-	0.0%
TOTAL	$ 66,672,236	$26,544,829	39.8%

Overtime expenditures should be 50% of budget based on the number of payrolls for the first half of the fiscal year. The Police Department is trending at approximately 59.8% of the overtime budget. The Fire Department overtime expenditures are over budget by approximately $1.7 million excluding mutual aid overtime which is fully reimbursable. Both departments have had numerous cases of positive COVID-19 incidents which has resulted in the increased overtime.

At the end of the second quarter, five of the nine General Fund department expenditures are at or below 50% of budget, excluding the PERS UAL prepayment. The Human Resources budget is at 63.4% of the budgeted amount through December 31, 2020. A budget amendment correcting this is attached to this report. The Planning Department is slightly over 50% at mid-year and should be within budget at June 30, 2021. The Fire Department expense is at 61.8% of budget, mainly due to overtime costs that were not budgeted in the 2020-21 budget. A study exploring alternative options for the provision of fire services is underway to provide the City Council with various options. Finally, the Community Development department is at 63.5% of budgeted expenditures. This is due to higher salaries than was budgeted. An analysis of the salaries being charged to this department is being performed and a budget amendment may be needed by year end depending on the outcome of this analysis.

The adopted General Fund budget for FY 2020-21 is $66,672,236 for revenues and expenditures. This reflects a balanced budget with no surplus at July 1, 2020. After adjusting revenues and expenditures to the revised projections of $68,158,136, the revised General Fund budget is projected to remain in balance through the end of this fiscal year.

GENERAL FUND EXPENDITURES	BUDGET	APPROVED BA Carry Over PO's	AMENDED BUDGET	REQUESTED BA	AMENDED BUDGET
Administration	$ 2,743,477	$ (245,601)	$ 2,497,876	$ -	$ 2,497,876
City Clerk	678,360	(65,803)	612,557	-	612,557
Finance	1,988,537	11,565,480	13,554,017	(8,787,891)	4,766,126
Human Resources	777,769	(121,838)	655,931	500,000	1,155,931
Planning	452,384	(115,950)	336,434		336,434
Police	31,460,588	(6,309,231)	25,151,357	-	25,151,357
Fire	20,021,267	(3,809,223)	16,212,044	1,617,500	17,829,544
Public Services	5,517,892	58,125	5,576,017	-	5,576,017
Community Development	1,411,640	(201,112)	1,210,528	-	1,210,528
Capital Improvements	-	3,273,762	3,273,762	-	3,273,762
Transfers Out	1,620,322	567,148	2,187,470	3,560,534	5,748,004
TOTAL	**$66,672,236**	**$ 4,595,757**	**$71,267,993**	**$(3,109,857)**	**$68,158,136**

The approved budget amendments of $4,595,757 were three (3) separate budget amendments approved by City Council. On September 15, 2020, Resolution No. 2020-95 approved a budget amendment of $434,847 to purchase Firefighting PPE turnouts, a new compressor, and various other fire equipment. On October 20, 2020, Resolution No. 2020-108 approved $567,148 for a Transfer Out to the SB1 Fund for the maintenance of effort that is required each year and was inadvertently not budgeted for in the original budget. On November 17, 2020, Resolution No. 2020-111 approved a $3,593,762 budget amendment for Carryover expenditures from June 30, 2020 in the amount of $320,000, and to fund three capital projects; Shadow Oak restroom ($408,600), dispatch roof ($60,000), and the Energy Efficiency Project ($2,805,162). The increased costs were off set by the Unfunded Accrued Liability (UAL) that was budgeted in the General Fund at $11,870,931.

The requested General Fund budget amendments of ($2,542,709) are as follows: 1) $8,787,891 decrease in the UAL to offset the increases to the budget during the first six months of the fiscal year, 2) $500,000 increase for the Human Resources Department which is offset by a corresponding decrease to the Workers Compensation Fund, 3) $162,000 for Human Resources Department insurance costs, 4) $1,617,500 increase for the Fire Department; $547,500 for adding an additional ambulance to accommodate the increase in service calls due to the COVID-19 pandemic, an increase of $885,500 for additional mutual aid overtime, and an increase of $184,500 to pay off the balance on the three trucks leased in 2019, 5) an increase of $3,560,534 in Transfers Out to pay the interest payment due on the Pension Obligation Bonds.

ENTERPRISE FUND

The following table summarizes the revenues and expenditures for the City's Enterprise Fund:

ENTERPRISE FUND REVENUES	BUDGET	YTD ACTUAL	%
Police Computer Service Fund	$ 1,047,139	$ 319,827	30.5%

ENTERPRISE FUND EXPENDITURES	BUDGET	YTD ACTUAL	%
Police Computer Service Fund	$ 1,047,198	$ 248,470	23.7%

The Police Department's Computer Service Group revenues and expenditures are trending to be within budget.

OTHER FUNDS

Special Revenue Funds are restricted in their use for specified purposes. Budget versus actual comparisons for both revenue and expenditures for Special Revenue Funds are presented below:

SPECIAL REVENUE FUNDS REVENUES	BUDGET	YTD ACTUAL	%
Assessment Districts	$ 3,880,671	$ 1,685,336	43.4%
Sewer Maintenance	3,781,918	1,615,659	42.7%
Gas Tax	2,699,744	1,064,233	39.4%
Prop A	2,384,800	1,264,573	53.0%
Prop C	1,902,586	880,045	46.3%
Measure R	1,671,988	662,227	39.6%
Measure M	1,622,051	752,790	46.4%
Housing Authority	310,000	6,973	0.0%
CDBG	847,054	81,065	9.6%
Grants	2,733,291	154,834	5.7%
Other Special Revenues	3,004,410	851,356	28.3%
TOTAL	$ 24,838,513	$ 9,019,091	36.3%

SPECIAL REVENUE FUNDS EXPENDITURES	BUDGET	YTD ACTUAL	%
Assessment Districts	$ 4,846,628	$ 1,422,837	29.4%
Sewer Maintenance	4,144,367	445,158	10.7%
Gas Tax	2,860,177	888,678	31.1%
Prop A	2,323,938	1,841,636	79.2%
Prop C	2,469,761	436,159	17.7%
Measure R	2,430,634	396,382	16.3%
Measure M	1,006,423	77,419	7.7%
Housing Authority	1,283,849	341,041	26.6%
CDBG	990,605	272,629	27.5%
Grants	1,811,173	183,475	10.1%
Other Special Revenues	2,869,449	801,618	27.9%
TOTAL	$ 27,037,004	$ 7,107,032	26.3%

FOR MORE INFORMATION

This summary report is derived from detailed financial information generated by the City's Finance Department. Additional financial information is available online at www.westcovina.org.

ATTACHMENT NO. 2

RESOLUTION NO. 2021-14

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST COVINA, CALIFORNIA, ADOPTING A BUDGET AMENDMENT FOR THE FISCAL YEAR COMMENCING JULY 1, 2020 AND ENDING JUNE 30, 2021 (SECOND QUARTER FINANCIAL REPORT)

WHEREAS, the City Manager, on or about June 23, 2020, submitted to the City Council a proposed budget for the appropriation and expenditure of funds for the City for West Covina for Fiscal Year 2020-21; and

WHEREAS, following duly given notice and prior to budget adoption, the City Council held public meetings, considered and evaluated all comments, and adopted a budget for the fiscal year commencing July 1, 2020 and ending June 30, 2021; and

WHEREAS, amendments must periodically be made to the budget to conform to changed circumstances following adoption of the budget.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF WEST COVINA, CALIFORNIA DOES RESOLVE AS FOLLOWS:

SECTION 1. The City Council hereby approves Budget Amendment No. 34, attached hereto as Exhibit No. 1, for Fiscal Year 2020-21.

SECTION 2. The City Clerk shall certify to the adoption of this resolution and shall enter the same in the book of original resolutions and it shall become effective immediately.

APPROVED AND ADOPTED this 2nd day of March, 2021.

____
Letty Lopez-Viado
Mayor

APPROVED AS TO FORM	ATTEST
______________________________	______________________________
Thomas P. Duarte City Attorney	Lisa Sherrick Assistant City Clerk

I, LISA SHERRICK, Assistant City Clerk of the City of West Covina, California, do hereby certify that the foregoing Resolution No. 2021-14 was duly adopted by the City Council of the City of West Covina, California, at a regular meeting thereof held on the 2nd day of March, 2021, by the following vote of the City Council:

AYES:
NOES:
ABSENT:
ABSTAIN:

Lisa Sherrick
Assistant City Clerk

EXHIBIT NO. 1

BA #	034
Posted By:	
Date Posted:	

CITY OF WEST COVINA
BUDGET AMENDMENT

Date:	3/2/2021	Fiscal Year:	2020-21
Requested by:	Robbeyn Bird	Amount:	N/A
Dept/Div:	Various	Description:	Mid-year Review
			2nd Quarter Financial Report

EXPENDITURES

Account Number	Dept/Account Description	Current Budget	Proposed Amendment	Amended Budget
110.32.3210.5129	Mutual Aid OT	214,500	885,500	1,100,000
110.14.1410.6111	Legal Services	25,000	250,000	275,000
110.14.1410.6110	Professional Services	125,000	250,000	375,000
110.32.3210.6424	Capitalized Lease Payments	46,944	184,500	231,444
110.95.9500.9300	Transfer Out	1,620,322	3,560,534	5,180,856
110.13.1350.5183	PERS UAL Pmt - Safety/Misc	11,870,931	(8,787,891)	3,083,040
				-
				-
				-
				-
300.95.9500.9179	Transfer Out	-	1,000,000	1,000,000
				-
				-
363.15.1510.6490	Miscellaneous Reimbursements	1,600,000	(1,000,000)	600,000
				-
				-
				-
				-
				-
				-
				-
		411,444	1,570,000	1,981,444

REVENUES

Account Number	Account Description	Current Budget	Proposed Amendment	Amended Budget
110.00.4130	Transient Occupancy Tax	1,855,400	(927,700)	927,700
110.00.4580	Prop A Exchange	1,650,000	(300,000)	1,350,000
110.00.9169	Transfer In	-	1,034,800	1,034,800
110.32.4901	Mutual Aid Cost Reimbursement	330,000	1,070,000	1,400,000
110.31.4140	False Alarms	100,000	(100,000)	-

REASON/JUSTIFICATION (Please be specific)

APPROVALS

City Council Approval Date (if required, attach minutes): ________________ ☐ Approval Not Required

Dept Head Approval: ________________ Date: ________________

Finance Director: ________________ Date: ________________

Funds Available? ☐ Yes ☐No

City Manager: ________________ Date: ________________
(if over $100,000)

☐ Approved ☐ Denied

EXPENDITURES

Account Number	Account Description	Current Budget	Proposed Amendment	Amended Budget

REVENUES

Account Number	Account Description	Current Budget	Proposed Amendment	Amended Budget
110.31.4575	School Resource Officer	300,000	(300,000)	-
110.00.4590	State COVID Relief Funds	-	1,308,800	1,308,800
300.00.9110	Transfer In	1,620,322	3,560,534	5,180,856
179.00.9300	Transfer In	-	1,000,000	1,000,000
				-
				-
				-
				-
				-
				-
				-
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				-
				-
				-

AGENDA ITEM NO. 5

AGENDA STAFF REPORT

City of West Covina | Office of the City Manager

DATE: March 2, 2021

TO: Mayor and City Council

FROM: David Carmany
City Manager

SUBJECT: CONSIDERATION OF COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AND OTHER RELATED REPORTS FOR THE YEAR ENDED JUNE 30, 2020

RECOMMENDATION:

It is recommended that the City Council receive and file the following letters and financial reports for the year ended June 30, 2020:

- Comprehensive Annual Financial Report;
- Government Auditing Standards Letter;
- Audit Communication Letter;
- West Covina Housing Authority Fund Financial Report;
- West Covina Housing Authority Fund Addendum to the Annual Progress Report; and
- Air Quality Improvement Fund Financial Statements.

DISCUSSION:

Annually, the Finance Department prepares and publishes the City's Comprehensive Annual Financial Report (CAFR) following the completion of an independent and certified audit. Attached is the June 30, 2020, CAFR (Attachment No. 1). This document is an extensive report summarizing the financial activities of the City that occurred from July 1, 2019 through June 30, 2020.

The CAFR is prepared in compliance with the Governmental Accounting Standards Board (GASB) standards. Pursuant to GASB guidelines, the City's CAFR is divided into three sections: Introductory, Financial, and Statistical. The Introductory section contains a Letter of Transmittal. This letter includes a brief overview of the City, the economic outlook, operational controls and major initiatives.

The Financial section contains the independent auditors' opinion letter, Management's Discussion and Analysis (MD&A), and the Basic Financial Statements. The audit firm of Rogers, Anderson, Malody, & Scott, LLP has issued an unmodified ("clean") opinion on the financial statements for the year ended June 30, 2020. This means that their examination, testing and audit procedures allowed them to conclude that the financial statements present fairly the financial position of the City. This is the best opinion the City can receive from its auditors.

The MD&A provides a narrative of how the financial report is presented and key highlights of some of the changes in financial position. The MD&A provides tables showing comparative information from the year ended June 30, 2019 to the year ended June 30, 2020.

The final section of the CAFR is the Statistical section. This section presents data useful in analyzing the City's financial and operational history for comparative purposes. Some of the statistics tracked include financial trends, revenue capacity, and debt capacity which are useful for evaluating the City's financial stability. Additional statistics include operating indicators.

Financial Highlights

The CAFR represents the City of West Covina's financial position at June 30, 2020 and includes financial statements for all of its component units. Financial highlights of the fiscal year are noted in the Financial section of the CAFR and include the following:

- At June 30, 2020, the City's total net position (assets plus deferred outflows of resources less liabilities and less deferred inflows of resources) was a deficit balance of $18.9 million.

- The City's total net position decreased $16.4 million from the prior year. This is mostly due to a decrease in the Deferred Outflows of Resources related to pension costs ($2.6 million) and increases in the Net Pension Liability and Other Post-Employment Benefits other than Pensions ($10.9 million), which totaled approximately $13.5 million.

- The City's total governmental funds reported a combined ending fund balances of $84.4 million, an increase of $6.9 million in comparison with the prior fiscal year of $77.5 million. Of this, $7.2 million, or 8.5% of this total is non-spendable (not available for new spending). The restricted fund balance categories of $64.1 million or 75.9% is spendable for restricted purposes. The assigned fund balance of $1.8 million or 2.1% represents amounts that are intended to be used for specific purposes but are not formally restricted or committed. The unassigned fund balance category of $11.4 million or 13.5% represents the City's fund balance reserves.

- The City's business-type computer service enterprise activity (West Covina Service Group) had an operating gain for Fiscal Year 2019-20 of $82,266, compared with a $51,375 operating loss in Fiscal Year 2018-19. The total net position for the computer service enterprise fund as of June 30, 2020 was ($244,119). The net position in the prior year was ($326,385).

- At the end of the current fiscal year, the City had debt outstanding of $66.1 million, an increase of $1.0 million. Of this amount, $39.7 million represents outstanding bonds and $26.4 million represents other debt such as compensated absences payable, claims and judgments payable, capital lease obligations, and the Successor Agency note. All of the outstanding bonds are lease revenue bonds secured by leases from the General Fund.

Government Auditing Standards Letter

The Government Auditing Standards Letter (Attachment No. 2) notes any identified deficiencies or weaknesses in internal control over financial reporting that could lead to material misstatements in the City's financial statements as well as any other compliance findings.

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 City'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. The auditors did identify deficiencies in internal control over financial reporting that they considered to be material weaknesses. These findings and managements response are discussed in Attachment No. 2. Furthermore, the results of the tests performed identified two significant deficiencies that are also discussed in Attachment No. 2.

Audit Communication Letter

The Audit Communication Letter (Attachment No. 2) provides certain information related to the audit of the City's financial records including the following:

- Qualitative Aspects of Accounting Practices – The letter notes that City management is responsible for the selection and use of appropriate accounting policies. The letter indicates that there have been no significant changes in accounting policies or their application during the fiscal year. The letter also notes that there were no transactions entered into by the City during Fiscal Year 2019-20 for which there was a lack of authoritative guidance, and that all significant transactions were recorded in the proper accounting periods.

- Significant Difficulties Encountered During the Audit – The letter communicates the auditors encountered no significant difficulties in dealing with management relating to the performance of the audit.

- Uncorrected and Corrected Misstatements – The letter communicates the auditors' responsibility to note all known and likely misstatements identified during the audit. The auditors noted no such misstatements that were material, either individually or in aggregate, to the financial statements taken as a whole.

- Disagreements with Management– The auditors are required to communicate any disagreements with management related to an accounting, reporting or auditing matter, whether resolved or not, in the Audit Communication Letter. No such disagreements arose during the course of the audit for Fiscal Year 2019-20.

West Covina Housing Authority Annual Financial Report

Changes in state law require the Housing Authority, as the Housing Successor, to prepare an annual report regarding the low and moderate income housing asset fund (Report) of the former West Covina Redevelopment Agency (RDA). The law also requires the completion of an independent audit of the low and moderate-income housing asset fund (Fund). The attached annual report includes both the Report and the audit mentioned above (Attachment No. 4).

Senate Bill 341 (SB 341), which is partly codified in Health and Safety Code Section 34176.1 and became effective on January 1, 2014, requires each housing successor that assumed the housing functions of a former redevelopment agency (RDA), to post a report on its website that contains information regarding the Fund of the former redevelopment agency for the previous fiscal year. Each housing successor is also required to present this report to its governing body. In this case, the City Council designated the Community Development Commission (CDC) as the governing body of the Housing Authority. Because the CDC's membership is the City Council, the Housing Authority, as the housing successor, is required to present the Report on the Fund to the City Council pursuant to SB 341.

In addition, the Housing Successor is required to conduct and provide to the City Council an independent financial audit (Audit) of the Fund. Similar to the above, the West Covina Housing Authority assumed the housing functions of the former RDA. The transfer of the functions included the transfer of formerly designated RDA low and moderate-income housing funds together with any funds generated by former RDA housing assets. The funds must be maintained by the Housing Authority in a separate fund and expended in accordance with Health and Safety Code section 34176.1 ("Section 34176.1"). To ensure that the monies in the Fund are expended in accordance with the law, Section 34176.1(f) requires an independent financial audit of the Fund. SB 341 also requires annual reporting and website posting of additional housing information related to the Fund. As noted above, the CDC is the governing body of the Housing Authority and the City Council serves as the membership of the CDC. During their review of our compliance with Senate Bill 341 (Attachment No. 5), the auditors noted no instances of non-compliance for Fiscal Year 2019-20.

Air Quality Improvement Fund Financial Statements

California Assembly Bill 2766 authorizes air pollution control districts to levy fees on motor vehicles. Fees are to be used to reduce air pollution. Under this program, the Department of Motor Vehicles collects the fees and provides the amounts to the South Coast Air Quality Management District (SCAQMD) for vehicles registered in the South Coast District. Forty cents of every dollar provided to SCAQMD is allocated to the cities and counties in the South Coast District proportionately based upon population. The amounts attributable to the City of West Covina are maintained in the City's Air Quality Improvement Special Revenue Fund (Attachment No. 6). The audit firm of Rogers, Anderson, Malody & Scott, LLP has issued an unmodified ("clean") opinion on the financial statements for the year ended June 30, 2020.

Prepared by: Robbeyn Bird, Finance Director

Additional Approval: David Carmany, City Manager

Fiscal Impact

FISCAL IMPACT:

There is no fiscal impact associated with this item.

Attachments

Attachment No. 1 - Comprehensive Annual Financial Report for the Year Ended June 30, 2020

Attachment No. 2 - Government Auditing Standards Letter

Attachment No. 3 - Audit Communication Letter

Attachment No. 4 - City of West Covina Housing Authority Fund Financial Report

Attachment No. 5 - West Covina Housing Authority Fund Addendum to the Annual Progress Report

Attachment No. 6 - Air Quality Improvement Fund Financial Statements

CITY COUNCIL GOALS & OBJECTIVES: Achieve Fiscal Sustainability and Financial Stability
Enhance the City Image and Effectiveness

ATTACHMENT NO. 1

CITY OF WEST COVINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2020

WWW.WESTCOVINA.ORG

City of West Covina, California

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Prepared by the West Covina Finance Department

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STATISTICAL SECTION (UNAUDITED):

Finance Department

February 17, 2021

To the Members of the City Council, the City Manager, and the Citizens of the City of West Covina:

It is a pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of West Covina (City) for the fiscal year ended June 30, 2020. This report consists of management's representations concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City'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's financial statements have been audited by Rogers, Anderson, Malody & Scott, LLP, a firm of certified public accountants. The auditors have issued an unmodified opinion on these financial statements. Their report is located at the front of the financial section of this report.

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Government

The City of West Covina is located in the San Gabriel Valley, 20 miles east of downtown Los Angeles and 15 miles north of Orange County. Incorporated as a general law city in 1923, the City's 16 square miles flourished with walnut groves and orange groves for many decades. The post-World War II building boom rapidly transformed the City, which experienced a significant population increase between 1950 and 1960, from less than 5,000 to more than 50,000 citizens. Subsequent to this rapid population increase, the City has continued to grow at a steady pace with a current population in excess of 110,000.

The City's location and access to major freeways makes West Covina close to many visitor attractions and an ideal business and commercial center. The City has over 32,000 housing units and offers the amenities of a big city location with a high standard of living for its community.

Under the Council-Manager form of government, the five City Council members are elected by districts to overlapping four-year terms. The City Council selects a Mayor from one of its members each November to serve a one-year term. The City 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 City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

The City provides a full range of services to its citizens, including police, fire and emergency medical; construction and maintenance of streets, traffic signalization and other infrastructure; planning and building safety; and social, recreational and cultural activities and events. The City offers sixteen parks, four community centers, a Sports Complex, and a county operated library. The City is financially accountable for the Successor Agency to the former Redevelopment Agency of the City of West Covina, a financing authority, and a housing authority, which are combined within the City's financial statements. Additional information regarding all three of these legally separate entities can be found in the notes to the financial statements.

The annual budget serves as a foundation for the City's financial planning and control. The City Council holds public hearings and adopts an annual budget for all funds. The budget appropriations are prepared by fund, function, and department. The City Manager is authorized to transfer budgeted amounts within departments to assure adequate and proper standards of service. Budgetary revisions, including supplemental appropriations which increase total appropriations in individual funds must be approved by the City Council.

Economic Outlook and Major Objectives

From early in its history, the City of West Covina has been noted as a city of beautiful homes. Through its General Plan, the City Council strives to maintain the City's high-quality residential base and living environment. The City's identity is defined by carefully designed entry point elements, landmark areas, and open space areas.

Known as the headquarters of the East San Gabriel Valley, the City strives to maintain a prosperous business and commercial climate. Despite the current challenging financial and economic environment, West Covina derives significant economic stability from the City's three major commercial districts: Plaza West Covina, Eastland Center, and The Lakes.

The California State Auditor has identified several risks in the City's financial condition, including a major unfunded pension liability, general fund expenditures that have exceeded revenues, and high turnover and reductions in staff in recent years. The City of West Covina continues work to secure the financial future of the City while safeguarding the delivery of great public services. This requires stewardship and a willingness to consider all alternatives in service provision.

The City of West Covina will continue to strive to provide the highest level of service to its residents and businesses, so the community can thrive.

Short-term and Long-term Financial Planning

Annually, the City adopts a budget covering operating revenues and expenditures, labor usage, capital expenditures, and other sources and uses of funds. For financial planning purposes, the City conducts comprehensive citywide financial forecasting in conjunction with its revenue consultants and other sources.

During the past few years, the City has utilized a range of temporary and permanent cost reduction initiatives, economic development, and revenue generation priorities, outside grants, and the use of fiscal reserves as necessary. As a result, the City has weathered the effects of the recession while providing critical services to the public in areas such as public safety, facility maintenance, parks maintenance, and infrastructure improvement. On June 5, 2018, the City Council adopted a fund balance policy to maintain a minimum unassigned fund balance of 17% of the General Fund operating expenditures.

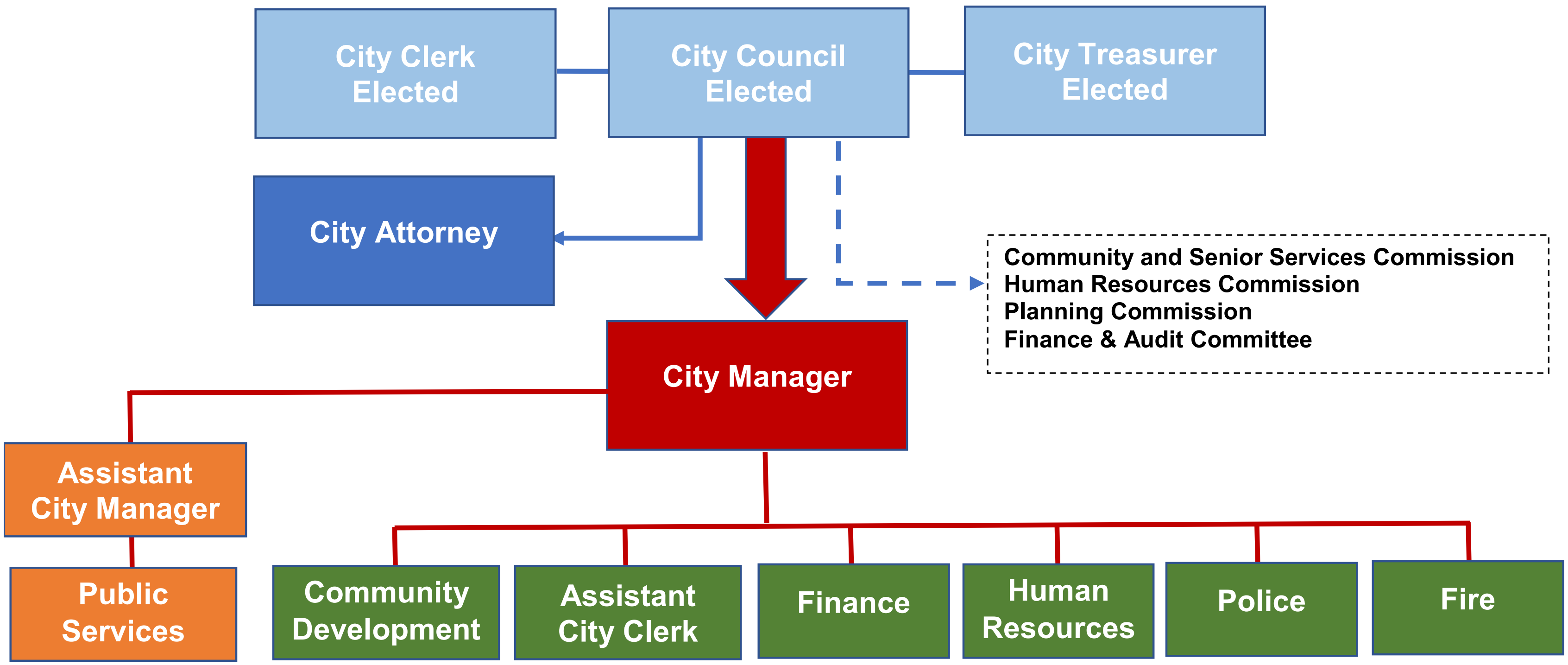
Awards and Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the Department who assisted and contributed to the preparation of this report. These are extremely challenging times for local government in which many difficult decisions must be made. Credit also must be given to City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Robbeyn Bird
Finance Director

City of West Covina
Organizational Chart



CITY OF WEST COVINA

City Officials

June 30, 2020

CITY COUNCIL

Mayor Tony Wu
Mayor Pro Tem Letty Lopez-Viado
Councilmember Dario Castellanos
Councilmember Jessica C. Shewmaker
Councilmember Lloyd Johnson

CITY MANAGER

David Carmany

EXECUTIVE MANAGEMENT

Thomas Duarte	City Attorney
Nick Lewis	City Clerk
Robbeyn Bird	Finance Director
Vincent Capelle	Fire Chief
Helen Tran	Human Resources Director
Jeff Anderson	Planning Director
Jeff Anderson	Community Development Director
Richard Bell	Chief of Police

ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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INDEPENDENT AUDITOR'S REPORT

The Honorable City Council
of the City of West Covina
West Covina, 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 the City of West Covina, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020 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 required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, 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 schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the nonmajor fund budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated February 17, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
February 17, 2021

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The following discussion and analysis of the financial performance of the City of West Covina (the City) provides an overview of the City's financial activities for the fiscal year ended June 30, 2020. The information presented herein should be considered in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

FINANCIAL HIGHLIGHTS

- As of June 30, 2020, the City's total net position (assets plus deferred outflows of resources less liabilities and less deferred inflows of resources) was a deficit of $18.9 million.

- The City's total net position decreased $16.4 million from the prior year. This is mostly due to a decrease in the Deferred Outflows of Resources related to pension ($2.6 million) and increases in the Net Pension Liability and Other Post-Employment Benefits other than Pensions ($10.9 million), which totaled approximately $13.5 million.

- The City's total governmental funds reported combined ending fund balances of $84.4 million, an increase of $6.9 million in comparison with the prior fiscal year of $77.5 million. Of this, $7.2 million, or 8.5% of this total is non-spendable (not available for new spending). The restricted fund balance categories of $64.1 million or 75.9% is spendable for restricted purposes. The assigned fund balance of $1.8 million or 2.1% represents amounts that are intended to be used for specific purposes, but are not formally restricted or committed. The unassigned fund balance category of $11.4 million or 13.5% represents the City's fund balance reserves.

- The City's business-type computer service enterprise activity (West Covina Service Group) had an operating gain for fiscal year (FY) 2019-20 of $82,266, compared with a $51,375 operating loss in FY 2018-19. The total net position for the computer service enterprise fund as of June 30, 2020 was ($244,119). The net position in the prior year was ($326,385).

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.

  - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.

OVERVIEW OF THE FINANCIAL STATEMENTS, (continued)

- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities that are operated like a business, such as the West Covina Service Group, the City's computer service enterprise.

- *Fiduciary fund* statements provide information about the fiduciary relationships – like the agency funds of the City – in which the City acts solely as an *agent* or *trustee* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

<u>Reporting the City as a Whole</u>

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. The City's net position is one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax or sales tax base and the condition of the City's roads, to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities are divided into two kinds of activities:

- Governmental activities – Most of the City's basic services such as public safety, streets and roads, economic development and parks and recreation, are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.

- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of the services accounted for in these funds. These activities include the City's computer service enterprise operation.

The government-wide financial statements include the West Covina Housing Authority, the West Covina Public Financing Authority, the Parking Authority of the City of West Covina and the West Covina Community Services Foundation (component units), along with the City of West Covina (the primary government). Although legally separate, these component units are important because the City is financially accountable for them.

The activities of the Successor Agency of the former redevelopment agency can be found in the Fiduciary Fund Section of the Financial Statements in the Private Purpose Trust Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS, (continued)

Reporting the City's Most Significant Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money (like grants received). The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other current financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in reconciliations on the pages following the fund financial statements in this report.

- *Proprietary funds* – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities.

Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in separate fiduciary funds. These activities are not included in the government-wide financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2020, net position for the City was a deficit balance of $18.9 million. Compared to the prior year, the net position of the City decreased by $16.3 million.

The City's net position of a deficit of $18.9 million is made up of three components: Net investment in Capital Assets, Restricted Net Position and Unrestricted Net Position. The largest portion of the City's net position, $140.6 million, reflects its net investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the community. As such, these assets are not available for spending. In addition, $66.0 million of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of unrestricted net position of $225.4 million is a result of the implementation of GASB 68 and GASB 75.

The table below reflects the Statement of Net Position for the fiscal year ended June 30, 2020, with the comparative data for the fiscal year ended June 30, 2019:

Table 1
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	$ 105,277,948	$ 95,707,477	$ (46,057)	$ (211,769)	$ 105,231,891	$ 95,495,708
Capital assets	189,635,902	197,975,200	-	-	189,635,902	197,975,200
Total assets	294,913,850	293,682,677	(46,057)	(211,769)	294,867,793	293,470,908
Deferred Outflows of Resources:						
Pension related	22,698,850	27,771,055	-	-	22,698,850	27,771,055
OPEB related	4,879,260	2,398,678	-	-	4,879,260	2,398,678
	27,578,110	30,169,733	-	-	27,578,110	30,169,733
Liabilities:						
Long-term debt outstanding	322,543,812	310,595,540	63,620	91,515	322,607,432	310,687,055
Other liabilities	8,822,639	5,789,689	134,442	23,101	8,957,081	5,812,790
Total liabilities	331,366,451	316,385,229	198,062	114,616	331,564,513	316,499,845
Deferred Inflows of Resources:						
Pension related	3,293,071	2,989,630	-	-	3,293,071	2,989,630
OPEB related	6,474,959	6,701,986	-	-	6,474,959	6,701,986
	9,768,030	9,691,616	-	-	9,768,030	9,691,616
Net Position:						
Net investment in capital assets	140,572,511	147,204,908	-	-	140,572,511	147,204,908
Restricted	65,969,665	57,782,735	-	-	65,969,665	57,782,735
Unrestricted	(225,184,697)	(207,212,078)	(244,119)	(326,385)	(225,428,816)	(207,538,463)
Total net position	$ (18,642,521)	$ (2,224,435)	$ (244,119)	$ (326,385)	$ (18,886,640)	$ (2,550,820)

Changes in Net Position

The City's total revenues of $100.4 million for governmental activities are $16.4 million less than the expenses of $116.8 million. The decrease is a result of expenditures, the largest being public safety, that are higher than the slow-growing revenues.

A summary of the government-wide statement of activities for the year ended June 30, 2020, with the comparative data for the fiscal year ended June 30, 2019, is as follows:

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	$ 15,927,105	$ 16,192,984	$ 1,249,195	$ 1,099,028	$ 17,176,300	$ 17,292,012
Operating contributions and grants	19,989,920	16,153,620	-	-	19,989,920	16,153,620
Capital contributions and grants	582,023	360,872	-	-	582,023	360,872
General revenues:						
Property taxes	27,422,706	26,365,067	-	-	27,422,706	26,365,067
Sales taxes	17,033,647	17,464,609	-	-	17,033,647	17,464,609
Other taxes	9,471,804	9,310,158	-	-	9,471,804	9,310,158
Other general revenues	9,927,609	7,764,136	63,710	113,290	9,991,319	7,877,426
Total revenues	100,354,814	93,611,446	1,312,905	1,212,318	101,667,719	94,823,764
Expenses						
General government	$ 7,781,252	$ 7,515,920	-	-	7,781,252	7,515,920
Public safety	72,653,866	58,057,784	-	-	72,653,866	58,057,784
Public works	23,649,892	21,625,190	-	-	23,649,892	21,625,190
Community services	9,418,860	9,280,450	-	-	9,418,860	9,280,450
Community development	1,394,131	795,685	-	-	1,394,131	795,685
Interest expense	1,874,899	1,680,335	-	-	1,874,899	1,680,335
Computer service			1,230,639	1,263,693	1,230,639	1,263,693
Total expenses	116,772,900	98,955,364	1,230,639	1,263,693	118,003,539	100,219,057
Increase (decrease) in net position	(16,418,086)	(5,343,918)	82,266	(51,375)	(16,335,820)	(5,395,293)
Beginning net position	(2,224,435)	3,119,483	(326,385)	(275,010)	(2,550,820)	2,844,473
Ending net position	$ (18,642,521)	$ (2,224,435)	$ (244,119)	$ (326,385)	$ (18,886,640)	$ (2,550,820)

Governmental Activities

Some of the more significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

- Operating contributions and grants increased by $3.8 million, primarily due to an increase of $2.7 million in Asset Forfeiture monies received, an increase of $250,000 for ambulance transportation service revenues, and an increase of $153,000 in funding for the Senior Meals Program.

- Capital contributions and grants increased by approximately $0.2 million due to an increase in developer fees. Development fluctuates from year to year and residential development of the Meritage Homes resulted in developer fees dedicated to park development collections in FY 2019-20.

- Property taxes, the City's largest revenue source, increased $1.0 million primarily due to an increase in the property assessment valuations.

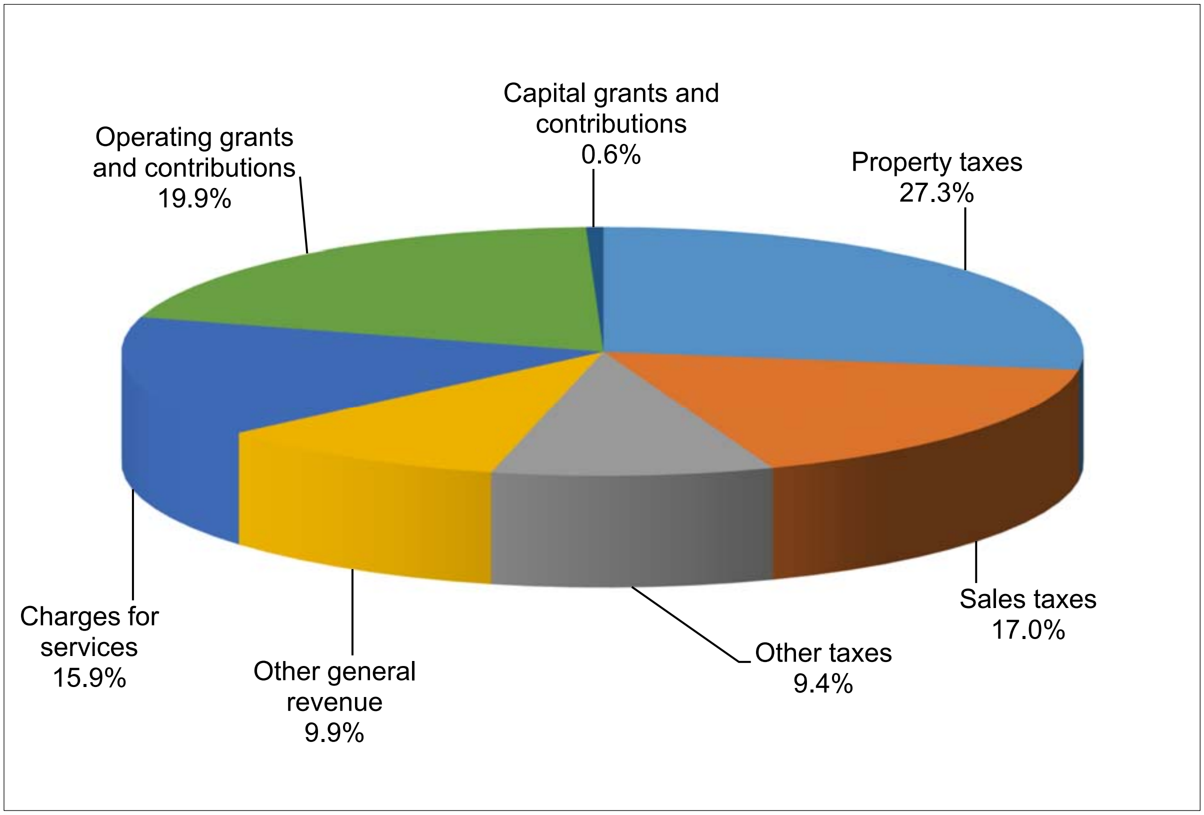
- Sales Tax decreased $0.4 million, due to the ongoing COVID-19 pandemic and the associated economic impact of various businesses closures.

- Other taxes increased by $0.2 million due to an increase in collection of business license fees, franchise fees and documentary transfer taxes collected with a corresponding decrease in transient occupancy tax of $0.3 million due to the COVID-19 pandemic.

- Other general revenues increased $2.2 million primarily due to the sale of land at the Eastland Center in the amount of $1.97 million.

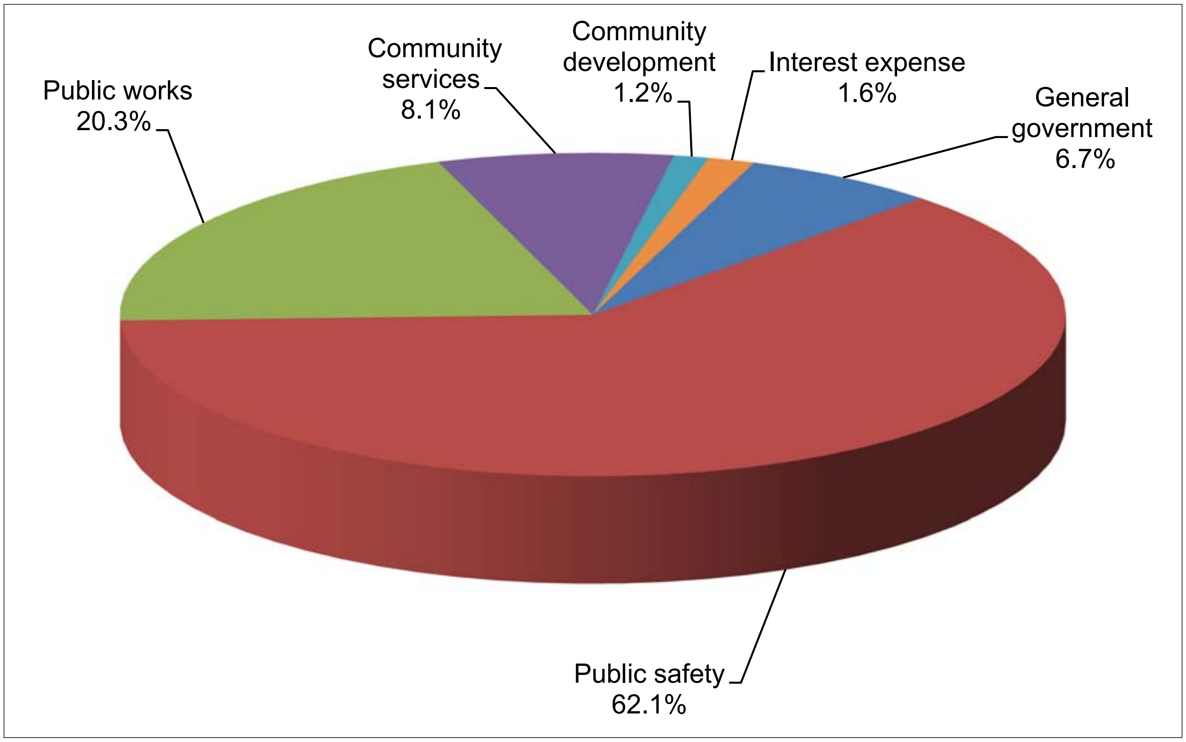
- Overall expenditures increased by $17.8 million, primarily due to a $2.4 million increase in public safety salaries during fiscal year ended June 30, 2020 and increases in unfunded pension liability costs of $12.2 million. Public Works had an increase of approximately $2 million. Of that amount, approximately $925,000 was due to contracting with an outside vendor for building and engineering services. The remainder was due to increased expenditures for street projects completed during 2019-20.

Revenues by Source – Governmental Activities



The most significant revenues of the governmental activities are property taxes ($27.4 million), sales tax ($17.0 million), other general revenue ($9.9 million), and other taxes ($9.5 million). Program revenues are $36.5 million of the total revenues of the governmental activities, which included charges for services ($15.9 million), operating contributions and grants ($20.0 million), and capital grants and contributions ($0.6 million).

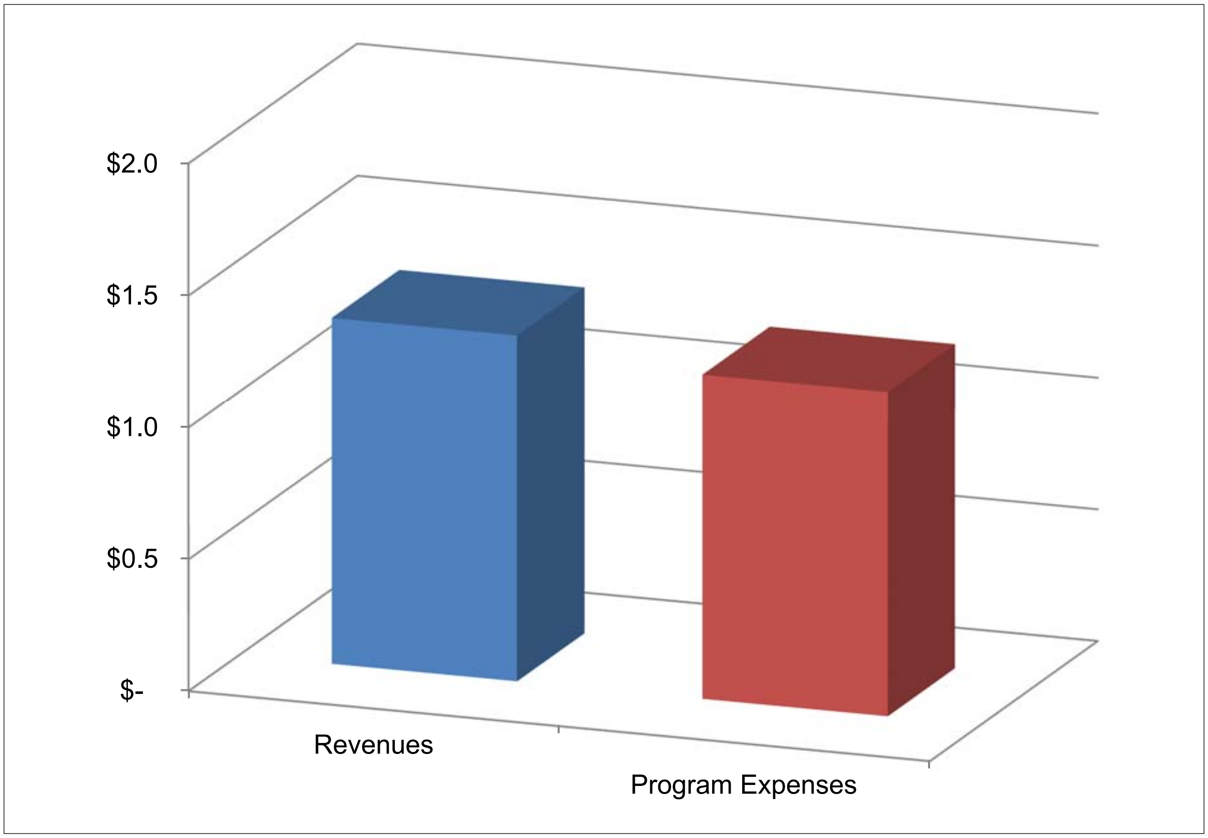
Expenses by Function – Governmental Activities



The City's expenses cover a range of services whose expenses were as follows: Public safety ($72.7 million), public works ($23.7 million), community services ($9.4 million), general government ($7.8 million), interest expense ($1.9 million) and community development ($1.4 million). These expenses include capital outlays which are now reflected in the City's capital assets.

Business-Type Activities

The business-type activity is the West Covina Service Group, which provides dispatch and records management software and services to other police departments.



The business-type activity's expenses decreased by $33,054 or 2.6% from the prior fiscal year. Charges for services and other revenues increased by $100,587 in FY 2019-20 causing the increase in net position of $82,266.

MAJOR FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

Major Governmental Funds

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $12.6 million, while total fund balance was $19.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18.19% of total general fund expenditures, while total fund balance represents 28.45% of that same amount. The non-spendable portion of fund balance in the amount of $7.1 million mainly consists of amounts currently owed to the City by the former redevelopment agency in the amount of $3.6 million and Land Held for Resale in the amount of $3.0 million.

The reasons for significant changes in the revenues and expenditures of the City's General Fund from the prior year are as follows:

- Total revenues, exclusive of fund transfers in, increased $5.5 million while total expenditures, exclusive of fund transfers out, increased $0.5 million.

- Total taxes were up $2.3 million (4.5%) from the prior year. Property taxes increased by $1.1 million (4.0%) and sales tax revenues decreased by $0.4 million (2.5%).

- Investment income increased by $0.6 million from the prior year due primarily to higher interest rates for most of the fiscal year.

- Other revenue increased by $1.97 million from the prior year primarily due to the sale of land from Successor Agency.

The **West Covina Housing Authority Fund** provides for low and moderate income activities that were previously provided by the redevelopment agency. The Authority has outstanding loans receivable of $14.5 million and is due $2.06 million from the Successor Agency for amounts borrowed by the former redevelopment agency to fund the SERAF payments and 20% of the loans made to the former redevelopment agency by the City.

The **State Gas Tax Fund** accounts for tax collected on fuel to fund maintenance and repair of the States' highways and roads. The fund finished the fiscal year with a total fund balance of $4.7 million.

GENERAL FUND BUDGET

There were numerous budget amendments throughout the fiscal year mostly due to clean up items, but the net effect to the General Fund budget was approximately $5.05 million. Taxes in total exceeded the budget by $1,189,500, consisting primarily of secured property taxes received during the fiscal year. The City budgeted conservatively for these sources of revenue as it generally fluctuates from year to year. Other revenue exceeded the budget by $1.9 million due to sale of land. Interest Income increased due to higher interest earnings. An increase in fair value adjustment caused an increase to other revenue in the amount of $302,244 for FY19-20.

CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	$ 47,212,535	$ 48,815,622	$ -	$ -	$ 47,212,535	$ 48,815,622
Buildings and improvements	66,803,771	68,862,050	-	-	66,803,771	68,862,050
Equipment and vehicles	8,635,313	8,778,313	-	-	8,635,313	8,778,313
Infrastructure	49,625,180	56,067,902	-	-	49,625,180	56,067,902
Rights of way	14,376,498	14,376,498	-	-	14,376,498	14,376,498
Construction in progress	2,982,605	1,074,815	-	-	2,982,605	1,074,815
Total	$ 189,635,902	$ 197,975,200	$ -	$ -	$ 189,635,902	$ 197,975,200

The major additions to capital assets during the year ended June 30, 2020 were as follows:

- Construction in progress had a net increase of $1.9 million. The $2.98 million currently in progress includes the following:
  - City Hall Improvements ($30,000)
  - Various Street Projects ($2.5 million)
  - Facility Repairs/Improvements ($81,000)

- Completed fixed asset additions of $3.8 million included:

  - Fire station pre-alerting systems ($253,000)
  - Various Park Improvements ($203,000)
  - Landscaping Improvements ($281,000)
  - Upgrades to Azusa Sewer Lift station ($305,000)
  - Upgrades to CNG facility ($855,000)
  - Traffic Signal Modification ($600,000)
  - Sewer and Street Rehabilitation Projects ($573,000)
  - School Crossing Upgrades ($123,000)
  - Various Facility Repairs/Improvements ($500,000)
  - Various Information Technology Upgrades ($27,000)

Additional information on the City's capital assets can be found in Note 7 of this report.

LONG-TERM DEBT

At the end of the current fiscal year, the City had debt outstanding of $66.1 million. Of this amount, $39.7 million represents outstanding bonds and $26.4 million represents other debt such as compensated absences payable, claims and judgments payable, capital lease obligations, and the Successor Agency note. All of the outstanding bonds are lease revenue bonds secured by leases from the General Fund.

Outstanding Bonds

	Governmental Activities	
	2020	2019
Lease Revenue Bonds	$ 39,699,508	$ 41,007,613
Total	$ 39,699,508	$ 41,007,613

Additional information on the City's long-term debt can be found in Note 8 of this report.

KEY ECONOMIC FACTORS

On March 4, 2020, Governor Newsom proclaimed a State of Emergency in response to the global outbreak of the novel coronavirus, or COVID-19. The Governor issued a "Shelter-in-Place" order on March 19, 2020 to slow the spread of the virus. With the disruption to the economy and the unanticipated loss of revenue to the City, staff immediately began analyzing potential impacts to City finances. As this was an unpresented crisis, quick decisions were made to postpone non-essential expenditures and implement a hiring freeze for all non-essential positions.

In August 2020, Governor Newsom introduced a "Tiered State Monitoring" system to provide a framework towards the safe reopening of businesses within each county. Los Angeles County has been Purple (Widespread) Tier since the introduction of the monitoring system. Through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) the Federal Government provided governments financial assistance to help address the impacts of COVID-19. However, there was no flexibility to utilize the funding for revenue losses.

Eligibility for CARES Act funding required a local government agency to have a population that exceeds 500,000. Since the City did not meet this criterion, relief for the financial impacts of COVID-19 were limited to programs offered from the State's CARES Act allocations. The City applied for and was granted $1,308,784 from the State. These funds were received in fiscal year 2020-21 and will help offset any revenue losses or expenditure impacts from the COVID-19 pandemic.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director, at City of West Covina, 1444 West Garvey Avenue South, West Covina, California 91790.

BASIC FINANCIAL STATEMENTS

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Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 71,151,079	$ -	$ 71,151,079
Cash and investments with fiscal agent	2,570,106	-	2,570,106
Restricted cash and investments	7,650	-	7,650
Receivables, net:			
Accounts	906,442	460,604	1,367,046
Taxes	2,618,936	-	2,618,936
Interest	236,146	-	236,146
Notes and loans	14,502,425	-	14,502,425
Other	3,243,815	-	3,243,815
Internal balances	518,705	(518,705)	-
Inventories	30,473	-	30,473
Advances to Successor Agency	5,657,793	-	5,657,793
Due from other agencies	597,133	12,044	609,177
Prepaids and other assets	229,443	-	229,443
Land held for resale	3,007,802	-	3,007,802
Capital assets:			
Non-depreciable	64,571,638	1,059,120	65,630,758
Depreciable, net	125,064,264	(1,059,120)	124,005,144
Total assets	294,913,850	(46,057)	294,867,793
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	22,698,850	-	22,698,850
OPEB related	4,879,260	-	4,879,260
Total deferred outflows of resources	27,578,110	-	27,578,110
LIABILITIES			
Accounts payable	5,666,398	125,675	5,792,073
Other accrued liabilities	1,866,552	8,767	1,875,319
Interest payable	152,384	-	152,384
Unearned revenues	31,101	-	31,101
Deposits	1,106,204	-	1,106,204
Long-term liabilities:			
Total OPEB liability	61,293,027	-	61,293,027
Net pension liability	195,151,386	-	195,151,386
Due within one year	8,407,758	55,648	8,463,406
Due in more than one year	57,691,641	7,972	57,699,613
Total liabilities	331,366,451	198,062	331,564,513
DEFERRED INFLOWS OF RESOURCES			
Pension related	3,293,071	-	3,293,071
OPEB related	6,474,959	-	6,474,959
Total deferred inflows of resources	9,768,030	-	9,768,030
NET POSITION (DEFICIT)			
Net investment in capital assets	140,572,511	-	140,572,511
Restricted for:			
Affordable housing	24,491,816	-	24,491,816
Debt service	4,055,990	-	4,055,990
Pension trust	7,650	-	7,650
Community services	4,925,661	-	4,925,661
Public safety	12,416,659	-	12,416,659
Public works	20,071,889	-	20,071,889
Unrestricted	(225,184,697)	(244,119)	(225,428,816)
Total net position (deficit)	$ (18,642,521)	$ (244,119)	$ (18,886,640)

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

Statement of Activities
For the Year Ended June 30, 2020

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	$ 7,781,252	$ 369,796	$ -	$ -
Public safety	72,653,866	4,304,075	7,130,325	1,453
Public works	23,649,892	2,034,963	6,090,848	-
Community services	9,418,860	2,438,156	6,698,667	491,127
Community development	1,394,131	6,780,115	70,080	89,443
Interest expense	1,874,899	-	-	-
Total governmental activities	116,772,900	15,927,105	19,989,920	582,023
Business-type activity:				
Computer service	1,230,639	1,249,195	-	-
Total business-type activity	1,230,639	1,249,195	-	-
Total	$ 118,003,539	$ 17,176,300	$ 19,989,920	$ 582,023

General revenues:
Taxes:
Property taxes
Sales taxes
Franchise taxes
Transient occupancy taxes
Other taxes
Investment income
Other revenues

Total general revenues

Change in net position

Net position (deficit), beginning of year

Net position (deficit), end of year

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (7,411,456)	$ -	$ (7,411,456)
(61,218,013)	-	(61,218,013)
(15,524,081)	-	(15,524,081)
209,090	-	209,090
5,545,507	-	5,545,507
(1,874,899)	-	(1,874,899)
(80,273,852)	-	(80,273,852)
-	18,556	18,556
-	18,556	18,556
(80,273,852)	18,556	(80,255,296)
27,422,706	-	27,422,706
17,033,647	-	17,033,647
4,445,101	-	4,445,101
1,508,885	-	1,508,885
3,517,818	-	3,517,818
2,682,794	-	2,682,794
7,244,815	63,710	7,308,525
63,855,766	63,710	63,919,476
(16,418,086)	82,266	(16,335,820)
(2,224,435)	(326,385)	(2,550,820)
$ (18,642,521)	$ (244,119)	$ (18,886,640)

Balance Sheet – Governmental Funds
June 30, 2020

	General Fund	Special Revenue Funds: West Covina Housing Authority	Special Revenue Funds: State Gas Tax
ASSETS			
Cash and investments	$ 9,815,444	$ 7,872,283	$ 5,403,218
Cash and investments with fiscal agent	-	-	-
Restricted cash and investments	7,650	-	
Receivables, net:			
Accounts	115,330	-	-
Taxes	2,382,434	-	-
Interest	236,146	-	-
Notes and loans	-	14,502,425	-
Other	2,401,775	-	492,588
Due from other funds	1,363,762	-	-
Advances to Successor Agency	3,599,960	2,057,833	-
Advances to other funds	332,173	-	-
Due from other agencies	374,661	-	-
Prepaid expenses	147,023	82,420	-
Land held for resale	3,007,802	-	-
Total assets	$ 23,784,160	$ 24,514,961	$ 5,895,806
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 1,344,707	$ 8,878	$ 1,121,512
Other accrued liabilities	1,637,839	14,267	53,983
Due to other funds	-	-	-
Advances from other funds	-	-	-
Deposits	1,105,864	-	-
Unearned revenue	20,426	-	-
Total liabilities	4,108,836	23,145	1,175,495
Deferred inflows of resources:			
Unavailable revenue	-	-	-
Fund balances (deficit):			
Nonspendable	7,086,958	82,420	-
Restricted:			
Affordable housing	-	24,409,396	
Debt service	-	-	
Pension trust	7,650	-	-
Community services	-	-	-
Public safety	-	-	-
Public works	-	-	4,720,311
Assigned	-	-	-
Unassigned	12,580,716	-	-
Total fund balances (deficit)	19,675,324	24,491,816	4,720,311
Total liabilities, deferred inflows of resources, and fund balances	$ 23,784,160	$ 24,514,961	$ 5,895,806

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

(continued)

Non-Major Governmental Funds	Total Governmental Funds
$ 36,014,287	$ 59,105,232
2,570,106	2,570,106
-	7,650
296,294	411,624
236,502	2,618,936
-	236,146
-	14,502,425
349,452	3,243,815
-	1,363,762
-	5,657,793
-	332,173
222,472	597,133
-	229,443
-	3,007,802
$ 39,689,113	$ 93,884,040
$ 2,660,132	$ 5,135,229
159,874	1,865,963
782,605	782,605
332,173	332,173
340	1,106,204
10,675	31,101
3,945,799	9,253,275
200,469	200,469
-	7,169,378
-	24,409,396
4,055,990	4,055,990
-	7,650
4,843,488	4,843,488
7,730,436	7,730,436
18,285,074	23,005,385
1,786,815	1,786,815
(1,158,958)	11,421,758
35,542,845	84,430,296
$ 39,689,113	$ 93,884,040

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

Fund balances for governmental funds		$ 84,430,296
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets and accumulated depreciation are not considered current financial resources in the governmental funds (this does not include internal service fund net capital assets of $860,681):		
Capital assets	$ 432,565,212	
Less accumulated depreciation	(243,789,991)	188,775,221
Long-term debt and compensated absences 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, are reported in the Statement of Net Position (this does not include internal service fund long-term liabilities of $8,776,893):		
Bonds payable (including premium)	(39,699,508)	
Capital lease payable	(180,122)	
Compensated absences (less internal service $200)	(3,856,905)	
Notes payable	(9,183,761)	
Net pension liability	(195,151,386)	
Total OPEB liability	(61,293,027)	(309,364,709)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.		(152,384)
Revenues that are measurable but not available are reported as unavailable revenues under the modified accrual basis of accounting.		200,469
Deferred inflows and outflows of resources related to pensions and OPEB that have not been included in the government fund activity:		
Deferred outflows of resources - pension related	22,698,850	
Deferred outflows of resources - OPEB related	4,879,260	
Deferred inflows of resources - pension related	(3,293,071)	
Deferred inflows of resources - OPEB related	(6,474,959)	17,810,080
Internal service funds were used by management to charge the costs of certain activities, such as vehicle and equipment maintenance and replacement, the City's self-insurance programs and retirement health benefits to individual funds. The assets and liabilities of the internal service funds must be added to the Statement of Net Position.		(341,494)
Net position of governmental activities		$ (18,642,521)

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Special Revenue Funds: West Covina Housing Authority	Special Revenue Funds: State Gas Tax
REVENUES			
Taxes	$ 53,768,822	$ -	$ -
Special assessments	-	-	-
Licenses and permits	1,491,744	-	-
Fines and forfeitures	921,872	-	-
Investment income	1,667,494	444,792	55,139
Rental income	700,455	-	-
Revenue from other agencies	2,645,700	36,034	4,400,170
Charges for services	7,381,617	-	23
Other revenues	2,357,219	52,731	184,192
Total revenues	70,934,923	533,557	4,639,524
EXPENDITURES			
Current:			
General government	6,457,768	-	2,980
Public safety	55,337,813	189,368	-
Public works	4,349,341	-	3,308,598
Community services	2,512,749	-	-
Community development	502,326	526,695	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	4,000	-	-
Total expenditures	69,163,997	716,063	3,311,578
Excess (deficiency) of revenues over (under) expenditures	1,770,926	(182,506)	1,327,946
OTHER FINANCING SOURCES (USES)			
Capital leases	196,759	-	-
Transfers in	-	-	567,148
Transfers out	(1,474,057)	-	-
Total other financing sources (uses)	(1,277,298)	-	567,148
Net change in fund balances	493,628	(182,506)	1,895,094
Fund balances, beginning of year	19,181,696	24,674,322	2,825,217
Fund balances, end of year	$ 19,675,324	$ 24,491,816	$ 4,720,311

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

Non-Major Governmental Funds	Total Governmental Funds
$ 8,819,434	$ 62,588,256
6,490,254	6,490,254
-	1,491,744
-	921,872
509,620	2,677,045
-	700,455
8,305,011	15,386,915
309,179	7,690,819
1,189,848	3,783,990
25,623,346	101,731,350
27,344	6,488,092
3,330,390	58,857,571
9,604,285	17,262,224
4,750,303	7,263,052
185,537	1,214,558
1,833,918	1,833,918
1,928,807	1,932,807
21,660,584	94,852,222
3,962,762	6,879,128
-	196,759
927,765	1,494,913
(202,898)	(1,676,955)
724,867	14,717
4,687,629	6,893,845
30,855,216	77,536,451
$ 35,542,845	$ 84,430,296

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

Net change in fund balances - total governmental funds		$ 6,893,845
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays and disposals in the current period: (this does not include the following internal service fund activity: depreciation expense of $179,088).		
Capital outlay	$ 5,658,952	
Depreciation expense	(12,227,935)	
Capital asset deletion	(1,603,087)	
Construction in progress deemed not viable	(547,164)	(8,719,234)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Capital leases	(196,759)	
Principal payments of capital leases	16,637	
Principal payments on long-term debt	1,833,918	1,653,796
The Statement of Net Position includes accrued interest on long-term debt. This is the net change in the current year.		4,803
Change in revenues that are measureable but not available are reported as unavailable revenue under the modified accrual basis of accounting.		200,469
Expenses reported in the Statement of Activities which do not require the use of current financial resources are not reported as expenditures in the governmental funds: (this does not include the following internal service fund activity: change in compensated absences of $11,510)		
Amortization of bond premium		53,105
Change in compensated absences		390,056
Pension & OPEB expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension & OPEB expense includes the change in the net pension & total OPEB liability, and related changes in pension & OPEB amounts for deferred outflows of resources and deferred inflows of resources.		(13,602,056)
Internal service funds are used by management to charge the cost of certain activities, such as vehicle and equipment maintenance and replacement, the City's self-insurance, and retirement health benefits to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.		(3,292,870)
Change in net position of governmental activities		$ (16,418,086)

Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-type Activity	Governmental Activities
	Computer Service Enterprise Fund	Internal Service Funds
ASSETS		
Current Assets:		
Cash and investments	$ -	$ 12,045,847
Receivables, net		
Accounts	460,604	494,818
Due from other agencies	12,044	-
Inventories	-	30,473
Total current assets	472,648	12,571,138
Noncurrent Assets:		
Capital Assets:		
Capital assets	1,059,120	3,257,194
Less accumulated depreciation	(1,059,120)	(2,396,513)
Total capital assets, net	-	860,681
Total noncurrent assets	-	860,681
Total assets	472,648	13,431,819
LIABILITIES		
Current Liabilities:		
Accounts payable	125,675	531,169
Other accrued liabilities	8,767	589
Claims and judgments - current portion	-	4,402,010
Compensated absences - current portion	55,648	200
Due to other funds	518,705	62,452
Total current liabilities	708,795	4,996,420
Noncurrent Liabilities:		
Claims and judgments	-	8,776,893
Compensated absences	7,972	-
Total noncurrent liabilities	7,972	8,776,893
Total liabilities	716,767	13,773,313
NET POSITION (DEFICIT)		
Net investment in capital assets	-	860,681
Unrestricted	(244,119)	(1,202,175)
Total net position (deficit)	$ (244,119)	$ (341,494)

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activity	Governmental Activities
	Computer Service Enterprise Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services	$ 1,249,195	$ 7,382,655
Other revenues	63,710	147,658
Total operating revenues	1,312,905	7,530,313
OPERATING EXPENSES		
Personnel services	825,411	153,348
Cost of sales, services and operations	405,228	2,186,905
Depreciation	-	179,088
Insurance and claims paid	-	8,511,966
Total operating expenses	1,230,639	11,031,307
Operating income (loss)	82,266	(3,500,994)
NONOPERATING REVENUES		
Investment income	-	5,745
Gain on sale of assets	-	20,337
Total nonoperating revenues	-	26,082
Loss before transfers	82,266	(3,474,912)
Transfers in	-	248,116
Transfers out	-	(66,074)
Change in net position	82,266	(3,292,870)
Net position (deficit), beginning of year	(326,385)	2,951,376
Net position (deficit), end of year	$ (244,119)	$ (341,494)

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activity	Governmental Activities
	Computer Service Enterprise Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	$ 898,670	$ 7,239,003
Payments to suppliers for goods and services	(293,887)	(7,362,973)
Payments to employees for services	(853,306)	(164,858)
Net cash provided by (used for) operating activities	(248,523)	(288,828)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Received from other funds	248,523	335,266
Paid to other funds	-	(66,074)
Net cash provided by (used for) non-capital financing activites	248,523	269,192
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	-	(559,024)
Proceeds from sale of assets	-	20,337
Net cash provided by (used for) capital and related financing activites	-	(538,687)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	-	5,745
Net increase (decrease) in cash and cash equivalents	-	(552,578)
Cash and cash equivalents, beginning of year	-	12,598,425
Cash and cash equivalents, end of year	$ -	$ 12,045,847

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

Statement of Cash Flows, (Continued)
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activity	Governmental Activities
	Computer Service Enterprise Fund	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	$ 82,266	$ (3,500,994)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	-	179,088
(Increase) Decrease in operating assets:		
Accounts receivable	(402,191)	(291,310)
Intergovernmental receivable	(12,044)	-
Inventories	-	(299)
Increase (Decrease) in operating liabilities:		
Accounts payable	119,173	215,188
Other accrued liabilities	(7,832)	(1,711)
Claims and judgments payable	-	3,122,720
Compensated absences payable	(27,895)	(11,510)
Net cash provided by (used for) operating activities	$ (248,523)	$ (288,828)

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Successor Agency Private Purpose Trust Fund	Pension Trust Funds	Special Deposits Agency Fund
ASSETS			
Cash and investments	$ 8,549,511	$ 549,730	$ 1,819,070
Cash and investments with fiscal agent	7,333,604	-	-
Restricted cash and investments	5,284,166	-	-
Receivables, net:			
Taxes	203,612	-	-
Interest	1,584	-	-
Assessments	12,910,000	-	-
Other	28,019	-	2,166
Due from City of West Covina	8,683,761	-	-
Land held for resale	54,279	-	-
Total assets	43,048,536	549,730	$ 1,821,236
LIABILITIES			
Accounts payable	105,411	-	$ 87,464
Accrued liabilities	1,096	-	-
Interest payable	364,989	-	-
Unearned revenue	83,026	-	-
Due to other governments	518,630	-	-
Deposits	-	-	1,733,772
Advances from the City of West Covina	5,657,793	-	-
Long-term liabilities:			
Due to County Auditor Controller	8,683,761	-	-
Due within one year	5,614,975	-	-
Due in more than one year	90,256,729	-	-
Total liabilities	111,286,410	-	$ 1,821,236
NET POSITION (DEFICIT)			
Held in trust for Successor Agency	(68,237,874)	-	
Held in trust for pension benefits	-	549,730	
Total net position (deficit)	$ (68,237,874)	$ 549,730	

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

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

	Successor Agency Private Purpose Trust Fund	Pension Trust Funds
ADDITIONS		
Taxes	$ 11,926,731	$ -
Employer contribution	-	134,771
Investment income	396,522	17,941
Rental income	37,500	-
Other revenues	2,102,015	-
Total additions	14,462,768	152,712
DEDUCTIONS		
Program administration	14,875,384	-
Administrative costs	-	21,492
Benefit distributions	-	258,812
Interest and fiscal charges	1,165,677	-
Total deductions	16,041,061	280,304
Change in net position	(1,578,293)	(127,592)
Net position (deficit), beginning of year (restated)	(66,659,581)	677,322
Net position (deficit), end of year	$ (68,237,874)	$ 549,730

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of Presentation

The basic financial statements of the City of West Covina, California (the City) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below:

B) Description of Reporting Entity

The City was incorporated on February 23, 1923 under the general laws of the State of California. The accompanying financial statements present the City and its component units; entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Because each component unit meets the above-mentioned criteria, included within the financial reporting entity of the City are the City of West Covina Housing Authority, the West Covina Public Financing Authority, the Parking Authority of the City of West Covina, and the West Covina Community Services Foundation, Inc.

A brief description of each component unit follows:

The West Covina Housing Authority (the Housing Authority) was formed on January 17, 2012 and is responsible for the administration of providing affordable housing in the City. The Housing Authority is administered by a Board which consists of members of the City Council. The transactions of the Housing Authority are reported as a special revenue fund.

The West Covina Public Financing Authority (the Authority) was created by a joint powers agreement between the City and the Community Development Commission of the City on June 1, 1990. The purpose of the Authority is to provide, through the issuance of debt, financing necessary for various capital improvements. The Authority is administered by the Board who are the members of the City Council. The Authority's sole source of income is installment sale, loan and lease payments received from the City and former Community Development Commission (the Commission) which are used to meet the debt service requirements on debt issues. The Authority is blended into the debt service fund of the City.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B) Description of Reporting Entity, (continued)

The Parking Authority of the City of West Covina (the Parking Authority) was formed under the provision of the government code of the State of California for the purpose of financing and constructing parking facilities for lease to the City. The City Council acts as the governing body of the Parking Authority and is able to impose its will on the Parking Authority. It is a component unit of the City, and the financial statements of the Parking Authority are included within the financial statements of the City using the blended method. The Parking Authority has been inactive since 1999.

The West Covina Community Services Foundation, Inc. (the Foundation) was established on July 26, 2005 as a nonprofit public benefit corporation. It was organized and operates exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The Foundation is administered by the Board of Directors who are the members of the City Council. The Foundation is blended into the special revenue funds of the City.

Since the City Council serves as the governing board for these component units, all of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government. Except for the Housing Authority, these component units do not issue component unit financial statements.

Separate financial statements for the Housing Authority can be obtained from the City of West Covina, City Hall.

C) Basis of Accounting and Measurement Focus

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

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C) Basis of Accounting and Measurement Focus, (continued)

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units). Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City. Interfund services provided and used are not eliminated in the process of consolidation.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Under the *accrual basis of accounting*, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Generally Accepted Accounting Principles.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Taxes and other items not included among program revenues are reported as *general revenues*.

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C) Basis of Accounting and Measurement Focus, (continued)

Fund Financial Statements

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

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about the major funds individually and other governmental funds in the aggregate for governmental funds. Fiduciary statements represent assets held by the City in a custodial capacity for other individuals or organizations in the private purpose trust, pension trust, and agency funds.

Governmental Funds

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

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C) Basis of Accounting and Measurement Focus, (continued)

Governmental Funds, (continued)

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

Revenues, expenditures, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of Generally Accepted Accounting Principles. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Therefore, recognition of governmental fund type revenue represented by receivables is reported as deferred inflows of resources until they meet the “availability” criteria.

Sales taxes, property taxes, franchise taxes, revenue from other agencies, rental income, occupancy taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government. The availability period for all revenues is 60 days.

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C) Basis of Accounting and Measurement Focus, (continued)

Proprietary and Fiduciary Funds

The City's enterprise and internal service funds are proprietary funds. In the fund financial statements, the proprietary funds are presented using the *accrual basis of accounting.* Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the *economic resources measurement focus.* This means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statement of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the enterprise fund financial statements rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the enterprise fund financial statements rather than as another financing source. Amounts paid to reduce long-term indebtedness of the enterprise fund are reported as a reduction of the related liability rather than as an expenditure.

The City's fiduciary private purpose and pension trust funds are accounted for using the *economic resources measurement focus* and *accrual basis of accounting*. The private purpose trust fund accounts for the assets held by the City for the Successor Agency to the former Community Development Commission of the City. The pension trust fund account for assets and activities of the Public Agency Retirement System Enhancement and Supplemental Retirement defined benefit pension plans. The City's fiduciary agency funds have no measurement focus but utilize the accrual basis for reporting its assets and liabilities. Because these funds are not available for use by the City, fiduciary funds are not included in the governmental-wide statements.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D) Fund Classifications

The City reports the following major governmental funds:

General Fund

This fund is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

West Covina Housing Authority Special Revenue Fund

This fund is used to account for assets and related income received from the former Community Development Commission to be used for the administration of providing affordable housing in the City.

State Gas Tax Special Revenue Fund

This fund accounts for the City's proportionate share of gas tax monies collected by the State of California and Proposition 1B monies which are used for street construction and maintenance.

The City reports the following major proprietary fund:

Computer Service Enterprise Fund

This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The City's enterprise fund is used to account for computer services provided by the Police Department to other public agencies.

Additionally, the City reports the following fund types:

Non-Major Governmental Fund Types

Special Revenue Funds – These funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Capital Projects Funds – These funds are used to account for the purchase or construction of major capital facilities which are not financed by Proprietary Funds. Capital Projects Funds are ordinarily not used to account for the acquisition of furniture, fixtures, machinery, equipment and other relatively minor or comparatively short-lived capital assets.

City Debt Service Fund – This fund accounts for the payment of principal, interest, and related costs on the City's long-term debt issues.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D) Fund Classifications, (continued)

Proprietary Fund Types

Internal Service Funds – These funds are used to account for vehicle and equipment maintenance and replacement, for the City's self-insurance programs, and for retirement health savings plans for qualified City employees. Departments of the City are charged for the services provided or benefits received from these funds.

Fiduciary Fund Types

Successor Agency Private Purpose Trust Fund – This fund is used to account for the assets and activities of the Successor Agency to Community Development Commission of the City of West Covina.

Pension Trust Funds – These funds are used to account for the assets and activities of the Public Agency Retirement System Retirement Enhancement and Supplemental Retirement plans.

Special Deposits Agency Fund – This fund accounts for developer funds placed on deposit with the City pending either a return to the depositor or disbursement by the City on behalf of the depositor to pay for studies and other developer expenses.

E) Financial Statement Elements

1) Cash, Cash Equivalents, and Investments

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the month-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

2) Receivables and Payables

Activities 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" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3) Inventory

Inventory is stated at average cost. Physical counts of inventory are taken on a cyclical basis during each fiscal year with perpetual records adjusted to actual at that time. The City uses the consumption method of accounting for inventory.

4) Prepaid Items

Certain payments to vendors for costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

5) Notes Receivable

The accompanying financial statements reflect the recording of certain notes receivable that represent loans made to private developers and other parties. In certain cases, the amount of collection is dependent upon future residual receipts to be generated by the property or contingent upon the ability of the owner to sell the property at an amount sufficient to pay all liens against the property.

6) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has reported the deferred outflow related to pensions and other postemployment benefits.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

6) Deferred Outflows/Inflows of Resources, (continued)

In addition to liabilities, the Statement of Net Position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The first item is unavailable revenues, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, unavailable revenues are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is a deferred inflow of resources related to pensions and other postemployment benefits.

7) Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted net position to have been depleted before unrestricted net position is applied.

8) Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. Accordingly, the City of West Covina accrues only those taxes which are received within 60 days after year end.

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Dates:	First Installment – November 1
	Second Installment – February 1
Delinquency Dates:	First Installment – December 10
	Second Installment – April 10

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

8) Property Taxes, (continued)

Taxes are collected by Los Angeles County and are remitted to the City periodically. Dates and percentages are as follows:

December 20	40% Advance
January 17	10% Advance
February 20	Collection No. 1
April 18	35% Advance
May 20	Collection No. 2
July 18	Collection No. 3

9) Capital Assets

Capital assets greater than $5,000 and infrastructure greater than $100,000 are capitalized and recorded at cost or at an estimated fair value of the assets at the time of acquisition where complete historical records do not exist. Contributed capital assets are valued at their acquisition value at the date of the contribution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets include public domain infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, medians, sewer and storm drains.

Depreciation has been provided using the straight-line method over the estimated useful life of the assets in the government-wide financial statements and in the fund financial statements of the proprietary and the private-purpose trust funds. Depreciation starts the year following acquisition.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There was no interest capitalized during the year ended June 30, 2020 since the proprietary funds have no debt utilized to construct capital assets.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

9) Capital Assets, (continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Governmental activities:	
Infrastructure - pavement	25 years
Infrastructure - other	20-75 years
Buildings	20-50 years
Improvements other than buildings	20-50 years
Equipment and vehicles	5-25 years
Business-type activities:	
Equipment and machinery	5-25 years

10) Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability (including claims incurred but not reported) has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in the internal service fund that accounts for the City's self-insurance activities.

11) Compensated Absences

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

A liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

The General Fund and Computer Service Enterprise Fund typically have been used to liquidate the liability for compensated absences.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

12) Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13) Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated so that the expenses are reported only once in the function in which they are allocated.

14) Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

15) Pension Plans

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

15) Pension Plans, (continued)

Generally accepted accounting principles require that the reported results for pensions must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used for CalPERS:

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

The following timeframes are used for PARS:

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

16) Other Postemployment Benefits (OPEB)

For purposes 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 plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

2) CASH AND INVESTMENTS

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

Statement of Net Position:		
Cash and investments	$	71,151,079
Cash and investments with fiscal agents		2,570,106
Restricted cash and investments		7,650
Statement of Fiduciary Net Position:		
Cash and investments		10,918,311
Cash and investments with fiscal agents		7,333,604
Restricted cash and investments		5,284,166
Total Cash and Investments	$	97,264,916

Cash and investments at June 30, 2020 consisted of the following:

Cash on hand	$	15,900
Deposits with financial institutions		26,243,396
Investments		71,005,620
Total Cash and Investments	$	97,264,916

2) CASH AND INVESTMENTS, (continued)

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 and the City's investment policy. This table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that addresses interest rate risk and concentrations of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City and investments in the City's retirement enhancement and supplemental retirement defined benefit pension trust funds that are in the Public Agency Retirement Plans (PARS Trust Pool), rather than the general provisions of the California Government Code or the City's investment policy.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Government Sponsored Agency Securities	Yes	5 years	None	None
Municipal Securities	Yes	5 years	30%	5%
Supernationals	Yes	5 years	30%	10%
Medium-Term Notes	Yes	5 years	30%	5%
Collateralized Certificate of Deposit	Yes	5 years	25%	25%
Negotiable Certificate of Deposit	Yes	5 years	30%	30%
Banker's Acceptance	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	5%
Asset-Backed Securities	Yes	5 years	20%	20%
Money Market Mutual Funds	Yes	N/A	20%	10%
Repurchase Agreements	Yes	100 days	20%	20%
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	$75,000,000

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

2) CASH AND INVESTMENTS, (continued)

Investments Authorized by Debt Agreements

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

Maximum Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Agency Securities	5 years	None	None
Certificate of Deposit	5 years	25%	None
Negotiable Certificate of Deposit	5 years	30%	None
Banker's Acceptance	180 days	None	None
Commercial Paper	270 days	25%	5%
Repurchase Agreements	100 days	20%	None
Local Agency Investment Fund	None	None	None
Los Angeles County Investment Pool	None	None	None
Money Market Mutual Funds	5 years	20%	10%
Municipal Securities	5 years	30%	None
Supernationals	5 years	30%	None
Medium-Term Notes	5 years	30%	None

Investments Authorized by Pension Trust Agreements

Investments of pension trust fund contributions held by the trustee are governed by the trust agreements. The City selected an investment strategy allowed by the trust agreements with the objective of providing current income and moderated capital appreciation. The strategic ranges for the investment strategy selected by the City are as follows:

5%	Cash
45%	Fixed Income
48.50%	Equities
1.50%	REIT

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 is 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.

2) CASH AND INVESTMENTS, (continued)

Interest Rate Risk, continued

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:

Investment Type	Less than 1 year	1 to 3 Years	3 to 5 Years	Total
Los Angeles County Investment Pool	$ 47,606	$ -	$ -	$ 47,606
Local Agency Investment Fund	70,068,805			70,068,805
Money Market Mutual Funds	64,706	-	-	64,706
Asset-Backed Securities	-	274,773	-	274,773
Subtotal	$ 70,181,117	$ 274,773	$ -	70,455,890
PARS Trust Pool				549,730
Total Investments				$ 71,005,620

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 the California Government Code, the City's investment policy, or debt agreements and the actual rating as of year-end by Standard and Poor's or Moody's or Fitch for each investment type:

Investment Type	Minimum Legal Rating*	Total as of June 30, 2020	AAA	Not Rated
Los Angeles County Investment Pool	N/A	$ 47,606	$ -	$ 47,606
Local Agency Investment Fund	N/A	70,068,805	-	70,068,805
Money Market Mutual Funds	AAA	64,706	64,706	-
Asset-Backed Securities	AA	274,773	274,773	-
PARS Trust Pool	N/A	549,730	-	549,730
Total		$ 71,005,620	$ 339,479	$ 70,666,141

* N/A- Not Applicable

2) CASH AND INVESTMENTS, (continued)

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There was no investments in any one issuer (other than U.S. Government Agencies, Supranationals, Money Market Funds, and external investment pools) that represent 5% or more of total City investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. All the City's deposits are either federally insured or collateralized as of June 30, 2020. Investments held by bond trustee are selected under the terms of the applicable trust agreement. The trustee acquires the investment and holds the investment on behalf of the reporting government.

Investment in County Investment Pool

The City is a voluntary participant in the Los Angeles County Investment Pool (LACIP) that is regulated by the California Government Code and the Los Angeles County Board of Supervisors under the oversight of the Los Angeles County Treasurer-Tax Collector. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amount based upon the City's pro-rata share of the fair value provided by LACIP for the entire LACIP portfolio. The balance for withdrawal is based on the accounting records maintained by LACIP, which are recorded on an amortized cost basis.

2) CASH AND INVESTMENTS, (continued)

Fair Value Measurements

Generally accepted accounting principles requires classifying investments under a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability.

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2020:

		Fair Value Measurement Using		
Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Asset-Backed Securities	$ 274,773	$ -	$ 274,773	$ -
Total Investments by Fair Value Level	274,773	$ -	$ 274,773	$ -
Investments not subject to the fair value hierarchy:				
Los Angeles County Investment Pool	47,606			
Local Agency Investment Fund	70,068,805			
Money market mutual funds	64,706			
PARS Trust Pool	549,730			
Total	$ 71,005,620			

Level 2 investments are valued using a Continuous Fixed Income Evaluated Pricing service.

3) INTERFUND RECEIVABLES AND TRANSFERS

Interfund transactions – Due to/due from interfund borrowings

Interfund receivable and payable balances at June 30, 2020 were as follows:

Payable Fund	Receivable Fund General Fund
Non-Major Governmental Funds	$ 782,605
Enterprise Fund	518,705
Internal Service Funds	62,452
Total	$ 1,363,762

These interfund payables represent temporary loans to cover negative cash balances.

Interfund transactions - Advances

Payable Fund	Receivable Fund General Fund
Non-Major Governmental Funds	$ 332,173

Advances between the General Fund and the Auto Plaza Improvement District non-major special revenue fund are for cash advanced for the replacement of the reader board sign at the Auto Plaza.

Interfund transactions - Transfers

The following schedule summarizes the City's transfer activity:

	Transfer In			
Transfers Out:	State Gas Tax	Non-Major Governmental Funds	Internal Services Funds	Total Transfers Out
General Fund	$ 567,148	$ 906,909	$ -	$ 1,474,057
Non-major Governmental Funds	-	20,856	182,042	202,898
Internal Service Funds	-	-	66,074	66,074
Total Transfers In:	$ 567,148	$ 927,765	$ 248,116	$ 1,743,029

3) INTERFUND RECEIVABLES AND TRANSFERS, (continued)

Interfund transactions – Transfers, (continued)

The $567,148 transfer from General Fund to State Gas Tax fund was for the SB1 project. The $906,909 transfer from General Fund to Non-major Governmental Funds included $578,918 for the Successor Agency Note payment to the County and $327,991 as the remainder for capital projects.

The $20,856 transfer within Non-major Governmental Funds was for shared services.

The $66,074 transfer within Internal Services Funds and the $182,042 transfer from Non-major Governmental Funds to Internal Services Funds were for the acquisition of police vehicles.

4) LONG-TERM RECEIVABLES FROM SUCCESSOR AGENCY

Prior to the dissolution of the Commission's redevelopment activities on February 1, 2012, the City authorized several advances to be used for completing redevelopment projects throughout the community. As a result of the dissolution, the liabilities related to these advances were transferred to the Successor Agency. See Note 18 and 20 for additional information.

The outstanding receivable side of these advances at June 30, 2020 was as follows:

a) The General Fund had made the several advances to the Commission totaling $8,100,000 for administrative and capital improvement construction costs ("General Advance"). Eighty percent (80%) of the balance is reported in the General Fund and the remaining twenty percent (20%) balance is reported in the West Covina Housing Authority Special Revenue Fund.

b) In May 2010, the Commission made an advance of $6,529,308 from the Low and Moderate Income Housing Capital Projects Fund to the Citywide Project Area Debt Service Fund to satisfy the Commission's Supplemental Educational Revenue Augmentation Fund (SERAF) obligation as required by Assembly Bill ABX4-26. The advance bears no interest. In May 2011, the Commission made an advance of $1,344,269 from the Low and Moderate Income Housing Capital Projects Fund to the Citywide Project Area Debt Service Fund to satisfy the SERAF obligation as required by Assembly Bill ABX4-26. The advance bears no interest and must be repaid by August 1, 2022. Effective February 1, 2012, the Commission's redevelopment activities were dissolved, and the receivable side of these advances were retained by the Housing Authority.

The "Dissolution Act" (AB 1x26 as amended by AB 1484) outlines the method of repayment for the General Advances and the SERAF Advances by the Successor Agency.

4) LONG-TERM RECEIVABLES FROM SUCCESSOR AGENCY, (continued)

The Dissolution Act sets a defined schedule by which the general advances may be repaid. The repayment schedule is to span a reasonable term of years, with outstanding balances incurring interest at a rate not to exceed that earned by the funds deposited into the Local Agency Investment Fund ("LAIF"). Repayment of the general advances is subject to additional repayment limitations. Repayment commenced in the 2015-2016 fiscal year, annual payments are capped as determined by a specific formula, repayment of the general advances is on a lower payment priority than other obligations of the Successor Agency, and twenty percent (20%) of the repayment amount must be deposited in the LMIHF for the benefit of the Housing Authority. Total general advance and SERAF advance repayments made in the fiscal year 2019-20 were $635,182 and $2,696,738, respectively.

c) The advances from Successor Agency of $951,661 are related to in-transit deposits that the City is still requesting from the Department of Finance.

The outstanding balances at June 30, 2020 were as follows:

General advances	$ 3,310,374
Tax sharing advances	951,661
SERAF advances	1,395,758
Total advances to Successor Agency	$ 5,657,793

5) NOTES AND LOANS RECEIVABLE

The following notes and loans receivable were outstanding as of June 30, 2020:

Housing rehabilitation	$ 353,888
First time home buyers	214,537
Housing preservation program	640,949
Home improvement program	738,213
Lark Ellen Towers	6,380,133
Executive Lodge Apartments Limited Partnership	6,271,978
West Covina Senior Villas, LLC	2,833,333
West Covina Senior Villas II, L.P.	8,513,884
Other loans	608,196
Less allowance for doubtful accounts	(12,052,686)
Total	$ 14,502,425

Several housing rehabilitation loans totaling $353,888 have been made to qualified applicants using Community Development Block Grants received by the City and housing set-aside funds of the former Commission's redevelopment activities. These loans bear interest up to 5% and are repaid when title to the property changes. The City has included 5% of the balance in the allowance for doubtful accounts.

5) NOTES AND LOANS RECEIVABLE, (continued)

The Housing Authority has loans to first-time home buyers totaling $214,537. Loans are secured by second trust deeds and bear interest at 5%. Principal and interest are deferred for five years and are due monthly in years 6 through 30. There were 19 individual loans outstanding at June 30, 2020 ranging from $5,710 to $22,407. The City has included 5% of the balance in the allowance for doubtful accounts.

The Housing Authority also has housing preservation loans to qualified applicants using housing set-aside funds totaling $640,949. Principal and interest are deferred for ten years; after the tenth year loans bear interest at 5%. Loans are repaid after the tenth year or when title to the property changes. There were 81 individual loans outstanding at June 30, 2020 ranging from $205 to $10,659. The City has included 5% of the balance in the allowance for doubtful accounts.

Several housing improvement loans totaling $738,213 have been made to qualified applicants. The loans are secured by second trust deeds. The City has included 5% of the balance in the allowance for doubtful accounts.

In May 1997, the Commission loaned $4,270,000 to Lark Ellen Towers. The loan was transferred to the Housing Authority from the dissolved former Commission. The loan is secured by a deed of trust. The loan accrues interest at 3% per annum and requires annual payments equal to the maximum of $35,000 or 50% of net profits earned by the project. The outstanding principal and accrued interest at June 30, 2020 was $6,380,133.

In April 1998, the Commission loaned $5,622,300 to Executive Lodge Apartments Limited Partnership (Promenade Apartments project). The loan was transferred to the Housing Authority from the dissolved former Commission. The loan is secured by a deed of trust. The loan was amended and restated on April 1, 2017, with a principal of $6,056,621 accruing interest at 2.82% compounded annually and requires annual payments equal to 50% of “Available Cash Flow”. The outstanding principal and accrued interest at June 30, 2020 was $6,271,978.

In May 2002, the Commission loaned $4,360,000 to West Covina Senior Villas, LLC. The loan is secured by a deed of trust. The loan does not accrue interest. The loan requires annual payments of $141,667 through May 2032 that are forgiven by the City unless the borrower defaults on the agreement. The outstanding principal at June 30, 2020 was $2,833,333. The loan is likely to be forgiven; therefore, the City has included the entire balance in the allowance for doubtful accounts.

In May 2009, the Commission entered into an agreement with West Covina Senior Villas II, L.P. to provide $8,600,000 for the acquisition of real property in the City and construction and maintenance of an approximately 65-unit apartment complex to be rented to low income and very low income senior citizens. The loan is secured by a deed of trust. The loan does not accrue interest and is forgiven so long as the borrower does not default on the loan. The outstanding principal at June 30, 2020 was $8,513,884. The loan is likely to be forgiven; therefore, the City has included the entire balance in the allowance for doubtful accounts.

5) NOTES AND LOANS RECEIVABLE, (continued)

Other notes consist of affordable housing loans of $400,000. The notes do not accrue interest and are forgiven unless the borrower sells or refinances the property. Additionally, the balance included a note of $208,196 for low income housing which accrues no interest and is forgivable if the owner maintains the low and moderate income housing status. The outstanding principal of these loans combined at June 30, 2020 was $608,196. The loan is likely to be forgiven; therefore, the City has included the entire balance in the allowance for doubtful accounts.

6) LAND HELD FOR RESALE

Land held for resale is valued at the lower of cost or the sales price per contract with the developer. The land held for resale at June 30, 2020 was comprised of land to be used as open space or a municipal golf course in the amount of $3,007,802.

7) CAPITAL ASSETS

Capital asset activity was as follows for governmental activities for the year ended June 30, 2020:

Governmental activities:	Balance June 30, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Capital assets, not depreciated:					
Land	$ 48,815,622	$ -	$ (1,603,087)	$ -	$ 47,212,535
Rights of way	14,376,498	-	-	-	14,376,498
Construction in progress	1,074,815	3,613,345	(1,705,555)	-	2,982,605
Total capital assets, not depreciated	64,266,935	3,613,345	(3,308,642)	-	64,571,638
Capital assets, being depreciated:					
Buildings and improvements	115,048,221	676,389	-	-	115,724,610
Equipment and vehicles	32,601,682	2,362,139	(628,349)	-	34,335,472
Infrastructure - pavement	196,892,462	144,801	-	-	197,037,263
Infrastructure - other	23,573,729	579,694	-	-	24,153,423
Total capital assets, being depreciated	368,116,094	3,763,023	(628,349)	-	371,250,768
Less accumulated depreciation for:					
Buildings and improvements	(46,186,171)	(2,734,668)	-	-	(48,920,839)
Equipment and vehicles	(23,823,369)	(2,505,139)	628,349	-	(25,700,159)
Infrastructure - pavement	(146,271,704)	(6,738,389)	-	-	(153,010,093)
Infrastructure - other	(18,126,585)	(428,828)	-	-	(18,555,413)
Total accumulated depreciation	(234,407,829)	(12,407,024)	628,349	-	(246,186,504)
Total capital assets, being depreciated, net	133,708,265	(8,644,001)	-	-	125,064,264
Total governmental activities	$ 197,975,200	$ (5,030,656)	$ (3,308,642)	$ -	$ 189,635,902

Construction in progress not deemed viable of $547,164 is included in the deletions for the current year.

7) CAPITAL ASSETS, (continued)

Depreciation expense (including $179,088 from Internal Service Funds) was charged to the following functions in the Statement of Activities for the year ended June 30, 2020 as follows:

General government	$ 422,430
Public safety	1,771,494
Public works	8,358,734
Community services	1,854,366
Total depreciation expense – governmental activities	$ 12,407,024

Capital asset activity was as follows for business-type activities for the year ended June 30, 2020:

Business-type activities:	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, being depreciated:				
Equipment and vehicles	$ 1,059,120	$ -	$ -	$ 1,059,120
Less accumulated depreciation for:				
Equipment and vehicles	(1,059,120)	-	-	(1,059,120)
Total business-type activities	$ -	$ -	$ -	$ -

There was no depreciation expense charged to the computer service program for the year ended June 30, 2020.

8) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2020:

Governmental activities:	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Long-term debt					
Direct borrowing:					
Notes payable	$ 9,762,679	$ -	$ (578,918)	$ 9,183,761	$ 578,918
Lease Revenue Bonds:					
2006 Lease Revenue Bonds	15,860,000	-	(460,000)	15,400,000	515,000
2018 Lease Revenue Refunding Bonds	23,820,000	-	(795,000)	23,025,000	835,000
Plus deferred amounts:					
Issuance premium	1,327,613	-	(53,105)	1,274,508	53,105
Total Lease Revenue Bonds	41,007,613	-	(1,308,105)	39,699,508	1,403,105
Subtotal long-term debt	50,770,292	-	(1,887,023)	48,883,269	1,982,023
Other long-term liabilities					
Capital Lease Payable	-	196,759	(16,637)	180,122	37,037
Compensated absences	4,258,671	1,557,692	(1,959,258)	3,857,105	1,986,688
Claims and judgments payable	10,056,183	8,147,744	(5,025,024)	13,178,903	4,402,010
Subtotal other long-term liabilities	14,314,854	9,902,195	(7,000,919)	17,216,130	6,425,735
Total long-term liabilities	$ 65,085,146	$ 9,902,195	$ (8,887,942)	$ 66,099,399	$ 8,407,758

The following is a summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2020:

Business-type activities:	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Compensated absences	$ 91,515	$ 27,971	$ (55,866)	$ 63,620	$ 55,648

Notes Payable – Direct Borrowing

CVHP Note Payable

On September 13, 2016, the City entered into a note agreement for $500,000 with Citrus Valley Health Partners (CVHP) to finance the purchase of certain real property to expand Cameron Park. The promissory note was part of the negotiations for the potential sale of Sunset Field to CVHP and bears no interest. The City has granted to CVHP the option to purchase the Sunset Field before the expiration date as set forth in the Memorandum of Option. The City has the right to prepay the outstanding principal amount in whole or in part without penalty. The full principal amount will be credited to Lender against the purchase price payable if Lender acquires the Sunset Field from the City. The outstanding balance at June 30, 2020 was $500,000.

In July 2020, the sale agreement of the Sunset Field between the City and CVHP has been executed. The outstanding balance of the note therefore has been credited against the purchase price and the loan is deemed paid in full.

8) LONG-TERM LIABILITIES, (continued)

Notes Payable, (continued)

Successor Agency Note

On December 4, 2015, the City and Successor Agency entered into a settlement agreement with the California Department of Finance (DOF) regarding the Other Funds Due Diligence Review. The agreement requires the City to repay the Successor Agency $11,578,351 for transfers that did not represent enforceable obligations. The Successor Agency will then remit these funds to the Los Angeles County Auditor-Controller for allocation to the affected taxing entities. The amount of the note must be repaid through biannual payments in the amount of $289,459 each January 15th and June 15th until the loan is repaid in full on June 15, 2035. There is no interest charged on this repayment. The outstanding balance as of June 30, 2020 was $8,683,761.

The annual debt service requirements on the Successor Agency note as of June 30, 2020 were as follows:

Year Ending June 30,	Principal
2021	$ 578,918
2022	578,918
2023	578,918
2024	578,918
2025	578,918
2026-2030	2,894,590
2031-2035	2,894,581
Total	$ 8,683,761

Lease Revenue Bonds

2006 Lease Revenue Bonds, Series A and B (Big League Dreams Project)

In September 2006, the City issued $10,710,000 of Lease Revenue Bonds, Series A and $7,295,000 of taxable Lease Revenue Bonds, Series B to provide financing for facilities and infrastructure related to the Big League Dreams sports park. The Series A bonds mature annually through June 1, 2036, in amounts ranging from $80,000 to $1,270,000, with interest rates that range from 4.0% to a maximum of 5.0% over the term of the bonds. The Series B bonds mature annually through June 1, 2036, in amounts ranging from $115,000 to $550,000, with interest rates that range from 5.39% to a maximum of 6.07% over the term of the bonds. The bonds are payable from lease payments as rental for certain public facilities. The reserve requirement was fully funded at June 30, 2020. The outstanding principal balance as of June 30, 2020 was $15,400,000.

8) LONG-TERM LIABILITIES, (continued)

Lease Revenue Bonds, (continued)

2006 Lease Revenue Bonds, Series A and B (Big League Dreams Project), (continued)

The annual debt service requirements on the 2006 Lease Revenue Bonds as of June 30, 2020 were as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 515,000	$ 830,990	$ 1,345,990
2022	585,000	804,327	1,389,327
2023	660,000	772,557	1,432,557
2024	695,000	736,880	1,431,880
2025	730,000	699,295	1,429,295
2026-2030	4,305,000	2,856,229	7,161,229
2031-2035	6,090,000	1,553,179	7,643,179
2036	1,820,000	96,885	1,916,885
Total	$ 15,400,000	$ 8,350,342	$ 23,750,342

2018 Lease Revenue Refunding Bonds, Series A and B

On November 20, 2018, the City issued $19,310,000 of Lease Revenue Bonds, Series A and $4,855,000 of taxable Lease Revenue Bonds, Series B to provide financing for the advance refunding of the City's 2002 Lease Revenue Bonds Series A, 2004 Lease Revenue Bonds Series A&B, and the 2013 Lease Revenue Refunding Bonds Series A. The Series A bonds mature annually through May 1, 2044, in amounts ranging from $460,000 to $125,000, with interest rates that range from 4.0% to a maximum of 5.0% over the term of the bonds. The Series B bonds mature annually through May 1, 2030, in amounts ranging from $345,000 to $500,000, with interest rates that range from 2.953% to a maximum of 4.469% over the term of the bonds. The bonds are payable from lease payments as rental for certain public facilities. The reserve requirement was fully funded as of June 30, 2020. The outstanding principal balance as of June 30, 2020 was $23,025,000.

The net savings and economic gain (loss) from this current refunding is unavailable due to those refunded bond series (including 2002 Lease Revenue Bonds Series A, 2004 Lease Revenue Bonds Series A&B, and the 2013 Lease Revenue Refunding Bonds Series A) having variable interest rates.

8) LONG-TERM LIABILITIES, (continued)

Lease Revenue Bonds, (continued)

2018 Lease Revenue Refunding Bonds, Series A and B, (continued)

The annual debt service requirements on the 2018 Lease Revenue Bonds as of June 30, 2020 were as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 835,000	$ 1,028,098	$ 1,863,098
2022	870,000	991,076	1,861,076
2023	910,000	952,011	1,862,011
2024	950,000	910,569	1,860,569
2025	990,000	866,750	1,856,750
2026-2030	5,680,000	3,592,601	9,272,601
2031-2035	7,075,000	2,099,750	9,174,750
2036-2040	5,245,000	541,000	5,786,000
2041-2044	470,000	48,000	518,000
Total	$ 23,025,000	$ 11,029,855	$ 34,054,855

Capital Lease Payable

On October 8, 2019, the City financed the purchase of fire trucks by a five-year lease with the term at $196,759. The loan bears an interest at 4.36% a year and matures on December 1, 2024. Under the lease term, the City has a purchase option of these vehicles at the maturity of the term for $0. These assets have been capitalized with the obligation shown in the statement of net position. The cost of the trucks was $196,759 with the accumulated depreciation of $28,108 as of June 30, 2020.

The total principal amount outstanding at June 30, 2020 was $180,122. The City's outstanding loan from direct borrowing of is secured with the vehicles as collateral. The outstanding loan from direct borrowings contain a provision that in an event of default, the timing of repayment of outstanding amounts may become immediately due or the vehicles may be repossessed.

The future minimum payments on the lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 37,037	$ 7,115	$ 44,152
2022	38,684	5,469	44,153
2023	40,404	3,749	44,153
2024	42,200	1,953	44,153
2025	21,797	278	22,075
	$ 180,122	$ 18,564	$ 198,686

8) LONG-TERM LIABILITIES, (continued)

Compensated Absences

The liability of $3,857,105 represents the governmental activities portion of total unpaid vacation and compensation time earned by employees of the City. There is no fixed payment schedule for earned but unpaid compensated absences. The General Fund typically has been used to liquidate the liability for compensated absences.

The liability of $63,620 represents the business-type activity portion of total unpaid vacation and compensation time earned by employees of the City. There is no fixed payment schedule for earned but unpaid compensated absences.

Claims and Judgments

The City is exposed to various risks of loss related to its operation, including losses associated with errors and omissions, injuries to employees and members of the public. The City's Internal Service Self-Insurance Fund is used to account for and finance its uninsured risks of loss.

The claims and judgments liability reported in the Internal Service Self-Insurance Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims and judgments be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Claims and judgments payable, including estimated claims for incurred but not reported claims, amounted to $13,178,903 as of June 30, 2020.

Changes in the claims and judgments payable amounts in fiscal year 2020 for the Self-Insurance Fund were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claims Payments	End of Fiscal Year Liability
2018-2019	$ 10,283,674	$ 2,507,859	$ (2,735,350)	$ 10,056,183
2019-2020	10,056,183	8,147,744	(5,025,024)	13,178,903

9) SELF-INSURANCE

The City is a member of California State Association of Counties (CSAC) Excess Insurance Authority. The Authority is a member directed joint powers insurance pool, which has been operational since October 1979.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 coverage.

The City participates in the excess workers' compensation and excess general liability programs of the Authority. The City is exposed to various risks of loss related to its operation, including losses associated with errors and omissions, injuries to employees and members of the public. The City's Internal Service Self-Insurance Fund is used to account for and finance its uninsured risks of loss.

The City is self-insured for the first $1,000,000 each for general liability and workers' compensation claims against the City.

For workers' compensation, the City has a self-insured retention of $1,000,000 per occurrence. The City has a pooled retention of $5,000,000 each occurrence, a $20,000,000 reinsurance layer in excess of the $5,000,000 pooled retention per occurrence for general liability. During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There has been no significant reduction in pooled or insured liability coverage from coverage in the prior year.

On May 5, 2020, the City was approved to join the California Joint Powers Insurance Authority (CJPIA) and pool the City's self-insurance general liability and workers' compensation insurance through the CJPIA programs effective July 1, 2020. The City's withdrawal from the CSAC was also authorized by the City Council effective concurrently.

10) NON-CITY OBLIGATION DEBT

Emanate Health, a California nonprofit public benefit corporation (the Corporation"), has requested that the California Statewide Communities Development Authority (the "Authority") participate in the issuance of one or more series of revenue bonds in an aggregate principal amount not to exceed $260,000,000 (the "Bonds") for the acquisition, construction, equipping, improvement, renovation, rehabilitation and/or remodeling of hospital, health care and related facilities (the "Facilities") to be owned and operated by the Corporation or one of its affiliates (the "Project"). For each component of the Project, the issuance of the Bonds by the Authority must be approved by the applicable city in which the component of the Project is located before construction can begin. One component of the Project consists of the construction of two separate buildings at the Queen of the Valley Hospital campus located in West Covina.

On May 19, 2020, the City Council approved the issuance of the Bonds and Refunding Bonds by the Authority for the purposes of financing and/or refinancing the Project via the adoption of the resolution number 2020-26.

11) FUND BALANCE CLASSIFICATION

The fund balances reported on the fund statements consist of the following categories:

Non-spendable Fund Balance - This includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance - This classification includes amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council (Council) has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. Additional formal action does not normally have to be taken for the removal of an assignment.

Unassigned Fund Balance - This is the residual classification that includes all spendable amounts not contained in the other classifications.

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.

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

11) FUND BALANCE CLASSIFICATION, (continued)

The details of fund balance as of June 30, 2020 were presented below:

		Special Revenue Funds			
	General Fund	West Covina Housing Authority	State Gas Tax	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable:					
Prepaid expenses	$ 147,023	$ 82,420	$ -	$ -	$ 229,443
Advances to other funds	332,173	-	-	-	332,173
Advances to			-		
Successor Agency	3,599,960	-	-	-	3,599,960
Land held for resale	3,007,802	-	-	-	3,007,802
Restricted:					
Affordable housing	-	24,409,396	-	-	24,409,396
Debt service	-	-	-	4,055,990	4,055,990
Pension Trust	7,650	-	-	-	7,650
Community services	-	-	-	4,843,488	4,843,488
Public safety	-	-	-	7,730,436	7,730,436
Public works	-	-	4,720,311	18,285,074	23,005,385
Assigned:					
Capital projects	-	-	-	1,786,815	1,786,815
Unassigned	12,580,716	-	-	(1,158,958)	11,421,758
Totals	$ 19,675,324	$ 24,491,816	$ 4,720,311	$ 35,542,845	$ 84,430,296

12) ACCUMULATED FUND BALANCES/NET POSITION DEFICITS

The following funds reported deficits in fund balances/net position as of June 30, 2020:

	Deficit Balance
Non-Major Funds:	
Proposition A Special Revenue Fund	$ (36,739)
CESF Special Revenue Fund	(141)
Transportation Development Act Special Revenue Fund	(60,457)
Various Grants Special Revenue Fund	(345,953)
Community Development Block Grant Special Revenue Fund	(469,907)
Auto Plaza Improvement District Special Revenue Fund	(172,153)
Integrated Waste Management Special Revenue Fund	(11,073)
Measure H Special Revenue Fund	(62,535)
Self-Insurance Internal Service Fund	(2,152,648)
Computer Service Fund Enterprise Fund	(244,119)
Governmental activities	(18,642,521)

The deficit of $36,739 in the Proposition A Special Revenue Fund, $141 in the U.S Department of Justice Special Revenue Fund, $60,457 in the Transportation Development Act Special Revenue Fund, $345,953 in the Various Grants Special Revenue Fund, $469,907 in the Community Development Block Grant Special Revenue Fund, $172,153 in Auto Plaza Improvement District Special Revenue Fund, $11,073 in the Integrated Waste Management Special Revenue Fund and $62,535 in the Measure H Special Revenue Fund are the results of expenditures incurred prior to reimbursement from grantors. The deficits will be eliminated through future grant revenues and as the Auto Plaza Improvement District pays back their advance from the General Fund.

The deficit in the self-insurance internal service fund was a result of multiple litigation settlements during the year. The deficit will be eliminated through future revenues to this fund.

The deficit in the Computer Services Fund net position was a result of additional expenses incurred for the development of new software. City Council has approved an agreement to transition the Computer Services Fund to a private vendor. The deficit will be eliminated through future revenues as a part of the transition.

The deficit in the Governmental activities net position was a result of increased pension costs for unfunded liabilities and other post-employment benefits.

13) PENSION PLAN SUMMARY

The City currently has a total of two pension plans administered by CalPERS and two retirement enhancement plans administered by PARS. The pension plans consist of a miscellaneous agent plan and a safety agent plan (see Note 14 for a full description of the plans). The retirement enhancement plan consists of an EPMC replacement supplemental retirement plan and a supplemental retirement plan for executive staff and City Council (see Note 15 for a full description of the plans). The summary of the pension related liability, deferred inflows of resources and deferred outflows of resources are as follows:

	Miscellaneous	Safety	EPMC	Exec	Total
Deferred Outflows of Resources - Pension related	$ 4,140,677	$ 18,162,220	$ 315,642	$ 80,311	$ 22,698,850
Deferred Inflows of Resources - Pension related	621,252	2,578,326	93,493	-	3,293,071
Pension Liability	46,031,509	144,682,762	951,046	3,486,069	195,151,386

14) RETIREMENT PLAN - CALPERS

A) General Information about the Pension Plans

Plan Descriptions

The Plans are agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plans regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the plan's June 30, 2018 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

14) RETIREMENT PLAN - CALPERS, (continued)

A) General Information about the Pension Plans, (continued)

Benefits Provided, (continued)

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plans' provisions and benefits in effect at June 30, 2020 are summarized as follows:

	Miscellaneous Plan			
Hire date	Prior to January 1, 2011	After January 1, 2011	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.0% @ 55	2.5% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67+	50 - 67+	50 - 67+	52 - 67+
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	0.00%	8.00%	7.00%	6.25%
Required employer contribution rates	8.731%	8.731%	8.731%	8.731%

	Safety Plan		
Hire date	Prior to July 1, 2012	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 & Up	50 - 55+	50 - 57+
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%	11.50%
Required employer contribution rates	19.950%	19.950%	19.950%

Employees Covered

As of June 30, 2018, (valuation date), the following employees were covered by the benefit terms:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	437	340
Inactive employees entitled to but not yet receiving benefits	248	65
Active employees	152	161
Total	837	566

14) RETIREMENT PLAN - CALPERS, (continued)

A) General Information about the Pension Plans, (continued)

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. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Miscellaneous and Safety Plan's for the fiscal year ended June 30, 2020 were $3,588,349 and $12,592,730, respectively.

B) Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method:	Market Value of Assets.
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA up to 2.50% 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 Society of Actuaries Scale 90% of scale MP 2016. For more details on the 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.

14) RETIREMENT PLAN - CALPERS, (continued)

B) Net Pension Liability, (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability, (continued)

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

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 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 expected real rates of return by asset class are as follows:

Asset Class[1]	New Strategic Allocation	Real Return Years 1 - 10[2]	Real Return Year 11+[3]
Global Equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)
Total	100.0%		

[1] In the System's CAFR, 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 2.0% used for this period

[3] An expected inflation of 2.92% used for this period

14) RETIREMENT PLAN - CALPERS, (continued)

B) Net Pension Liability, (continued)

Change in Assumptions

There were no changes of assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. 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.

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

14) RETIREMENT PLAN - CALPERS, (continued)

C) Changes in the Net Pension Liability and Proportionate Share of Net Pension Liability

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

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability/(Asset) (c) = (a) - (b)**
Balance at: 6/30/2018 (VD)	**$ 157,065,997**	**$ 113,834,917**	**$ 43,231,080**
Changes Recognized for the Measurement Period:			
• Service Cost	1,488,940	-	1,488,940
• Interest on the Total Pension Liability	11,031,185	-	11,031,185
• Differences between Expected and Actual Experience	1,166,025	-	1,166,025
• Contributions from the Employer	-	3,041,783	(3,041,783)
• Contributions from Employees	-	597,814	(597,814)
• Net Investment Income	-	7,327,093	(7,327,093)
• Benefit Payments, including Refunds of Employee Contributions	(9,388,384)	(9,388,384)	-
• Administrative Expense	-	(81,235)	81,235
• Other Miscellaneous Income/(Expense)	-	266	(266)
Net Changes during 2018-19	**4,297,766**	**1,497,337**	**2,800,429**
Balance at: 6/30/2019 (MD)	**$ 161,363,763**	**$ 115,332,254**	**$ 46,031,509**

Valuation Date (VD), Measurement Date (MD).

14) RETIREMENT PLAN - CALPERS, (continued)

C) Changes in the Net Pension Liability and Proportionate Share of Net Pension Liability, (continued)

Safety Plan

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability/(Asset) (c) = (a) - (b)**
Balance at: 6/30/2018 (VD)	**$ 384,184,012**	**$ 244,096,518**	**$ 140,087,494**
Changes Recognized for the Measurement Period:			
• Service Cost	5,573,847	-	5,573,847
• Interest on the Total Pension Liability	26,959,893	-	26,959,893
• Differences between Expected and Actual Experience	706,038	-	706,038
• Contributions from the Employer	-	11,176,490	(11,176,490)
• Contributions from Employees	-	1,731,882	(1,731,882)
• Net Investment Income	-	15,909,762	(15,909,762)
• Benefit Payments, including Refunds of Employee Contributions	(21,231,071)	(21,231,071)	-
• Administrative Expense	-	(174,192)	174,192
• Other Miscellaneous Income/(Expense)	-	568	(568)
Net Changes during 2018-19	**12,008,707**	**7,413,439**	**4,595,268**
Balance at: 6/30/2019 (MD)	**$ 396,192,719**	**$ 251,509,957**	**$ 144,682,762**

Valuation Date (VD), Measurement Date (MD).

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

The following presents the net pension liability of the Miscellaneous and Safety Plan as of the measurement date, calculated using the discount rate of 7.15 percent, 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 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	**Current Discount Rate (7.15%)**	**Discount Rate + 1% (8.15%)**
Miscellaneous Plan's Net Pension Liability	$ 65,680,446	$ 46,031,509	$ 29,722,459
Safety Plan's Net Pension Liability	$ 197,221,568	$ 144,682,762	$ 101,474,111

14) RETIREMENT PLAN - CALPERS, (continued)

C) Changes in the Net Pension Liability and Proportionate Share of Net Pension Liability, (continued)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, 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 deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

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 Miscellaneous Plan for the measurement date ending June 30, 2019 is 1.9 years, which was obtained by dividing the total service years of 1,614 (the sum of remaining service lifetimes of the active employees) by 837 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The EARSL for the Safety Plan for the measurement date ending June 30, 2019 is 3.4 years, which was obtained by dividing the total service years of 1,925 (the sum of remaining service lifetimes of the active employees) by 566 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

14) RETIREMENT PLAN - CALPERS, (continued)

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

As of the start of the measurement period (July 1, 2018), the net pension liability for Miscellaneous and Safety Plan was $43,231,080 and $140,087,494, respectively.

For the measurement period ending June 30, 2019 (the measurement date), the City incurred a pension expense of $6,407,181 for the Miscellaneous Plan and $22,636,723 for the Safety Plan. A complete breakdown of the pension expense for Miscellaneous and Safety Plan is as follows:

Miscellaneous Plan

Description:	Amount
Service Cost	$ 1,488,940
Interest on the Total Pension Liability	11,031,185
Recognized Differences between Expected and Actual Experience	1,055,939
Recognized Changes of Assumptions	(396,055)
Employee Contributions	(597,814)
Projected Earnings on Pension Plan Investments	(7,918,718)
Recognized Differences between Projected and Actual Earnings on Plan Investments	1,662,735
Administrative Expense	81,235
Other Miscellaneous (Income)/Expense	(266)
Total Pension Expense	$ 6,407,181

Safety Plan

Description:	Amount
Service Cost	$ 5,573,847
Interest on the Total Pension Liability	26,959,893
Recognized Differences between Expected and Actual Experience	129,697
Recognized Changes of Assumptions	5,219,077
Employee Contributions	(1,731,882)
Projected Earnings on Pension Plan Investments	(17,105,470)
Recognized Differences between Projected and Actual Earnings on Plan Investments	3,417,937
Administrative Expense	174,192
Other Miscellaneous (Income)/Expense	(568)
Total Pension Expense	$ 22,636,723

14) RETIREMENT PLAN - CALPERS, (continued)

D) Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, (continued)

As of June 30, 2020, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 552,328	$ -	$ 1,596,401	$ (522,943)
Changes of Assumptions	-	-	3,973,089	(730,818)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(621,252)	-	(1,324,565)
Difference in Actual vs Projected Contributions	-	-	-	-
Pension Contributions Subsequent to Measurement Date	3,588,349	-	12,592,730	-
	$ 4,140,677	$ (621,252)	$ 18,162,220	$ (2,578,326)

These amounts above are net of outflows and inflows recognized in the 2018-19 measurement period expense. The $3,588,349 and $12,592,730 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources, Net	
	Miscellaneous	Safety
2021	$ 1,034,177	$ 4,880,900
2022	(1,035,243)	(1,800,677)
2023	(186,183)	(328,199)
2024	118,325	239,140
2025	-	-
Thereafter	-	-

D) Payable to the Pension Plan

The City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

15) PUBLIC AGENCY RETIREMENT SYSTEM (PARS)

A) EPMC Replacement Supplemental Retirement Plan

General Information about the Pension Plan

Plan Description and Benefits

Effective November 1, 2007, the City established an agent multiple-employer defined benefit plan to supplement the current CalPERS retirement benefits that is to be administered for the City by the Public Agency Retirement System (PARS), a third-party administrator. The plan meets the requirements of a pension trust under California Government Code. Phase II Systems is the PARS Trust Administrator. The plan does not issue separate financial reports.

The EPMC Replacement Plan was established to replace a long-standing benefit for city employees no longer allowed by CalPERS. The plan provides for a benefit in an amount equal to the member's years of service, times the member's final pay, times the CalPERS age factor, times .70% for miscellaneous employees (times .89% for safety employees). At the time of retirement, employees will make an election to receive either a lump sum payment or receive ongoing stipends over their lifetime.

Employees shall be eligible to receive benefits under this plan if he or she meets all of the following requirements under one of the following tiers:

Tier 1

- Full time miscellaneous employees on or after July 1, 2004 but hired prior to July 1, 2011.
- Classified as a department head or city council, employee represented by the Confidential Employees' Association, General Employees' Association, West Covina Maintenance and Crafts Employees' Association, Mid-Management Employees' Association and Non-Sworn Support Employees' Association.
- Has had compensable earnings under CalPERS impacted by CalPERS regulation, thereby causing a reduction in CalPERS benefits.
- At least fifty (50) years of age.
- Has completed at least one year of employment.
- Has terminated employment with the City and concurrently retired under CalPERS under a regular service retirement and remains in retired status under CalPERS.
- Has applied for benefits under this plan.

15) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued):

A) EPMC Replacement Supplemental Retirement Plan, (continued)

<u>General Information about the Pension Plan, (continued)</u>

Plan Description and Benefits, (continued)

Tier 2

- Full time employee:
  - Fire management employee on or after July 1, 2004 but hired prior to July 1, 2011.
  - Fire safety employee on or after July 1, 2004 but hired prior to July 1, 2012.
  - Police management employee on or after July 1, 2004 but hired prior to December 31, 2012, or an employee hired prior to January 1, 2013 who promotes or transfers to police management position on or after January 1, 2013.
- Not represented by the West Covina Police Officers Association.
- Has had compensable earnings under CalPERS impacted by CalPERS regulation, thereby causing a reduction in CalPERS benefits.
- At least fifty (50) years of age.
- Has completed at least one year of employment.
- Has terminated employment with the City and concurrently retired under CalPERS under a regular service retirement, and remains in retired status under CalPERS.
- Has applied for benefits under this plan.

Contributions

The City makes all contributions to these plans. Participants do not make any contributions. The actuarially required contribution is determined on the funding policy and most recent measurement available when the contribution for the reporting period was adopted. The City is funding the plan to pay the benefit payments payable each year. The City's contribution for the year ended June 30, 2020 was $56,957.

15) PUBLIC AGENCY RETIREMENT SYSTEM (PARS*),* (continued)

A) EPMC Replacement Supplemental Retirement Plan, (continued)

General Information about the Pension Plan, (continued)

Employees Covered

At June 30, 2019, the measurement date, the following employees were covered by the benefit terms for the plan:

	EPMC
Inactive employees or beneficiaries currently receiving benefits	39
Active employees	109
Total	148

Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2019. A summary of principal assumptions and methods used to determine the net pension liability is shown on the next page.

Actuarial Assumptions

The total pension liability at June 30, 2019, the measurement date, was determined using the following actuarial assumptions:

	EPMC
Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.90% at June 30, 2019 4.86% at June 30, 2018
Inflation	2.75% annually
Salary Increases	Aggregate - 3% annually Merit - CalPERS 1997-2015 Experience Study
Investment Rate of Return	6.25% at June 30, 2019 and June 30, 2018
Mortality Rate Table	CalPERS 1997-2015 Experience Study

15) PUBLIC AGENCY RETIREMENT SYSTEM (PARS*)*, (continued)

A) EPMC Replacement Supplemental Retirement Plan, (continued)

Net Pension Liability, (continued)

Discount Rate

GASB 67 and 68 generally require that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 and 68 will often require that the actuary performs complex projections of future benefit payments and asset values.

The following circumstances were included in the evaluation of sufficiency for the City:

- Annual contributions of 0.7% of payroll (closed group basis) are assumed (beginning with 2015/16).
- Benefit payments are annually withdrawn from the Trust until assets are exhausted and then benefit payments made directly by the City.
- All cash flows are assumed to occur on average halfway through the year.
- The long-term expected rate of return on pension plan investments is 6.25%.
- The actuarial assumptions do not change.
- GASB 67 and 68 specify that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is the actuary's opinion that a depletion date projection is not appropriate. Therefore, the discount rate is based on the projected portion of the Total Pension Liability funded by the Fiduciary Net Position in each future year. For the funded portion, the long-term expected rate of return on pension plan investments (6.25%) was used. For the unfunded portion, the Bond Buyer 20-Bond Go Index as of the June 30, 2019, measurement date (3.50%) was used. The discount rate used (3.90%) represents the single equivalent rate of return, as described under GASB 68 (paragraph 31).

The best-estimate range for 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.

15) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

A) EPMC Replacement Supplemental Retirement Plan, (continued)

Net Pension Liability, (continued)

Discount Rate, (continued)

The table below reflects the long-term expected real rate of return by asset class:

Asset Class Component	Target Allocation	Expected Real Rate of Return
Equity	58.00%	4.82%
REITs	2.00%	3.76%
Fixed Income	35.00%	1.47%
Cash	5.00%	0.06%
Total	100.00%	

The plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current retirees. Therefore, the discount rate for calculating the total pension liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the plan's fiduciary net position is not projected to be sufficient. The City chose the Bond Buyer General Obligation 20-Bond Index resulting in the use of a 3.90% discount rate (single equivalent rate of return) in calculating the pension liability.

15) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

A) EPMC Replacement Supplemental Retirement Plan, (continued)

Changes in the Net Pension Liability

The changes in the net pension liability for the Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (c) = (a) - (b)**
Balances as of June 30, 2018*	**$ 961,657**	**$ 154,676**	**$ 806,981**
Changes for the year:			
• Service Cost	29,665	-	29,665
• Interest	46,211	-	46,211
• Difference between actual and expected experience	45,697	-	45,697
• Assumptions Changes	90,640	-	90,640
• Contributions- employer	-	62,350	(62,350)
• Net Investment Income	-	6,567	(6,567)
• Benefit payments and refunds	(80,968)	(80,968)	-
• Administrative Expenses	-	(769)	769
Net Changes	**131,245**	**(12,820)**	**144,065**
Balance as of June 30, 2019*	**$ 1,092,902**	**$ 141,856**	**$ 951,046**

* Measurement Date

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

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

	Discount Rate - 1% (2.90%)	**Current Discount Rate (3.90%)**	**Discount Rate + 1% (4.90%)**
Net Pension Liability	$ 1,068,709	$ 951,046	$ 853,771

15) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

A) EPMC Replacement Supplemental Retirement Plan, (continued)

Changes in the Net Pension Liability, (continued)

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

For the year ended June 30, 2020, the City recognized pension expense of $103,307. A complete breakdown of the pension expense for the Plan is as follows:

Description	**Amount**
Service cost	$ 29,665
Interest on total pension liability	46,211
Projected earnings on investments	(9,061)
Administrative expense	769
Recognition of deferred outflows/(inflows):	
Experience	8,588
Assumptions	24,458
Asset returns	2,677
Total pension expense	**$ 103,307**

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 101,991	$ (24,000)
Changes of Assumptions	152,977	(69,493)
Net Difference between Projected and Actual Earnings on Pension Plan	3,717	-
Employer Contributions Subsequent to Measurement Date	56,957	-
Total	$ 315,642	$ (93,493)

15) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

A) EPMC Replacement Supplemental Retirement Plan, (continued)

Changes in the Net Pension Liability, (continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, (continued):

The $56,957 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the upcoming fiscal year. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources, Net EPMC
2021	$ 35,323
2022	33,325
2023	25,709
2024	21,839
2025	21,341
Thereafter	27,655

Payable to the Pension Plan

The City has no outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

B) Supplemental Retirement Plan for Executive Staff and City Council

General Information about the Pension Plan

Plan Description and Benefits

Effective November 1, 2007, the City established a agent multiple-employer defined benefit plan to supplement the current CalPERS retirement benefits that is to be administered for the City by with the Public Agency Retirement System (PARS), a third-party administrator. The plan meets the requirements of a pension trust under California Government Code. Phase II Systems is the PARS Trust Administrator. The plan does not issue separate financial reports and is closed to new hires.

15) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

B) Supplemental Retirement Plan for Executive Staff and City Council, (continued)

General Information about the Pension Plan, (continued)

Plan Description and Benefits, (continued)

This agent multiple-employer defined benefit pension plan is separated into three tiers.

Tier 1 (full-time non-safety Department Head and the City Manager) and Tier 2 (City Council) provides an additional retirement amount to miscellaneous department heads, City Manager and City Council in an amount equal to the amount of $823 per month. This benefit amount increases each year by CPI, up to 2%. In order to be eligible for this benefit, participants must have five years of service with the City and must retire into PERS from the City.

Tier 3 (City Manager) provides an increased retirement benefit to a former City Manager consistent with the terms of his contract. It will convert the retirement formula for all years of prior CalPERS service at non-West Covina agencies to the CalPERS 2.5% @ 55 formula currently in place with the City of West Covina.

Contributions

All three tiers are combined for funding purposes in this plan. The City makes all contributions to these plans. Participants do not make any contributions. The actuarially required contribution is determined on a pay as you go funding policy and most recent measurement available when the contribution for the reporting period was adopted. The City is funding the plan to pay the benefit payments payable each year. The City's contribution for the year ended June 30, 2020 was $77,814.

Employees Covered

At June 30, 2019, the measurement date, the following employees were covered by the benefit terms for the plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	11
Active employees	1
Total	12

15) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

B) Supplemental Retirement Plan for Executive Staff and City Council, (continued)

Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2019. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liability in the June 30, 2019, the measurement date, was determined using the following actuarial assumptions:

	Supplemental
Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.63% at June 30, 2019
	4.16% at June 30, 2018
Inflation	2.75% annually
Salary Increases	Aggregate - 3% annually
	Merit - CalPERS 1997-2015 Experience Study
Investment Rate of Return	6.25% at June 30, 2019 and June 30, 2018
Mortality Rate Table	CalPERS 1997-2015 Experience Study

15) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

B) Supplemental Retirement Plan for Executive Staff and City Council, (continued)

Net Pension Liability, (continued)

Discount Rate

GASB 67 and 68 generally require that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 and 68 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) and 68 (paragraph 29) do allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for the City:

- The City ceased contributions and withdrawals from the Trust. The City will pay benefits directly to retirees until the trust is sufficient, on an expected basis, to pay all remaining benefits.
- All cash flows are assumed to occur on average halfway through the year.
- The long-term expected rate of return on pension plan investments is 6.25%.
- The actuarial assumptions do not change.
- GASB 67 and 68 specify that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is the actuary's opinion that a depletion date projection is not appropriate. Therefore, the discount rate is based on the projected portion of the Total Pension Liability funded by the Fiduciary Net Position in each future year. For the funded portion, the long-term expected rate of return on pension plan investments (6.25%) was used. For the unfunded portion, the Bond Buyer 20-Bond Go Index as of the June 30, 2019, measurement date, (3.50%) was used. The discount rate used (3.63%) represents the single equivalent rate of return, as described under GASB 68 (paragraph 31).

15) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

B) Supplemental Retirement Plan for Executive Staff and City Council, (continued)

Net Pension Liability, (continued)

Discount Rate, (continued)

The best-estimate range for 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 table below reflects the long-term expected real rate of return by asset class:

Asset Class Component	Target Allocation	Expected Real Rate of Return
Equity	58.00%	4.82%
REITs	2.00%	3.76%
Fixed Income	35.00%	1.47%
Cash	5.00%	0.06%
Total	100.00%	

The plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current retirees. Therefore, the discount rate for calculating the total pension liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the plan's fiduciary net position is not projected to be sufficient. The City chose the Bond Buyer General Obligation 20-Bond Index resulting in the use of a 3.63% discount rate (single equivalent rate of return) in calculating the pension liability.

15) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

B) Supplemental Retirement Plan for Executive Staff and City Council, (continued)

Changes in the Net Pension Liability

The changes in the net pension liability, with a measurement date of June 30, 2019, for the Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (c) = (a) - (b)**
Balances as of June 30, 2018*	**$ 3,267,938**	**$ 580,176**	**$ 2,687,762**
Changes for the year:			
• Service Cost	11,963	-	11,963
• Interest	133,267	-	133,267
• Difference between actual and expected experience	477,904	-	477,904
• Assumptions Changes	281,983	-	281,983
• Contributions- employer	-	78,102	(78,102)
• Contributions- employee	-	-	-
• Net Investment Income	-	31,817	(31,817)
• Benefit payments and refunds	(152,749)	(152,749)	-
• Administrative Expenses	-	(3,109)	3,109
Net Changes	**752,368**	**(45,939)**	**798,307**
Balance as of June 30, 2019*	**$ 4,020,306**	**$ 534,237**	**$ 3,486,069**

*Measurement date

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

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

	Discount Rate - 1% (2.63%)	**Current Discount Rate (3.63%)**	**Discount Rate + 1% (4.63%)**
Net Pension Liability	$ 4,172,623	$ 3,486,069	$ 2,942,802

15) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

B) Supplemental Retirement Plan for Executive Staff and City Council, (continued)

Changes in the Net Pension Liability, (continued)

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

For the year ended June 30, 2020, the City recognized pension expense of $884,523. A complete breakdown of the pension expense for the Plan is as follows:

Description	**Amount**
Service cost	$ 11,963
Interest on total pension liability	133,267
Projected earnings on investments	(33,832)
Administrative expense	3,109
Recognition of deferred outflows/(inflows):	
Experience	477,904
Assumptions	281,983
Asset returns	10,129
Total pension expense	**$ 884,523**

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual Earnings on Pension Plan	$ 2,497	$ -
Pension Contributions Subsequent to Measurement Date	77,814	-
Total	$ 80,311	$ -

The $77,814 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the upcoming fiscal year.

15) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

Changes in the Net Pension Liability, (continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, (continued)

Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources, Net Supplemental
2021	$ 4,129
2022	(2,271)
2023	236
2024	403
2025	-
Thereafter	-

Payable to the Pension Plan

The City has no outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

16) DEFINED CONTRIBUTION PENSION PLAN

Plan Description

During the 1991-1992 fiscal year, the City established the West Covina Part-Time Retirement Plan, a defined contribution retirement plan, for all non-benefited, part-time employees in accordance with Internal Revenue Code Section 457, to conform to Section 3121(b)(7)(F) of the Internal Revenue Code added by the Omnibus Budget Reconciliation Act of 1990. The plan is administered by Nationwide Retirement Solutions. The plan was established by the authority of the City Council who retains the authority to amend the plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of the contributions.

Part-time, non-benefited, non-persable employees of the City must participate in the plan. During 2012-13, 195 part-time employees participated in the plan. All contributions to the plan vest immediately. An employee who leaves the City is entitled to all contributions and earnings applied to the individual's account through the date of separation, less legally required income tax withholding. Contribution levels into the deferred compensation plan were established by City Council resolution at 0% for the City and 7.5% for non-benefited, non-persable part-time employees.

During the year, total required and actual contributions amounted to $70,471 and covered payroll for the year ended June 30, 2020 totaled $912,588. No contributions were made by the City and employees contributed $70,471 (7.72% of current covered payroll). Total plan assets at June 30, 2020 were $839,723. Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries and, therefore, are not included in the financial statements.

17) OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Descriptions

Medical

The City administers a single-employer defined benefit plan which provides healthcare benefits to eligible retirees and their dependents in accordance with various labor agreements. City paid amounts are capped at varying amounts depending on employee's bargaining unit, as follows:

- Police:
  - $1,005 per month for employees hired before July 1, 2012, with five years of sworn service or hired after July 1, 2012, with more than twenty years of sworn service
  - PEMHCA minimum amount ($122 and $125 per month in calendar years 2015 and 2016, respectively) for employees hired after July 1, 2012, with less than twenty years of sworn service
- Fire
  - $1,005 per month for employees hired before July 1, 2012, with five years of sworn service
  - PEMHCA minimum amount ($122 and $125 per month in calendar years 2015 and 2016, respectively) for employees hired after July 1, 2012
- Miscellaneous - At the PEMHCA minimum amount ($122 and $125 per month in calendar years 2015 and 2016, respectively).

Life Insurance

Eligible retirees, in accordance with various labor agreements, receive life insurance benefits from the City as follows:

- $500 Confidential/Exempt, General, Maintenance and Non-Sworn Safety bargaining units
- $10,000 Executive Management, Mid-Management, Police Management (retired after September 1, 2006), Fire Management and Fire bargaining units
- $10,500 Police bargaining unit

Employees Covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	279
Inactive employees or beneficiaries currently receiving benefits	379
Inactive employees entitled to, but not yet receiving benefits	39
Total	697

17) OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, (continued)

Contributions

The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and bargaining unit requirements is based on a pay-as-you-go basis (i.e. as medical insurance premiums become due). For fiscal year ended June 30, 2020, the City contributed $2,516,858 to the plan, including $2,101,638, for current premiums (100% of total premiums), and $408,000 of implied subsidy premiums.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated June 30, 2019 based on the following actuarial methods and assumptions:

Actuarial Assumptions	**June 30, 2019 Measurement Date**
Actuarial Valuation Date	June 30, 2019
Contribution Policy	No pre-funding
Discount Rate	3.50% at June 30, 2019 (Bond Buyer 20-Bond Index) 3.87% at June 30, 2018 (Bond Buyer 20-Bond Index)
General Inflation	2.75% annually
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Salary increases	Aggregate - 3% annually Merit - CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare – 7.25% for 2021, decreasing to an ultimate rate of 4.00% in 2076 Medicare – 6.3% for 2021, decreasing to an ultimate rate of 4.00% in 2076
Healthcare Participation	Actives: 60% for PEMHCA minimum benefits Retirees: 100% if covered, 5% re-elect at 65 if waived

Discount Rate

A discount rate of 3.50% was used in the valuation for measurement date June 30, 2019.

17) OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, (continued)

Changes in the OPEB Liability

The changes in the total OPEB liability for the Plan are as follows:

	Total OPEB Liability
Balance at June 30, 2019	
(6/30/18 measurement date)	$ 58,697,077
Changes recognized for the measurement period:	
Service cost	1,545,500
Interest	2,285,257
Differences between expected and	
actual experience	(1,738,131)
Changes of assumptions	2,887,380
Benefit payments	(2,384,056)
Net changes	2,595,950
Balance at June 30, 2020	
(6/30/19 measurement date)	$ 61,293,027

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

The following presents the total OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	$ 71,292,480	$ 61,293,027	$ 53,335,618

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	$ 57,790,809	$ 61,293,027	$ 65,223,868

OPEB Plan Fiduciary Net Position

The Plan Fiduciary Net Position was $0 at the June 30, 2019 measurement date, as the City is not prefunding with an OPEB trust. The City does not have assets accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

17) OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, (continued)

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first 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 net difference between projected and actual earnings on OPEB plan investments is amortized using the straight-line method over 5 years, while all other amounts are amortized over the expected average remaining service lifetime (EARSL) of plan participants, which was 5.1 years as of the 2019 valuation date.

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

For the fiscal year ended June 30, 2020, the City recognized OPEB expense of $2,405,199. A complete breakdown of the pension expense for the Plan is as follows:

Description	Amount
Service cost	$ 1,545,500
Interest on total OPEB liability	2,285,257
Administrative expense	14,622
Recognition of deferred outflows/(inflows)	
Experience	(316,024)
Assumptions	(1,124,156)
Total OPEB expense	$ 2,405,199

As of fiscal year ended June 30, 2020, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,422,107
Changes in assumptions	2,362,402	5,052,852
Contributions to OPEB plan subsequent to the measurement date	2,516,858	-
Total	$ 4,879,260	$ 6,474,959

The $2,516,858 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020.

17) OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, (continued)

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

Other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2021	$ (1,440,180)
2022	(1,440,180)
2023	(1,197,407)
2024	(139,269)
2025	104,479
Thereafter	-

18) COMMITMENTS AND CONTINGENCIES

A) In 1989, in order to assist in the expansion of the Fashion Plaza shopping center, the City enacted an ordinance to allow the Redevelopment Agency of the City of West Covina (the predecessor to the West Covina Community Development Commission) to receive the sales tax generated as a result of the expansion project. At the same time, the City enacted an ordinance providing a credit for sales tax payable by the developer in the amount equal to the sales tax due to the redevelopment agency. These sales tax ordinances and related agreements between the City and the Agency essentially transferred the sales tax increment due to the Fashion Plaza expansion project from the City to the Agency.

B) On July 25, 2005, the Board of Directors of the former West Covina Community Development Commission adopted Resolution No. 2005-50. By this resolution, the Board of Directors authorized the Commission to reimburse the City of West Covina over a period of 17 years for the sales tax revenue that had essentially been shifted from the City to the Agency. These budgeted interfund transfers between the primary government of the City of West Covina and the former Community Development Commission will be recorded in the fiscal year that they result in a flow of current financial resources, as required by the measurement focus prescribed for governmental funds. As a result of the dissolution of the Redevelopment Agency, the Department of Finance has deemed this agreement as an unenforceable obligation.

C) The City is currently a defendant in a wrongful termination lawsuit in which the jury awarded the plaintiff an amount in excess of $4,000,000. The City has appealed the verdict and is awaiting oral arguments related to the appeal. Of the award amount, $3,000,000 would be covered by excess insurance, however, the excess insurance provider is disputing the coverage. The City, after June 30, 2020, filed action against the excess insurance provider related to the coverage issues. At this time, it is unknown when either matter will be settled or specifically whether the excess insurance coverage will be provided.

19) CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES

On June 29, 2011, Assembly Bill 1 X 26 (the "Dissolution Act") was enacted as part of the fiscal year 2011-12 state budget package. On December 29, 2011, the California Supreme Court Upheld the Dissolution Act which provided for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Dissolution Act provided that upon dissolution of a redevelopment agency, either the city or another unit of local government would agree to serve as the successor agency (Successor Agency) to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City elected to serve as the Successor Agency of the Community Development Commission of the City of West Covina.

After enactment of the law, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution.

Senate Bill 107, signed on September 22, 2015, required the creation of consolidated Oversight Boards commencing after July 1, 2018. Effective July 1, 2018 the Successor Agency of the Community Development Commission and 22 other RDAs in the First Supervisorial District of Los Angeles County were consolidated into the First District Consolidated Oversight Board, which has fiduciary responsibility to the holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenue.

20) SUCCESSOR AGENCY DISCLOSURES

The assets and liabilities of the Commission’s former non-housing redevelopment activities were transferred to the City in its fiduciary capacity as the Successor Agency to the Redevelopment Agency of the City of West Covina on February 1, 2012, as a result of the dissolution of California redevelopment agencies. These assets and liabilities and any activities related to them are reported in the City’s fiduciary private-purpose trust fund financial statements. Disclosures related to these assets and liabilities are as follows:

Assessment Receivable

In connection with the Commission's issuance of its $51,220,000 1996 Special Tax Refunding Bonds, $32,520,000 in assessments receivable was recorded. The assessment is an annual special tax levied on the Community Facilities District No.1989-1 in an amount sufficient to ensure payment of the debt service on the 1996 Special Tax Refunding Bonds. This special tax supplements sales and property tax increment revenues that also support the debt service on the bonds. The assessments receivable outstanding as of June 30, 2020 was $12,910,000.

20) SUCCESSOR AGENCY DISCLOSURES, (continued)

Due from the City of West Covina

As part of the dissolution process, AB1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012, and January 15, 2013, to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. The Successor Agency remitted $1,891,166 to the County Auditor-Controller (CAC) on December 19, 2012, for the low and moderate income housing funds due diligence review.

The due diligence review for all other funds was finalized with the final letter of determination issued by the DOF on April 24, 2013. The DOF determined that the principal and interest payments made by the former Community Development Commission totaling $12,205,531 on various loans from the City of West Covina for the period January 1, 2011, to June 30, 2012, were on loans not made within the first two years of the formation of the former redevelopment agency. The DOF ordered the Successor Agency to remit $11,578,351 to the CAC within five days from the date of the letter.

City management, in consultation with its legal counsel, did not agree with the DOF's decision and filed a lawsuit to contest the decision. The City also did not remit the payments that were disallowed to the CAC. In December 2015, the City entered into a settlement agreement, which requires the City to repay the $11,578,351 over a period of 20 years. See additional details on the long-term payable in Note 8. As the City repays the Successor Agency, the Successor Agency will remit the amounts collected to the CAC. The City reported a long-term liability of $8,683,761 (reported as part of notes payable) in the governmental activities and a receivable of $8,683,761 in the Successor Agency related to the DOF's determination at June 30, 2020.

Land Held for Resale

Land held for resale is valued at the lower of cost or the sales price per contract with the developer. The land held for resale at June 30, 2020 was comprised of BKK Project in the amount of $54,279.

20) SUCCESSOR AGENCY DISCLOSURES, (continued)

Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2020 was as follows:

Successor Agency:	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Special Tax Bonds:					
1996 Special Tax Refunding Bonds	$ 16,190,000	$ -	$ (3,495,000)	$ 12,695,000	$ 3,735,000
Tax Allocation Bonds:					
2017 Tax Allocation Revenue Refunding Bonds	12,135,000	-	(1,820,000)	10,315,000	1,865,000
Plus deferred amounts:					
Issuance premium	224,623	-	(14,975)	209,648	14,975
Total Bonds Payable	28,549,623	-	(5,329,975)	23,219,648	5,614,975
Developer agreement payable	63,950,023	8,947,700	(245,667)	72,652,056	-
Due to County of Los Angeles	1,286,752	-	(1,286,752)	-	-
Total	$ 93,786,398	$ 8,947,700	$ (6,862,394)	$ 95,871,704	$ 5,614,975

Special Tax Bonds

1996 Special Tax Refunding Bonds (The Fashion Plaza Project)

In 1996, the Community Development Commission issued $51,220,000 of Special Tax Refunding Bonds comprised of $9,980,000 of serial bonds and $41,240,000 of term bonds to finance public parking facilities, street and other improvements located in or adjacent to the Community Development Commission Community Facilities District. The serial bonds matured during the fiscal year ended June 30, 2007. The term bonds bear interest at a rate from 5.75% to 6.0% payable semiannually and are due September 1, 2022. The term bonds are not subject to optional redemption; mandatory redemption begins September 1, 2007, then annually thereafter through September 1, 2022. Interest is payable semiannually on March 1 and September 1 of each year. The bonds are secured by and payable from a portion of the revenues derived from an annual special tax to be levied against all taxable real property within the Special Assessment District. In addition, the Commission has pledged certain other incremental revenues generated within the District consisting of property taxes and sales taxes. In addition, the reserve requirement of $5,002,670 was fully funded at June 30, 2020. There was a bond call on March 1, 2016, for $425,000. The outstanding principal balance of the bonds at June 30, 2020 was $12,695,000.

20) SUCCESSOR AGENCY DISCLOSURES, (continued)

Long-Term Liabilities, (continued)

Special Tax Bonds, (continued)

1996 Special Tax Refunding Bonds (The Fashion Plaza Project), (continued)

The annual debt service requirements on the 1996 Special Tax Bonds as of June 30, 2020 were as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 3,735,000	$ 649,650	$ 4,384,650
2022	4,055,000	415,950	4,470,950
2023	4,905,000	147,150	5,052,150
Total	$ 12,695,000	$ 1,212,750	$ 13,907,750

Tax Allocation Bonds

2017 Tax Allocation Revenue Refunding Bonds

On February 14, 2017, the Successor Agency issued Tax Allocation Revenue Refunding bonds, Series 2017A (Tax-Exempt) and 2017B (Federally Taxable). These bonds refinanced the 1998 Housing Set-Aside Tax Allocation Bonds Series A & B, the 2001 Housing Set-Aside Tax Allocation Revenue Bonds, the 2002 Tax Allocation Refunding Bonds and the 1999 Taxable Variable Rate Demand Tax Allocation Bonds. The bonds are payable from and secured solely from the Trust Estate, which will consist primarily of principal and interest payments on the Local Obligations to be purchased by the Authority as set forth in the Agency Indenture. The interest on the Series A bonds is payable semiannually on September 1 and March 1 of each year at interest rates ranging from 2% to 5%. The principal of the Series A bonds is due annually throughout 2026, in amounts ranging from $400,000 to $670,000. The interest on the Series B bonds is payable semiannually on September 1 and March 1 of each year at interest rates ranging from 1% to 3.75%. The principal of the Series B bonds is due annually throughout 2032, in amounts ranging from $145,000 to $1,215,000. The required reserve of $1,537,074 at June 30, 2020 was fully funded. The principal balance of outstanding bonds at June 30, 2020 was $10,315,000.

As a result of the refunding, the Successor Agency reduced its debt service cash flow by $1,443,006, resulting in an economic gain of $603,922 (calculated as the difference between the debt service payments under the old and new bonds discounted to present value using the effective interest rate).

20) SUCCESSOR AGENCY DISCLOSURES, (continued)

Long-Term Liabilities, (continued)

Tax Allocation Bonds (continued)

2017 Tax Allocation Revenue Refunding Bonds (continued)

The annual debt service requirements on the 2017 Tax Allocation Revenue Refunding Bonds as of June 30, 2020 were as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 1,865,000	$ 305,641	$ 2,170,641
2022	1,615,000	253,006	1,868,006
2023	1,425,000	205,613	1,630,613
2024	1,255,000	160,406	1,415,406
2025	1,290,000	117,281	1,407,281
2026-2030	2,620,000	235,929	2,855,929
2031-2032	245,000	8,156	253,156
Total	$ 10,315,000	$ 1,286,032	$ 11,601,032

Developer Agreement Payable

On June 26, 1989, the Commission entered into an agreement with a developer to share certain future tax revenues generated by the Community Facilities District. Since 1992, the developer's share of revenues totaled $55,372,039, the unpaid balance accrues interest at a rate of 10%. The Commission has made payments to the developer totaling $21,678,037. The balance outstanding at June 30, 2020 was $72,652,056.

Due to the County of Los Angeles

Based on an agreement dated June 19, 1990, between the Commission and the County, during the first twenty years beginning in 1990, the Commission will retain from the County 50% of the County portion of tax increment. Per the agreement, the Commission must repay all amounts withheld from the County beginning in 2011. The repayment is made annually and is based on a calculation of excess tax increment revenues from the sub-project area. The outstanding balance accrues interest at 7%. As of June 30, 2020, the Successor Agency has repaid the final balance of $1,286,752 of the loan to the County.

20) SUCCESSOR AGENCY DISCLOSURES, (continued)

Net Position Restatement

The beginning net position of the Successor Agency Private Purpose Trust Fund was restated by $2,088,820 to $66,659,581 due to the omission of an accrual in the prior year in error.

21) SUBSEQUENT EVENTS

On July 23, 2020, the City of West Covina issued 2020 Lease Revenue Bonds, 2020 Series A in the amount of $204,095,000 for the purposes of funding all or a portion of its CalPERS Obligation, capital improvements for the City, a reserve for the 2020A Bonds and its cost of issuance. The 2020 Series A Bond was placed with U.S. Bank National Association.

22) COVID-19 AND THE CITY'S ABILITY TO CONTINUE AS A GOING-CONCERN

On March 4, 2020, Governor Newsom proclaimed a State of Emergency in response to the global outbreak of the novel coronavirus, or COVID-19. The Governor issued a "Shelter-in-Place" order on March 19, 2020 to slow the spread of the virus. With the disruption to the economy and the unanticipated loss of revenue to the City, staff immediately began analyzing potential impacts to City finances. As this was an unpresented crisis, quick decisions were made to postpone non-essential expenditures and implement a hiring freeze for all non-essential positions.

Although the City's services are considered essential, the City Hall was temporarily closed to the public, certain other services transitioned to online-only and because the City's major revenue sources, including businesses that collect sales taxes, are directly impacted by these events, it is probable that this matter will negatively impact the future revenue of the City. On May 19, 2020, the City declared the Fiscal Emergency as part of the City's on-going process to address and improve the City's fiscal position.

In August 2020, Governor Newsom introduced a "Tiered State Monitoring" system to provide a framework towards the safe reopening of businesses within each county. Los Angeles County has been Purple (Widespread) Tier since the introduction of the monitoring system. Through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) the Federal Government provided governments financial assistance to help address the impacts of COVID-19. However, there was no flexibility to utilize the funding for revenue losses.

Eligibility for CARES Act funding required a local government agency to have a population that exceeds 500,000. Since the City did not meet this criterion, relief for the financial impacts of COVID-19 were limited to programs offered from the State's CARES Act allocations. The City applied for and was granted $1,308,784 from the State. These funds were received in fiscal year 2020-21 and will help offset any revenue losses or expenditure impacts from the COVID-19 pandemic.

On December 1, 2020, the California State Auditor has reported that West Covina is a high-risk city because of the significant risks it faces related to its financial and operational management.

REQUIRED SUPPLEMENTARY

INFORMATION

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
CalPERS Pension Plan - Miscellaneous
Last Ten Years*

Measurement Period	2013-14	2014-15	2015-16	2016-17	2017-18
TOTAL PENSION LIABILITY					
Service Cost	$ 1,653,769	$ 1,454,757	$ 1,395,164	$ 1,568,756	$ 1,598,999
Interest	9,849,865	10,180,561	10,423,152	10,499,411	10,735,301
Changes of Benefit Terms	-	-	-	8,138,458	-
Difference Between Expected and Actual Experience	-	(134,455)	(568,485)	(1,086,666)	884,485
Changes of Assumptions	-	(2,336,836)	-	-	(792,110)
Benefit Payments, Including Refunds of Employee Contributions	(6,835,867)	(7,534,397)	(8,197,448)	(8,527,256)	(9,225,744)
Net Change in Total Pension Liability	**4,667,767**	**1,629,630**	**3,052,383**	**10,592,703**	**3,200,931**
Total Pension Liability - Beginning	**133,922,583**	**138,590,350**	**140,219,980**	**143,272,363**	**153,865,066**
Total Pension Liability - Ending (a)	**$ 138,590,350**	**$ 140,219,980**	**$ 143,272,363**	**$ 153,865,066**	**$ 157,065,997**
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	$ 1,441,234	$ 1,507,469	$ 1,871,710	$ 2,449,585	$ 2,610,696
Contributions - Employee	921,495	714,712	819,011	788,064	785,970
Net Investment Income	17,189,513	2,500,142	590,110	11,531,815	9,216,240
Benefit Payments, Including Refunds of Employee Contributions	(6,835,867)	(7,534,397)	(8,197,448)	(8,527,256)	(9,225,744)
Plan to Plan Resource Movement	-	307	(4,880)	-	(266)
Administrative Expense	-	(123,626)	(66,948)	(154,821)	(172,889)
Other Miscellaneous Income/(Expense) [1]	-	-	-	-	(328,320)
Net Change in Fiduciary Net Position	**12,716,375**	**(2,935,393)**	**(4,988,445)**	**6,087,387**	**2,885,687**
Plan Fiduciary Net Position - Beginning	**100,069,306**	**112,785,681**	**109,850,288**	**104,861,843**	**110,949,230**
Plan Fiduciary Net Position - Ending (b)	**$ 112,785,681**	**$ 109,850,288**	**$ 104,861,843**	**$ 110,949,230**	**$ 113,834,917**
Plan Net Pension Liability - Ending (a) - (b)	**$ 25,804,669**	**$ 30,369,692**	**$ 38,410,520**	**$ 42,915,836**	**$ 43,231,080**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.38%	78.34%	73.19%	72.11%	72.48%
Covered Payroll	**$ 10,025,879**	**$ 9,381,292**	**$ 9,349,710**	**$ 14,062,225**	**$ 12,173,646**
Plan Net Pension Liability as a Percentage of Covered Payroll	**257.38%**	**323.73%**	**410.82%**	**305.19%**	**355.12%**

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

[1] 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.
Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68)

Changes in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 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 in Assumptions: There were no changes in assumptions in 2019. 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 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. 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.

Measurement Period	2018-19
TOTAL PENSION LIABILITY	
Service Cost	$ 1,488,940
Interest	11,031,185
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	1,166,025
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(9,388,384)
Net Change in Total Pension Liability	**4,297,766**
Total Pension Liability - Beginning	**157,065,997**
Total Pension Liability - Ending (a)	**$ 161,363,763**
PLAN FIDUCIARY NET POSITION	
Contributions - Employer	$ 3,041,783
Contributions - Employee	597,814
Net Investment Income	7,327,093
Benefit Payments, Including Refunds of Employee Contributions	(9,388,384)
Plan to Plan Resource Movement	-
Administrative Expense	(81,235)
Other Miscellaneous Income/(Expense) [1]	266
Net Change in Fiduciary Net Position	**1,497,337**
Plan Fiduciary Net Position - Beginning	**113,834,917**
Plan Fiduciary Net Position - Ending (b)	**$ 115,332,254**
Plan Net Pension Liability - Ending (a) - (b)	**$ 46,031,509**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%
Covered Payroll	**$ 8,498,816**
Plan Net Pension Liability as a Percentage of Covered Payroll	**541.62%**

Required Supplementary Information
Schedule of Plan Contributions
CalPERS Pension Plan - Miscellaneous
Last Ten Years*

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Actuarially Determined Contribution	$ 1,507,469	$ 1,871,710	$ 2,449,585	$ 2,610,696	$ 3,041,539
Contributions in Relation to the Actuarially Determined Contribution	(1,507,469)	(1,871,710)	(2,449,585)	(2,610,696)	(3,041,539)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 9,381,292	$ 9,349,710	$ 14,062,225	$ 12,173,646	$ 8,498,816
Contributions as a Percentage of Covered Payroll	16.07%	20.02%	17.42%	21.45%	35.79%

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019-20 were from the June 30, 2018 Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2017, Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2013, Funding Valuation Report.
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.375% Net of Pension Plan Investment and Administrative Expenses, includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

	Fiscal Year 2019-20
Actuarially Determined Contribution	$ 3,588,349
Contributions in Relation to the Actuarially Determined Contribution	(3,588,349)
Contribution Deficiency (Excess)	$ -
Covered Payroll	$ 7,843,755
Contributions as a Percentage of Covered Payroll	45.75%

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
CalPERS Pension Plan - Safety
Last Ten Years*

Measurement Period	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**
TOTAL PENSION LIABILITY					
Service Cost	$ 4,824,545	$ 4,604,800	$ 4,729,431	$ 5,376,792	$ 5,300,363
Interest	23,426,151	24,117,128	24,899,740	25,330,388	26,141,448
Changes of Benefit Terms	-	-	-	-	-
Difference Between Expected and Actual Experience	-	(1,760,971)	(145,882)	(2,764,123)	2,470,547
Changes of Assumptions	-	(5,858,071)	-	21,000,606	(1,644,342)
Benefit Payments, Including Refunds of Employee Contributions	(17,362,607)	(17,865,208)	(18,951,025)	(19,858,900)	(20,444,515)
Net Change in Total Pension Liability	**10,888,089**	**3,237,678**	**10,532,264**	**29,084,763**	**11,823,501**
Total Pension Liability - Beginning	**318,617,717**	**329,505,806**	**332,743,484**	**343,275,748**	**372,360,511**
Total Pension Liability - Ending (a)	**$ 329,505,806**	**$ 332,743,484**	**$ 343,275,748**	**$ 372,360,511**	**$ 384,184,012**
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	$ 6,403,118	$ 7,339,064	$ 8,387,165	$ 10,058,079	$ 10,515,780
Contributions - Employee	2,416,548	1,628,630	1,660,160	1,818,024	1,830,019
Net Investment Income	34,775,710	5,057,426	1,179,228	23,916,665	19,582,552
Benefit Payments, Including Refunds of Employee Contributions	(17,362,607)	(17,865,208)	(18,951,025)	(19,858,900)	(20,444,515)
Plan to Plan Resource Movement	-	10,338	4,880	-	(568)
Administrative Expense	-	(254,287)	(137,683)	(321,946)	(364,120)
Other Miscellaneous Income/(Expense) [1]	-	-	-	-	(691,471)
Net Change in Fiduciary Net Position	**26,232,769**	**(4,084,037)**	**(7,857,275)**	**15,611,922**	**10,427,677**
Plan Fiduciary Net Position - Beginning	**203,765,462**	**229,998,231**	**225,914,194**	**218,056,919**	**233,668,841**
Plan Fiduciary Net Position - Ending (b)	**$ 229,998,231**	**$ 225,914,194**	**$ 218,056,919**	**$ 233,668,841**	**$ 244,096,518**
Plan Net Pension Liability - Ending (a) - (b)	**$ 99,507,575**	**$ 106,829,290**	**$ 125,218,829**	**$ 138,691,670**	**$ 140,087,494**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.80%	67.89%	63.52%	62.75%	63.54%
Covered Payroll	**$ 16,974,682**	**$ 16,517,686**	**$ 17,288,458**	**$ 17,084,933**	**$ 14,051,195**
Plan Net Pension Liability as a Percentage of Covered Payroll	**586.21%**	**646.76%**	**724.29%**	**811.78%**	**996.98%**

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

[1] 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. Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

Changes in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 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 in Assumptions: There were no changes in assumptions in 2019. 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 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. 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.

Measurement Period	2018-19
TOTAL PENSION LIABILITY	
Service Cost	$ 5,573,847
Interest	26,959,893
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	706,038
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(21,231,071)
Net Change in Total Pension Liability	**12,008,707**
Total Pension Liability - Beginning	**384,184,012**
Total Pension Liability - Ending (a)	**$ 396,192,719**
PLAN FIDUCIARY NET POSITION	
Contributions - Employer	$ 11,176,490
Contributions - Employee	1,731,882
Net Investment Income	15,909,762
Benefit Payments, Including Refunds of Employee Contributions	(21,231,071)
Plan to Plan Resource Movement	-
Administrative Expense	(174,192)
Other Miscellaneous Income/(Expense) [1]	568
Net Change in Fiduciary Net Position	**7,413,439**
Plan Fiduciary Net Position - Beginning	**244,096,518**
Plan Fiduciary Net Position - Ending (b)	**$ 251,509,957**
Plan Net Pension Liability - Ending (a) - (b)	**$ 144,682,762**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.48%
Covered Payroll	**$ 16,289,859**
Plan Net Pension Liability as a Percentage of Covered Payroll	**888.18%**

Required Supplementary Information
Schedule of Plan Contributions
CalPERS Pension Plan - Safety
Last Ten Years*

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Actuarially Determined Contribution	$ 7,339,064	$ 8,387,165	$ 10,058,079	$ 10,515,780	$ 11,174,096
Contributions in Relation to the Actuarially Determined Contribution	(7,339,064)	(8,387,165)	(10,058,079)	(10,515,780)	(11,174,096)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 16,517,686	$ 17,288,458	$ 17,084,933	$ 14,051,195	$ 16,289,859
Contributions as a Percentage of Covered Payroll	44.43%	48.51%	58.87%	74.84%	68.60%

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019-20 were from the June 30, 2018 Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2017, Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2013, Funding Valuation Report.
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.375% Net of Pension Plan Investment and Administrative Expenses, includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

	Fiscal Year 2019-20
Actuarially Determined Contribution	$ 12,592,730
Contributions in Relation to the Actuarially Determined Contribution	(12,592,730)
Contribution Deficiency (Excess)	$ -
Covered Payroll	$ 16,447,485
Contributions as a Percentage of Covered Payroll	76.56%

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
CalPERS Pension Plan- EPMC Replacement Supplemental Retirement Plan
Last Ten Years*

Measurement Period	2013-14	2014-15	2015-16	2016-2017	2017-2018
TOTAL PENSION LIABILITY					
Service Cost	$ 36,000	$ 36,000	$ 40,000	$ 35,733	$ 29,701
Interest	36,000	28,000	32,000	35,268	46,463
Difference Between Expected and Actual Experience	-	(72,000)	-	98,508	-
Changes of Assumptions	-	200,000	(37,000)	(85,060)	10,475
Changes in benefits	-	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(64,000)	(9,000)	(91,000)	(42,877)	(56,554)
Net Change in Total Pension Liability	**8,000**	**183,000**	**(56,000)**	**41,572**	**30,085**
Total Pension Liability - Beginning	**755,000**	**763,000**	**946,000**	**890,000**	**931,572**
Total Pension Liability - Ending (a)	**$ 763,000**	**$ 946,000**	**$ 890,000**	**$ 931,572**	**$ 961,657**
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	$ 65,000	$ 56,000	$ 56,000	$ 61,019	$ 60,056
Contributions - Employee	-	-	-	-	-
Net Investment Income	12,000	3,000	(1,000)	10,029	8,234
Benefit Payments, Including Refunds of Employee Contributions	(64,000)	(9,000)	(91,000)	(42,877)	(56,554)
Plan to Plan Resource Movement	-	-	-	-	-
Administrative Expense	(3,000)	(7,000)	(1,000)	(9,456)	(775)
Net Change in Fiduciary Net Position	**10,000**	**43,000**	**(37,000)**	**18,715**	**10,961**
Plan Fiduciary Net Position - Beginning	**109,000**	**119,000**	**162,000**	**125,000**	**143,715**
Plan Fiduciary Net Position - Ending (b)	**$ 119,000**	**$ 162,000**	**$ 125,000**	**$ 143,715**	**$ 154,676**
Plan Net Pension Liability - Ending (a) - (b)	**$ 644,000**	**$ 784,000**	**$ 765,000**	**$ 787,857**	**$ 806,981**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	15.60%	17.12%	14.04%	15.43%	16.08%
Covered Employee Payroll (1)(2)	n/a	n/a	**$ 13,388,000**	n/a	**$ 15,855,534**
Plan Net Pension Liability as a Percentage of Covered Payroll	n/a	n/a	5.71%	n/a	5.09%

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Notes to Schedule:

Changes in Benefit Terms: None.

Changes in Assumptions: In 2019, the discount rate was updated to 3.90% and the mortality improvement scale was updated to Scale MP-2019. In 2018, the discount rate used to measure the total pension liability was 4.86 percent. In 2017, amounts reported reflect an adjustment of the discount rate from 3.90 percent to 4.98 percent. In 2016, amounts reported reflect an adjustment of the discount rate from 3.50 percent to 3.90 percent. In 2015, amounts reported reflect an adjustment of the discount rate from 4.80 percent to 3.50 percent. In 2014, amounts reported were based on the 4.80 percent discount rate.

(1) Covered-employee payroll represented above is based on covered-employee payroll provided by the employer. GASB 68 defines covered-employee payroll as the total payroll of employees that are provided with pensions through the OPEB plan. Contributions are not based on a measure of pay, therefore, covered-employee payroll is used in this schedule.

(2) Covered employee payroll was for the 12-month period ended on the Measurement Date as reported by the City.

Measurement Period	2018-2019
TOTAL PENSION LIABILITY	
Service Cost	$ 29,665
Interest	46,211
Difference Between Expected and Actual Experience	45,697
Changes of Assumptions	90,640
Changes in benefits	-
Benefit Payments, Including Refunds of Employee Contributions	(80,968)
Net Change in Total Pension Liability	**131,245**
Total Pension Liability - Beginning	**961,657**
Total Pension Liability - Ending (a)	**$ 1,092,902**
PLAN FIDUCIARY NET POSITION	
Contributions - Employer	$ 62,350
Contributions - Employee	-
Net Investment Income	6,567
Benefit Payments, Including Refunds of Employee Contributions	(80,968)
Plan to Plan Resource Movement	-
Administrative Expense	(769)
Net Change in Fiduciary Net Position	**(12,820)**
Plan Fiduciary Net Position - Beginning	**154,676**
Plan Fiduciary Net Position - Ending (b)	**$ 141,856**
Plan Net Pension Liability - Ending (a) - (b)	**$ 951,046**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	12.98%
Covered Employee Payroll [(1)(2)]	**$ 14,447,921**
Plan Net Pension Liability as a Percentage of Covered Payroll	6.58%

Required Supplementary Information
Schedule of Plan Contribution
CalPERS Pension Plan – EPMC Replacement Supplemental Retirement Plan
Last Ten Years*

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Actuarially Determined Contribution	$ 82,000	$ 105,000	$ 105,000	$ 104,000	$ 134,000
Contributions in Relation to the Actuarially Determined Contribution	(56,000)	(59,000)	(66,000)	(60,056)	(62,350)
Contribution Deficiency (Excess)	$ 26,000	$ 46,000	$ 39,000	$ 43,944	$ 71,650
Covered Employee Payroll (1) (2)	n/a	$ 13,737,000	n/a	n/a	$ 14,447,921
Contributions as a Percentage of Covered Payroll	n/a	0.43%	n/a	n/a	0.43%

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Notes to Schedule:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level dollar amount
	7-year fixed (closed) period for 2019/20
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
	At least 80% but no more than 120% of market value
Discount Rate:	6%
All Other Assumptions:	Same as those used to develop the TPL

(1) Covered-employee payroll represented above is based on covered-employee payroll provided by the employer. GASB 68 defines covered-employee payroll as the total payroll of employees that are provided with pensions through the OPEB plan. Contributions are not based on a measure of pay, therefore, covered-employee payroll is used in this schedule.

(2) Covered employee payroll was for the 12-month period ended on June 30 of the fiscal year as reported by the City.

		Fiscal Year 2019-20
Actuarially Determined Contribution	$	134,000
Contributions in Relation to the Actuarially Determined Contribution		(56,957)
Contribution Deficiency (Excess)	$	77,043
Covered Employee Payroll (1)	$	10,222,450
Contributions as a Percentage of Covered Payroll		0.56%

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
CalPERS Pension Plan - Supplemental Retirement Plan for Executive Staff
Last Ten Years*

Measurement Period	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**
TOTAL PENSION LIABILITY					
Service Cost	$ 112,000	$ 116,000	$ 30,000	$ 20,388	$ 12,235
Interest	168,000	178,000	141,000	161,327	130,692
Difference Between Expected and Actual Experience	-	(643,000)	-	(111,492)	-
Changes of Assumptions	-	346,000	(455,000)	803,038	(101,877)
Changes in benefits	-	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(82,000)	(104,000)	(137,000)	(136,317)	(139,056)
Net Change in Total Pension Liability	**198,000**	**(107,000)**	**(421,000)**	**736,944**	**(98,006)**
Total Pension Liability - Beginning	**2,959,000**	**3,157,000**	**3,050,000**	**2,629,000**	**3,365,944**
Total Pension Liability - Ending (a)	**$ 3,157,000**	**$ 3,050,000**	**$ 2,629,000**	**$ 3,365,944**	**$ 3,267,938**
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	$ 59,000	$ 78,000	$ 78,000	$ 73,467	$ 74,100
Contributions - Employee	-	-	-	-	-
Net Investment Income	75,000	13,000	9,000	49,861	36,931
Benefit Payments, Including Refunds of Employee Contributions	(82,000)	(104,000)	(137,000)	(136,317)	(139,056)
Plan to Plan Resource Movement	-	-	-	-	-
Administrative Expense	(6,000)	(6,000)	(4,000)	(8,431)	(3,379)
Net Change in Fiduciary Net Position	**46,000**	**(19,000)**	**(54,000)**	**(21,420)**	**(31,404)**
Plan Fiduciary Net Position - Beginning	**660,000**	**706,000**	**687,000**	**633,000**	**611,580**
Plan Fiduciary Net Position - Ending (b)	**$ 706,000**	**$ 687,000**	**$ 633,000**	**$ 611,580**	**$ 580,176**
Plan Net Pension Liability - Ending (a) - (b)	**$ 2,451,000**	**$ 2,363,000**	**$ 1,996,000**	**$ 2,754,364**	**$ 2,687,762**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.36%	22.52%	24.08%	18.17%	17.75%
Covered Employee Payroll (1)(2)	n/a	n/a	**$ 143,000**	n/a	**$ 172,512**
Plan Net Pension Liability as a Percentage of Covered Payroll	n/a	n/a	1395.80%	n/a	1558.01%

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Notes to Schedule:

Changes in Benefit Terms: None.

Changes in Assumptions: In 2019, the discount rate was updated to 3.63% and the mortality improvement scale was updated to Scale MP-2019. In 2018, the discount rate used to measure the total pension liability was 4.16 percent. In 2017, amounts reported reflect an adjustment of the discount rate from 6.25 percent to 3.95 percent. In 2016, amounts reported reflect an adjustment of the discount rate from 4.70 percent to 6.25 percent. In 2015, amounts reported reflect an adjustment of the discount rate from 5.55 percent to 4.70 percent. In 2014, amounts reported were based on the 5.55 percent discount rate.

(1) Covered-employee payroll represented above is based on covered-employee payroll provided by the employer. GASB 68 defines covered-employee payroll as the total payroll of employees that are provided with pensions through the OPEB plan. Contributions are not based on a measure of pay, therefore, covered-employee payroll is used in this schedule.

(2) Covered employee payroll was for the 12-month period ended on the Measurement Date as reported by the City.

Measurement Period	2018-19
TOTAL PENSION LIABILITY	
Service Cost	$ 11,963
Interest	133,267
Difference Between Expected and Actual Experience	477,904
Changes of Assumptions	281,983
Changes in benefits	-
Benefit Payments, Including Refunds of Employee Contributions	(152,749)
Net Change in Total Pension Liability	**752,368**
Total Pension Liability - Beginning	**3,267,938**
Total Pension Liability - Ending (a)	**$ 4,020,306**
PLAN FIDUCIARY NET POSITION	
Contributions - Employer	$ 78,102
Contributions - Employee	-
Net Investment Income	31,817
Benefit Payments, Including Refunds of Employee Contributions	(152,749)
Plan to Plan Resource Movement	-
Administrative Expense	(3,109)
Net Change in Fiduciary Net Position	**(45,939)**
Plan Fiduciary Net Position - Beginning	**580,176**
Plan Fiduciary Net Position - Ending (b)	**$ 534,237**
Plan Net Pension Liability - Ending (a) - (b)	**$ 3,486,069**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	13.29%
Covered Employee Payroll [(1)]	**$ 179,572**
Plan Net Pension Liability as a Percentage of Covered Payroll	1941.32%

Required Supplementary Information
Schedule of Plan Contributions
CalPERS Pension Plan - Supplemental Retirement Plan for Executive Staff
Last Ten Years*

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Actuarially Determined Contribution	$ 439,000	$ 439,000	$ 279,000	$ 278,000	$ 314,000
Contributions in Relation to the Actuarially Determined Contribution	(78,000)	(78,000)	(73,000)	(74,100)	(78,102)
Contribution Deficiency (Excess)	$ 361,000	$ 361,000	$ 206,000	$ 203,900	$ 235,898
Covered Employee Payroll [(1) (2)]	n/a	n/a	$ 96,000	n/a	$ 179,572
Contributions as a Percentage of Covered Payroll	n/a	n/a	76.04%	n/a	43.49%

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Notes to Schedule:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level dollar amount 7-year fixed (closed) period for 2019/20
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period At least 80% but no more than 120% of market value
Discount Rate:	6%
All Other Assumptions:	Same as those used to develop the TPL

(1) Covered-employee payroll represented above is based on covered-employee payroll provided by the employer. GASB 68 defines covered-employee payroll as the total payroll of employees that are provided with pensions through the OPEB plan. Contributions are not based on a measure of pay, therefore, covered-employee payroll is used in this schedule.

(2) Covered employee payroll was for the 12-month period ended on June 30 of the fiscal year as reported by the City.

		Fiscal Year 2019-20
Actuarially Determined Contribution	$	313,000
Contributions in Relation to the Actuarially Determined Contribution		(77,814)
Contribution Deficiency (Excess)	$	235,186
Covered Employee Payroll [1]	$	219,555
Contributions as a Percentage of Covered Payroll		35.44%

Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Ten Years*

Fiscal Year End	6/30/2018	6/30/2019	6/30/2020
Measurement Period	6/30/2017	6/30/2018	6/30/2019
Total OPEB Liability			
Service cost	$ 1,913,541	$ 1,619,250	$ 1,545,500
Interest	1,889,517	2,158,673	2,285,257
Differences between expected and actual experience	-	-	(1,738,131)
Changes of assumptions	(7,040,369)	(2,524,608)	2,887,380
Benefit payments	(2,467,893)	(2,470,254)	(2,384,056)
Net change in total OPEB liability	(5,705,204)	(1,216,939)	2,595,950
Total OPEB liability - beginning	65,619,220	59,914,016	58,697,077
Total OPEB liability - ending	59,914,016	58,697,077	61,293,027
Covered-employee payroll [(1)]	$ 26,527,000	$ 28,239,505	$ 26,672,215
Total OPEB liability as a percentage of covered employee-payroll	225.9%	207.9%	229.8%

Notes to Schedule:

Changes in assumptions: Discount rate was updated on municipal bond rate as of the measurement date. Mortality improvement scale was also updated to Scale MP-2019. Discount rate increased from 3.87% at June 30, 2018 to 3,50% at June 30, 2019. Discount rate increased from 3.58% at June 30, 2017 to 3.87% at June 30, 2018. Discount rate increased from 2.85% at June 30, 2016 to 3.58% at June 30, 2017.

The City does not have assets accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available. Fiscal Year 2017-18 was the first year of implementation.

(1) Covered-employee payroll represented above is based on covered-employee payroll provided by the employer. GASB 75 defines covered-employee payroll as the total payroll of employees that are provided OPEBs through the OPEB plan. Contributions are not based on a measure of pay, therefore, covered-employee payroll is used in this schedule.

General Fund

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

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 52,488,100	$ 52,579,300	$ 53,768,822	$ 1,189,522
Licenses and permits	1,048,700	1,688,700	1,491,744	(196,956)
Fines and forfeitures	840,000	840,000	921,872	81,872
Investment income	208,900	228,900	1,667,494	1,438,594
Rental income	719,300	719,300	700,455	(18,845)
Revenue from other agencies	2,290,500	2,552,500	2,645,700	93,200
Charges for services	7,142,100	7,109,600	7,381,617	272,017
Other revenues	496,000	2,562,346	2,357,219	(205,127)
Total revenues	65,233,600	68,280,646	70,934,923	2,654,277
EXPENDITURES				
Current:				
General government	6,355,625	6,822,625	6,457,768	364,857
Public safety	51,707,665	52,947,250	55,337,813	(2,390,563)
Public works	3,802,135	4,624,455	4,349,341	275,114
Community services	2,600,266	2,760,266	2,512,749	247,517
Community development	510,922	510,922	502,326	8,596
Debt service:				
Interest and fiscal charges	-	-	4,000	(4,000)
Total expenditures	64,976,613	67,665,518	69,163,997	(1,498,479)
Excess (deficiency) of revenues over (under) expenditures	256,987	615,128	1,770,926	1,155,798
OTHER FINANCING SOURCES (USES)				
Capital leases	196,759	196,759	196,759	-
Transfers in	157,673	157,673	-	(157,673)
Transfers out	(578,918)	(1,146,118)	(1,474,057)	(327,939)
Total other financing sources (uses)	(224,486)	(791,686)	(1,277,298)	(485,612)
Net change in fund balance	32,501	(176,558)	493,628	670,186
Fund balance, beginning of year	19,181,696	19,181,696	19,181,696	-
Fund balance, end of year	$ 19,214,197	$ 19,005,138	$ 19,675,324	$ 670,186

West Covina Housing Authority Special Revenue Fund

This fund accounts for assets and related income received from the former Community Development Commission to be used for the administration of providing affordable housing in the City.

State Gas Tax Special Revenue Fund

This fund accounts for the City's proportionate share of gas tax monies collected by the State of California and Proposition 1B monies which are used for street construction and maintenance.

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
West Covina Housing Authority Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment income	$ -	$ -	$ 444,792	$ 444,792
Revenue from other agencies	-	-	36,034	36,034
Other revenues	-	-	52,731	52,731
Total revenues	-	-	533,557	533,557
EXPENDITURES				
Current:				
Public Safety	207,722	231,077	189,368	41,709
Community development	482,158	798,080	526,695	271,385
Total expenditures	689,880	1,029,157	716,063	313,094
Excess (deficiency) of revenues over (under) expenditures	(689,880)	(1,029,157)	(182,506)	846,651
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(33,000)	-	33,000
Total other financing sources (uses)	-	(33,000)	-	33,000
Net change in fund balance	(689,880)	(1,062,157)	(182,506)	879,651
Fund balance, beginning of year	24,674,322	24,674,322	24,674,322	-
Fund balance, end of year	$ 23,984,442	$ 23,612,165	$ 24,491,816	$ 879,651

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
State Gas Tax Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment Income	$ -	$ -	$ 55,139	$ 55,139
Revenue from other agencies	4,478,141	4,478,141	4,400,170	(77,971)
Charges for services	-	-	23	23
Other revenues	122,068	122,068	184,192	62,124
Total revenues	4,600,209	4,600,209	4,639,524	39,315
EXPENDITURES				
Current:				
General government	2,500	2,500	2,980	(480)
Public works	1,949,548	3,794,071	3,308,598	485,473
Total expenditures	1,952,048	3,796,571	3,311,578	484,993
Excess (deficiency) of revenues over (under) expenditures	2,648,161	803,638	1,327,946	524,308
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	567,148	567,148
Total other financing sources (uses)	-	-	567,148	567,148
Net change in fund balance	2,648,161	803,638	1,895,094	1,091,456
Fund balance, beginning of year	2,825,217	2,825,217	2,825,217	-
Fund balance, end of year	$ 5,473,378	$ 3,628,855	$ 4,720,311	$ 1,091,456

1) BUDGETARY INFORMATION

The annual budget adopted by the City Council provides for the general operation of the City. The annual budget is adopted in summary by the City Council in June of each year for the General Fund, special revenue funds, debt service fund and capital projects funds. For the fiscal year ending June 30, 2020 the City adopted budgets for the general fund, special revenue funds, debt service fund, and capital projects funds with the exception of the SAFER Grant, Integrated Waste Management, Art in Public Places Special Revenue Funds, Park Development and Development Impact Fees Capital Projects Fund. The resolution sets a combined appropriation of the funds for the operation of the City.

The City Manager is authorized to transfer budgeted amounts between departments to ensure adequate and proper standards of service. Budgetary revisions, including supplemental appropriations which increase appropriations in individual funds, must be approved by the City Council. The budgetary level of control is at the departmental level for the general fund and at the fund level for all other funds. The budgeted figures used in the financial statements' budget to actual comparisons are the final amended amounts.

The budget is formally integrated into the accounting system and employed as a management control device during the year for the General Fund, special revenue funds, debt service fund and capital projects funds.

Budgets for governmental fund types are adopted on a basis consistent with generally accepted accounting principles. Operating appropriations lapse at the end of the fiscal year. Capital projects funds are appropriated on a project basis and appropriations are funded by the council to continue until the specific projects are completed.

2) EXPENDITURES IN EXCESS OF APPROPRIATIONS

Governmental Funds	Final Budget	Expenditures	Excess
Major Fund - General Fund:			
Public safety	$ 52,947,250	$ 55,337,813	$ (2,390,563)
Debt service:			
Interest and fiscal charges	-	4,000	(4,000)
Major Fund - State Gas Tax:			
General Government	2,500	2,980	(480)
Non-Major Special Revenue Funds:			
Measure M	33,722	69,642	(35,920)
Proposition A	2,255,183	2,255,247	(64)
Various Grant	281,051	367,317	(86,266)
CDBG	20,118	22,341	(2,223)
Non-Major Capital Projects Funds:			
Park Development	-	65	(65)

SUPPLEMENTARY

INFORMATION

Non-Major Governmental Funds

SPECIAL REVENUE FUNDS – These funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

DEBT SERVICE FUND – This fund is used to account for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest.

CAPITAL PROJECTS FUNDS – These funds are used to account for the purchase or construction of major capital facilities which are not financed by Proprietary Funds. Capital Projects Funds are ordinarily not used to account for the acquisition of furniture, fixtures, machinery, equipment and other relatively minor or comparatively short-lived capital assets.

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

	Special Revenue Funds	City Debt Service Fund	Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments	$ 33,011,370	$ 1,200,611	$ 1,802,306	$ 36,014,287
Cash and investments with fiscal agent	-	2,570,106	-	2,570,106
Receivables, net:				
Accounts	259,771	36,523	-	296,294
Taxes	236,502	-	-	236,502
Other	99,452	250,000	-	349,452
Due from other agencies	222,472	-	-	222,472
Total assets	$ 33,829,567	$ 4,057,240	$ 1,802,306	$ 39,689,113
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 2,643,391	$ 1,250	$ 15,491	$ 2,660,132
Other accrued liabilities	159,874	-	-	159,874
Deposit payable	340	-	-	340
Due to other funds	782,605	-	-	782,605
Advances from other funds	332,173	-	-	332,173
Unearned revenue	10,675	-	-	10,675
Total liabilities	3,929,058	1,250	15,491	3,945,799
Deferred inflows of resources:				
Unavailable revenue	200,469	-	-	200,469
Fund Balances:				
Restricted:				
Debt service	-	4,055,990	-	4,055,990
Community services	4,843,488	-	-	4,843,488
Public safety	7,730,436	-	-	7,730,436
Public works	18,285,074	-	-	18,285,074
Assigned	-	-	1,786,815	1,786,815
Unassigned	(1,158,958)	-	-	(1,158,958)
Total fund balances	29,700,040	4,055,990	1,786,815	35,542,845
Total liabilities, deferred inflows of resources, and fund balances	$ 33,829,567	$ 4,057,240	$ 1,802,306	$ 39,689,113

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2020

	Special Revenue Funds	City Debt Service Fund	Capital Projects Funds	Total Non-Major Governmental Funds
REVENUES				
Taxes	$ 8,729,761	$ -	$ 89,673	$ 8,819,434
Special assessments	6,490,254	-	-	6,490,254
Investment income	387,401	110,097	12,122	509,620
Revenue from other agencies	6,990,284	1,314,727	-	8,305,011
Charges for services	22,656	286,523	-	309,179
Other revenues	594,978	-	594,870	1,189,848
Total revenues	23,215,334	1,711,347	696,665	25,623,346
EXPENDITURES				
Current:				
General government	27,344	-	-	27,344
Public safety	3,055,629	-	274,761	3,330,390
Public works	9,534,132	-	70,153	9,604,285
Community services	4,750,238	-	65	4,750,303
Community development	185,537	-	-	185,537
Debt service:				
Principal	-	1,833,918	-	1,833,918
Interest and fiscal charges	-	1,928,807	-	1,928,807
Total expenditures	17,552,880	3,762,725	344,979	21,660,584
Excess (deficiency) of revenues over (under) expenditures	5,662,454	(2,051,378)	351,686	3,962,762
OTHER FINANCING SOURCES (USES)				
Transfers in	9,000	578,918	339,847	927,765
Transfers out	(191,042)	-	(11,856)	(202,898)
Total other financing sources (uses)	(182,042)	578,918	327,991	724,867
Net change in fund balance	5,480,412	(1,472,460)	679,677	4,687,629
Fund balances, beginning of year	24,219,628	5,528,450	1,107,138	30,855,216
Fund balances, end of year	$ 29,700,040	$ 4,055,990	$ 1,786,815	$ 35,542,845

SPECIAL REVENUE FUNDS are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Drug Enforcement Rebate – This fund accounts for the City's portion of revenue received from drug asset seizures. The revenue is used to enhance the police programs.

Measure M – This fund accounts for the 0.5% sales tax collected in Los Angeles County used for transportation projects.

Air Quality Improvement – This fund accounts for the City's portion of motor vehicle registration fees collected under AB 2766. This fee was levied to fund programs to reduce air pollution from mobile sources such as cars, trucks and buses. Money is distributed to the cities based on population, and additional discretionary grants are made based on specific requests.

Proposition A – This fund accounts for the 0.5% sales tax collected in Los Angeles County which is used for transportation programs and projects.

Proposition C – This fund accounts for gasoline taxes which are restricted for transportation programs and projects.

CESF – This fund is to account for coronavirus emergency supplemental funding received and expenditures in preventing, preparing for, and responding to the event.

Police Donations – This fund accounts for donations received and expenditures related to various police programs.

Transportation Development Act – This fund accounts for regional Transportation Development Act funds received from Los Angeles County which are used for local streets and roads.

AB939 – This fund accounts for programs to reduce solid waste deposits in local landfills, pursuant to AB939.

Public Safety Augmentation – This fund accounts for sales tax revenue legally restricted for public safety. Revenue is used to augment police operations.

COPS/SLESA – This fund accounts for revenue from the State restricted for supplementing police operations.

Charter PEG – This fund accounts for monies received from the City's cable television franchisee for a one-time litigation settlement and for cable-related capital expenditures.

Art in Public Places – This fund accounts for development fees paid in lieu of acquisition and installation of approved artwork in a development with expenditures restricted to acquisition, installation, maintenance and repair of artworks at approved sites.

Measure R – This fund accounts for sales tax revenues collected in Los Angeles County to provide transportation related projects and programs.

Inmate Welfare – This fund accounts for any money, refund, rebate or commission received from a telephone call from inmates while incarcerated to meet the requirements of California Penal Code: Part 3; Title 4; Chapter 1; Section 4025. The monies are to be expended for the benefit, education, and welfare of inmates confined within the jail. Any funds that are not needed for the welfare of the inmates may be expended for the maintenance of the jail facilities.

West Covina Community Services Foundation – This fund accounts for activity of the West Covina Community Services Foundation, a 501(c) (3) nonprofit organization.

Various Grants – This fund accounts for various Federal, State of California, and local grants that are restricted to expenditures for specific programs and projects.

Community Development Block Grant (CDBG) – This fund accounts for the activities of the Community Development Block Grant received from the U.S. Department of Housing and Urban Development.

SAFER Grant – This fund accounts for personnel costs that are reimbursable through the Staffing for Adequate Fire and Emergency Response (SAFER) Grant.

Maintenance District #1 – The City levies special benefit assessments and property taxes upon property within defined districts. Through the Los Angeles County Tax Collector, assessments are placed on the property owner's annual tax bill. These funds are used to maintain and improve the open spaces within the districts by providing landscape maintenance.

Maintenance District #2 – The City levies special benefit assessments and property taxes upon property within defined districts. Through the Los Angeles County Tax Collector, assessments are placed on the property owner's annual tax bill. These funds are used to maintain and improve the open spaces within the districts by providing landscape maintenance.

Coastal Sage Shrub – This community facilities district was formed to provide for the restoration and ongoing maintenance of sensitive environmental habitat within the development area of a former landfill, including habitat for endangered species such as the California gnatcatcher *(Polioptila californica)*.

Maintenance District #4 – The City levies special benefit assessments and property taxes upon property within defined districts. Through the Los Angeles County Tax Collector, assessments are placed on the property owner's annual tax bill. These funds are used to maintain and improve the open spaces within the districts by providing landscape maintenance.

Maintenance District #6 – The City levies special benefit assessments and property taxes upon property within defined districts. Through the Los Angeles County Tax Collector, assessments are placed on the property owner's annual tax bill. These funds are used to maintain and improve the open spaces within the districts by providing landscape maintenance.

Maintenance District #7 – The City levies special benefit assessments and property taxes upon property within defined districts. Through the Los Angeles County Tax Collector, assessments are placed on the property owner's annual tax bill. These funds are used to maintain and improve the open spaces within the districts by providing landscape maintenance.

Citywide Maintenance District – Revenue for the fund comes from annual special benefit assessments from property owners who benefit from covered improvements. This fund provides the majority of funding for the City's street lighting system and street tree program.

Sewer Maintenance – This fund supports the City's street sweeping program and maintenance of the City's sewer system. The City also provides services to the City of Covina through this fund.

Auto Plaza Improvement District – This fund is an assessment district supported by six of West Covina's automobile dealers to fund the construction, maintenance and operations of a reader board adjacent to Interstate 10.

Integrated Waste Management – This fund accounts for landfill local enforcement agency activities and waste management programs, other than AB939.

Mental Health Awareness Training – This fund accounts for funding received and expenditure incurred to support jailer mental health awareness training programs.

Measure H – This funding accounts for funding received and expenditures related to prevent and combat homelessness.

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Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2020

	Drug Enforcement Rebate	Measure M	Air Quality Improvement	Proposition A
ASSETS				
Cash and investments	$ 6,817,968	$ 3,034,801	$ 261,910	$ -
Receivables, net:				
Accounts	-	-	200,000	-
Taxes	-	-	-	-
Other	-	-	-	-
Due from other agencies	-	-	-	-
Total assets	$ 6,817,968	$ 3,034,801	$ 461,910	$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 91,821	$ 392,601	$ 145,599	$ 6,000
Other accrued liabilities	6,563	61,870	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	30,739
Advances from other funds	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	98,384	454,471	145,599	36,739
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Fund Balances (Deficit):				
Restricted:				
Community services	-	2,580,330	-	-
Public safety	6,719,584	-	-	-
Public works	-	-	316,311	-
Unassigned	-	-	-	(36,739)
Total fund balances (deficit)	6,719,584	2,580,330	316,311	(36,739)
Total liabilities, deferred inflows of resources, and fund balances	$ 6,817,968	$ 3,034,801	$ 461,910	$ -

(continued)

Proposition C	CESF	Police Donations	Transportation Development Act	AB939	Public Safety Augmentation	COPS/SLESA
$ 1,780,096	$ -	$ 36,367	$ -	$ 649,206	$ 430,774	$ 541,027
-	-	-	-	-	-	-
-	-	-	-	-	117,552	-
-	-	-	-	61,115	-	-
-	2,200	-	994	-	-	-
$ 1,780,096	$ 2,200	$ 36,367	$ 994	$ 710,321	$ 548,326	$ 541,027
$ 202,227	$ 2,341	$ -	$ -	$ 493	$ -	$ 104,290
3,479	-	-	-	1,428	19,071	-
-	-	-	-	-	-	-
-	-	-	61,451	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
205,706	2,341	-	61,451	1,921	19,071	104,290
-	-	-	-	-	-	-
1,574,390	-	-	-	-	-	-
-	-	36,367	-	-	529,255	436,737
-	-	-	-	708,400	-	-
-	(141)	-	(60,457)	-	-	-
1,574,390	(141)	36,367	(60,457)	708,400	529,255	436,737
$ 1,780,096	$ 2,200	$ 36,367	$ 994	$ 710,321	$ 548,326	$ 541,027

Combining Balance Sheet
Non-Major Special Revenue Funds (continued)
June 30, 2020

	Charter PEG	Art in Public Places	Measure R	Inmate Welfare
ASSETS				
Cash and investments	$ 113,047	$ 296,815	$ 2,975,394	$ 10,087
Receivables, net:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Other	-	-	-	396
Due from other agencies	-	-	-	-
Total assets	$ 113,047	$ 296,815	$ 2,975,394	$ 10,483
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 5,198	$ -	$ 61,298	$ 2,000
Other accrued liabilities	-	-	6,091	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Due to other governments	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	5,198	-	67,389	2,000
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Fund Balances (Deficit):				
Restricted:				
Community services	107,849	296,815	-	-
Public safety	-	-	-	8,483
Public works	-	-	2,908,005	-
Unassigned	-	-	-	-
Total fund balances (deficit)	107,849	296,815	2,908,005	8,483
Total liabilities, deferred inflows of resources, and fund balances	$ 113,047	$ 296,815	$ 2,975,394	$ 10,483

(continued)

West Covina Community Services Foundation	Various Grants	Community Development Block Grant	SAFER Grant	Maintenance District #1	Maintenance District #2	Coastal Sage Shrub
$ 255,262	$ -	$ 107,540	$ 10	$ 2,638,614	$ 652,613	$ 366,192
-	59,771	-	-	-	-	-
-	-	-	-	9,576	1,299	124
28,028	70	9,843	-	-	-	-
-	137,431	81,847	-	-	-	-
$ 283,290	$ 197,272	$ 199,230	$ 10	$ 2,648,190	$ 653,912	$ 366,316
$ 1,465	$ 26,595	$ 279,727	$ -	$ 24,453	$ 859	$ 3,650
-	24,317	3,796	-	6,570	728	-
-	-	340	-	-	-	-
-	481,638	184,805	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	10,675	-	-	-	-	-
1,465	543,225	468,668	-	31,023	1,587	3,650
-	-	200,469	-	-	-	-
281,825	-	-	-	-	-	-
-	-	-	10	-	-	-
-	-	-	-	2,617,167	652,325	362,666
-	(345,953)	(469,907)	-	-	-	-
281,825	(345,953)	(469,907)	10	2,617,167	652,325	362,666
$ 283,290	$ 197,272	$ 199,230	$ 10	$ 2,648,190	$ 653,912	$ 366,316

Combining Balance Sheet
Non-Major Special Revenue Funds (continued)
June 30, 2020

	Maintenance District #4	Maintenance District #6	Maintenance District #7	Citywide Maintenance District
ASSETS				
Cash and investments	$ 2,282,191	$ 244,609	$ 326,859	$ 1,666,662
Receivables, net:				
Accounts	-	-	-	-
Taxes	12,962	2,242	1,542	23,062
Other	-	-	-	-
Due from other agencies	-	-	-	-
Total assets	$ 2,295,153	$ 246,851	$ 328,401	$ 1,689,724
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 86,448	$ 8,729	$ 5,345	$ 293,499
Other accrued liabilities	1,917	547	560	1,651
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	88,365	9,276	5,905	295,150
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Fund Balances (Deficit):				
Restricted:				
Community services	-	-	-	-
Public safety	-	-	-	-
Public works	2,206,788	237,575	322,496	1,394,574
Unassigned	-	-	-	-
Total fund balances (deficit)	2,206,788	237,575	322,496	1,394,574
Total liabilities, deferred inflows of resources, and fund balances	$ 2,295,153	$ 246,851	$ 328,401	$ 1,689,724

(continued)

Sewer Maintenance	Auto Plaza Improvement District	Integrated Waste Management	Mental Health Awareness Training	Measure H	Total Non-Major Special Revenue Funds
$ 7,364,595	$ 156,452	$ -	$ 2,279	$ -	$ 33,011,370
-	-	-	-	-	259,771
60,042	8,101	-	-	-	236,502
-	-	-	-	-	99,452
-	-	-	-	-	222,472
$ 7,424,637	$ 164,553	$ -	$ 2,279	$ -	$ 33,829,567
$ 844,584	$ 4,533	$ -	$ -	$ 49,636	$ 2,643,391
21,286	-	-	-	-	159,874
-	-	-	-	-	340
-	-	11,073	-	12,899	782,605
-	332,173	-	-	-	332,173
-	-	-	-	-	10,675
865,870	336,706	11,073	-	62,535	3,929,058
-	-	-	-	-	200,469
-	-	-	2,279	-	4,843,488
-	-	-	-	-	7,730,436
6,558,767	-	-	-	-	18,285,074
-	(172,153)	(11,073)	-	(62,535)	(1,158,958)
6,558,767	(172,153)	(11,073)	2,279	(62,535)	29,700,040
$ 7,424,637	$ 164,553	$ -	$ 2,279	$ -	$ 33,829,567

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Special Revenue Funds
For the Year Ended June 30, 2020

	Drug Enforcement Rebate	Measure M	Air Quality Improvement	Proposition A
REVENUES				
Taxes	$ -	$ 1,470,650	$ -	$ 2,102,971
Special assessments	-	-	-	-
Investment income	81,810	40,517	1,523	-
Revenue from other agencies	5,197,210	-	657,470	-
Charges for services	-	-	-	-
Other revenues	1,900	-	-	-
Total revenues	5,280,920	1,511,167	658,993	2,102,971
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	1,652,100	-	-	-
Public works	-	1,383,695	146,000	-
Community services	-	69,642	-	2,255,247
Community development	-	-	-	-
Total expenditures	1,652,100	1,453,337	146,000	2,255,247
Excess of revenues over (under) expenditures	3,628,820	57,830	512,993	(152,276)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(182,042)	-	-	-
Total other financing sources (uses)	(182,042)	-	-	-
Net change in fund balances	3,446,778	57,830	512,993	(152,276)
Fund balances (deficit), beginning of year	3,272,806	2,522,500	(196,682)	115,537
Fund balances (deficit), end of year	$ 6,719,584	2,580,330	$ 316,311	$ (36,739)

(continued)

Proposition C	CESF	Police Donations	Transportation Development Act	AB939	Public Safety Augmentation	COPS/SLESA
$ 1,744,419	$ -	$ -	$ -	$ -	$ 773,318	$ -
-	-	-	-	-	-	-
23,360	-	376	-	7,085	5,049	6,216
-	2,200	-	994	-	-	205,045
-	-	-	-	-	-	-
-	-	11,488	-	256,933	-	-
1,767,779	2,200	11,864	994	264,018	778,367	211,261
-	-	-	-	-	-	-
-	2,341	1,560	-	-	704,585	182,661
570,393	-	-	994	120,501	-	-
1,228,026	-	-	-	-	-	-
39,345	-	-	-	-	-	-
1,837,764	2,341	1,560	994	120,501	704,585	182,661
(69,985)	(141)	10,304	-	143,517	73,782	28,600
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(69,985)	(141)	10,304	-	143,517	73,782	28,600
1,644,375	-	26,063	(60,457)	564,883	455,473	408,137
$ 1,574,390	$ (141)	$ 36,367	$ (60,457)	$ 708,400	$ 529,255	$ 436,737

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Special Revenue Funds (continued)
For the Year Ended June 30, 2020

	Charter PEG	Art in Public Places	Measure R	Inmate Welfare
REVENUES				
Taxes	$ -	$ -	$ 1,306,443	$ -
Special assessments	-	-	-	-
Investment income	1,534	3,637	35,237	117
Revenue from other agencies	-	-	-	-
Charges for services	-	-	-	-
Other revenues	-	103,038	-	1,828
Total revenues	1,534	106,675	1,341,680	1,945
EXPENDITURES				
Current:				
General government	27,344	-	-	-
Public safety	-	-	-	1,999
Public works	-	-	671,700	-
Community services	-	-	268,158	-
Community development	-	-	-	-
Total expenditures	27,344	-	939,858	1,999
Excess of revenues over (under) expenditures	(25,810)	106,675	401,822	(54)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(25,810)	106,675	401,822	(54)
Fund balances (deficit), beginning of year	133,659	190,140	2,506,183	8,537
Fund balances (deficit), end of year	$ 107,849	$ 296,815	$ 2,908,005	$ 8,483

(continued)

West Covina Community Services Foundation	Various Grants	Community Development Block Grant	SAFER Grant	Maintenance District #1	Maintenance District #2	Coastal Sage Shrub
$ -	$ -	$ -	$ -	$ 596,837	$ 200,459	$ 107,650
-	-	-	-	-	-	-
2,911	698	-	-	30,790	7,732	4,346
-	825,087	99,308	-	-	-	-
-	22,656	-	-	-	-	-
120,153	-	85,870	-	-	-	-
123,064	848,441	185,178	-	627,627	208,191	111,996
-	-	-	-	-	-	-
1,453	485,890	22,341	-	-	-	-
-	232,259	52,186	-	312,021	128,563	84,565
31,356	367,317	530,492	-	-	-	-
-	-	40,773	-	-	-	-
32,809	1,085,466	645,792	-	312,021	128,563	84,565
90,255	(237,025)	(460,614)	-	315,606	79,628	27,431
-	-	-	-	-	-	-
-	-	-	-	-	(9,000)	-
-	-	-	-	-	(9,000)	-
90,255	(237,025)	(460,614)	-	315,606	70,628	27,431
191,570	(108,928)	(9,293)	10	2,301,561	581,697	335,235
$ 281,825	$ (345,953)	$ (469,907)	$ 10	$ 2,617,167	$ 652,325	$ 362,666

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Special Revenue Funds (continued)
For the Year Ended June 30, 2020

	Maintenance District #4	Maintenance District #6	Maintenance District #7	Citywide Maintenance District
REVENUES				
Taxes	$ -	$ -	$ -	$ -
Special assessments	1,026,385	153,539	173,266	1,644,661
Investment income	28,817	3,035	3,825	18,462
Revenue from other agencies	-	-	-	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	1,055,202	156,574	177,091	1,663,123
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,226,280	164,685	143,509	1,554,962
Community services	-	-	-	-
Community development	-	-	-	-
Total expenditures	1,226,280	164,685	143,509	1,554,962
Excess of revenues over (under) expenditures	(171,078)	(8,111)	33,582	108,161
OTHER FINANCING SOURCES (USES)				
Transfers in	9,000	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	9,000	-	-	-
Net change in fund balances	(162,078)	(8,111)	33,582	108,161
Fund balances (deficit), beginning of year	2,368,866	245,686	288,914	1,286,413
Fund balances (deficit), end of year	$ 2,206,788	$ 237,575	$ 322,496	$ 1,394,574

(continued)

Sewer Maintenance	Auto Plaza Improvement District	Integrated Waste Management	Mental Health Awareness Training	Measure H	Total Non-Major Special Revenue Funds
$ 311,398	$ 115,616	$ -	$ -	$ -	$ 8,729,761
3,492,403	-	-	-	-	6,490,254
78,328	1,988	-	8	-	387,401
-	-	-	2,970	-	6,990,284
-	-	-	-	-	22,656
13,768	-	-	-	-	594,978
3,895,897	117,604	-	2,978	-	23,215,334
-	-	-	-	-	27,344
-	-	-	699	-	3,055,629
2,741,819	-	-	-	-	9,534,132
-	-	-	-	-	4,750,238
-	42,884	-	-	62,535	185,537
2,741,819	42,884	-	699	62,535	17,552,880
1,154,078	74,720	-	2,279	(62,535)	5,662,454
-	-	-	-	-	9,000
-	-	-	-	-	(191,042)
-	-	-	-	-	(182,042)
1,154,078	74,720	-	2,279	(62,535)	5,480,412
5,404,689	(246,873)	(11,073)	-	-	24,219,628
$ 6,558,767	$ (172,153)	$ (11,073)	$ 2,279	$ (62,535)	$ 29,700,040

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Drug Enforcement Rebate Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment income	$ -	$ -	$ 81,810	$ 81,810
Revenue from other agencies	-	-	5,197,210	5,197,210
Other revenues	-	-	1,900	1,900
Total revenues	-	-	5,280,920	5,280,920
EXPENDITURES				
Current:				
Public safety	-	2,933,693	1,652,100	1,281,593
Total expenditures	-	2,933,693	1,652,100	1,281,593
Excess (deficiency) of revenues over (under) expenditures	-	(2,933,693)	3,628,820	6,562,513
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(182,042)	(182,042)
Total other financing sources (uses)	-	-	(182,042)	(182,042)
Net change in fund balance	-	(2,933,693)	3,446,778	6,380,471
Fund balance, beginning of year	3,272,806	3,272,806	3,272,806	-
Fund balance, end of year	$ 3,272,806	$ 339,113	$ 6,719,584	$ 6,380,471

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Measure M Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 1,547,227	$ 1,547,227	$ 1,470,650	$ (76,577)
Investment income	-	-	40,517	40,517
Total revenues	1,547,227	1,547,227	1,511,167	(36,060)
EXPENDITURES				
Current:				
Public works	-	3,267,287	1,383,695	1,883,592
Community services	33,722	33,722	69,642	(35,920)
Total expenditures	33,722	3,301,009	1,453,337	1,847,672
Net change in fund balance	1,513,505	(1,753,782)	57,830	1,811,612
Fund balance, beginning of year	2,522,500	2,522,500	2,522,500	-
Fund balance, end of year	$ 4,036,005	$ 768,718	$ 2,580,330	$ 1,811,612

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Air Quality Improvement Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment income	$ -	$ -	$ 1,523	$ 1,523
Revenue from other agencies	695,200	1,249,399	657,470	(591,929)
Total revenues	695,200	1,249,399	658,993	(590,406)
EXPENDITURES				
Current:				
Public works	17,264	161,665	146,000	15,665
Total expenditures	17,264	161,665	146,000	15,665
Net change in fund balance	677,936	1,087,734	512,993	(574,741)
Fund balance (deficit), beginning of year	(196,682)	(196,682)	(196,682)	-
Fund balance (deficit), end of year	$ 481,254	$ 891,052	$ 316,311	$ (574,741)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Proposition A Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 2,194,485	$ 2,194,485	$ 2,102,971	$ (91,514)
Revenue from other agencies	104,000	104,000	-	(104,000)
Total revenues	2,298,485	2,298,485	2,102,971	(195,514)
EXPENDITURES				
Current:				
Community services	2,237,683	2,255,183	2,255,247	(64)
Total expenditures	2,237,683	2,255,183	2,255,247	(64)
Net change in fund balance	60,802	43,302	(152,276)	(195,578)
Fund balance, beginning of year	115,537	115,537	115,537	-
Fund balance (deficit), end of year	$ 176,339	$ 158,839	$ (36,739)	$ (195,578)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Proposition C Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 1,820,268	$ 1,820,268	$ 1,744,419	$ (75,849)
Investment income	-	-	23,360	23,360
Total revenues	1,820,268	1,820,268	1,767,779	(52,489)
EXPENDITURES				
Current:				
Public works	451,393	1,544,675	570,393	974,282
Community services	1,411,959	1,411,959	1,228,026	183,933
Community development	46,560	46,560	39,345	7,215
Total expenditures	1,909,912	3,003,194	1,837,764	1,165,430
Net change in fund balance	(89,644)	(1,182,926)	(69,985)	1,112,941
Fund balance, beginning of year	1,644,375	1,644,375	1,644,375	-
Fund balance, end of year	$ 1,554,731	$ 461,449	$ 1,574,390	$ 1,112,941

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
CESF Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from other agencies	$ -	$ 60,602	$ 2,200	$ (58,402)
EXPENDITURES				
Current:				
Public safety	-	6,000	2,341	3,659
Total expenditures	-	6,000	2,341	3,659
Net change in fund balance	-	54,602	(141)	(54,743)
Fund balance (deficit), beginning of year	-	-	-	-
Fund balance (deficit), end of year	$ -	$ 54,602	$ (141)	$ (54,743)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Police Donations Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment income	$ -	$ -	$ 376	$ 376
Other revenues	-	11,488	11,488	-
Total revenues	-	11,488	11,864	376
EXPENDITURES				
Current:				
Public safety	-	2,015	1,560	455
Total expenditures	-	2,015	1,560	455
Net change in fund balance	-	9,473	10,304	831
Fund balance, beginning of year	26,063	26,063	26,063	-
Fund balance, end of year	$ 26,063	$ 35,536	$ 36,367	$ 831

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Transportation Development Act Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from other agencies	$ 70,000	$ 70,000	$ 994	$ (69,006)
EXPENDITURES				
Current:				
Public works	-	80,243	994	79,249
Total expenditures	-	80,243	994	79,249
Net change in fund balance	70,000	(10,243)	-	10,243
Fund balance (deficit), beginning of year	(60,457)	(60,457)	(60,457)	-
Fund balance (deficit), end of year	$ 9,543	$ (70,700)	$ (60,457)	$ 10,243

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
AB939 Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment income	$ -	$ -	$ 7,085	$ 7,085
Other revenues	170,000	170,000	256,933	86,933
Total revenues	170,000	170,000	264,018	94,018
EXPENDITURES				
Current:				
Public works	151,547	151,547	120,501	31,046
Total expenditures	151,547	151,547	120,501	31,046
Net change in fund balance	18,453	18,453	143,517	125,064
Fund balance, beginning of year	564,883	564,883	564,883	-
Fund balance, end of year	$ 583,336	$ 583,336	$ 708,400	$ 125,064

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Public Safety Augmentation Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	$ 786,000	$ 786,000	$ 773,318	$ (12,682)
Investment income	-	-	5,049	5,049
Total revenues	786,000	786,000	778,367	(7,633)
EXPENDITURES				
Current:				
Public safety	786,000	793,126	704,585	88,541
Total expenditures	786,000	793,126	704,585	88,541
Net change in fund balance	-	(7,126)	73,782	80,908
Fund balance, beginning of year	455,473	455,473	455,473	-
Fund balance, end of year	$ 455,473	$ 448,347	$ 529,255	$ 80,908

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
COPS/SLESA Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment income	$ -	$ -	$ 6,216	$ 6,216
Revenue from other agencies	-	163,853	205,045	41,192
Total revenues	-	163,853	211,261	47,408
EXPENDITURES				
Current:				
Public safety	-	184,060	182,661	1,399
Total expenditures	-	184,060	182,661	1,399
Net change in fund balance	-	(20,207)	28,600	48,807
Fund balance, beginning of year	408,137	408,137	408,137	-
Fund balance, end of year	$ 408,137	$ 387,930	$ 436,737	$ 48,807

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Charter PEG Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Investment income	$ -	$ -	$ 1,534	$ 1,534
EXPENDITURES				
Current:				
General government	-	129,280	27,344	101,936
Total expenditures	-	129,280	27,344	101,936
Net change in fund balance	-	(129,280)	(25,810)	103,470
Fund balance, beginning of year	133,659	133,659	133,659	-
Fund balance, end of year	$ 133,659	$ 4,379	$ 107,849	$ 103,470

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Measure R Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 1,365,348	$ 1,365,348	$ 1,306,443	$ (58,905)
Investment income	-	-	35,237	35,237
Total revenues	1,365,348	1,365,348	1,341,680	(23,668)
EXPENDITURES				
Current:				
Public works	545,822	3,100,282	671,700	2,428,582
Community services	325,247	313,453	268,158	45,295
Total expenditures	871,069	3,413,735	939,858	2,473,877
Net change in fund balance	494,279	(2,048,387)	401,822	2,450,209
Fund balance, beginning of year	2,506,183	2,506,183	2,506,183	-
Fund balance, end of year	$ 3,000,462	$ 457,796	$ 2,908,005	$ 2,450,209

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Inmate Welfare Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Investment income	$ -	$ -	$ 117	117
Other revenues	1,000	1,000	1,828	828
Total revenues	1,000	1,000	1,945	945
EXPENDITURES				
Current:				
Public safety	3,000	12,065	1,999	10,066
Total expenditures	3,000	12,065	1,999	10,066
Net change in fund balance	(2,000)	(11,065)	(54)	11,011
Fund balance, beginning of year	8,537	8,537	8,537	-
Fund balance, end of year	$ 6,537	$ (2,528)	$ 8,483	$ 11,011

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
West Covina Community Services Foundation Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment income	$ -	$ -	$ 2,911	$ 2,911
Other revenues	-	19,418	120,153	100,735
Total revenues	-	19,418	123,064	103,646
EXPENDITURES				
Current:				
Public safety	-	2,036	1,453	583
Community services	-	153,425	31,356	122,069
Total expenditures	-	155,461	32,809	122,652
Net change in fund balance	-	(136,043)	90,255	226,298
Fund balance, beginning of year	191,570	191,570	191,570	-
Fund balance, end of year	$ 191,570	$ 55,527	$ 281,825	$ 226,298

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Various Grants Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment income	$ -	$ -	$ 698	$ 698
Revenue from other agencies	748,951	2,792,671	825,087	(1,967,584)
Charges for services	40,000	40,000	22,656	(17,344)
Total revenues	788,951	2,832,671	848,441	(1,984,230)
EXPENDITURES				
Current:				
Public safety	619,090	875,810	485,890	389,920
Public works	74,535	1,662,182	232,259	1,429,923
Community services	281,051	281,051	367,317	(86,266)
Total expenditures	974,676	2,819,043	1,085,466	1,733,577
Net change in fund balance	(185,725)	13,628	(237,025)	(250,653)
Fund balance (deficit), beginning of year	(108,928)	(108,928)	(108,928)	-
Fund balance (deficit), end of year	$ (294,653)	$ (95,300)	$ (345,953)	$ (250,653)

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, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from other agencies	$ 1,282,868	$ 1,756,672	$ 99,308	$ (1,657,364)
Other revenues	43,250	43,250	85,870	42,620
Total revenues	1,326,118	1,799,922	185,178	(1,614,744)
EXPENDITURES				
Current:				
Public safety	20,118	20,118	22,341	(2,223)
Public works	-	658,393	52,186	606,207
Community development	279,260	753,064	530,492	222,572
Community services	470,935	470,935	40,773	430,162
Total expenditures	770,313	1,902,510	645,792	1,256,718
Excess (deficiency) of revenues over (under) expenditures	555,805	(102,588)	(460,614)	(358,026)
Fund balance (deficit), beginning of year	(9,293)	(9,293)	(9,293)	-
Fund balance (deficit), end of year	$ 546,512	$ (111,881)	$ (469,907)	$ (358,026)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Maintenance District #1 Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 920,000	$ 920,000	$ 596,837	$ (323,163)
Investment income	13,000	13,000	30,790	17,790
Total revenues	933,000	933,000	627,627	(305,373)
EXPENDITURES				
Current:				
Public works	346,526	499,580	312,021	187,559
Total expenditures	346,526	499,580	312,021	187,559
Net change in fund balance	586,474	433,420	315,606	(117,814)
Fund balance, beginning of year	2,301,561	2,301,561	2,301,561	-
Fund balance, end of year	$ 2,888,035	$ 2,734,981	$ 2,617,167	$ (117,814)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Maintenance District #2 Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	$ 288,000	$ 288,000	$ 200,459	$ (87,541)
Investment income	5,000	5,000	7,732	2,732
Total revenues	293,000	293,000	208,191	(84,809)
EXPENDITURES				
Current:				
Public works	148,401	305,181	128,563	176,618
Total expenditures	148,401	305,181	128,563	176,618
Excess (deficiency) of revenues over (under) expenditures	144,599	(12,181)	79,628	91,809
OTHER FINANCING SOURCES (USES)				
Transfers out	(9,000)	(9,000)	(9,000)	-
Net change in fund balance	135,599	(21,181)	70,628	91,809
Fund balance, beginning of year	581,697	581,697	581,697	-
Fund balance, end of year	$ 717,296	$ 560,516	$ 652,325	$ 91,809

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Coastal Sage Shrub Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 110,000	$ 110,000	$ 107,650	$ (2,350)
Investment income	1,600	1,600	4,346	2,746
Total revenues	111,600	111,600	111,996	396
EXPENDITURES				
Current:				
Public works	84,218	184,218	84,565	99,653
Total expenditures	84,218	184,218	84,565	99,653
Net change in fund balance	27,382	(72,618)	27,431	100,049
Fund balance, beginning of year	335,235	335,235	335,235	-
Fund balance, end of year	$ 362,617	$ 262,617	$ 362,666	$ 100,049

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Maintenance District #4 Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Special assessments	$ 2,075,900	$ 2,075,900	$ 1,026,385	$ (1,049,515)
Investment income	10,000	10,000	28,817	18,817
Total revenues	2,085,900	2,085,900	1,055,202	(1,030,698)
EXPENDITURES				
Current:				
Public works	930,465	1,618,335	1,226,280	392,055
Total expenditures	930,465	1,618,335	1,226,280	392,055
Excess (deficiency) of revenues over (under) expenditures	1,155,435	467,565	(171,078)	(638,643)
OTHER FINANCING SOURCES (USES)				
Transfers in	9,000	9,000	9,000	-
Net change in fund balance	1,164,435	476,565	(162,078)	(638,643)
Fund balance, beginning of year	2,368,866	2,368,866	2,368,866	-
Fund balance, end of year	$ 3,533,301	$ 2,845,431	$ 2,206,788	$ (638,643)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Maintenance District #6 Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Special assessments	$ 309,400	$ 309,400	$ 153,539	$ (155,861)
Investment income	500	500	3,035	2,535
Total revenues	309,900	309,900	156,574	(153,326)
EXPENDITURES				
Current:				
Public works	142,669	194,989	164,685	30,304
Total expenditures	142,669	194,989	164,685	30,304
Net change in fund balance	167,231	114,911	(8,111)	(123,022)
Fund balance, beginning of year	245,686	245,686	245,686	-
Fund balance, end of year	$ 412,917	$ 360,597	$ 237,575	$ (123,022)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Maintenance District #7 Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Special assessments	$ 341,642	$ 341,642	$ 173,266	$ (168,376)
Investment income	2,000	2,000	3,825	1,825
Total revenues	343,642	343,642	177,091	(166,551)
EXPENDITURES				
Current:				
Public works	142,579	184,924	143,509	41,415
Total expenditures	142,579	184,924	143,509	41,415
Net change in fund balance	201,063	158,718	33,582	(125,136)
Fund balance, beginning of year	288,914	288,914	288,914	-
Fund balance, end of year	$ 489,977	$ 447,632	$ 322,496	$ (125,136)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Citywide Maintenance District Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Special assessments	$ 3,380,000	$ 3,380,000	$ 1,644,661	$ (1,735,339)
Investment income	4,000	4,000	18,462	14,462
Total revenues	3,384,000	3,384,000	1,663,123	(1,720,877)
EXPENDITURES				
Current:				
Public works	1,544,206	2,351,398	1,554,962	796,436
Total expenditures	1,544,206	2,351,398	1,554,962	796,436
Net change in fund balance	1,839,794	1,032,602	108,161	(924,441)
Fund balance, beginning of year	1,286,413	1,286,413	1,286,413	-
Fund balance, end of year	$ 3,126,207	$ 2,319,015	$ 1,394,574	$ (924,441)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Sewer Maintenance Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 420,000	$ 420,000	$ 311,398	$ (108,602)
Special assessments	7,060,020	7,060,020	3,492,403	(3,567,617)
Investment income	10,000	10,000	78,328	68,328
Other revenue	-	-	13,768	13,768
Total revenues	7,490,020	7,490,020	3,895,897	(3,594,123)
EXPENDITURES				
Current:				
Public works	1,671,904	8,272,178	2,741,819	5,530,359
Total expenditures	1,671,904	8,272,178	2,741,819	5,530,359
Net change in fund balance	5,818,116	(782,158)	1,154,078	1,936,236
Fund balance, beginning of year	5,404,689	5,404,689	5,404,689	-
Fund balance, end of year	$ 11,222,805	$ 4,622,531	$ 6,558,767	$ 1,936,236

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Auto Plaza Improvement District Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 115,668	$ 115,668	$ 115,616	$ (52)
Investment income	-	-	1,988	1,988
Total revenues	115,668	115,668	117,604	1,936
EXPENDITURES				
Current:				
Community development	66,737	66,737	42,884	23,853
Total expenditures	66,737	66,737	42,884	23,853
Net change in fund balance	48,931	48,931	74,720	25,789
Fund balance (deficit), beginning of year	(246,873)	(246,873)	(246,873)	-
Fund balance (deficit), end of year	$ (197,942)	$ (197,942)	$ (172,153)	$ 25,789

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Mental Health Awareness Training Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment income	$ -	$ -	$ 8	$ 8
Revenue from other agencies	-	2,970	2,970	-
Total revenues	-	2,970	2,978	8
EXPENDITURES				
Current:				
Public safety	-	699	699	-
Total expenditures	-	699	699	-
Net change in fund balance	-	2,271	2,279	8
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ 2,271	$ 2,279	$ 8

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Measure H Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from other agencies	$ -	$ 343,250	$ -	$ (343,250)
Total revenues	-	343,250	-	(343,250)
EXPENDITURES				
Current:				
Community development	-	376,250	62,535	313,715
Excess (deficit) of revenues over (under) expenditures	-	(33,000)	(62,535)	313,715
OTHER FINANCING SOURCES (USES)				
Transfers in	-	33,000	-	(33,000)
Total other financing sources (uses)	-	33,000	-	(33,000)
Net change in fund balance	-	-	(62,535)	(62,535)
Fund balance, beginning of year	-	-	-	-
Fund balance (deficit), end of year	$ -	$ -	$ (62,535)	$ (62,535)

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Non- Major Governmental Fund – Debt Services Fund

DEBT SERVICE FUND – This fund is used to account for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest.

City Debt Service – This fund accounts for the payments of principal, interest, and related costs on the City long-term debt issues.

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City Debt Service Fund
For the Year Ended June 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Investment income	$ 65,000	$ 65,000	$ 110,097	$ 45,097
Revenue from other agencies	1,314,777	1,314,777	1,314,727	(50)
Charges for services	400,000	400,000	286,523	(113,477)
Total revenues	1,779,777	1,779,777	1,711,347	(68,430)
EXPENDITURES				
Debt service:				
Principal	1,833,918	1,833,918	1,833,918	-
Interest and fiscal charges	1,992,167	1,997,167	1,928,807	68,360
Total expenditures	3,826,085	3,831,085	3,762,725	68,360
Excess (deficiency) of revenues over (under) expenditures	(2,046,308)	(2,051,308)	(2,051,378)	(70)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,500,598	1,500,598	578,918	(921,680)
Transfers out	(1,903,794)	(1,903,794)	-	1,903,794
Total other financing sources (uses)	(403,196)	(403,196)	578,918	982,114
Net change in fund balance	(2,449,504)	(2,454,504)	(1,472,460)	982,044
Fund balance, beginning of year	5,528,450	5,528,450	5,528,450	-
Fund balance, end of year	$ 3,078,946	$ 3,073,946	$ 4,055,990	$ 982,044

CAPITAL PROJECTS FUNDS are used to account for the purchase or construction of major capital facilities which are not financed by Proprietary Funds. Capital Projects Funds are ordinarily not used to account for the acquisition of furniture, fixtures, machinery, equipment and other relatively minor or comparatively short-lived capital assets.

City Capital Projects – This fund accounts for all capital expenditures not being accounted for in the capital projects described below or in other fund types.

Construction Tax – This fund accounts for monies received from developers based on the construction of dwelling units and used primarily to construct public domain assets.

Information Technology – The funds paid into this fund are to be used for information technology capital outlay projects.

Park Development – This fund accounts for park fees received from residential developers to be used for new park construction.

Development Impact Fees – This fund accounts for fees received from residential developers to help fund the purchase/replacement of vehicles/equipment along with the repairs and improvements of city facilities.

Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2020

	City	Construction Tax	Information Technology
ASSETS			
Cash and investments	$ 179,516	$ 218,538	$ 174,292
Total assets	$ 179,516	$ 218,538	$ 174,292
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 6	$ -	$ 15,485
Total liabilities	6	-	15,485
Fund Balances:			
Assigned	179,510	218,538	158,807
Total fund balances	179,510	218,538	158,807
Total liabilities, deferred inflows of resources, and fund balances	$ 179,516	$ 218,538	$ 174,292

(continued)

Park Development	Development Impact Fees	Total Non-Major Capital Projects Funds
$ 730,751	$ 499,209	$ 1,802,306
$ 730,751	$ 499,209	$ 1,802,306
$ -	$ -	$ 15,491
-	-	15,491
730,751	499,209	1,786,815
730,751	499,209	1,786,815
$ 730,751	$ 499,209	$ 1,802,306

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Capital Projects Funds
For the Year Ended June 30, 2020

	City	Construction Tax	Information Technology
REVENUES			
Taxes	$ -	$ 89,673	$ -
Investment income	-	2,520	-
Other revenues	-	-	44,074
Total revenues	-	92,193	44,074
EXPENDITURES			
Current:			
Public safety	274,761	-	-
Public works	-	10,680	59,473
Community services	-	-	-
Total expenditures	274,761	10,680	59,473
Excess of revenues over (under) expenditures	(274,761)	81,513	(15,399)
OTHER FINANCING SOURCES (USES)			
Transfers in	327,991	-	11,856
Transfers out	(11,856)	-	-
Total other financing sources (uses)	316,135	-	11,856
Net change in fund balances	41,374	81,513	(3,543)
Fund balances, beginning of year	138,136	137,025	162,350
Fund balances, end of year	$ 179,510	$ 218,538	$ 158,807

Park Development	Development Impact Fees	Total Non-Major Capital Projects Funds
$ -	$ -	$ 89,673
9,602	-	12,122
459,900	90,896	594,870
469,502	90,896	696,665
-	-	274,761
-	-	70,153
65	-	65
65	-	344,979
469,437	90,896	351,686
-	-	339,847
-	-	(11,856)
-	-	327,991
469,437	90,896	679,677
261,314	408,313	1,107,138
$ 730,751	$ 499,209	$ 1,786,815

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City Capital Projects Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from other agencies	$ -	$ 200,000	$ -	$ (200,000)
Other revenues	-	-	-	-
Total revenues	-	200,000	-	(200,000)
EXPENDITURES				
Current:				
Public safety	-	1,377,808	274,761	1,103,047
Excess (deficiency) of revenues over (under) expenditures	-	(1,177,808)	(274,761)	903,047
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	327,991	327,991
Transfers out	-	-	(11,856)	(11,856)
Total other financing sources (uses)	-	-	316,135	316,135
Net change in fund balance	-	(1,177,808)	41,374	1,219,182
Fund balance, beginning of year	138,136	138,136	138,136	-
Fund balance, end of year	$ 138,136	$ (1,039,672)	$ 179,510	$ 1,219,182

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Construction Tax Capital Projects Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 70,000	$ 70,000	$ 89,673	$ 19,673
Investment income	-	-	2,520	2,520
Total revenues	70,000	70,000	92,193	22,193
EXPENDITURES				
Current:				
Public safety	-	150,000	10,680	139,320
Public works	20,000	23,948	-	23,948
Total expenditures	20,000	173,948	10,680	163,268
Net change in fund balance	50,000	(103,948)	81,513	185,461
Fund balance, beginning of year	137,025	137,025	137,025	-
Fund balance, end of year	$ 187,025	$ 33,077	$ 218,538	$ 185,461

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Information Technology Capital Projects Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Other revenues	$ -	$ -	$ 44,074	$ 44,074
Total revenues	-	-	44,074	44,074
EXPENDITURES				
Current:				
Public works	-	145,831	59,473	86,358
Excess (deficiency) of revenues over (under) expenditures	-	(145,831)	(15,399)	130,432
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	11,856	11,856
Total other financing sources (uses)	-	-	11,856	11,856
Net change in fund balance	-	(145,831)	(3,543)	142,288
Fund balance, beginning of year	162,350	162,350	162,350	-
Fund balance, end of year	$ 162,350	$ 16,519	$ 158,807	$ 142,288

INTERNAL SERVICE FUNDS – These funds are used to account for vehicle and equipment maintenance and replacement, for the City's self-insurance programs, and for retirement health savings plans for qualified City employees. Departments of the City are charged for the services provided or benefits received from these funds.

Fleet Management – This fund provides maintenance on materials and supplies for City vehicles and other gasoline or diesel powered equipment.

Self-Insurance – This fund accounts for the use of funds that are charged to departments for the administration and payment of claims under the City's self-insured general liability and workers' compensation programs.

Retiree Health Savings Plan – This fund accounts for the set aside lump sum benefits for retiring employees.

Vehicle Replacement – This fund provides for replacement of City vehicles.

Combining Statement of Net Position
Internal Service Funds
June 30, 2020

	Fleet Management	Self-Insurance
ASSETS		
Current Assets:		
Cash and investments	$ 221,873	$ 11,455,901
Receivables, net:		
Accounts	494,818	-
Inventories	30,473	-
Total current assets	747,164	11,455,901
Noncurrent Assets		
Capital assets:		
Capital assets	1,891,536	-
Less accumulated depreciation	(1,766,222)	-
Total capital assets	125,314	-
Total noncurrent assets	125,314	-
Total assets	872,478	11,455,901
LIABILITIES		
Current Liabilities:		
Accounts payable	101,523	429,646
Other accrued liabilities	589	-
Claims and judgments - current portion	-	4,402,010
Compensated absences - current portion	200	-
Due to other funds	-	-
Total current liabilities	102,312	4,831,656
Noncurrent Liabilities:		
Claims and judgments	-	8,776,893
Total noncurrent liabilities	-	8,776,893
Total liabilities	102,312	13,608,549
NET POSITION (DEFICIT)		
Net investment in capital assets	125,314	-
Unrestricted	644,852	(2,152,648)
Total net position (deficit)	$ 770,166	$ (2,152,648)

(continued)

Retiree Health Savings Plan	Vehicle Replacement	Totals
$ 368,073	$ -	$ 12,045,847
-	-	494,818
-	-	30,473
368,073	-	12,571,138
-	1,365,658	3,257,194
-	(630,291)	(2,396,513)
-	735,367	860,681
-	735,367	860,681
368,073	735,367	13,431,819
-	-	531,169
-	-	589
-	-	4,402,010
-	-	200
-	62,452	62,452
-	62,452	4,996,420
-	-	8,776,893
-	-	8,776,893
-	62,452	13,773,313
-	735,367	860,681
368,073	(62,452)	(1,202,175)
$ 368,073	$ 672,915	$ (341,494)

Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2020

	Fleet Management	Self-Insurance
OPERATING REVENUES:		
Charges for services	$ 1,913,910	$ 5,468,745
Other revenues	31,545	96,484
Total operating revenues	1,945,455	5,565,229
OPERATING EXPENSES:		
Personnel services	123,848	-
Cost of sales, services and operations	1,453,221	733,684
Depreciation	11,966	-
Insurance and claims paid	-	8,511,966
Total operating expenses	1,589,035	9,245,650
Operating income (loss)	356,420	(3,680,421)
NONOPERATING REVENUES:		
Investment income	-	-
Gain on sale of assets	9,700	-
Total nonoperating revenues	9,700	-
Gain (loss) before transfers	366,120	(3,680,421)
Transfers in	2,792	-
Transfers out	(63,282)	-
Change in net position	305,630	(3,680,421)
Net position, beginning of year	464,536	1,527,773
Net position (deficit), end of year	$ 770,166	$ (2,152,648)

Retiree Health Savings Plan	Vehicle Replacement	Totals
$ -	$ -	$ 7,382,655
-	19,629	147,658
-	19,629	7,530,313
29,500	-	153,348
-	-	2,186,905
-	167,122	179,088
-	-	8,511,966
29,500	167,122	11,031,307
(29,500)	(147,493)	(3,500,994)
4,734	1,011	5,745
-	10,637	20,337
4,734	11,648	26,082
(24,766)	(135,845)	(3,474,912)
-	245,324	248,116
-	(2,792)	(66,074)
(24,766)	106,687	(3,292,870)
392,839	566,228	2,951,376
$ 368,073	$ 672,915	$ (341,494)

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2020

	Fleet Management	Self-Insurance
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from user departments	$ 1,647,550	$ 5,571,824
Payments to suppliers for goods and services	(1,495,754)	(5,784,640)
Payments to employees for services	(135,358)	-
Net cash provided by (used for) operating activities	16,438	(212,816)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Received from other funds	2,792	24,698
Paid to other funds	(63,282)	-
Net cash provided by (used for) noncapital financing activities	(60,490)	24,698
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	-	-
Proceeds from sale of assets	9,700	-
Net cash provided by (used for) capital and related financing activities	9,700	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	-	-
Net cash provided by (used for) investing activities	-	-
Net increase (decrease) in cash and cash equivalents	(34,352)	(188,118)
Cash and cash equivalents, beginning of year	256,225	11,644,019
Cash and cash equivalents, ending of year	$ 221,873	$ 11,455,901
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating income (loss)	$ 356,420	$ (3,680,421)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	11,966	-
(Increase) Decrease in operating assets:		
Accounts receivable	(297,905)	6,595
Inventories	(299)	-
Increase (Decrease) in operating liabilities:		
Accounts payable	(40,523)	338,290
Other accrued liabilities	(1,711)	-
Claims and judgments payable	-	3,122,720
Compensated absences payable	(11,510)	-
Net cash provided by (used for) operating activities	$ 16,438	$ (212,816)

Retiree Health Savings Plan	Vehicle Replacement	Totals
$ -	$ 19,629	$ 7,239,003
-	(82,579)	(7,362,973)
(29,500)	-	(164,858)
(29,500)	(62,950)	(288,828)
-	307,776	335,266
-	(2,792)	(66,074)
-	304,984	269,192
-	(559,024)	(559,024)
-	10,637	20,337
-	(548,387)	(538,687)
4,734	1,011	5,745
4,734	1,011	5,745
(24,766)	(305,342)	(552,578)
392,839	305,342	12,598,425
$ 368,073	$ -	$ 12,045,847
$ (29,500)	$ (147,493)	$ (3,500,994)
-	167,122	179,088
-	-	(291,310)
-	-	(299)
-	(82,579)	215,188
-	-	(1,711)
-	-	3,122,720
-	-	(11,510)
$ (29,500)	$ (62,950)	$ (288,828)

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PENSION TRUST FUNDS are used to account for monies required to be held in trust for the members and beneficiaries of defined benefit pension plans.

Retirement Enhancement Defined Benefit Pension Trust Fund - This fund accounts for the assets and activities of the Public Agency Retirement System Enhancement Plan.

Supplemental Retirement Defined Benefit Pension Trust Fund - This fund accounts for the assets and activities of the Public Agency Supplemental Retirement Plan.

Combining Statement of Net Position
Pension Trust Funds
June 30, 2020

	Retirement Enhancement Defined Benefit Pension Fund	Supplemental Retirement Defined Benefit Pension Fund	Total Pension Trust Funds
ASSETS			
Cash and investments	$ 87,926	$ 461,804	$ 549,730
NET POSITION			
Held in trust for pension benefits	$ 87,926	$ 461,804	$ 549,730

Combining Statement of Changes in Net Position
Pension Trust Funds
For the Year Ended June 30, 2020

	Retirement Enhancement Defined Benefit Pension Fund	Supplemental Retirement Defined Benefit Pension Fund	Total Pension Trust Funds
ADDITIONS			
Employer contribution	$ 56,957	$ 77,814	$ 134,771
Investment income	2,909	15,032	17,941
Total Additions	59,866	92,846	152,712
DEDUCTIONS			
Administrative costs	12,017	9,475	21,492
Benefit distributions	103,008	155,804	258,812
Total Deductions	115,025	165,279	280,304
Change in net position	(55,159)	(72,433)	(127,592)
Net position, beginning of year	143,085	534,237	677,322
Net position, end of year	$ 87,926	$ 461,804	$ 549,730

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Agency Fund

AGENCY FUNDS are used to account for monies held by the City in a trustee capacity as an agent for individuals, private organizations and other governmental units.

Special Deposits – This fund accounts for developer funds placed on deposit with the City pending either a return to the depositor or disbursement by the City on behalf of the depositor to pay for studies and other developer expenses.

Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2020

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
ASSETS				
Cash and investments	$ 1,917,047	$ 403,989	$ 501,966	$ 1,819,070
Receivables, net:				
Other	1,956	2,166	1,956	2,166
Total Assets	$ 1,919,003	$ 406,155	$ 503,922	$ 1,821,236
LIABILITIES				
Accounts payable	$ 52,284	$ 475,926	$ 440,746	$ 87,464
Deposits	1,866,719	458,812	591,759	1,733,772
Total Liabilities	$ 1,919,003	$ 934,738	$ 1,032,505	$ 1,821,236

Statistical Section

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

CONTENTS **Page**

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	Fiscal Year			
	2011	2012	2013	2014
Governmental activities:				
Net investment in capital assets	$179,236,866	$222,784,189	$164,621,539	$161,771,546
Restricted	25,286,909	53,331,999	46,016,224	47,468,277
Unrestricted	1,884,827	(27,344,668)	(297,086)	191,878
Total governmental activities net position	$ 206,408,602	$ 248,771,520	$ 210,340,677	$ 209,431,701
Business-type activities:				
Net investment in capital assets	$ -	$ -	$ -	$ -
Restricted	-	-	-	-
Unrestricted	(999,624)	(994,560)	(426,769)	60,922
Total business-type activities net position	$ (999,624)	$ (994,560)	$ (426,769)	$ 60,922
Primary government:				
Net investment in capital assets	$ 179,236,866	$ 222,784,189	$ 164,621,539	$ 161,771,546
Restricted	25,286,909	53,331,999	46,016,224	47,468,277
Unrestricted	(98,187)	(28,339,228)	(723,855)	252,800
Total primary government net position	$ 204,425,588	$ 247,776,960	$ 209,913,908	$ 209,492,623

(continued)

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 144,215,248	$ 148,989,212	$ 153,784,463	$ 153,940,332	$ 147,204,908	$140,572,511
48,793,821	56,902,504	50,717,656	51,130,936	57,782,735	65,969,665
(129,152,694)	(138,162,202)	(144,659,629)	(201,951,785)	(207,212,078)	(225,184,697)
$ 63,856,375	$ 67,729,514	$ 59,842,490	$ 3,119,483	$ (2,224,435)	$ (18,642,521)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
188,045	(135,676)	(252,336)	(275,010)	(326,385)	(244,119)
$ 188,045	$ (135,676)	$ (252,336)	$ (275,010)	$ (326,385)	$ (244,119)
$ 144,215,248	$ 148,989,212	$ 153,784,463	$ 153,940,332	$ 147,204,908	$140,572,511
48,793,821	56,902,504	50,717,656	51,130,936	57,782,735	65,969,665
(128,964,649)	(138,297,878)	(144,911,965)	(202,226,795)	(207,538,463)	(225,428,816)
$ 64,044,420	$ 67,593,838	$ 59,590,154	$ 2,844,473	$ (2,550,820)	$ (18,886,640)

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2011	2012	2013	2014
Expenses:				
Governmental activities:				
General government	$ 2,922,898	$ 4,953,340	$ 5,519,153	$ 7,472,254
Public safety	45,253,725	49,369,913	47,323,516	45,443,958
Public works	21,052,423	20,510,387	20,372,375	21,109,952
Community services	6,629,292	6,949,951	6,878,176	6,437,040
Community development	9,414,730	4,071,050	1,127,924	658,082
Interest expense	7,101,037	5,927,002	1,652,750	1,677,062
Total governmental activities expenses	92,374,105	91,781,643	82,873,894	82,798,348
Business-type activities:				
Computer enterprise	2,086,135	1,701,367	1,435,855	1,284,419
Total business-type activities expenses	2,086,135	1,701,367	1,435,855	1,284,419
Total primary government expenses	94,460,240	93,483,010	84,309,749	84,082,767
Program revenues:				
Governmental activities:				
Charges for services:				
General government	681,877	599,066	548,333	486,478
Public safety	3,571,864	3,196,729	3,018,478	3,037,891
Public works	8,043,988	7,046,096	7,781,333	8,878,122
Community services	1,166,675	1,141,162	1,195,612	1,180,562
Community development	240,462	255,669	348,112	621,352
Operating grants and contributions	10,189,050	12,557,141	10,344,778	11,021,410
Capital grants and contributions	678,827	958,459	597,405	4,458,250
Total governmental activities program revenues	24,572,743	25,754,322	23,834,051	29,684,065
Business-type activities:				
Charges for services:				
Computer enterprise	2,268,982	1,805,242	2,105,421	1,873,636
Total business-type activities program revenues	2,268,982	1,805,242	2,105,421	1,873,636
Total primary government program revenues	26,841,725	27,559,564	25,939,472	31,557,701

Source: City of West Covina Finance Department

(continued)

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 5,676,067	$ 4,963,302	$ 5,775,173	$ 7,523,129	$ 7,515,920	$ 7,781,252
49,813,447	48,410,511	56,169,907	67,734,047	58,057,784	72,653,866
20,586,770	20,259,279	21,243,019	21,161,586	21,625,190	23,649,892
7,035,872	7,368,492	7,926,410	8,926,070	9,280,450	9,418,860
766,886	753,721	2,190,319	1,618,181	795,685	1,394,131
1,353,156	1,572,645	1,575,724	1,515,826	1,680,335	1,874,899
85,232,198	83,327,950	94,880,552	108,478,839	98,955,364	116,772,900
1,427,789	1,638,573	1,575,066	1,305,426	1,263,693	1,230,639
1,427,789	1,638,573	1,575,066	1,305,426	1,263,693	1,230,639
86,659,987	84,966,523	96,455,618	109,784,265	100,219,057	118,003,539
885,123	400,051	546,626	814,465	829,295	369,796
2,825,831	3,170,579	3,201,495	3,610,467	3,839,103	4,304,075
8,278,038	8,271,744	7,714,148	8,967,472	9,156,370	2,034,963
1,275,278	1,365,482	1,491,858	2,110,943	1,903,119	2,438,156
502,621	425,013	416,014	264,959	465,097	6,780,115
12,405,742	13,317,378	10,955,031	10,285,701	12,097,219	19,989,920
2,224,864	1,004,826	445,980	151,966	360,872	582,023
28,397,497	27,955,073	24,771,152	26,205,973	28,651,075	36,499,048
1,655,134	1,413,114	1,274,318	1,199,162	1,099,028	1,249,195
1,655,134	1,413,114	1,274,318	1,199,162	1,099,028	1,249,195
30,052,631	29,368,187	26,045,470	27,405,135	29,750,103	37,748,243

Changes in Net Position, (continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2011	2012	2013	2014
Net revenues (expenses):				
Governmental activities	$ (67,801,362)	$ (66,027,321)	$ (58,612,191)	$ (53,114,283)
Business-type activities	182,847	103,875	669,566	589,217
net primary government revenues (expenses)	(67,618,515)	(65,923,446)	(57,942,625)	(52,525,066)
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	30,888,074	23,313,556	20,937,356	20,420,020
Sales tax	12,550,157	13,177,914	13,307,736	14,705,790
Franchise tax	3,159,080	3,224,053	3,361,812	3,478,532
Other taxes	5,449,323	7,835,918	6,265,257	7,451,947
Motor vehicle in lieu, unrestricted	517,098	55,880	57,902	-
Investment income	2,281,105	1,647,399	185,451	695,341
Other general revenues	4,412,125	5,193,850	7,310,544	5,960,967
Transfers	95,934	98,811	101,775	101,775
Extraordinary gain (loss)	-	55,825,872	(19,629,066)	-
Total governmental activities	59,352,896	110,373,253	31,898,767	52,814,372
Business-type activities:				
Investment income	-	-	-	-
Other revenues	-	-	-	-
Transfers	(95,934)	(98,811)	(101,775)	(101,775)
Total business-type activities	(95,934)	(98,811)	(101,775)	(101,775)
Total primary government	59,256,962	110,274,442	31,796,992	52,712,597
Changes in net position:				
Governmental activities	(8,448,466)	44,345,932	(26,713,424)	(299,911)
Business-type activities	86,913	5,064	568,040	487,442
Total primary government change in net position	$ (8,361,553)	$ 44,350,996	$ (26,145,384)	$ 187,531

Source: City of West Covina Finance Department

(continued)

	Fiscal Year					
	2015	2016	2017	2018	2019	2020
	$ (56,834,701)	$ (55,372,877)	$ (70,109,400)	$ (82,272,866)	$ (70,304,289)	$ (80,273,852)
	227,345	(225,459)	(300,748)	(106,264)	(164,665)	18,556
	(56,607,356)	(55,598,336)	(70,410,148)	(82,379,130)	(70,468,954)	(80,255,296)
	21,156,596	22,352,163	23,994,740	25,392,860	26,365,067	27,422,706
	15,096,101	17,228,237	16,503,563	17,449,827	17,464,609	17,033,647
	3,635,092	3,540,011	3,698,184	4,011,817	4,207,765	4,445,101
	7,433,106	6,485,394	6,725,309	7,692,437	9,158,794	5,026,703
	-	-	-	-	-	-
	660,157	(566,064)	4,452,938	559,164	2,016,573	2,682,794
	6,999,034	4,236,920	6,847,642	9,256,591	5,747,563	7,244,815
	101,775	101,775	-	-	-	-
	-	9,789,266	-	-	-	-
	55,081,861	63,167,702	62,222,376	64,362,696	64,960,371	63,855,766
	1,553	3,513	2,070	884	1,083	-
	-	-	182,018	82,706	112,207	63,710
	(101,775)	(101,775)	-	-	-	-
	(100,222)	(98,262)	184,088	83,590	113,290	63,710
	54,981,639	63,069,440	62,406,464	64,446,286	65,073,661	63,919,476
	(1,752,840)	7,794,825	(7,887,024)	(17,910,170)	(5,343,918)	(16,418,086)
	127,123	(323,721)	(116,660)	(22,674)	(51,375)	82,266
	$ (1,625,717)	$ 7,471,104	$ (8,003,684)	$ (17,932,844)	$ (5,395,293)	$ (16,335,820)

City of West Covina

Changes in Net Position
Governmental Activities
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2011	2012	2013	2014
Expenses:				
General government	$ 2,922,898	$ 4,953,340	$ 5,547,949	$ 7,472,254
Public safety	45,253,725	49,369,913	47,160,347	45,443,958
Public works	21,052,423	20,510,387	20,465,106	21,109,952
Community services	6,629,292	6,949,951	6,911,667	6,437,040
Community development	9,414,730	4,071,050	708,422	658,082
Interest expense	7,101,037	5,927,002	1,652,751	1,677,062
Total expenses	92,374,105	91,781,643	82,446,242	82,798,348
Program revenues:				
Charges for services:				
General government	681,877	599,066	548,333	486,478
Public safety	3,571,864	3,196,729	3,018,478	3,037,891
Public works	8,043,988	7,046,096	7,781,333	8,878,122
Community services	1,166,675	1,141,162	1,195,612	1,180,562
Community development	240,462	255,669	348,112	621,352
Operating grants and contributions	10,189,050	12,557,141	10,344,778	11,021,410
Capital grants and contributions	678,827	958,459	597,405	4,458,250
Total program revenues	24,572,743	25,754,322	23,834,051	29,684,065
Net program revenues (expenses)	(67,801,362)	(66,027,321)	(58,612,191)	(53,114,283)
General revenues and other changes in net position:				
Taxes:				
Property taxes	30,888,074	23,313,556	20,937,356	20,420,020
Sales tax	12,550,157	13,177,914	13,307,736	14,705,790
Franchise tax	3,159,080	3,224,053	3,361,812	3,478,532
Other taxes	5,449,323	7,835,918	6,265,257	7,451,947
Motor vehicle in lieu, unrestricted	517,098	55,880	57,902	-
Investment income	2,281,105	1,647,399	185,451	695,341
Other general revenues	4,412,125	5,193,850	7,310,544	5,960,967
Transfers	95,934	98,811	101,775	101,775
Extraordinary gain (loss)	-	55,825,872	(19,629,066)	-
Total governmental revenues and other changes	59,352,896	110,373,253	31,898,767	52,814,372
Changes in net position	$ (8,448,466)	$ 44,345,932	$ (26,713,424)	$ (299,911)

Source: City of West Covina Finance Department

(continued)

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 5,676,067	$ 4,963,302	$ 5,775,173	$ 7,523,129	$ 7,515,920	$ 7,781,252
49,813,447	48,410,511	56,169,907	67,734,047	58,057,784	72,653,866
20,586,770	20,259,279	21,243,019	21,161,586	21,625,190	23,649,892
7,035,872	7,368,492	7,926,410	8,926,070	9,280,450	9,418,860
766,886	753,721	2,190,319	1,618,181	795,685	1,394,131
1,353,156	1,572,645	1,575,724	1,515,826	1,680,335	1,874,899
85,232,198	83,327,950	94,880,552	108,478,839	98,955,364	116,772,900
885,123	400,051	546,626	814,465	829,295	369,796
2,825,831	3,170,579	3,201,495	3,610,467	3,839,103	4,304,075
8,278,038	8,271,744	7,714,148	8,967,472	9,156,370	2,034,963
1,275,278	1,365,482	1,491,858	2,110,943	1,903,119	2,438,156
502,621	425,013	416,014	264,959	465,097	6,780,115
12,405,742	13,317,378	10,955,031	10,285,701	12,097,219	19,989,920
2,224,864	1,004,826	445,980	151,966	360,872	582,023
28,397,497	27,955,073	24,771,152	26,205,973	28,651,075	36,499,048
(56,834,701)	(55,372,877)	(70,109,400)	(82,272,866)	(70,304,289)	(80,273,852)
21,156,596	22,352,163	23,994,740	25,392,860	26,365,067	27,422,706
15,096,101	17,228,237	16,503,563	17,449,827	17,464,609	17,033,647
3,635,092	3,540,011	3,698,184	4,011,817	4,207,765	4,445,101
7,433,106	6,485,394	6,725,309	7,692,437	9,158,794	5,026,703
-	-	-	-	-	-
660,157	(566,064)	4,452,938	559,164	2,016,573	2,682,794
6,999,034	4,236,920	6,847,642	9,256,591	5,747,563	7,244,815
101,775	101,775	-	-	-	-
-	9,789,266	-	-	-	-
55,081,861	63,167,702	62,222,376	64,362,696	64,960,371	63,855,766
$ (1,752,840)	$ 7,794,825	$ (7,887,024)	$ (17,910,170)	$ (5,343,918)	$ (16,418,086)

Changes in Net Position
Business-Type Activities
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
Expenses:				
Computer Enterprise	$ 2,086,135	$ 1,701,367	$ 1,435,606	$ 1,284,419
Total expenses	2,086,135	1,701,367	1,435,606	1,284,419
Program revenues:				
Charges for services:				
Computer Enterprise	2,268,982	1,805,242	2,105,421	1,873,636
Total program revenues	2,268,982	1,805,242	2,105,421	1,873,636
Net revenues (expenses)	182,847	103,875	669,815	589,217
General revenues and other changes in net position:				
Investment income	-	-	-	-
Other revenues	-	-	-	-
Transfers	(95,934)	(98,811)	(101,775)	(101,775)
Total general revenues and other changes	(95,934)	(98,811)	(101,775)	(101,775)
Changes in net position	$ 86,913	$ 5,064	$ 568,040	$ 487,442

Source: City of West Covina Finance Department

(continued)

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 1,427,789	$ 1,638,573	$ 1,575,066	$ 1,305,426	$1,263,693	$1,230,639
1,427,789	1,638,573	1,575,066	1,305,426	1,263,693	1,230,639
1,655,134	1,413,114	1,274,318	1,199,162	1,099,028	1,249,195
1,655,134	1,413,114	1,274,318	1,199,162	1,099,028	1,249,195
227,345	(225,459)	(300,748)	(106,264)	(164,665)	18,556
1,553	3,513	2,070	884	1,083	-
-	-	182,018	82,706	112,207	63,710
(101,775)	(101,775)	182,018	82,706	112,207	-
(100,222)	(98,262)	366,106	166,296	225,497	63,710
$ 127,123	$ (323,721)	$ 65,358	$ 60,032	$ 60,832	$ 82,266

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2011	2012	2013	2014
General Fund:				
Nonspendable	$ 20,827,056	$ 15,580,789	$ 6,621,695	$ 6,595,326
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	8,786,221	13,187,181	4,108,967	5,687,385
Total general fund	$ 29,613,277	$ 28,767,970	$ 10,730,662	$ 12,282,711
All other governmental funds:				
Nonspendable	$ 8,210,093	$ 6,200,423	$ 6,814,431	$ 157,500
Restricted	38,138,456	31,101,636	32,133,653	56,225,097
Assigned	1,964,946	1,378,401	893,566	3,891,565
Unassigned	(12,759,988)	(110,042)	(373,264)	(47,867)
Total all other governmental funds	$ 35,553,507	$ 38,570,418	$ 39,468,386	$ 60,226,295

Source: City of West Covina Finance Department

(continued)

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 6,483,924	$ 7,129,779	$ 6,982,268	$ 9,952,978	$ 8,976,583	$ 7,086,958
-	-	-	-	-	7,650
-	-	-	320,200	320,200	-
20,531,695	15,032,610	14,119,078	11,979,653	9,884,913	12,580,716
$ 27,015,619	$ 22,162,389	$ 21,101,346	$ 22,252,831	$19,181,696	$19,675,324
$ 151,923	$ 5,277,203	$ 4,980,450	$ 110,833	$ 99,167	$ 82,420
59,918,077	51,467,448	45,082,696	49,600,866	57,840,755	64,044,695
4,930,693	5,065,065	2,820,665	2,004,895	1,107,138	1,786,815
(438,708)	(531,412)	(1,100,860)	(710,218)	(692,305)	(1,158,958)
$ 64,561,985	$ 61,278,304	$ 51,782,951	$ 51,006,376	$58,354,755	$64,754,972

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2011	2012	2013	2014
Revenues:				
Taxes	$ 63,663,702	$ 53,636,172	$ 46,185,045	$ 48,785,393
Special assessments	5,210,062	5,270,856	5,511,465	5,513,535
Licenses and permits	1,099,083	866,642	1,156,196	1,717,153
Fines and forfeitures	1,056,923	1,097,836	1,048,819	1,036,732
Investment income	4,124,960	3,419,665	533,388	716,472
Rental income	468,123	421,521	370,913	367,798
Revenue from other agencies	8,363,460	12,481,691	9,496,633	11,097,551
Charges for services	6,779,667	6,732,076	6,124,201	6,751,541
Repayment of notes and loans	721,348	332,698	925,235	26,148
Other	3,781,096	1,720,792	5,105,117	6,258,384
Total revenues	95,268,424	85,979,949	76,457,012	82,270,707
Expenditures				
Current:				
General government	4,180,878	4,950,311	5,205,956	7,087,335
Public safety	41,938,421	44,109,598	42,688,487	43,332,847
Public works	15,325,261	18,209,981	16,203,144	17,790,042
Community services	5,412,009	5,917,227	5,872,485	5,399,732
Community development	8,228,653	4,246,590	666,255	679,007
Pass-through payments	5,863,850	2,112,227	-	-
Debt service:				
Principal retirement	4,649,975	5,155,105	1,773,261	1,870,239
Interest and fiscal charges	8,520,890	6,307,988	1,659,473	1,666,054
Cost of issuance	-	-	-	-
Developer agreement payments	2,317,114	351,444	-	-
Total expenditures	96,437,051	91,360,471	74,069,061	77,825,256
Excess (deficiency) of revenues over (under) expenditures	(1,168,627)	(5,380,522)	2,387,951	4,445,451
Other financing sources (uses):				
Capital leases	-	-	-	-
Transfers in	11,171,460	8,947,657	3,639,400	3,744,115
Transfers out	(11,075,526)	(8,848,846)	(3,537,625)	(3,642,340)
Issuance of bonds	-	-	-	2,185,000
Premium of refunding bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	(2,248,061)
Extraordinary gain (loss)	-	7,453,315	(19,629,066)	-
Total other financing sources (uses)	95,934	7,552,126	(19,527,291)	38,714
Net change in fund balances	$ (1,072,693)	$ 2,171,604	$(17,139,340)	$ 4,484,165
Debt service as a percentage of noncapital expenditures	19.89%	16.20%	5.21%	5.18%

Source: City of West Covina Finance Department

		Fiscal Year			
2015	2016	2017	2018	2019	2020
$ 50,918,823	$ 54,237,649	$ 55,502,969	$ 59,255,716	$ 62,477,442	$ 62,588,256
5,595,338	5,550,657	5,318,497	6,077,861	6,347,182	6,490,254
1,419,457	1,156,613	1,037,389	1,089,850	1,140,622	1,491,744
959,606	796,989	894,618	1,290,187	1,318,333	921,872
679,844	(570,132)	4,448,607	551,948	2,008,971	2,677,045
406,350	529,833	604,817	649,968	647,749	700,455
10,769,196	11,218,711	10,193,278	7,920,178	12,581,261	15,386,915
6,803,615	7,731,236	7,359,139	8,681,704	7,473,923	7,690,819
-	-	-	-	-	-
5,490,327	1,487,103	2,129,531	4,229,895	1,142,659	3,783,990
83,042,556	82,138,659	87,488,845	89,747,307	95,138,142	101,731,350
5,757,334	5,103,814	6,214,682	5,700,461	6,828,020	6,488,092
45,906,138	50,962,883	54,480,972	53,087,630	58,205,797	58,857,571
13,724,417	15,509,267	15,328,717	17,635,489	14,800,936	17,262,224
5,816,443	6,864,180	10,824,395	6,975,178	7,290,775	7,263,052
761,896	898,714	2,198,881	1,182,255	1,086,128	1,214,558
-	-	-	-	-	-
1,866,947	2,027,461	7,931,202	1,958,918	13,353,918	1,833,918
1,360,370	1,574,753	1,566,392	1,501,956	1,691,316	1,932,807
-	-	-	-	389,726	-
-	-	-	-	-	-
75,193,545	82,941,072	98,545,241	88,041,887	103,646,616	94,852,222
7,849,011	(802,413)	(11,056,396)	1,705,420	(8,508,474)	6,879,128
-	2,568,446	500,000	-	-	196,759
3,201,793	4,831,038	5,643,232	3,902,056	149,121	1,494,913
(3,100,018)	(10,812,296)	(5,643,232)	(5,232,566)	(9,121)	(1,676,955)
-	-	-	-	24,165,000	-
-	-	-	-	1,380,718	-
-	-	-	-	(12,900,000)	-
11,578,351	-	-	-	-	-
11,680,126	(3,412,812)	500,000	(1,330,510)	12,785,718	14,717
$ 19,529,137	$ (4,215,225)	$(10,556,396)	$ 374,910	$ 4,277,244	$ 6,893,845
4.92%	4.70%	10.29%	4.18%	15.08%	3.97%

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	City				
	Secured	Non-Unitary	Unsecured	Less: Exemptions	Taxable Assessed Value
2011	$ 6,276,734	$ -	$ 11,705	$ (86,340)	$ 6,202,099
2012	6,381,873	-	12,762	(85,792)	6,308,843
2013	6,477,468	-	10,645	(93,277)	6,394,836
2014	6,670,267	-	15,080	(73,615)	6,611,732
2015	7,116,733	-	12,346	(94,084)	7,034,995
2016	7,458,200	-	14,738	(95,915)	7,377,023
2017	7,829,861	-	11,212	(100,253)	7,740,820
2018	8,229,924	-	9,185	(84,900)	8,154,209
2019	8,718,033	-	10,356	(101,379)	8,627,010
2020	9,003,076	-	11,057	(79,629)	9,014,134

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 reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed 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.

Source: HdL Coren & Cone, Los Angeles Assessor 2010/2011 - 2019/2020 Combined Tax Rolls

(continued)

Successor Agency (SA) of the former Community Development Commission (CDC)				City and SA	
Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Taxable Assessed Value	Total Direct Tax Rate
$ 2,336,269	$ 157,035	$ (142,764)	$ 2,350,540	$ 8,552,639	33.326%
2,408,026	152,958	(152,569)	2,408,415	8,717,258	33.518%
2,429,152	160,821	(152,386)	2,437,587	8,832,423	33.456%
2,498,131	161,438	(186,502)	2,473,067	9,084,799	14.083%
2,566,170	161,710	(184,907)	2,542,973	9,577,968	14.116%
2,795,635	162,488	(189,554)	2,768,569	10,145,592	14.138%
3,028,206	165,375	(170,529)	3,023,052	10,763,872	14.165%
3,103,316	163,326	(154,330)	3,112,312	11,266,521	14.109%
3,305,249	167,442	(168,062)	3,304,629	11,931,639	14.221%
3,483,295	169,859	(195,530)	3,457,624	12,471,758	14.236%

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per $100 of assessed value)

	Fiscal Year			
	2011	2012	2013	2014
Basic Levy[1]	1.00000	1.00000	1.00000	1.00000
Baldwin Park Unified	0.16673	0.17506	0.16406	0.15842
Bassett Unified School District	0.12316	0.11628	0.12773	0.11632
County Detention Facilities 1987 Debt	0.00000	0.00000	0.00000	0.00000
Covina Valley Unified School District	0.09003	0.08999	0.09500	0.11472
Hacienda-La Puente Unified	0.06462	0.06430	0.06689	0.06653
LA County Flood Control	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00370	0.00370	0.00350	0.00350
Mt. San Antonio College	0.02636	0.02642	0.02896	0.02023
Rowland Heights Unified	0.07538	0.09195	0.10053	0.12297
Walnut Valley Unified	0.11839	0.11735	0.12554	0.11342
West Covina Municipal Maint. Dist.	0.18180	0.18180	0.18180	0.18310
West Covina Unified	0.05920	0.05377	0.04965	0.03626
Total Direct & Overlapping[2] Tax Rates	**1.90937**	**1.92061**	**1.94365**	**1.93547**
City Share of 1% Levy Per Prop 13[3]	**0.13820**	**0.13820**	**0.13820**	**0.13820**
Redevelopment Rate[4]	**1.00370**	**1.00370**	**N/A**	**N/A**
Total Tax Rate[5]	**0.33326**	**0.33518**	**0.33456**	**0.14083**

1 In 1978, California voters passed Proposition 13 which set 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 any voter approved bonds.

2 Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlappping rates apply to all city property owners.

3 City's share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.

4 Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

5 Total Direct Rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft taxes. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purpose of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Source: Los Angeles County Assessor 2010/11 - 2019/20 Tax Rate Table

(continued)

Fiscal Year					
2015	2016	2017	2018	2019	2020
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.16519	0.16288	0.10510	0.13039	0.12402	0.13032
0.11539	0.15771	0.16781	0.17443	0.16349	0.14196
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.11426	0.11062	0.12581	0.14205	0.13976	0.13521
0.06432	0.06394	0.06600	0.10531	0.10706	0.08252
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
0.02129	0.02154	0.02400	0.02371	0.02435	0.04781
0.14313	0.12426	0.12444	0.11841	0.11861	0.10760
0.11510	0.09285	0.06601	0.07388	0.10582	0.09538
0.18310	0.18310	0.18310	0.18310	0.18310	0.18310
0.05412	0.04205	0.04914	0.09514	0.09795	0.08192
1.97941	**1.96245**	**1.91492**	**2.04992**	**2.06766**	**2.00932**
0.13820	**0.13820**	**0.13820**	**0.13820**	**0.13820**	**0.13820**
N/A	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
0.14116	**0.14138**	**0.14165**	**0.14109**	**0.14221**	**0.14236**

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Principal Property Taxpayers
Current Year and Nine Years Ago

	2020			2011		
Taxpayer	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value
Plaza West Covina LLC	$ 276,110,914	1	2.21%	$ 183,924,412	1	2.15%
BRE DDR BR Eastland California LLC	180,509,731	2	1.45%			0.00%
Colony at the Lakes	176,262,499	3	1.41%	-		0.00%
624 South Glendora Avenue Owner LLC	73,950,991	4	0.59%	-		0.00%
Deutsche Mellon National Asset LLC	68,285,940	5	0.55%	-		0.00%
WC MB RE LLC	62,897,717	6	0.50%	-		0.00%
Walnut Ridge Apartments LP	60,621,979	7	0.49%	-		0.00%
TPA Nasch LLC	58,034,550	8	0.47%	-		0.00%
MillBrook Park Apartments	45,753,701	9	0.37%	-		0.00%
Francisquito Avenue Fee Owner LLC	44,733,422	10	0.36%	-		0.00%
Eastland Shopping Center LLC	-		0.00%	102,072,600	2	1.19%
Gateway Crescent LLC	-		0.00%	56,730,228	3	0.66%
PPC WR Apartments LLC	-		0.00%	51,361,141	4	0.60%
Eastland Tower Partnership	-		0.00%	51,008,272	5	0.60%
Legacy Partners Verandas LP	-		0.00%	48,065,859	6	0.56%
CP Lafayette Parc LLC	-		0.00%	43,724,863	7	0.51%
SP Torrey Pines LLC	-		0.00%	40,107,000	8	0.47%
Hassen Real Estate Partnership	-		0.00%	34,956,936	9	0.41%
KOR BAM Sunset Plaza LLC	-		0.00%	30,540,327	10	0.36%
Totals	$ 1,047,161,444		8.40%	$ 642,491,638		7.51%

Source: HdL Coren & Cone; Los Angeles County Assessor 2010-11 and 2019-20 Combined Tax Rolls and the SBE Non UnitaryTax Roll

Property Tax Levies and Collections
Last Ten Fiscal Years

	City					
		Collected within the Fiscal Year of Levy			Total Collections to Date	
Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Amount	Percent of Levy	Collections in Subsequent Years	Amount	Percent of Levy
2011	$ 8,782,946	$ 8,287,440	94.36%	$ 201,261	$ 8,488,701	96.65%
2012	8,961,279	8,280,265	92.40%	(167,264)	8,113,001	90.53%
2013	9,094,235	8,853,013	97.35%	(75,056)	8,777,957	96.52%
2014	9,119,226	9,105,997	99.85%	(67,229)	9,038,768	99.12%
2015	9,702,185	9,491,592	97.83%	34,965	9,526,557	98.19%
2016	10,173,156	9,881,520	97.13%	88,647	9,970,167	98.00%
2017	10,671,800	10,440,321	97.83%	109,928	10,550,250	98.86%
2018	11,679,354	11,040,516	94.53%	267,238	11,307,754	96.82%
2019	12,395,960	11,894,401	95.95%	233,272	12,127,673	97.84%
2020	12,607,874	11,998,360	95.17%	241,683	12,240,043	97.08%

Notes:
The amounts presented include City property taxes and Community Development Commission tax increment. This schedule also includes amounts collected by the City and the Community Development Commission that were passed-through to other agencies.

Fiscal year 2012 collections for Community Development Commission are as of January 1, 2012. This is due to ABx1 26 (RDA Dissolution Bill) that was effective February 1, 2012. Subsequent to January 1, 2012, there were no property taxes levied under the Community Development Commission.

Source: Los Angeles County Auditor Controller's Office - Accounting Division

Community Development Commission					
Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
	Amount	Percent of Levy		Amount	Percent of Levy
$ 20,132,138	$ 19,147,814	95.11%	$ 394,313	$ 19,542,127	97.07%
20,612,835	8,727,674	42.34%	191,262	8,918,936	43.27%
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities					
Fiscal Year Ended June 30	Lease Revenue Bonds	Special Assessment Bonds (a)	Tax Allocation Bonds (1) (a)	Loans	Capital Lease Obligations	Total Governmental Activities
2011	$ 56,115,000	$ 35,870,000	$ 25,815,000	$ 42,385,673	$ 1,843,538	$ 162,029,211
2012	50,825,000	-	-	1,800,221	1,409,134	54,034,355
2013	49,645,000	-	-	1,658,532	957,535	52,261,067
2014	48,385,000	-	-	1,512,768	773,282	50,671,051
2015	47,225,000	-	-	12,941,113	216,342	60,382,455
2016	46,000,000	-	-	12,208,103	2,715,337	60,923,440
2017	42,570,000	-	-	10,920,515	-	53,490,515
2018	41,190,000	-	-	10,341,597	-	51,531,597
2019	39,680,000	-	-	9,762,679	-	49,442,679
2020	38,425,000	-	-	9,183,761	180,122	47,788,883

Notes:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) The 1994 West Covina Public Financing Authority Water Revenue Bonds were defeased as of June 30, 2000 due to the sale of the City's water system.

(2) These ratios are calculated using personal income and population for the prior calendar year.

(a) As a result of the dissolution of the Community Development Commission on January 31, 2012 indebtedness was transferred to the Successor Agency.

Source: City of West Covina Finance Department

(continued)

Business-Type Activities				
Certificates of Participation	Total Business-type Activities	Total Primary Government	Percentage of Personal Income (2)	Debt Per Capita (2)
$ -	$ -	$162,029,211	6.35%	$ 1,435
-	-	54,034,355	2.02%	506
-	-	52,261,067	1.90%	487
-	-	50,671,051	1.88%	470
-	-	60,382,455	2.28%	560
-	-	60,923,440	2.27%	565
-	-	53,490,515	1.98%	496
-	-	51,531,597	1.88%	476
-	-	49,442,679	1.70%	457
-	-	47,788,883	1.56%	451

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
in thousands (000s)

Fiscal Year Ended June 30	Lease Revenue Bonds	Special Assessment Bonds(a)	Tax Allocation Bonds(a)	Total	Percent of Assessed Value(1)	Per Capita
2011	$ 56,115	$ 35,870	$ 25,815	$ 117,800	1.38%	$ 497
2012	50,825	-	-	50,825	0.58%	476
2013	49,645	-	-	49,645	0.56%	463
2014	48,385	-	-	48,385	0.53%	449
2015	47,225	-	-	47,225	0.49%	438
2016	46,000	-	-	46,000	0.45%	426
2017	42,570	-	-	42,570	0.40%	395
2018	41,190	-	-	41,190	0.37%	381
2019	39,680	-	-	39,680	0.33%	367
2020	38,425	-	-	38,425	0.31%	363

Notes:
General bonded debt 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.

(a) As a result of the dissolution of the Community Development Commission on January 31, 2012 indebtedness was transferred to the Successor Agency.

Source: City of West Covina Finance Department and Los Angeles County Assessor's Office

Direct and Overlapping Debt
June 30, 2020

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with Property Taxes:			
Metropolitan Water District	$ 18,151,752	0.728	$ 132,141
MT. SAN ANTONIO CCD DS 2008 SERIES 2013A	161,708,000	12.917	20,888,478
MT. SAN ANTONIO CCD DS 2008 SERIES 2013B	3,805,000	12.917	491,507
MT. SAN ANTONIO CCD DS 2013 REF SERIES A	23,500,000	12.917	3,035,590
MT. SAN ANTONIO CCD DS 2013 REF SERIES B	27,185,000	12.917	3,511,597
MT. SAN ANTONIO CCD DS 2008 SERIES 2015C	10,870,000	12.917	1,404,122
MT. SAN ANTONIO CCD DS 2015 REF BONDS	17,365,000	12.917	2,243,107
MT. SAN ANTONIO CCD DS 2018 SERIES 2019A	401,245,000	12.917	51,830,442
BALDWIN PARK USD 2006 SERIES 2013	2,112,709	0.293	6,198
BALDWIN PARK USD 2006 SERIES 2019	44,761,025	0.293	131,320
BASSETT USD DS 2006 SER B	10,535,729	0.062	6,483
BASSETT USD DS 2014 REF SERIES A	7,860,000	0.062	4,837
BASSETT USD DS 2014 REF SERIES B	5,995,000	0.062	3,689
BASSETT USD DS 2016 REF BONDS	7,090,000	0.062	4,363
BASSETT USD DS 2014 SERIES B	19,755,000	0.062	12,157
COVINA VALLEY USD DS 2001 SERIES B	9,447,069	31.981	3,021,260
COVINA VALLEY USD DS 2001 REFUND 2010 SERIES A	1,935,000	31.981	618,831
COVINA VALLEY USD DS 2012 SERIES A	4,815,000	31.981	1,539,882
COVINA VALLEY USD DS 2013 REF BONDS	11,865,000	31.981	3,794,537
COVINA VALLEY USD DS 2012 SERIES B	36,145,000	31.981	11,559,507
COVINA VALLEY USD DS 2012 SERIES C	31,490,000	31.981	10,070,795
COVINA VALLEY USD DS 2012 SERIES C	29,380,000	31.981	9,395,997
COVINA VALLEY USD DS 2016 REF BONDS	14,000,000	31.981	4,477,330
COVINA VALLEY USD DS 2012 SERIES D	58,690,000	31.981	18,769,607
HACIENDA-LA PUENTE USD DS 2005 REFUNDING BONDS	19,550,000	1.374	268,661
HACIENDA-LA PUENTE USD DS 2007 REFUNDING	51,100,000	1.374	702,229
HACIENDA-LA PUENTE USD DS 2016 SERIES 2017A	59,695,000	1.374	820,344
ROWLAND HEIGHTS USD DS 2005 REF BONDS	6,984,432	14.634	1,022,072
ROWLAND HEIGHTS USD DS 2006 SERIES B	19,272,549	14.634	2,820,261
ROWLAND HEIGHTS USD DS 2019	14,355,000	14.634	2,100,648
ROWLAND HEIGHTS USD DS 2006 SERIES D QSCB	14,075,000	14.634	2,059,674
ROWLAND HEIGHTS USD DS 2006 SERIES E	557,451	14.634	81,575
ROWLAND HEIGHTS USD DS 2012 SERIES A	40,330,000	14.634	5,901,717
ROWLAND HEIGHTS USD DS 2013 REF BONDS	23,840,000	14.634	3,488,642
ROWLAND HEIGHTS USD DS 2012 SERIES B	65,999,972	14.634	9,658,150
ROWLAND HEIGHTS USD DS 2015 REF BONDS	41,420,000	14.634	6,061,223
WALNUT VALLEY USD DS 2000 SERIES D	11,428,114	0.748	85,530
WALNUT VALLEY USD DS 2000 SERIES E	4,509,459	0.748	33,750
WALNUT VALLEY USD DS 2011 REF	745,000	0.748	5,576
WALNUT VALLEY USD DS 2007 SERIES B MEAS. S	10,284,601	0.748	76,972
WALNUT VALLEY USD DS 2007 SERIES C	310,547	0.748	2,324
WALNUT VALLEY USD DS 2014 REF BONDS SERIES A	3,260,000	0.748	24,398
WALNUT VALLEY USD DS 2014 REF BONDS SERIES B	2,345,000	0.748	17,550
WALNUT VALLEY USD DS 2016 REF BONDS	39,205,000	0.748	293,417
WALNUT VALLEY USD DS 2018 2019	66,730,000	0.748	499,418
WEST COVINA USD 2002 REFUNDING SERIES A	8,985,000	95.442	8,575,453
WEST COVINA USD DS 2012 REF BONDS	9,900,000	95.442	9,448,746
WEST COVINA USD DS 2016 SERIES A	69,355,000	95.442	66,193,713
Sub Total Overlapping Debt			267,404,480
City of West Covina Direct Debt - Lease Revenue Bonds			23,025,000
Total Direct and Overlapping Debt			$ 290,429,480

Note: 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 Glendora. 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 the debt, for each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

Source: HdL Coren & Cone, Los Angeles, County Assessor and Auditor Combined 2019-20 Lien Date Tax Rolls

Legal Debt Margin Information
Last Ten Fiscal Years
in thousands (000s)

	Fiscal Year			
	2011	2012	2013	2014
Assessed valuation	$ 6,202,099	$ 6,308,843	$ 6,394,836	$ 6,611,732
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,550,525	1,577,211	1,598,709	1,652,933
Debt limit percentage	15%	15%	15%	15%
Debt limit	232,579	236,582	239,806	247,940
Total net debt applicable to limitation	-	-	-	-
Legal debt margin	$ 232,579	$ 236,582	$ 239,806	$ 247,940
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt margin of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). Although the statutory debt limit has not been amended by the State since this change, the percentages presented in the above computations have been proportionately modified to 3.75% (25% of 15%) for the purpose of this calculation in order to be consistent with the computational effect of the debt limit at the time of the state's establishment of the limit.

Source: City of West Covina Finance Department
Los Angeles County Tax Assessor's Office

(continued)

		Fiscal Year			
2015	2016	2017	2018	2019	2020
$ 7,034,995	$ 7,377,023	$ 7,740,820	$ 8,154,209	$ 8,627,010	$ 9,014,134
25%	25%	25%	25%	25%	25%
1,758,749	1,844,256	1,935,205	2,038,552	2,156,753	2,253,534
15%	15%	15%	15%	15%	15%
263,812	276,638	290,281	305,783	323,513	338,030
-	-	-	-	-	-
$ 263,812	$ 276,638	$ 290,281	$ 305,783	$ 323,513	$ 338,030
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Pledged-Revenue Coverage
Last Ten Fiscal Years
in thousands (000s)

Fiscal Year Ended June 30	Lease Revenue Bonds and Certificates of Participation			
	General Fund Revenue	Debt Service		Coverage
		Principal	Interest	
2011	$ 47,672	$ 1,855	$ 1,268	$ 15
2012	48,347	1,505	1,155	18.18
2013	53,006	1,605	1,272	18.42
2014	54,753	1,715	1,249	18.47
2015	57,588	1,655	891	22.62
2016	58,133	1,900	1,121	19.24
2017	64,372	4,005	1,185	12.40
2018	67,196	2,005	1,306	20.29
2019	65,426	1,255	1,918	20.62
2020	70,935	1,255	1,918	22.36

Fiscal Year Ended June 30	Tax Allocation Bonds			
	Tax Increment	Debt Service		Coverage
		Principal	Interest	
2011	$ 19,542	$ 1,205	$ 1,127	8.38
2012	17,260	1,250	1,079	7.41
2013	12,152	1,305	1,030	5.20
2014	8,675	1,358	978	3.71
2015	9,260	1,420	920	3.96
2016	15,110	1,480	853	6.48
2017	9,365	19,005	802	0.47
2018	10,256	1,480	-	6.93
2019	12,625	1,820	361	5.79
2020	9,633	1,820	361	4.42

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.
Source: City of West Covina Finance Department

(continued)

Fiscal Year Ended June 30	Assessment District Bond					
	Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2011	$ 3,591	$ 470	$ 3,121	$ 1,485	$ 2,197	0.85
2012	4,444	70	4,374	1,580	2,105	1.19
2013	5,569	1,027	4,542	1,770	2,004	1.20
2014	5,740	767	4,973	2,055	1,890	1.26
2015	3,305	1,457	1,848	2,340	1,758	0.45
2016	6,911	1,429	5,482	2,940	2,124	1.08
2017	4,596	2,536	2,060	2,745	1,365	0.50
2018	4,596	2,536	2,060	3,000	1,429	0.47
2019	5,304	929	4,375	3,250	1,004	1.03
2020	3,999	3,365	634	3,495	1,120	0.14

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Annual Unemployment Rate
2010	112,890	$ 2,552,782	$ 22,613	11.2%
2011	106,713	2,670,706	25,027	10.9%
2012	107,248	2,751,555	25,656	8.2%
2013	107,828	2,698,504	25,026	6.7%
2014	107,879	2,653,176	24,594	10.1%
2015	107,873	2,680,000	24,844	8.2%
2016	107,813	2,705,736	25,096	6.4%
2017	108,245	2,737,892	25,293	5.2%
2018	108,116	2,916,516	26,975	4.6%
2019	105,999	3,053,619	28,807	4.4%

Sources: HdL Coren & Cone, California State Department of Finance, and California Employment

Principal Employers
Current Year and Nine Years Ago

	2020			2011		
Employer	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Queen of the Valley Campus	1,685	1	3.29%	1,782	1	3.23%
WC Unified School District	1,375	2	2.69%	1,223	2	2.22%
Merakey Allos	663	3	1.29%			
California Respite Care	400	4	0.78%			
Macy's	343	5	0.67%	271	5	0.49%
City of West Covina	333	6	0.65%	482	3	0.87%
Porto's Bakery	313	7	0.61%			
Target Store #T-2147	253	8	0.49%			
Interspace/Concorde Battery Corporation	248	9	0.48%	206	8	0.37%
Target Store #T1028	247	10	0.48%	404	4	0.73%
JC Penney Corp Inc. #1505-7				257	7	0.47%
S G V Newspaper Group				264	6	0.48%
B.J.'s Restaurant & Brewery				201	9	0.36%
Sears Roebuck & Company				145	10	0.26%
Totals	5,860		11.45%	5,235		9.48%

Note: "Total Employment" as used above represents the total employment of all employers located within City limits.

Source: Labor Market Info, EDD, State of California
HdL Coren & Cone

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Full-time and Part-time City Employees
By Function
Last Ten Fiscal Years

	Fiscal Year									
Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government	39	36	31	31	31	32	42	46	36	32
Public safety	281	264	253	244	268	268	282	259	238	237
Public works	76	72	64	69	71	71	75	56	44	-
Public services	-	-	-	-	-	-	-	-	-	25
Community services	44	44	41	42	41	41	87	64	64	27
Community development	19	16	7	2	2	2	1	1	3	12
Total	459	432	396	389	413	414	487	426	385	333

Source: City of West Covina Finance Department

Operating Indicators by Function
Last Ten Years

Function/Program	Fiscal Year 2011	2012	2013	2014
Public safety:				
Police:				
Total arrests	3,210	2,557	2,755	2,537
Calls for police service (1)	71,254	71,741	65,554	69,874
Graffiti sites cleaned	15,781	23,579	19,910	20,014
Fire:				
Emergency responses	7,454	7,545	7,871	7,990
Fire inspections	430	496	837	749
Public works:				
Building permits issued	2,477	2,435	3,882	2,925
Graffiti sites cleaned (2)	N/A	N/A	N/A	N/A
Community services:				
Recreation class registrations (3)	7,041	6,927	6,027	6,283

Note:
(1) Calls received that generated an incident number but not necessarily a police response.

(2) Due to department restructuring, the responsibility for graffiti abatement was absorbed by the Police Department starting fiscal year 2008-2009 and by Public Works starting fiscal year 2015-2016.

(3) The increase in recreation class registrations in FY18 relates to inclusions of daycare classes.

(4) The decrease in recreation class registrations in FY20 relates to COVID restrictions.

Source: City of West Covina Finance Department

(continued)

Fiscal Year					
2015	2016	2017	2018	2019	2020
2,544	2,624	2,818	3,080	2,538	2,037
71,098	72,368	74,898	84,850	73,713	68,605
16,156	N/A	N/A	N/A	N/A	N/A
8,555	9,494	9,353	9,383	9,289	8,944
717	778	816	805	1,009	356
3,617	5,038	1,547	1,399	2,938	3,022
N/A	13,964	6,694	2,391	3,077	3,140
6,487	7,129	7,500	17,902	26,482	8,075

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function	Fiscal Year 2011	2012	2013	2014
Public safety:				
Police:				
Stations	1	1	1	1
Fire:				
Stations	5	5	5	5
Public works:				
Streets (miles)	231.0	231.0	231.0	231.0
Streetlight poles	826	826	826	826
Streelight fixtures	1,109	1,109	1,109	1,109
Traffic signals	116	117	117	117
Parks and recreation:				
Sports Complex	1	1	1	1
Parks	16	16	16	16
Community centers	4	4	4	4
Wastewater:				
Sanitary sewers (miles)	238.9	238.9	238.9	238.9
Storm sewers (miles)	42.0	42.0	42.0	42.0

Source: City of West Covina

(continued)

Fiscal Year					
2015	2016	2017	2018	2019	2020
1	1	1	1	1	1
5	5	5	5	5	5
231.0	240.3	240.3	240.3	240.3	240.3
826	826	674	674	674	674
1,109	1,109	420	420	420	420
114	114	97	97	97	97
1	1	1	1	1	1
16	16	16	16	16	16
4	4	4	4	4	4
238.9	238.9	227.0	227.0	227.0	227.0
42.0	42.0	26.0	26.0	26.0	26.0

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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 Auditor's Report

To the Honorable Mayor and Members of the City Council
City of West Covina
West Covina, 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 West Covina, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 17, 2021

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as item 2020-001, 2020-002 and 2020-003 to be material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We noted certain matters that we have reported to management of City of West Covina in a separate letter dated February 17, 2021.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
February 17, 2021

2020-001 – Internal Control Environment
Material Weakness

Criteria

An important element of internal controls over financial reporting is for the entity to have procedures in place to ensure that all applicable financial reporting guidelines are followed and properly applied.

Condition and Context

Over the past year, the City has experienced a high turnover at all levels in the Finance Department. As a result, the request for the Actuarial Valuation report for GASB 75 Accounting Information regarding Other Post-Employment Benefits (OPEB) and GASB 68 Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 was postponed.

This matter has been the cause of significant delays in producing complete, reconciled and properly adjusted financial statements and other information.

Cause

The City did not maintain the appropriate staffing levels within the Finance Department to ensure that all financial closing procedures were performed.

This is a repeat finding from prior year identified as finding 2019-001.

Effect

Delay in the completion of the audit and release of the Comprehensive Annual Financial Report.

Recommendation

We recommend the City maintain appropriate staffing in the Finance Department which will ensure that the policies and procedures in the year-end review process are properly carried out.

Management's Response

Turnover of staff at all levels in the City's Finance Department has been volatile over the past few years. The COVID-19 global pandemic has exacerbated this problem. The Finance Director has been diligently recruiting key personnel and has recently hired a Purchasing Manager and two new accountant positions. In addition, the City is currently recruiting for an Assistant Finance Director position. Once the Finance Department is fully staffed and trained, this finding will be resolved.

2020-002– Errors in Pension Census Data
Material Weakness

Criteria

In order for the City to record its liability for providing supplemental pension benefits to eligible participants, it must submit census data to actuaries who use this information to calculate the City's liability.

Condition and Context

During the audit, we were unable to vouch participant information from the census data to source documents.

Cause

Due to the turnover of key staff, there is a lack of appropriate documentation maintained in personnel files.

Effect

The City's pension liability could be improperly calculated and misstated.

Recommendation

We recommend the Finance Department review the participant files, ensure only eligible participants are included in the census data to be submitted and maintain proper documentation for the information provided to actuaries.

Management's Response

The census data that City staff was unable to locate was for employees that have not been employed with the City for quite some time. Human Resources will review and verify that all participants included in the census data are eligible employees. Staff will also make every attempt to update the files with current information.

2020-003 – Internal Control over Federal Grant Reporting
Material Weakness

Criteria

An important element of internal controls over financial reporting is for the entity to have procedures in place for the accurate completion of the Schedule of Expenditures of Federal Awards (SEFA).

Condition and Context

Over the past year, the City has experienced a high turnover at all levels in the Finance Department. As a result, the SEFA has not been prepared by a consistent person and has required multiple revisions.

Cause

The City did not maintain the appropriate staffing levels within the Finance Department to allow for the proper preparation of the SEFA, including a responsible individual to perform a review of the completed SEFA.

This is a repeat finding from prior year identified as finding 2019-002.

Effect

The City could be under/over stating expenditures on the SEFA.

Recommendation

We recommend the City maintain proper staffing levels within the Finance Department to allow for the proper preparation of the SEFA, including a responsible individual to perform a review of the completed SEFA.

Management's Response

Turnover of staff at all levels in the City's Finance Department has been volatile over the past few years. The COVID-19 global pandemic has exacerbated this problem. The Finance Director has been diligently recruiting for key personnel and has recently hired a Purchasing Manager and two new accountant positions. In addition, the City is currently recruiting for an Assistant Finance Director position. Once the Finance Department is fully staffed and trained, this finding will be resolved.

2020-004 – Purchasing Approvals
Significant Deficiency

Criteria

A system of purchasing approval should be established, maintained and updated in a timely manner.

Condition

During our audit of the City, we noted that a listing of authorized purchasing approval limit signatures was not updated to reflect changes in authorized personnel.

Cause

The City did not update authorized purchasing approvals in a timely manner.

Effect

Approval for payments could be completed by individuals without the appropriate authorizations.

Recommendation

We recommend that the City perform an annual review of authorized purchasing approvals on record and make any necessary updates as soon as possible.

Management's Response

City staff has reviewed and updated the list of authorized purchasing approvals and will continue to review and update the list on an annual basis.

2020-005 – Bank Reconciliation Review
Significant Deficiency

Criteria

Bank reconciliations should be prepared, reviewed and approved in a timely manner.

Condition

During our audit of the City, we noted that bank statements for various accounts were not reviewed or approved in a timely manner.

Cause

Even though the bank reconciliations were prepared, there was no documentation for the date of completion and no indication of a review had been completed.

Effect

Errors in the reconciliations can go undetected for a period of time without the appropriate review and approval procedures.

Recommendation

We recommend that the City ensure that all bank reconciliations are reviewed in a timely manner and documentation of when the preparation and review are completed.

Management's Response

The City has multiple bank accounts for various functions. Each bank account is reconciled individually, signed and dated by the individual that prepared the account, and reviewed, signed, and dated by the supervisor. After the individual bank reconciliations are completed, a summary report is completed to combine all bank accounts. The summary sheet was not signed and dated by the preparer or the reviewer. Earlier this year, the City implemented a procedure to have both preparer and reviewer sign and date the summary sheet indicating that the preparation and review had been completed.

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To the Honorable Mayor and Members of the City Council
City of West Covina
West Covina, California

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Covina, California, (the City) as of and for the year ended June 30, 2020, and have issued our report thereon dated February 17, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 29, 2020, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

> *Management's estimate of fair market value of investments based on market values provided by outside sources.*
>
> *Management's estimate of depreciation expense is based on the useful lives of acquired assets. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.*
>
> *The estimate of the net pension liability and related deferred amounts are based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the statements taken as a whole.*
>
> *The estimate of the net OPEB obligation and related deferred amounts are based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the statements taken as a whole.*

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to:

The disclosure of capital assets, net, in Note 7 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of net pension liability and related deferred amounts in Note 14 and Note 15 to the financial statements is based on actuarial assumptions. Actual future liabilities may vary from disclosed estimates.

The disclosure of net OPEB obligation and related deferred amounts in Note 17 to the financial statements is based on actuarial assumptions. Actual future liabilities may vary from disclosed estimates.

The disclosure related to the commitment and contingencies in Note 18.

The disclosure related to the effects of COVID-19 in Note 22.

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

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated February 17, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the City's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards:

> We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.
>
> We were engaged to report on the supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

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

Rogers, Anderson, Malody & Scott, LLP.

February 17, 2021

ATTACHMENT NO. 4

CITY OF WEST COVINA, CALIFORNIA
WEST COVINA HOUSING AUTHORITY FUND

(A COMPONENT UNIT OF
THE CITY OF WEST COVINA)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2020

Table of Contents
June 30, 2020

ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
West Covina Housing Authority
West Covina, California

Report on the Financial Statements

We have audited the accompanying financial statements of the West Covina Housing Authority Fund (the Housing Authority), (a component unit of the City of West Covina, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority, as of June 30, 2020, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Housing Authority and do not purport to, and do not present fairly the financial position of the City as of June 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statement, 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 RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated February 17, 2021, on our consideration of the Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
February 17, 2021

Balance Sheet
June 30, 2020

Assets	
Cash and investments	$ 7,872,283
Notes and loans receivable, net	14,502,425
Advances to Successor Agency	2,057,833
Prepaids	82,420
Total assets	$ 24,514,961
Liabilities and fund balance	
Liabilities:	
Accounts payable	$ 8,878
Other accrued liabilities	14,267
Total liabilities	23,145
Fund balance:	
Nonspendable:	
Prepaids	82,420
Restricted for:	
Affordable housing	24,409,396
Total fund balance	24,491,816
Total liabilities and fund balance	$ 24,514,961

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

City of West Covina, California
West Covina Housing Authority Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2020

Revenues	
Investment income	$ 444,792
Revenues from other agencies	36,034
Other revenues	52,731
Total revenues	533,557
Expenditures	
Current:	
Public safety	189,368
Affordable housing	526,695
Total expenditures	716,063
Net change in fund balance	(182,506)
Fund balance, beginning of year	24,674,322
Fund balance, end of year	$ 24,491,816

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

Note 1 – Organization and Summary of Significant Accounting Policies

The City of West Covina (the City) was incorporated on February 23, 1923, under the laws of the State of California and enjoys all the rights and privileges applicable to a general law city. It is governed by an elected five-member City Council.

The following is a summary of the significant accounting policies of the City as they pertain to the West Covina Housing Authority Fund (the Housing Authority). Only the Housing Authority information is included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City.

Basis of Accounting

These fund financial statements are reported using the modified-accrual basis of accounting. Under the modified-accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the liability is incurred, if measurable.

Use of Estimates in the Preparation of Financial Statements

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

Note 2 – Cash and Investments

Cash at June 30, 2020 consisted of the following:

	Amount
Pooled cash and investments	$ 7,872,283

The City follows the practice of pooling cash and investments for all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures.

For more information on the City's cash and investments as of June 30, 2020, please see the City's Comprehensive Annual Financial Report.

Note 3 – Notes and Loans Receivable

As of June 30, 2020, the following notes and loans receivable were outstanding:

Housing rehabilitation	$ 353,888
First time home buyers	214,537
Housing preservation program	640,949
Home improvement program	738,213
Lark Ellen Towers	6,380,133
Executive Lodge Apartments Limited Partnership	6,271,978
West Covina Senior Villas, LLC	2,833,333
West Covina Senior Villas II, L.P.	8,513,884
Other loans	608,196
Allowance for doubtful accounts	(12,052,686)
Total	$ 14,502,425

Several housing rehabilitation loans totaling $353,888 have been made to qualified applicants using Community Development Block Grants received by the City and housing set-aside funds of the former Commission's redevelopment activities. These loans bear interest up to 5% and are repaid when title to the property changes. The City has included 5% of the balance in the allowance for doubtful accounts.

The Housing Authority has loans to first-time home buyers totaling $214,537. Loans are secured by second trust deeds and bear interest at 5%. Principal and interest are deferred for five years and are due monthly in years 6 through 30. There were 19 individual loans outstanding at June 30, 2020 ranging from $5,710 to $22,407. The City has included 5% of the balance in the allowance for doubtful accounts.

The Housing Authority also has housing preservation loans to qualified applicants using housing set-aside funds totaling $640,949. Principal and interest are deferred for ten years; after the tenth year loans bear interest at 5%. Loans are repaid after the tenth year or when title to the property changes. There were 81 individual loans outstanding at June 30, 2020 ranging from $205 to $10,659. The City has included 5% of the balance in the allowance for doubtful accounts.

Several housing improvement loans totaling $738,213 have been made to qualified applicants. The loans are secured by second trust deeds. The City has included 5% of the balance in the allowance for doubtful accounts.

In May 1997, the Commission loaned $4,270,000 to Lark Ellen Towers. The loan was transferred to the Housing Authority from the dissolved former Commission. The loan is secured by a deed of trust. The loan accrues interest at 3% per annum and requires annual payments equal to the maximum of $35,000 or 50% of net profits earned by the project. The outstanding principal and accrued interest at June 30, 2020 was $6,380,133.

Note 3 – Notes and Loans Receivable, (continued)

In April 1998, the Commission loaned $5,622,300 to Executive Lodge Apartments Limited Partnership (Promenade Apartments project). The loan was transferred to the Housing Authority from the dissolved former Commission. The loan is secured by a deed of trust. The loan was amended and restated on April 1, 2017, with a principal of $6,056,621 accruing interest at 2.82% compounded annually and requires annual payments equal to 50% of "Available Cash Flow". The outstanding principal and accrued interest at June 30, 2020 was $6,271,978.

In May 2002, the Commission loaned $4,360,000 to West Covina Senior Villas, LLC. The loan is secured by a deed of trust. The loan does not accrue interest. The loan requires annual payments of $141,667 through May 2032 that are forgiven by the City unless the borrower defaults on the agreement. The outstanding principal at June 30, 2020 was $2,833,333. The loan is likely to be forgiven; therefore, the City has included the entire balance in the allowance for doubtful accounts.

In May 2009, the Commission entered into an agreement with West Covina Senior Villas II, L.P. to provide $8,600,000 for the acquisition of real property in the City and construction and maintenance of an approximately 65-unit apartment complex to be rented to low income and very low income senior citizens. The loan is secured by a deed of trust. The loan does not accrue interest and is forgiven so long as the borrower does not default on the loan. The outstanding principal at June 30, 2020 was $8,513,884. The loan is likely to be forgiven; therefore, the City has included the entire balance in the allowance for doubtful accounts.

Other notes consist of affordable housing loans of $400,000. The notes do not accrue interest and are forgiven unless the borrower sells or refinances the property. Additionally, the balance included a note of $208,196 for low income housing which accrues no interest and is forgivable if the owner maintains the low and moderate income housing status. The outstanding principal of these loans combined at June 30, 2020 was $608,196. The loan is likely to be forgiven; therefore, the City has included the entire balance in the allowance for doubtful accounts.

Note 4 – Advances to the Successor Agency of the City of West Covina

Prior to the dissolution of the Commission's redevelopment activities on February 1, 2012, the City authorized several advances to be used for completing redevelopment projects throughout the community. As a result of the dissolution, the liabilities related to these advances were transferred to the Successor Agency. At June 30, 2020, the outstanding receivable side of these advances was as follows:

(a) In May 2010, the Commission made an advance of $6,529,308 from its housing assets to satisfy the Commission's Supplemental Educational Revenue Augmentation Fund (SERAF) obligation as allowed by Assembly Bill ABX4-26. The advance bears no interest. In May 2011, the Commission made an advance of $1,344,269 from its housing assets to satisfy SERAF obligation as allowed by Assembly Bill ABX4-26. On February 1, 2012, these advances receivables were transferred to the Housing Authority. The advance bears no interest and the outstanding balance at June 30, 2020 was $1,395,758.

(b) The General Fund of the City has made several advances to the Commission totaling $8,100,000 for administrative and capital improvement construction costs. Eighty percent (80%) of the balance is reported in the City's General Fund and remaining twenty percent (20%) balance is reported in the Housing Authority. The outstanding balance at June 30, 2020 was $662,075.

With regard to repayment of the SERAF advances, repayment was authorized to begin in the 2014-15 fiscal year and annual repayments are capped pursuant to a statutory formula.

Successor Agency and the Housing Authority management believes, in consultation with legal counsel, that the SERAF advances are enforceable obligations payable by the Successor Agency under the Dissolution Act's repayment restrictions. Therefore, the Housing Authority has not recorded an allowance for uncollectible advances. That said, the Dissolution Act is a complicated statutory scheme and the State and local agency implementation thereof has been the subject of substantial dispute and litigation. As such, repayment of the SERAF advances cannot be guaranteed.

Note 5 – Fund Balance

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Fund is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fund considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Fund considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts. A City's Council Ordinance or Resolution is the formal action that would effectively commit fund balances for a particular purpose.

Note 5 – Fund Balance, (continued)

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

- Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. The Director of Finance has the authority, granted by the Council, to assign City resources. When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. It is also the City's policy to consider committed amounts as being reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The Housing Authority's governmental fund balance at June 30, 2020 is presented below:

	West Covina Housing Authority Fund
Nonspendable:	
Prepaids	$ 82,420
Restricted for:	
Affordable housing	24,409,396
Total fund balance	$ 24,491,816

REQUIRED SUPPLEMENTARY INFORMATION

City of West Covina, California
West Covina Housing Authority Fund
Budgetary Comparison Schedule
For the year ended June 30, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Investment income	$ -	$ -	$ 444,792	$ 444,792
Revenue from other agencies	-	-	36,034	36,034
Other revenues	-	-	52,731	52,731
Total revenues	-	-	533,557	533,557
Expenditures				
Current:				
Public safety	207,722	231,077	189,368	41,709
Affordable housing	482,158	798,080	526,695	271,385
Total expenditures	689,880	1,029,157	716,063	313,094
Excess (deficiency) of revenues over expenditures	(689,880)	(1,029,157)	(182,506)	846,651
Other Financing Sources (Uses)				
Transfers out	-	(33,000)	-	33,000
Net change in fund balance	(689,880)	(1,062,157)	(182,506)	879,651
Fund balance, beginning of year	24,674,322	24,674,322	24,674,322	-
Fund balance, end of year	$ 23,984,442	$ 23,612,165	$ 24,491,816	$ 879,651

See accompanying note to required supplementary information.

Note 1 – Budgetary Data

The annual budget adopted by the City Council provides for the general operation of the Housing Authority. The annual budget is adopted in summary by the City Council in June of each year. The resolution sets a combined appropriation of the fund for the operation of the Housing Authority.

The City Manager is authorized to transfer budgeted amounts between departments to ensure adequate and proper standards of service. Budgetary revisions, including supplemental appropriations which increase appropriations, must be approved by the City Council. The budgetary level of control is at the fund level. The budgeted figures used in the financial statements' budget to actual comparisons are the final amended amounts.

The budget is formally integrated into the accounting system and employed as a management control device during the year.

Budgets for governmental fund types are adopted on a basis consistent with generally accepted accounting principles. Operating appropriations lapse at the end of the fiscal year.

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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 Auditor's Report

The Board of Directors
West Covina Housing Authority
West Covina, 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 West Covina Housing Authority Fund (the Housing Authority), (a component unit of the City of West Covina (the City), California), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated February 17, 2020. The financial statements present only the Housing Authority and do not purport to, and do not, present fairly the financial position of the City.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as item 2020-001, 2020-002 and 2020-003 to be material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We noted certain matters that we have reported to management of City of West Covina in a separate letter dated February 17, 2021.

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 Housing Authority'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 Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
February 17, 2021

2020-001 – Internal Control Environment
Material Weakness

Criteria

An important element of internal controls over financial reporting is for the entity to have procedures in place to ensure that all applicable financial reporting guidelines are followed and properly applied.

Condition and Context

Over the past year, the City has experienced a high turnover at all levels in the Finance Department. As a result, the request for the Actuarial Valuation report for GASB 75 Accounting Information regarding Other Post-Employment Benefits (OPEB) and GASB 68 Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 was postponed.

This matter has been the cause of significant delays in producing complete, reconciled and properly adjusted financial statements and other information.

Cause

The City did not maintain the appropriate staffing levels within the Finance Department to ensure that all financial closing procedures were performed.

This is a repeat finding from prior year identified as finding 2019-001.

Effect

Delay in the completion of the audit and release of the Comprehensive Annual Financial Report.

Recommendation

We recommend the City maintain appropriate staffing in the Finance Department which will ensure that the policies and procedures in the year-end review process are properly carried out.

Management's Response

Turnover of staff at all levels in the City's Finance Department has been volatile over the past few years. The COVID-19 global pandemic has exacerbated this problem. The Finance Director has been diligently recruiting key personnel and has recently hired a Purchasing Manager and two new accountant positions. In addition, the City is currently recruiting for an Assistant Finance Director position. Once the Finance Department is fully staffed and trained, this finding will be resolved.

2020-002 – Errors in Pension Census Data
Material Weakness

Criteria

In order for the City to record its liability for providing supplemental pension benefits to eligible participants, it must submit census data to actuaries who use this information to calculate the City's liability.

Condition and Context

During the audit, we were unable to vouch participant information from the census data to source documents.

Cause

Due to the turnover of key staff, there is a lack of appropriate documentation maintained in personnel files.

Effect

The City's pension liability could be improperly calculated and misstated.

Recommendation

We recommend the Finance Department review the participant files, ensure only eligible participants are included in the census data to be submitted and maintain proper documentation for the information provided to actuaries.

Management's Response

The census data that City staff was unable to locate was for employees that have not been employed with the City for quite some time. Human Resources will review and verify that all participants included in the census data are eligible employees. Staff will also make every attempt to update the files with current information.

2020-003 – Internal control over federal grant reporting
Material Weakness

Criteria

An important element of internal controls over financial reporting is for the entity to have procedures in place for the accurate completion of the Schedule of Expenditures of Federal Awards (SEFA).

Condition and Context

Over the past year, the City has experienced a high turnover at all levels in the Finance Department. As a result, the SEFA has not been prepared by a consistent person and has required multiple revisions.

Cause

The City did not maintain the appropriate staffing levels within the Finance Department to allow for the proper preparation of the SEFA, including a responsible individual to perform a review of the completed SEFA.

This is a repeat finding from prior year identified as finding 2019-002.

Effect

The City could be under/over stating expenditures on the SEFA.

Recommendation

We recommend the City maintain proper staffing levels within the Finance Department to allow for the proper preparation of the SEFA, including a responsible individual to perform a review of the completed SEFA.

Management's Response

Turnover of staff at all levels in the City's Finance Department has been volatile over the past few years. The COVID-19 global pandemic has exacerbated this problem. The Finance Director has been diligently recruiting for key personnel and has recently hired a Purchasing Manager and two new accountant positions. In addition, the City is currently recruiting for an Assistant Finance Director position. Once the Finance Department is fully staffed and trained, this finding will be resolved.

2020-004 – Purchasing Approvals
Significant Deficiency

Criteria

A system of purchasing approval should be established, maintained and updated in a timely manner.

Condition

During our audit of the City, we noted that a listing of authorized purchasing approval limit signatures was not updated to reflect changes in authorized personnel.

Cause

The City did not update authorized purchasing approvals in a timely manner.

Effect

Approval for payments could be completed by individuals without the appropriate authorizations.

Recommendation

We recommend that the City perform an annual review of authorized purchasing approvals on record and make any necessary updates as soon as possible.

Management's Response

City staff has reviewed and updated the list of authorized purchasing approvals and will continue to review and update the list on an annual basis.

2020-005 – Bank Reconciliation Review
Significant Deficiency

Criteria

Bank reconciliations should be prepared, reviewed and approved in a timely manner.

Condition

During our audit of the City, we noted that bank statements for various accounts were not reviewed or approved in a timely manner.

Cause

Even though the bank reconciliations were prepared, there was no documentation for the date of completion and no indication of a review had been completed.

Effect

Errors in the reconciliations can go undetected for a period of time without the appropriate review and approval procedures.

Recommendation

We recommend that the City ensure that all bank reconciliations are reviewed in a timely manner and documentation of when the preparation and review are completed.

Management's Response

The City has multiple bank accounts for various functions. Each bank account is reconciled individually, signed and dated by the individual that prepared the account, and reviewed, signed, and dated by the supervisor. After the individual bank reconciliations are completed, a summary report is completed to combine all bank accounts. The summary sheet was not signed and dated by the preparer or the reviewer. Earlier this year, the City implemented a procedure to have both preparer and reviewer sign and date the summary sheet indicating that the preparation and review had been completed.

ATTACHMENT NO. 5

Housing Successor of the City of West Covina
Addendum to the Annual Progress Report
For Fiscal Year Ended June 30, 2020

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Independent Accountant's Disclaimer Report Applied to the Preparation of the Addendum to the Annual Progress Report of the Housing Successor of the City of West Covina

To Management of the
Housing Successor of the City of West Covina
West Covina, California

We have prepared the accompanying Addendum to the Annual Progress Report ("Addendum to the APR") of the Housing Successor of the City of West Covina ("Housing Successor") as of June 30, 2020, and for the year then ended in accordance with the reporting provisions of the California Health & Safety Code Section 34176 as amended by Senate Bill 341 (Chapter 796, Statutes of 2013, effective January 2014) ("SB 341"), and as amended by Senate Bill 107 (Chapter 325, Statutes of 2015, effective January 2016) HSC Section 34176.1(f).

The accompanying Addendum to the APR of the Housing Successor as of June 30, 2020, and for the year then ended was not subjected to an audit, review, or compilation engagement by us and, accordingly, we do not express an opinion, conclusion, nor provide any assurance on it.

This Addendum to the APR is intended solely for the information and use of management of the Housing Successor of the City of West Covina, and is not intended to be and should not be used by anyone other than this specified party.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
December 29, 2020

Housing Successor of the City of West Covina
Addendum to the Annual Progress Report
For Fiscal Year Ended June 30, 2020

1) **The amount the City, County, or City and County received pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4.**

   No amounts received in pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4.

2) **The amount deposited to the Low and Moderate Income Housing Asset Fund, distinguishing between amounts deposited pursuant to subparagraphs (B) and (C) or paragraph (3) of subdivision (b) of Section 34191.4, amounts deposited for others items listed on the Recognized Obligation Payment Schedule from other amounts deposited.**

   The Housing Successor received $533,557 as of June 30, 2020. None of these amounts were deposited for items listed on the Recognized Obligation Payment Schedule.

3) **A statement of the balance in the fund as of the close of the fiscal year, distinguishing any amounts held for items listed on the Recognized Obligation Payment Schedule from other amounts.**

   The balance in the Housing Successor as of June 30, 2020, was $24,491,816. None of which was held for items listed on the Recognized Obligation Payment Schedule.

4) **A description of expenditures from the fund by category, including, but not limited to, expenditures**

   a. **for monitoring and preserving the long-term affordability of units subject to affordability restrictions or covenants entered into by the redevelopment agency or the housing successor and administering the activities described in paragraphs (2) and (3) of subdivision (a),**

      The Housing Successor's expenditures related to this category as of June 30, 2020, were $526,696 in administrative expenditures.

   b. **for homeless prevention and rapid re-housing services for the development of housing described in paragraph (2) of subdivision (a), and**

      The Housing Successor had $189,368 related to homeless prevention and rapid re-housing services as of June 30, 2020.

   c. **for the development of housing pursuant to paragraph (3) of subdivision (a).**

      The Housing Successor had no expenditures related to the development of housing as of June 30, 2020.

5) **As described in paragraph (1) of subdivision (a), the statutory value of real property owned by the housing successor, the value of loans and grants receivable, and the sum of these two amounts.**

The Housing Successor owned real property with a statutory value of zero, as of June 30, 2020.

The value of loans and notes receivable in the Housing Successor as of June 30, 2020 is $14,502,425.

The sum of the statutory value of real property and the value of loans and notes receivable is $14,502,425.

6) **A description of any transfers made pursuant to paragraph (2) of subdivision (c) in the previous fiscal year and, if still unencumbered, in earlier fiscal years and a description of and status update on any project for which transferred funds have been or will be expended if that project has not yet been placed in service.**

No transfers occurred pursuant to paragraph (2) of subdivision (c) in the previous fiscal year or earlier fiscal years.

7) **A description of any project for which the housing successor <u>receives or holds property tax</u> revenue pursuant to the Recognized Obligation Payment Schedule and the status of that project.**

The Housing Successor Fund did not receive or hold property tax revenues pursuant to the Recognized Obligation Payment Schedule during the fiscal year ended June 30, 2019.

8) **For interests in real property acquired by the former redevelopment agency prior to February 1, 2012, a status update on compliance with Section 33334.16. For interests in real property acquired on or after February 1, 2012, a status update on the project**.

As of June 30, 2020, the Housing Successor did not hold any property acquired prior to February 1, 2012. No properties were acquired subsequent to February 1, 2012.

9) **A description of any outstanding obligations pursuant to Section 33413 that remained to transfer to the housing successor on February 1, 2012, of the housing successor's progress in meeting those obligations, and of the housing successor's plans to meet unmet obligations. In addition, the housing successor shall include in the report posted on its Internet Web site the implementation plans of the former redevelopment agency.**

As of June 30, 2020, there were no outstanding obligations pursuant to Section 33413 that remained to be transferred to the Housing Successor on February 1, 2012.

10) **The information required by subparagraph (B) of paragraph (3) of subdivision (a).**

As of June 30, 2020, the Housing Successor is in compliance with the requirements of subparagraph (B) of paragraph (3) of subdivision (a).

11) The percentage of units of deed-restricted rental housing restricted to seniors and assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the same time period.

As of June 30, 2020, the Housing Successor had 59.76% of units of deed-restricted rental housing restricted to seniors and assisted individually or jointed by the housing successor, its former redevelopment agency, and its host jurisdiction within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the same time period.

12) The amount of any excess surplus, the amount of time that the successor agency has had excess surplus, and the housing successor's plan for eliminating the excess surplus.

The Housing Successor Fund did not have any excess surplus as of June 30, 2020, or at any point during the fiscal year ended June 30, 2020.

13) An inventory of homeownership units assisted by the former redevelopment agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund pursuant to subdivision (f) of Section 33334.3.

a. The number of those units.

The Housing Successor assisted with approximately 147 homeownership units that are subject to affordable restrictions

b. In the first report pursuant to this subdivision, the number of units lost to the portfolio after February 1, 2012, and the reason or reasons for those losses. For all subsequent reports, the number of the units lost to the portfolio in the last fiscal year and the reason for those losses.

The Housing Successor lost 19 units in fiscal year 2019-2020. The loans on these units were paid off in the fiscal year.

c. Any funds returned to the housing successor as part of an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund.

The Housing Successor had funds returned of $168,285 during fiscal year ended June 30, 2020.

d. Whether the housing successor has contracted with any outside entity for the management of the units and, if so, the identity of the entity.

The Housing Successor has contracted Amerinat Loan Servicing for the management of the loans during fiscal year ended June 30, 2020.

CITY OF WEST COVINA
AIR QUALITY IMPROVEMENT
SPECIAL REVENUE FUND

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2020

City of West Covina
Air Quality Improvement Special Revenue Fund

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June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
City Council of the City of West Covina
West Covina, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Air Quality Improvement Special Revenue Fund (the Fund) of the City of West Covina, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 City's preparation and fair presentation of the Fund's 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 City's internal control related to the Fund. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund of the City, as of June 30, 2020, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Fund and do not purport to, and do not present fairly the financial position of the City, as of June 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such Information, although not a part of the basic financial statement, 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 RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated February 17, 2021, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters related to the Fund. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
February 17, 2021

Balance Sheet
June 30, 2020

Assets	
Cash and investments	$ 261,910
Accounts receivable	200,000
Total assets	$ 461,910
Liabilities and fund balance	
Liabilities:	
Accounts payable	$ 145,600
Total liabilities	145,600
Fund balance:	
Restricted for:	
Public works	316,311
Total fund balance	316,310
Total liabilities and fund balance	$ 461,910

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2020

Revenues	
Investment income	$ 1,523
Revenue from other agencies	657,470
Total revenues	658,993
Expenditures	
Public works	146,001
Excess of revenues over (under) expenditures	512,992
Net change in fund balance	512,992
Fund balance (deficit), beginning of year	(196,682)
Fund balance, end of year	$ 316,310

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

Note 1 – General

California Assembly Bill 2766 authorizes air pollution control districts to levy fees on motor vehicles. Fees are to be used to reduce air pollution. Under this program, the Department of Motor Vehicles collects the fees and subvenes the amounts to the South Coast Air Quality Management District (SCAQMD) for vehicles registered in the South Coast District. Forty cents of every dollar subvened to SCAQMD is allocated to the cities and counties in the South Coast District proportionately based upon population. The amounts attributable to the City of West Covina (the City), are maintained in the City's Air Quality Improvement Special Revenue Fund (the Fund).

Note 2 – Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies of the City as they pertain to the Fund. Only the Fund information is included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity with a self-balancing set of accounts. Monies received under Assembly Bill 2766 (AB2766) are recorded in the Fund that is used to account for the proceeds of revenue to be used for the purpose of implementing the California Clean Air Act.

Basis of Accounting

The Fund is accounted for using the modified-accrual basis of accounting. Under the modified-accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the liability is incurred, if measurable.

Use of Estimates in the Preparation of Financial Statements

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are transactions that result in the consumption of assets in one period that are applicable to future periods and are not considered assets as described by the statement. Deferred outflows of resources are required to be presented separately after assets on the statement of net position. Deferred inflows of resources are transactions that result in the acquisition of assets in one period that are applicable to future periods and are not considered to be liabilities as described by the statement. Deferred inflows of resources are required to be presented separately after liabilities on the statement of net position.

Note 3 – Cash and Investments

Cash at June 30, 2020 consisted of the following:

	Amount
Pooled cash and investments	$ 261,910

The City follows the practice of pooling cash and investments for all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures.

For more information on the City's cash and investments as of June 30, 2020, please see the City's Comprehensive Annual Financial Report.

Note 4 – Fund Balance

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Fund is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fund considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Fund considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts. A City's Council Ordinance or Resolution is the formal action that would effectively commit fund balances for a particular purpose.

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

- Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making fund; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the fund.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in a General Fund.

Note 4 – Fund Balance (continued)

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. 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. When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

The Fund's governmental fund balance at June 30, 2020 is presented below:

	Air Quality Improvement
Restricted for:	
Public works	$ 316,311
Total fund balance	$ 316,311

REQUIRED SUPPLEMENTARY INFORMATION

City of West Covina
Air Quality Improvement Special Revenue Fund

Budgetary Comparison Schedule
For the year ended June 30, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Investment income	$ -	$ -	$ 1,523	$ 1,523
Revenue from other agencies	695,200	1,249,399	657,470	(591,929)
Total revenues	695,200	1,249,399	658,993	(590,406)
Expenditures				
Current:				
Public works	17,264	161,665	146,001	15,664
Excess (deficiency) of revenues over (under) expenditures	677,936	1,087,734	512,992	(574,742)
Net change in fund balance	677,936	1,087,734	512,992	(574,742)
Fund balance (deficit), beginning of year	(196,682)	(196,682)	(196,682)	-
Fund balance, end of year	$ 481,254	$ 891,052	$ 316,310	$ (574,742)

See accompanying note to required supplementary information.

Note to Required Supplementary Information
For the year ended June 30, 2020

Note 1 – Budgetary Data

The annual budget adopted by the City Council provides for the general operation of the Fund. The annual budget is adopted in summary by the City Council in June of each year. The resolution sets a combined appropriation of the Fund for the operation of the City.

The City Manager is authorized to transfer budgeted amounts between departments to ensure adequate and proper standards of service. Budgetary revisions, including supplemental appropriations which increase appropriations, must be approved by the City Council. The budgetary level of control is at the fund level. The budgeted figures used in the financial statements' budget to actual comparisons are the final amended amounts.

The budget is formally integrated into the accounting system and employed as a management control device during the year.

Budgets for governmental fund types are adopted on a basis consistent with generally accepted accounting principles. Operating appropriations lapse at the end of the fiscal year.

ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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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 Auditor's Report

The Honorable Mayor and
City Council of the City of West Covina
West Covina, 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 Air Quality Improvement Special Revenue Fund (the Fund) of the City of West Covina, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated February 17, 2021. The financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as item 2020-001, 2020-002 and 2020-003 to be material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We noted certain matters that we have reported to management of City of West Covina in a separate letter dated February 17, 2021.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
February 17, 2021

2020-001 – Internal Control Environment
Material Weakness

Criteria

An important element of internal controls over financial reporting is for the entity to have procedures in place to ensure that all applicable financial reporting guidelines are followed and properly applied.

Condition and Context

Over the past year, the City has experienced a high turnover at all levels in the Finance Department. As a result, the request for the Actuarial Valuation report for GASB 75 Accounting Information regarding Other Post-Employment Benefits (OPEB) and GASB 68 Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 was postponed.

This matter has been the cause of significant delays in producing complete, reconciled and properly adjusted financial statements and other information.

Cause

The City did not maintain the appropriate staffing levels within the Finance Department to ensure that all financial closing procedures were performed.

This is a repeat finding from prior year identified as finding 2019-001.

Effect

Delay in the completion of the audit and release of the Comprehensive Annual Financial Report.

Recommendation

We recommend the City maintain appropriate staffing in the Finance Department which will ensure that the policies and procedures in the year-end review process are properly carried out.

Management's Response

Turnover of staff at all levels in the City's Finance Department has been volatile over the past few years. The COVID-19 global pandemic has exacerbated this problem. The Finance Director has been diligently recruiting key personnel and has recently hired a Purchasing Manager and two new accountant positions. In addition, the City is currently recruiting for an Assistant Finance Director position. Once the Finance Department is fully staffed and trained, this finding will be resolved.

2020-002 – Errors in Pension Census Data
Material Weakness

Criteria

In order for the City to record its liability for providing supplemental pension benefits to eligible participants, it must submit census data to actuaries who use this information to calculate the City's liability.

Condition and Context

During the audit, we were unable to vouch participant information from the census data to source documents.

Cause

Due to the turnover of key staff, there is a lack of appropriate documentation maintained in personnel files.

Effect

The City's pension liability could be improperly calculated and misstated.

Recommendation

We recommend the Finance Department review the participant files, ensure only eligible participants are included in the census data to be submitted and maintain proper documentation for the information provided to actuaries.

Management's Response

The census data that City staff was unable to locate was for employees that have not been employed with the City for quite some time. Human Resources will review and verify that all participants included in the census data are eligible employees. Staff will also make every attempt to update the files with current information.

2020-003 – Internal control over federal grant reporting
Material Weakness

<u>Criteria</u>

An important element of internal controls over financial reporting is for the entity to have procedures in place for the accurate completion of the Schedule of Expenditures of Federal Awards (SEFA).

<u>Condition and Context</u>

Over the past year, the City has experienced a high turnover at all levels in the Finance Department. As a result, the SEFA has not been prepared by a consistent person and has required multiple revisions.

<u>Cause</u>

The City did not maintain the appropriate staffing levels within the Finance Department to allow for the proper preparation of the SEFA, including a responsible individual to perform a review of the completed SEFA.

This is a repeat finding from prior year identified as finding 2019-002.

<u>Effect</u>

The City could be under/over stating expenditures on the SEFA.

<u>Recommendation</u>

We recommend the City maintain proper staffing levels within the Finance Department to allow for the proper preparation of the SEFA, including a responsible individual to perform a review of the completed SEFA.

<u>Management's Response</u>

Turnover of staff at all levels in the City's Finance Department has been volatile over the past few years. The COVID-19 global pandemic has exacerbated this problem. The Finance Director has been diligently recruiting for key personnel and has recently hired a Purchasing Manager and two new accountant positions. In addition, the City is currently recruiting for an Assistant Finance Director position. Once the Finance Department is fully staffed and trained, this finding will be resolved.

2020-004 – Purchasing Approvals
Significant Deficiency

Criteria

A system of purchasing approval should be established, maintained and updated in a timely manner.

Condition

During our audit of the City, we noted that a listing of authorized purchasing approval limit signatures was not updated to reflect changes in authorized personnel.

Cause

The City did not update authorized purchasing approvals in a timely manner.

Effect

Approval for payments could be completed by individuals without the appropriate authorizations.

Recommendation

We recommend that the City perform an annual review of authorized purchasing approvals on record and make any necessary updates as soon as possible.

Management's Response

City staff has reviewed and updated the list of authorized purchasing approvals and will continue to review and update the list on an annual basis.

2020-005 – Bank Reconciliation Review
Significant Deficiency

Criteria

Bank reconciliations should be prepared, reviewed and approved in a timely manner.

Condition

During our audit of the City, we noted that bank statements for various accounts were not reviewed or approved in a timely manner.

Cause

Even though the bank reconciliations were prepared, there was no documentation for the date of completion and no indication of a review had been completed.

Effect

Errors in the reconciliations can go undetected for a period of time without the appropriate review and approval procedures.

Recommendation

We recommend that the City ensure that all bank reconciliations are reviewed in a timely manner and documentation of when the preparation and review are completed.

Management's Response

The City has multiple bank accounts for various functions. Each bank account is reconciled individually, signed and dated by the individual that prepared the account, and reviewed, signed, and dated by the supervisor. After the individual bank reconciliations are completed, a summary report is completed to combine all bank accounts. The summary sheet was not signed and dated by the preparer or the reviewer. Earlier this year, the City implemented a procedure to have both preparer and reviewer sign and date the summary sheet indicating that the preparation and review had been completed.

AGENDA ITEM NO. 6

AGENDA STAFF REPORT

City of West Covina | Office of the City Manager

DATE: March 2, 2021

TO: Mayor and City Council

FROM: David Carmany
City Manager

SUBJECT: CONSIDERATION OF EXTENSIONS TO TRANSPORTATION AND LEASE AGREEMENTS WITH MV TRANSPORTATION, INC.

RECOMMENDATION:

It is recommended that the City Council take the following actions:

1. Approve the amendment to the Transportation Services Agreement with MV Transportation, Inc., to extend the term on a month-to-month basis, for up to 12 months, while the City conducts a formal solicitation for the transportation services;
2. Approve the amendment to the Lease Agreement with MV Transportation, Inc., on a month-to-month basis, for up to 12 months, to coincide with the term of the Transportation Services Agreement; and
3. Authorize the City Manager to negotiate and execute the amendments to both agreements in substantially the form as attached and in such final form as approved by the City Attorney.

BACKGROUND:

On December 17, 2013, the City Council approved a Transporation Services Agreement with MV Transporation, Inc (MVT), to provide fixed route and dial a-ride transit services that began on March 3, 2014. (Attachment No. 2). Separate, but concurrent and related to the Transporation Services Agreement, MVT entered into a Lease Agreement with the City on January 22, 2014 to use space at the City Yard for a mobile office and vehicle parking.

The Transporation Services Agreement had an initial term of 5 years with a provision for two (2) one (1)-year extension options. The last extension expires on March 2, 2021. The initial term of 5 years for the Transporation Services Agreement totaled $4,953,125. Pursuant to the Lease Agreement, MVT agreed to pay the City $2,700 per month. The Lease Agreement was subsequently amended twice. Pursuant to the Second Amendment in 2019, the monthly rent was increased to $3,000 due to additional parking spaces requested by MVT and the term was extended term through March 2, 2021 to coincide with the term of the Transportation Services Agreement. The City has received approximately $234,000 in rent from MVT under the Lease Agreement.

MVT has staffed and managed the City of West Covina's Fixed Route Shuttle (Shuttle) and Dial A-Ride (DAR) services with oversight by the Public Services Department. The Shuttle service consists of three alignments (Red, Blue, and Green) that operate Monday-Friday from 6:30 a.m. to 7:00 p.m. The estimated annual hours of operation for the Shuttle service are 11,650. The DAR operates Monday-Friday from 8:00 a.m. to 5:30 p.m., and Sunday from 8:00 a.m. to 2:30 p.m. The estimated annual hours of operation for the DAR service are 7,600.

The current extension of the agreement with MVT was considered on February 18, 2020 and March 3, 2020.

Concerns included improving ridership through contractor outreach, including presence at special events, as well as service to schools and City facilities. The need for an evaluation of the transit service, including the alignment of the routes, prior to the release of a Request for Proposals was also discussed.

DISCUSSION:

As a result of COVID-19, City facilities, including the Senior Center, closed as of March 12, 2020. West Covina and Covina-Valley Unified School Districts closed as of March 15 and March 16, respectively. Many businesses closed around the same time. Because public transportation has been considered an essential service during the pandemic, operation has continued, but ridership is down significantly. With destinations closed and impacts to ridership, a true evaluation has not been possible. Once these destinations are reopened, staff will engage a consultant to conduct an evaluation and analysis of the existing transit service and identify cost effective alternatives. Until an evaluation can be completed with results incorporated into a Request for Proposals, it is recommended that services of the current provider continue on a month-to-month basis. It is also recommended that the Lease Agreement be extended to coincide with the term of the Transportation Services Agreement.

In the March 2020 report, monthly ridership numbers for FY 2018-2019 were presented. In Attachment No. 3, these ridership numbers are shown with those for FY 2019-2020. By comparison, monthly ridership numbers for the three alignments generally increased up until the shutdown. Then participation decreased dramatically after the shutdown that began in mid-March 2020.

Staff surveyed neighboring Cities of Azusa, Baldwin Park, Covina, Glendora, and La Puente, as well as Foothill Transit. During the pandemic, all but La Puente have experienced similar dramatic decreases in ridership. In all cases, except Glendora and Foothill Transit, these agencies have maintained a status quo level of service throughout. In regard to service modifications, Glendora suspended a mid-day school shuttle, as schools are closed. Similarly, Foothill Transit suspended several lines primarily serving middle and high schools. Foothill also reduced Express service to Downtown Los Angeles.

In December 2020, staff requested a proposal from MVT to extend the Transporation Agreement. MVT provided three options, as shown below. The proposal is shown on an annualized basis with varying levels of service. Option 3 represents a currently contracted level of service. The other two options represent reductions to the current service level.

TRANSIT SERVICE PROPOSAL

FY 2021-2022	**Option 1**	**Option 2**	**Option 3**
Fixed Route Cost per Rev Hr	**$83.16**	**$75.43**	**$72.28**
Estimated Rev Hr (Annualized)	11,494	11,650	11,650
Fixed Route Total(Annualized)	$955,789	$878,759	$842,039
DAR Cost per Rev Hr	**$69.78**	**$63.31**	**$60.66**
Estimated Rev Hr (Annualized)	3,690	5,724	7,600
DAR Total (Annualized)	$257.517	$362,330	$461,000
Total Est Rev Hrs (Annualized)	15,184	17,373	19,250
Total (Annualized)	**$1,213,306**	**$1,241,089**	**$1,303,039**

The rate increase is due to market rate wage adjustments for drivers, staff, and maintenance workers; associated taxes and benefits; increases in workers compensation and liability costs, increase in vehicle maintenance costs; and new COVID-related costs, such as PPE and increased labor and supplies for cleaning

Staff is recommending Option 3, as it continues the current level of service with the lowest hourly rates. The costs shown in the table above reflect the full utilization of the contracted operating hours. While the Shuttle operates consistently according to schedule, the DAR is demand-based and is underspent if the service experiences a reduction in demand. The table below compares the annual budgets based on prior amendments to the agreement, as well as actual expenditures for the Shuttle and DAR service for the previous three contract years and the first eleven months of the current year.

AGREEMENT	**2017-2018**	**2018-2019**	**2019-2020**	**2020-2021***
SHUTTLE	$671,546	$690,146	728,242	$750,493
DAR	369,018	387,676	397,784	411,088
TOTAL	**$1,030,564**	**$1,077,822**	**$1,126,026**	**$1,161,501**
ACTUAL	**2017-2018**	**2018-2019**	**2019-2020**	**2020-2021**
SHUTTLE	$616,523	$648,410	$695,537	$680,624
DAR	347,364	329,567	321,602	173,627
TOTAL	**$963,617**	**$977,976**	**$1,017,139**	**$854,251**
Over/(Under) Spent	**$(66,946)**	**$(99,846)**	**$(108,887)**	**$(307,250)**

*Through eleven months

As outlined in the proposed amendment to the Transportation Services Agreement, MVT will provide the service level outlined in Option 3 at the rates identified in Option 3 on a month-to-month basis while the City conducts the formal solicitation process. The proposed amendment to the Lease Agreement provides for a similar month-to-month extension to coincide with the Transportation Services Agreement.

LEGAL REVIEW:

The City Attorney's Office has reviewed the amendments and approved them as to form.

OPTIONS:

The City Council has the following options:

1. Approve staff recommendation; or
2. Provide alternative direction.

Prepared by: Kelly McDonald, Public Services Manager

Fiscal Impact

FISCAL IMPACT:

On an annualized basis, the proposed rates of Option 3 for extending the transit services agreement may result in a total potential additional costs of $141,559. Transit services are funded from the Public Services Transportation Operating Budget (Proposition C and Measure R Local Returns). The fixed route budget is included in Account Nos. 122.61.5142.6120, 122.61.5148.6120, and 224.61.5142.6120 and dial-a-ride services in Account No. 122.61.5143.6120. The increase occurring in Fiscal Year 2020-2021 is expected to be absorbed by savings in the current budget. Anticipated costs will be incorporated into the Fiscal Year 2021-2022 budget, accordingly. There is no impact to the General Fund.

Extension of the lease agreement will result $3,000 per month in General Fund revenue.

Attachments

Attachment No. 1 - Fourth Amendment to Transportation Services Agreement

Attachment No. 2 - MVT Transit Services Agreement

Attachment No. 3 - Ridership

Attachment No. 4 - MV Transit Amend III 2021 - CAO - Final

Attachment No. 5 - MVT Lease Agreement

CITY COUNCIL GOALS & OBJECTIVES: Enhance the City Image and Effectiveness

**FOURTH AMENDMENT TO
CITY OF WEST COVINA
TRANSPORTATION SERVICES AGREEMENT
WITH
MV TRANSPORTATION, INC.**

THIS FOURTH AMENDMENT ("Amendment") is made and entered into as of the 2nd day of March, 2021 ("Effective Date") by and between the CITY OF WEST COVINA, a municipal corporation ("City"), and MV TRANSPORTATION, INC., a California corporation ("Contractor").

WHEREAS, on December 18, 2013, City and Contractor entered into an agreement for Contractor to provide Fixed Route Shuttle Services and Dial-A-Ride services for the City ("Original Agreement"); and

WHEREAS, on November 7, 2017, City and Contractor amended the fee schedule due to State-imposed increases to the minimum wage, through the First Amendment to the Original Agreement; and

WHEREAS, Article 4 of the Original Agreement provides for an initial term of March 3, 2014 through March 2, 2019, with the option for City and Contractor to extend the term for two (2) additional one (1) year periods; and

WHEREAS, City and Contractor exercised the first extension option and extended the term through March 2, 2020, through the Second Amendment to the Original Agreement; and

WHEREAS, City and Contractor exercised the second extension option and extended the term through March 2, 2021, through the Third Amendment to the Original Agreement; and

WHEREAS, City is required to conduct a formal solicitation prior to entering into a new agreement for said transportation services; and

WHEREAS, City and Contractor desire to extend the term on a month-to-month basis while City conducts its solicitation process; and

WHEREAS, City and Contractor desire to set forth Contractor's compensation during the monthly extension periods accordingly.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Commencing March 3, 2021, the term of the Original Agreement shall automatically extend for successive one (1) month periods, for up to twelve (12) months, until such time as either party terminates the Original Agreement in accordance with Article 11 of the Original Agreement. The parties hereby agree the termination rights provided to City in Article 11.A.6. of the Original Agreement are now mutual rights available to either party to terminate the Original Agreement and this subsequent Fourth Amendment for convenience with thirty (30) days' written notice to the other party.

2. Commencing March 3, 2021, Contractor shall be paid the following hourly rates:

Fixed Route Shuttle Services:	$72.28 per hour
Dial-A-Ride Services:	$60.66 per hour

3. Commencing March 3, 2021, Contractor's annual compensation shall not exceed $1,303,039.00.

4. All terms not defined herein shall have the same meaning and use as set forth in the Original Agreement.

5. All other terms, conditions, and provisions of the Original Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, City and Contractor have executed this Amendment as of the date set forth above.

CITY OF WEST COVINA

____
David Carmany
City Manager

CONTRACTOR

____
Marie Meisenbach Graul
Chief Financial Officer

ATTEST:

____
Lisa Sherrick
Assistant City Clerk

APPROVED AS TO FORM:

____
Thomas P. Duarte
City Attorney

TRANSPORTATION AGREEMENT FOR THE PROVISION OF FIXED ROUTE SHUTTLE SERVICES AND DIAL-A-RIDE SERVICES FOR THE CITY OF WEST COVINA

THIS AGREEMENT is entered into this 18th day of December 2013, by and between the City of West Covina, hereinafter referred to as the "City", and, MV Transportation, Inc., hereinafter referred to as the "Contractor" or "Operator".

WITNESSETH:

WHEREAS, the City has determined that it requires management, operation and maintenance services for the fixed route shuttle service and dial-a-ride service to provide transportation services to the general population; and

WHEREAS, City has circulated a Request for Proposals for Transit Operations Contract City of West Covina Purchasing Specifications 0413-A, dated April 18, 2013, which is attached hereto as Exhibit "A" and incorporated herein by reference; and

WHEREAS, Contractor has submitted its proposal entitled Proposal To City of West Covina For Transit Operations Contract Purchasing Spec. 0413-A, dated May 23, 2013, attached hereto as Exhibit "B", and incorporated herein by reference; and

WHEREAS, Contractor has submitted its offer of additional and/or alternate terms entitled Best and Final Offer – Transit Operations Contract RFP Number: 0413-A, dated August 6, 2013, attached hereto as Exhibit "C", and incorporated herein by reference; and

WHEREAS, the Contractor has represented that it has the necessary expertise, personnel and qualifications to provide the requested service; and

WHEREAS, City Council approved the execution of this Agreement at a regularly scheduled City Council Meeting on December 17th, 2013, with an effective date of March 3rd, 2014; and

NOW, THEREFORE, it is mutually understood and agreed as follows:

ARTICLE 1
COMPLETE AGREEMENT, PRECEDENCE OF DOCUMENTS

This Agreement and the attached forms and documents referred to herein and incorporated herein by reference, and the Request for Proposal (Exhibit "A"), Proposal (Exhibit "B"), submitted by the Contractor dated May 23, 2013, and Best and Final Offer (Exhibit "C"), submitted by the Contractor dated August 6, 2013 constitute the complete and exclusive Agreement between the City and the Contractor (Contract Documents) and supersede all prior representations, understandings, and communications. The invalidity in whole or in part of any provision of this

Agreement shall not affect the validity of other provisions. The City's failure to insist in any instance upon the performance of any term or terms of this Agreement shall not be construed as a waiver or relinquishment of the City's right to such performance by the Contractor. Except as otherwise allowed hereunder, any amendment shall be in writing and signed by both parties.

Any conflict, omission or difference in the Contract Documents shall be subject to the following order of precedence of Contract Documents:

1. This Agreement
2. Best and Final Offer (Exhibit "C")
3. Request for Proposals (Exhibit "A"), hereinafter the "RFP"
4. Proposal (Exhibit "B")

ARTICLE 2
AUTHORIZATION TO ACT

The West Covina City Manager or his/her designee shall have the authority to act for and exercise any of the rights of the City as set forth in this Agreement upon the authorization therefore by the West Covina City Council.

ARTICLE 3
INDEPENDENT CONTRACTOR

The Contractor's relationship to the City in the performance of this Agreement is that of an independent Contractor. The personnel performing services under this Agreement shall be deemed, for all purposes, to be the Contractor's employees and not agents or employees of the City. The Contractor shall pay all wages, salaries and other amounts due its employees for services and goods rendered by said employees in connection with this Agreement and shall be responsible for all reports and obligations respecting them, including but not limited to worker's compensation benefits.

ARTICLE 4
TERM OF THE AGREEMENT

This Agreement shall commence on March 3, 2014 and shall terminate March 2, 2019, unless earlier terminated pursuant to Article 11 below. The Agreement may be extended thereafter for up to two subsequent one-year terms upon mutual agreement of the parties without soliciting proposals and upon the agreed terms, including pricing. The parties also, upon negotiated written amendment hereto, may extend and/or modify the reimbursement rate, levels of service, types of services, change of vehicles, or any other terms which the parties determine necessary.

ARTICLE 5
STATEMENT OF SERVICES

A. GENERAL

The Contractor shall provide all management and operational functions necessary for the success of the fixed-route West Covina Shuttle and the demand-response Dial-a-Ride services (hereinafter the "Service" or "Services"). The Contractor shall provide the Services in the manner and to those areas identified on Exhibit "A" attached hereto and incorporated herein by this reference.

In addition to those Services specific to the fixed route or dial-a-ride services, the Contractor shall:

1. Order new vehicles (as described below) to provide the Services within twenty-four (24) hours of full execution of this Agreement. Contractor will warrant that these vehicles will be available for use by March 3, 2014.

2. Contractor shall, at Contractor's expense, cause all new vehicles to have appropriate branding and markings placed thereon to designate the vehicles as part of the City's transit service. City must approve the form and content of the brandings and markings prior to application. In the event that City makes modifications to its branding and required marking that require re-performance of these items, City will reimburse Contractor for actual and reasonable costs.

3. Make good-faith efforts to retain personnel employed by the existing provider of the Services, including extending offers of employment.

4. Conduct town hall meetings on an agreed schedule at reasonable frequency to educate the public, particularly senior citizens and dial-a-ride patrons on the Services.

5. Make good-faith efforts to increase efficiencies in Service, using the existing data as a baseline to work therefrom. City will provide data to Contractor after the execution of this Agreement.

6. Provide City staff with training on Passenger Complaint Tracking Software system utilized by Contractor.

7. Provide one full-time (1) project manager and two (2) full-time road supervisors dedicated to the Services under this Agreement.

8. Guarantee that Genevieve Madrid, Project Manager, and Wayne Poole, Dispatcher, will exclusively service the City's transit operations during the life of this Agreement. Neither of these individuals may be assigned to any other client of Contractor during the Term of this Agreement without the City's prior approval. Any change in the capacity or scope of services provided by Ms. Madrid or Mr. Poole must be approved by the City in writing.

Notwithstanding the foregoing, if the employment of either of these individuals is terminated for any reason, Contractor shall replace said individuals with persons of equal skill and experience to carry on the duties of the departed employee. Said replacement employees shall be subject to City approval prior to, and at anytime thereafter, assignment to the replacement position(s).

9. Provide City staff training on Contractor's complaint tracking software, as well as provide City staff ongoing access to the system to monitor complaints logged therein.

B. FIXED ROUTE SHUTTLE

The fixed route shuttle system will provide residents of West Covina with an improved service for travel within the City for shopping, business, recreational purposes, as well as large employment providers. The fixed route shuttle system's estimated annual revenue hours is 11,650 with over 108,000 passengers served. Locations within the City include: the Citrus Valley Hospital-Queen of the Valley Campus, Eastland Shopping Center, Civic Center, Cortez Park/Senior Center, the Heights Shopping Center, etc.

Specific requirements are as follows:

<u>SHUTTLE</u>
Hours of Service - The fixed route (**Red and Blue Line**) shuttle is approximately 17.0 service miles and will provide one (1) vehicles per line. The service will operate every thirty (30) minutes from 6:30 a.m. until 4:00 p.m. and will continue (1) vehicle per line every hour (60) minutes from 4:00 p.m. until 7:00 p.m. in a bi-directional loop (Red and Blue Line). The shuttle will operate on the following days:

Monday – Friday:	6:30AM to 7:00PM
Saturday and Sunday:	No Service

Except the following Holidays: Presidents' Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after Thanksgiving, Christmas Eve, Christmas Day, New Year's Day.

Hours of Service – The fixed route (**Green Line**) shuttle is approximately 10.0 service miles and will operate two vehicles every thirty (30) minutes during the AM and PM Peak Hours and every 60 minutes during non-peak hours as shown on the attached schedules. The shuttle will operate on the following days:

Monday – Friday:	6:30AM to 7:00PM
Saturday and Sunday:	No Service

Except the following Holidays: Presidents' Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after Thanksgiving, Christmas Eve, Christmas Day, New Year's Day.

1. Collection of Fares - All fare(s) will be charged to each rider and the operator will be responsible for collecting all cash fares. All vehicles shall be equipped with city provided fare boxes, which provide a secure method for collecting fares.

    (a) The total fare amount collected by the Contractor shall be listed and deducted from the monthly billing statement to the City.
    (b) Fares will be posted in all vehicles. Fares may be decreased or increased after approval by the City Council and upon written notification by the City.

2. Fuel –City shall provide alternative fuel for Contractor-owned vehicles used in providing these services. City shall pay fuel costs, which shall not be reflective in Hourly Rate Charged by the operator.

3. Heating/Air Conditioning – Heating and air conditioning shall be maintained in good working order at all time in all vehicles at a level approved by the City.

4. Grab Rails – All vehicles shall have grab rails installed to assist persons who are entering and exiting the vehicle with or without the use of the wheelchair lift, and who are inside vehicle.

5. Safety Features – Every vehicle shall be equipped with a first aid kit, fire extinguishers, QRT wheelchair tie-down mechanisms, professionally installed sunshades and other safety features as required by the City. All equipment installed will meet Americans with Disabilities Act (ADA). No materials shall be installed that would obscure the driver's view or create a safety hazard.

6. Radios/Cellular Phones – All vehicles shall be equipped with a two-way radio system and/or cellular phone capable of communicating with the main base station. Operators shall utilize a hands free system while operating vehicle.

7. Cleaning – All vehicles shall be cleaned on the inside and outside daily. Vehicle exteriors shall be washed a minimum of three (3) times a week and after every rain. Vehicle interiors shall be swept prior to each day's service. Windows shall be washed and floors mopped and vacuumed daily. Graffiti and other vandalism will be removed on a daily basis prior to start of service.

8. Telephone – The City shall provide a local (non-toll) telephone number for communication between the Contractor's dispatcher personnel, site manager and the parties served by this Agreement. The Contractor shall provide sufficient (non-toll) telephone lines to minimize busy signals and maximize response to persons calling for information. The period for telephone wait time will not exceed 10 minutes in length liquated damages shall be applied, $50.00 per incident; if it exceeds 15 minutes $100.00 per incident shall be applied, and

$2.00 per minute thereafter, owed to the City or deducted from monthly bill. The Contractor shall ensure that all operators are bi-lingual, speaking both Spanish and English.

9. Signs – "NO SMOKING" and "FOR YOUR SAFETY PASSENGERS MUST REMAIN SEATED UNTIL THE VEHICLE COMPLETELY STOPS" and "NO EATING, NO DRINKING, NO MUSIC" and the "OPERATORS NAME" and "OPERATORS ID NUMBER" and "BUS NUMBER" and "TELEPHONE NUMBER" to register complaints, comments and suggestions. The signs will be installed and maintained inside each vehicle in full view of all passengers. A "No Smoking" policy shall be enforced. Other signs may be requested by the City.

10. Vehicles – The operator will be required to provide four (4) thirty-two foot (32') Starcraft Allstar F550 buses, or vehicles of equivalent or greater value and quality, for the daily shuttle operation. Additionally, City to provide two (2) City owned alternative fuel buses as spares. In the event that the Contractor does not wish to utilize the City owned buses, they must provide one (1) spare to be available when a regular vehicle is taken out of service. Vehicles are required to be ADA compliant, with a minimum seating capacity of 24 plus two (2) wheelchairs QRT tie-down system and ramp including lift. Seating configuration subject to joint approval of Contractor and the City. Vehicles should have two (2) position bike racks at the vehicle front; front and side roller head signs; passenger stop strips with pull cord functionality; overhead storage; display City logo and be equipped with two-way radios and/or cellular phone. Each vehicle will be equipped with the DriveCam video monitoring system.

11. Advertisement – The City will be exploring the opportunity to advertise City programs and events, as well as entrepreneurial and/or private ventures that would benefit the City. Should these endeavors result in revenue generation, all such advertisement revenues, from advertising on/in the vehicles, including any electronic, print, etc. advertising shall belong to the City. Contractor shall fully cooperate with all activities associated with advertising displays as instructed and facilitated by the City, which shall be made at City's sole expense.

12. All vehicles and equipment shall conform with all applicable laws, including without limitation, the Federal Motor Vehicle Safety Standards, California Vehicle Safety Standards, California Vehicle Code, and California Administrative Code, Title 13 and the California Highway Patrol Motor Carrier Safety Regulations. The Contractor is required to obtain and affix a certification to each vehicle, which certifies that each unit meets or exceeds all state and federal requirements as of the date of manufacture.

C. DIAL-A-RIDE SERVICE

Specific requirements are as follows:

1. Provide daily transportation to City residents - The operator will be expected to provide five (5) Starcraft Allstar twenty-five foot (25') buses, or vehicles of equivalent or greater value and quality, for the dial-a-ride service to provide trips for both same-day service, as well as, trips being scheduled one or more days in advance. One of the five Contractor

provided vehicles is considered to be a spare to be available when a regular vehicle is taken out of service. These vehicles seat 16 ambulatory passengers, plus two (2) passengers using wheelchairs. Each vehicle will be equipped with the DriveCam video monitoring system. The dial-a-ride service area encompasses the City of West Covina, and three (3) miles beyond service area for medical appointments only. Persons will be encouraged to call for service a day in advance. All trips must be requested individually which means that no standing orders should be scheduled on service.

The dial-a-ride system's estimated annual revenue hours is 7,600 with over 24,000 passenger trips.

2. Eligible users – Dial-a-ride service is primarily intended to serve the City's elderly and disabled population.

3. Hours of Service – Dial-a-ride service shall be restricted to the following hours:

Monday-Friday:	8:00 a.m. -- 5:30 p.m.
Saturday:	No Service
Sunday:	8:00 a.m.-- 2:30 p.m. (West Covina Only)

Except the following Holidays: Presidents' Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after Thanksgiving, Christmas Eve, Christmas Day, New Year's Day.

4. Amount of Service to be Provided - Approximately 24,000 trips will be provided over a one-year period.

5. Collection of Fares - Fare(s) will be charged to each rider, excluding children and escorts, and the operator will be responsible for collecting all cash fares.

   (a) The total fare amount collected by the Contractor shall be deducted from the monthly billing statement to the City.
   (b) Fares will be posted in all vehicles. Fares may be decreased or increased after approval by the City Council and upon written notification to Contractor.

6. Fuel –City shall provide alternative fuel for Contractor-owned vehicles used in providing these services. City shall pay fuel costs, which shall not be reflective in Hourly Rate charged by the Operator.

7. Heating/Air Conditioning – Heating and air conditioning shall be maintained in good working order at all times in all vehicles at a level approved by the City.

8. Grab Rails – All vehicles shall have grab rails installed to assist persons who are entering and exiting the vehicle with or without the use of the wheelchair lift, and who are inside vehicle.

9. Safety Features – Every vehicle shall be equipped with a first aid kit, fire extinguishers, wheelchair tie-down mechanisms, professionally installed sunshades and other safety features as required by the City. All equipment installed will meet Americans with Disabilities Act (ADA). No materials shall be installed that would obscure the driver's view or create a safety hazard.

10. Fare Boxes – All vehicles shall be equipped with city provided fare boxes, which provide a secure method for collecting fares.

11. Radios/Cellular Phones – All vehicles shall be equipped with a two-way radio system and/or cellular phone capable of communicating with the main base station. Operators shall utilize a hands free system while operating vehicles.

12. Cleaning – All vehicles shall be cleaned on the inside and outside daily. Vehicle exteriors shall be washed a minimum of three (3) times a week and after every rain. Vehicle interiors shall be swept prior to each day's service. Windows shall be washed and floors mopped and vacuumed a minimum of daily. Graffiti and other vandalism will be removed on a daily basis prior to start of service.

13. Telephone – The City shall provide a local (non-toll) telephone number for communication between the Contractor's dispatcher personnel, site manager and the parties served by this Agreement. The Contractor shall provide sufficient (non-toll) telephone lines to minimize busy signals and maximize response to persons calling for information. The period for telephone wait time will not exceed 10 minutes in length liquated damages shall be applied, $50.00 per incident; if it exceeds 15 minutes $100.00 per incident shall be applied, and $2.00 per minute thereafter, owed to the City or deducted from monthly bill. The Contractor shall ensure that all operators are bi-lingual, speaking both Spanish and English.

14. Signs – "NO SMOKING" and "FOR YOUR SAFETY PASSENGERS MUST REMAIN SEATED UNTIL THE VEHICLE COMPLETELY STOPS" and "NO EATING, NO DRINKING, NO MUSIC" and the "OPERATORS NAME" and "OPERATORS ID NUMBER" and "BUS NUMBER" and a "TELEPHONE NUMBER" to register complaints, comments and suggestions. The signs will be installed and maintained inside each vehicle in full view of all passengers. A "No Smoking" policy shall be enforced. Other signs may be requested by the City.

15. Vehicles - The operator will be expected to provide five (5) twenty-five foot (25') Starcraft Allstar buses, or vehicles of equivalent or greater value and quality, for the dial-a-ride service to provide trips for both same-day service, as well as, trips being scheduled one or more days in advance. One of the five Contractor provided vehicles is considered to be a spare to be available when a regular vehicle is taken out of service. These vehicles seat sixteen (16) ambulatory passengers, plus two (2) passengers using wheelchairs. Each vehicle will be equipped with the DriveCam video monitoring system.

16. Dispatch System. Contractor shall employ an automated dispatching system at least equal in performance to the Trapeze Windows PASS system. The system shall be capable of supporting subscription services, day-ahead reservations, and real time reservations.

17. Dial-a-ride applications – The Contractor shall establish a regular schedule to pick-up dial-a-ride applications received at the City office at least on a weekly basis and processed within (3) business days.

18. Advertisement – The City will be exploring the opportunity to advertise City programs and events, as well as entrepreneurial and/or private ventures that would benefit the City. Should these endeavors result in revenue generation, all such advertisement revenues, from advertising on/in the vehicles, including any electronic, print, etc. advertising shall belong to the City. Contractor shall fully cooperate with all activities associated with advertising displays as instructed and facilitated by the City, which shall be made at City's sole expense.

19. All vehicles and equipment shall conform with all applicable laws, including without limitation, the Federal Motor Vehicle Safety Standards, California Vehicle Safety Standards, California Vehicle Code, and California Administrative Code, Title 13 and the California Highway Patrol Motor Carrier Safety Regulations. The Contractor is required to obtain and affix a certification to each vehicle, which certifies that each unit meets or exceeds all state and federal requirements as of the date of manufacture. The Contractor shall participate in and comply with the DMV Pull Notice Program. The Contractor shall pay for all applicable license fees for drivers, other personnel and vehicles.

D. INSPECTION

1. The City reserves the right to inspect, examine and test, or cause such inspection, examination or testing of any dedicated vehicle and/or its equipment at any time to assure the compliance with all applicable laws and this Agreement. The Contractor shall transport any vehicle providing Services under this Agreement to a City-designated inspection facility at the Contractor's expense upon the City's request. Each vehicle, at minimum, must be inspected annually by the CHP (California Highway Patrol) and/or by any other agency at the frequencies required by State law.

   The City may also inspect the vehicles. The City shall be notified of inspections performed by a governmental agency other than the City, which meet or exceed the criteria for inspection established by the City. The results of those inspections shall be transmitted to the City.

2. Upon request by the City or any regulatory agency, the Contractor shall immediately remove from service, and replace or repair any equipment or vehicle, which is deemed inadequate or defective as a result of mechanical failure or non-compliance of the Vehicle Specifications.

E. VEHICLE LEASE

This agreement does not provide for the lease of vehicles by City from Contractor. Contractor shall be solely responsible for procuring by purchase, lease, rental or other means, sufficient vehicles to perform the provisions of this Agreement. City shall provide two (2) City owned alternative fuel buses as back-ups for fixed route services.

F. SERVICE ADJUSTMENTS

The City reserves the right to adjust service at any time. Modifications to services may include, but are not limited to, extending, deleting, or adding routes, or parts of routes, and expanding or decreasing revenue hours. In the event actual annual revenue hours fall below eighty percent (80%) or exceed one hundred twenty percent (120%) of the total projected annual revenue hours, the parties agree to meet promptly to negotiate a revised unit cost per revenue hour with the Contractor.

G. OFFICES

The Contractor shall provide an office open to the public at least five days per week, four hours per day between the hours of 9 am and 6 pm. This office may be located at 11747 Valley Blvd., El Monte, CA, or an alternate location that is equal in distance, or closer, to West Covina City Hall. Contractor shall use City Yard as the origin and termination point for all billable Services under this Agreement, and not the offices described in this section.

H. DOCUMENTS PROVIDED BY THE CONTRACTOR

The Contractor shall provide the City with the following documents throughout the term of this Agreement:

1. Written vehicle inspection check lists in the form set out by the City;
2. Wheelchair lift certificates;
3. Driver and dispatcher training manuals, as requested;
4. Certificates of insurance as required by Article 7;
5. Monthly performance reports as required by the City;
6. Unusual occurrence and all accident and injury reports, which shall be submitted within twenty-four (24) hours of the occurrence, including but not limited to, any "unsatisfactory" rating in a California Highway Patrol inspection program;
7. All data reports/information required by the RFP; and
8. Any additional information as may be required by other government agencies.

I. PERSONNEL

1. Contractor's Personnel

The Contractor shall be solely responsible for the satisfactory work performance of all employees as described by the RFP or any reasonable performance standard established by the City. The Contractor shall be solely responsible for payment of all employees' wages and benefits and subcontractors' costs. Without any additional expense to the City, the Contractor shall comply with the requirements of employee liability, worker's compensation, employment insurance and Social Security. The Contractor shall hold the City harmless from any liability, damages, claims, costs and expenses of any nature arising from alleged violations of personnel practices. The City shall have the right to demand removal from the program, for reasonable cause, of any personnel furnished by the Contractor. The City must be notified promptly of new hires or reassignments of program personnel.

Contractor shall include resumes and references of personnel assigned to West Covina program who will play critical roles in the provision of service. A responsible (Program Manager) senior level employee of the Contractor must be available at all times, either by telephone or in person, to make decisions or provide coordination as necessary. The Project Manager and Route Supervisor shall not regularly perform the duties as a driver or back up driver at any time during this contract. The Project Manager and Route Supervisor may on occasion help fill in where needed on unexpected emergency events such as illnesses or absences until a cover driver has arrived to assume the duties of the regularly scheduled driver which should not exceed 3 hours. In addition, when such an emergency occurs, the City shall be immediately notified and informed of when the cover driver is expected to arrive and also when he or she has arrived and the Project Manager and Route Supervisor have returned to their regular duties.

2. Vehicle Operators

Vehicle operators shall work on a schedule that will ensure a consistent and overall high quality of service. The Contractor shall require all vehicle operators providing services under this Agreement to provide consent for, and submit to, Live Scan fingerprinting. The City will conduct Live Scan fingerprinting at the City of West Covina Police Department, and bear all costs associated with this requirement. The City shall have the authority to deny an operator from providing services under this Agreement based on the results of said Live Scan report(s).

Vehicle operators shall pass a thorough background investigation, which shall verify the operators' qualifications, including proof they possess at least a valid California Class 11 or Class B (with appropriate endorsements) Driver's License and Medical Examination Certificate, and CPR Certification, as well as, any other licenses required by applicable federal, state and local regulations. All vehicle operators must meet the minimum standards listed below:

a. Not having been convicted of driving while intoxicated or under the influence of controlled substances within the preceding five years, or not have criminal charges pending for an offense for driving while intoxicated or under the influence of controlled substances.

b. Not be addicted to the use of alcohol or controlled substances.

c. Not be subject to outstanding warrants for arrest.

d. Able to read, write and speak English. Bilingual skills in Spanish or other languages are highly desirable.

e. Thorough knowledge of the service area street network.

f. Sensitive to passengers' needs, including assisting passengers, upon their request.

g. Able to handle complaints and problems as required.

Vehicle operators must be trained in all operational procedures relating to the system. Training must include techniques for dealing with the public in a helpful and courteous manner, basic information about the route and the City of West Covina, and sensitivity and empathy training directed towards the needs of elderly and disabled passengers, in compliance with the Americans with Disabilities Act. Contractor shall describe how it will maintain an ongoing employee safety and training program.

Vehicle operators shall be trained to operate all types of vehicles, wheelchair lifts, ramps, and securing all systems, as well as, other equipment, which they may be expected to use in the dial-a-ride and/or fixed-route services. This requirement pertains to all vehicle operators, both regularly assigned and relief vehicle operators.

While performing their duties on the route, vehicle operators must maintain a clean and neat appearance and must be in a uniform acceptable to the City. Uniform shall include both shirt/blouse and slacks. Operators shall wear nametags with an identification number dedicated to that sole driver, clearly displaying their names while performing their duties. While jackets and hats are not required, they should, if worn, match the uniform, and jackets should display the drivers' name tag and id number.

The Contractor shall conduct pre-employment DMV (Department of Motor Vehicles) checks of all personnel hired for service and shall join the California DMV Pull Notice Program, whereby the Contractor shall be notified of any activity on a vehicle operator's driving record. Any operator exceeding the California DMV point system or with a revoked or suspended license will not be allowed to operate the City's service. Contractor shall notify the City of the results of these checks and whatever corrective actions taken, if any. Any voluntary drug testing and/or surveillance efforts on the part of the Contractor shall be described in the proposal and explained to vehicle operators.

The Contractor shall have capable and courteous personnel who are responsible for taking dial-a-ride requests and responding to telephone inquiries regarding transportation services. Bilingual (Spanish) or other languages dispatchers are highly desirable.

3. Maintenance Staff

The Contractor shall supply a sufficient number of properly qualified personnel to maintain and service all Contractor-provided equipment to provide services at the level agreed to herein.

The Contractor shall ensure all mechanics are properly trained in the operation and maintenance of the vehicles and equipment specified in the scope of the program. The Contractor shall provide mechanics with ongoing training in order to keep abreast of new maintenance techniques and equipment. The total number of annual training hours required for each mechanic shall be specified in the proposal.

J. GENERAL VEHICLE EQUIPMENT

The Contractor shall provide the appropriate number of vehicles with the available capacity to meet the needs of the City. All vehicles must satisfy ADA requirements. If Contractor wishes to provide different vehicles, they shall describe the proposed fleet in detail, showing how the fleet meets ADA requirements and the service needs of the City.

All vehicles, and vehicle equipment required by this RFP shall be maintained by the Contractor in good repair and in a condition satisfactory to the City. The Contractor shall assume all responsibility for the proper maintenance of the vehicles.

It shall be the expressed responsibility of the Contractor to assume all coordination with the original manufacturer of the vehicles if necessary to keep the vehicles in safe and good operating condition. This shall include negotiating and processing all vehicle warranty claims through the manufacturer's own warranty department, and is responsible for collection of any monies, extended warranties, or credits as a result, for the length of time the warranty is in effect.

The extent of the proposed preventive maintenance program shall be an important consideration in the selection of the Contractor. Each vehicle must receive a daily pre-trip inspection by the operator prior to being placed in service. Daily pre-trip inspections must be supplemented by regular time and mileage maintenance inspections to ensure safe and proper operating condition of vehicles. A record of all such inspections shall be kept by Contractor and made available to the City.

Preventive maintenance inspections must be performed in accordance with manufacturer recommendations but shall not exceed every three thousand (3,000) miles for an "A" inspection. A "B" inspection shall be performed at every six thousand (6,000) miles and a "C" inspection shall be performed every eighteen thousand (18,000) miles and a "D" inspection at every thirty-six thousand (36,000) miles. The Contractor shall be responsible for correcting all deficiencies found during these inspections.

Preventive maintenance inspections and servicing shall occur not less than every three thousand (3,000) miles. The Contractor shall specify the preventive maintenance program for all vehicles used in this service.

A mechanic/certified driver must inspect each vehicle after it completes its daily service to ensure all lights are functioning, all seating is secure and that all tires, wheels, lugs, air brake systems, wheelchair lifts and exit doors are in proper operating condition.

Prior to beginning operations, the Contractor will be required to provide painting and current City of West Covina logo and design for each vehicle utilized in the fleet. The City of West Covina will provide the paint color-scheme and logo design for each of the services.

K. VEHICLE FACILITIES

1. The Contractor, with the cooperation of the City, shall provide and maintain appropriate vehicle storage facilities at an appropriate facility(ies) provided by the Contractor. The facility(ies) shall be located within reasonable proximity of the City's yard, specifically at 11747 Valley Blvd., El Monte, CA, or an alternate location that is equal in distance, or closer, to West Covina City Yard. Contractor shall use City Yard as the origin and termination point for all billable Services under this Agreement, Contractor may use facility outside of the City limits only if travel time is not included in billable service hours. The Contractor shall indicate what actions will be taken to perform services in those site(s) prior to the start of service.

   Contractor will have access to the City Yard at 825 South Sunset Avenue to wash vehicles and fuel vehicles. Contractor shall be responsible for the conduct of all Contractor employees while those employees are present in the City Yard.

2. At all times, the Contractor shall maintain all components of each vehicle including its body, frame, wheelchair lift, furnishing, mechanical, electrical, hydraulic or other operating systems in proper working condition free from damage and malfunction. The Contractor shall replace and repair immediately any vehicle damaged in any accident or otherwise damaged which impairs the proper and safe mechanical operation of the vehicle.

3. Recognizing that the safety of the passengers is paramount, the Contractor's maintenance staff shall **not**:

   a. Install mismatched tires;

   b. Perform partial brake relines without determining the cause of abnormal or premature wear;

   c. Allow tires to wear more than 3/32 tread depth;

   d. Replace a dead battery without testing charging system to ensure the battery will not go dead due to system malfunction;

e. Fail to ensure on a daily basis that each vehicle is in proper condition to pass all scheduled and unscheduled inspections; and

f. Allow any reported wear item to go unrepaired that would not hold up until the next scheduled inspection. The emphasis must be on preventing breakdowns.

4. The Contractor, at its sole cost and expense, shall maintain stores of and provide lubricants, repairs, parts and supplies required for the maintenance and operation of all vehicles utilized in providing services.

5. The Contractor shall maintain an individual file for each revenue vehicle to include date of action and all preventive maintenance functions including warranty work and any other pertinent maintenance data, including but not limited to fuel, lubricants and other fluid use.

6. The Contractor shall dispatch a spare vehicle in the event of a vehicle breakdown. The maximum allowable response time, from the moment a trouble call is received until a substitute vehicle arrives will be established by the City.

7. The Contractor shall obtain and maintain a two-way radio communications system, or cellular phone with adequate and demonstrated cellular reception coverage in the service areas subject to this Agreement, for both the fixed-route and dial-a-ride vehicles that will allow for the timely and efficient dispatching, coordinating and responding to service calls. The system may be of the Contractor's choice.. Operators shall utilize a hands free system while operating vehicle. The radio or cellular communication system must cover the routes of service, storage and maintenance facilities and the dispatch location without dead spots. Each revenue service vehicle, as well as, each administrative vehicle shall have the communication system operational.

9. The Contractor shall ensure that the requirements and procedures for towing buses are followed and the proper towing equipment is used. Towing may be subcontracted; however, it is the Contractor's responsibility to supervise the subcontractor. The Contractor shall notify the City of all accidents, both by telephone (within four hours) and in writing (by the close of the next business day).

L. OPERATIONAL EMERGENCIES

The Contractor shall be responsible for the enforcement of policies with regard to operational emergencies. The City may revise or establish additional policies. The Contractor shall be responsible for the handling and resolution of all operational emergencies and contingencies including, but not limited to, the following:

1. Hazardous Conditions

Vehicle operators shall report all hazardous road conditions (i.e., downed trees, missing bus signs, graffiti on bus benches, malfunctioning signals, etc.) in the City to the Contractor's supervisor. Contractor, in turn, shall immediately notify the City of such conditions and shall take necessary precautions to safeguard passengers and personnel.

2. In-Service Vehicle Failures

The Contractor shall require the vehicle operators to report any in-service vehicle failure to the Contractor's supervisor. The supervisor will attempt to ascertain the problem, use good judgment, and instruct the vehicle operator to take appropriate corrective action. If necessary, the supervisor will immediately send a spare vehicle to the location and the operator and passengers will change vehicle and continue in service. The Contractor, if necessary, shall send a mechanic to the location in order to take corrective measures and/or supervise the towing of the vehicle. The Contractor shall report any in-service vehicle failures to the City immediately and not later than the start of the next service day.

3. Wheelchair Lift Failure

The Contractor shall be responsible for the proper operation and maintenance of all wheelchair lifts. The Contractor shall require vehicle operators to report all in-service lift failures to the Contractor's supervisor. If the lift fails while attempting to board a wheelchair passenger, the supervisor shall promptly arrange for alternate transportation for the passenger in the wheelchair inconvenienced by the lift breakdown. If the lift fails while attempting discharge of a wheelchair passenger, the operator shall manually operate the lift and notify the supervisor. The supervisor shall arrange a vehicle change as quickly as reasonably possible following any lift failure. The Contractor shall report all in-service lift failures to the City no later than the start of the next service day.

4. Passenger Disturbances

The Contractor shall instruct vehicle operators to report nonpayment of fares; graffiti or other vandalism on the vehicles; pushing, shoving and other disturbing or dangerous conduct; and other serious passenger disturbances to the vehicle operator's supervisor. The supervisor shall use good judgment in handling the passenger disturbance by appraising the situation, issuing appropriate instructions to the operator and request law enforcement assistance if necessary.

5. Medical Assistance to Passengers

The Contractor's employees shall use good judgment in responding to passenger accidents, injuries, or illnesses occurring on the vehicles. In the event of a passenger requiring medical assistance, the vehicle operator shall immediately advise the Contractor's supervisor by radio of the situation and location of the vehicle, and the supervisor shall notify the City of West Covina's Fire Department/Paramedics for assistance. An incident report shall be completed documenting the incident with a copy to the City no later than the start of the next service day.

6. Accidents

The Contractor shall require all vehicle operators to report any accident or incident involving the vehicle to the Contractor's supervisor. The supervisor shall use good judgment in handling the situation, and shall immediately notify police or fire department if necessary. The supervisor shall report all accidents to City by telephone immediately. Both the operator and supervisor will complete an accident report approved by City with copy to the City no later than the start of the next service day. The Contractor shall submit all accident-related reports to the DMV as required.

M. SPECIAL SERVICES

Special services, beyond those set forth in Contract Documents, will be provided by Contractor upon request by City's authorized employees as follows:

1. When additional services fall entirely within normal service hours and City directs that normal operating personnel should be used to provide the additional service, such as part of the regular cost defined in Exhibit "B" and are not considered "extra services" City recognizes that an equivalent lower level of service will be provided in normal operations during the period of such additional services.

2. The Contractor from time to time will be required to provide special event-related services. Special event service may vary from year to year and shall be billed at no more than the fixed-route revenue hour rate.

ARTICLE 6
INDEMNITY

The Contractor does hereby indemnify and hold the City and the Los Angeles County Metropolitan Transportation Authority (herein referred to as "LACMTA"), their appointed and elected officials, agents and employees free and harmless from any and all actions, suits, claims, damages to persons or property, loses, costs, penalties, obligations, errors, negligence, omissions or liabilities including but not limited to attorney's fees (herein "claims or liabilities") that may be asserted or claimed by any person, firm or entity arising out of the activities of the Contractor or its officers, agents, or employees in connection with this Agreement (including use or servicing of vehicles) or arising from the Contractor's acts, negligence or omissions hereunder or its failure to perform any term, provision, covenant or condition of this Agreement, and in connection therewith.

1. The Contractor shall defend any action or actions filed in connection with any of the said claims or liabilities and shall pay all reasonable costs and expenses, including legal costs and attorneys' fees incurred in connection therewith;

2. The Contractor shall promptly pay any final judgment rendered against the City and the LACMTA, its officers, agents or employees for any such claims or liabilities arising directly out of or in connection with the activities of the Contractor hereunder; and

3. The Indemnity set forth in this Article 6 shall not apply in the case of claims arising from acts of third parties or the City.

The provisions of Article 7 of this Agreement shall not be deemed to satisfy the indemnity obligations of the Contractor pursuant to this Article 6.

ARTICLE 7 - INSURANCE
LIABILITY INSURANCE

With respect to performance of work under this Agreement, Contractor shall maintain, and shall require all of its Subcontractors maintain, during the life of this Agreement, insurance as described below. All insurance policies shall be issued by an admitted insurer or insurers as defined by the California Insurance Code or an authorized surplus liens carrier listed in the State of California Department of Insurance "Leslie List". Said carrier(s) shall have a Best's rating of no less than "A-".

The insurance shall be satisfactory to the City Attorney and shall be evidenced by delivery to the City Clerks office of a certificate of insurance executed by the insurers listing coverage and limits, expiration dates and terms of policies, all endorsements whether or not required by the City, and a certified copy of each policy, including all endorsements. Without limiting Contractor's liability pursuant to the hold harmless and indemnity provisions of the contract, Contractor shall maintain, at a minimum, the insurance listed below:

A. Worker's Compensation Insurance

1. The Contractor shall maintain Workers' Compensation Insurance with statutory limits and Employers Liability Insurance with limits of not less than $1,000,000 per incident. Such insurance shall comply with all applicable state laws.
2. Contractor shall provide the City with a Certificate of Insurance showing proof of insurance acceptable to City. Certificates containing wording that release the insurance company from liability for non-notification of cancellation of the insurance policy is not acceptable.
3. An endorsement stating the City shall receive at least thirty (30) days notice prior to cancellation or non-renewal of coverage.
4. Policy(s) are to be endorsed to include a waiver of subrogation against the City, its officers, officials, agents and employees. Contractor and its employees are independent Contractors and not employees of the City. Contractor and/or its insurers are responsible

for payment of any liability arising out of Workers' Compensation, unemployment or employee benefits offered to its employees.

5. City shall not be responsible for any increases in Workers' Compensation costs incurred by Contractor in any future scenario.
6. The insuring provisions, insofar as they may be judged to be against public policy, shall be void and unenforceable only to the minimum extent necessary so that the remaining terms of the insuring provisions herein may be within public policy and enforceable.

B. Liability Insurance

1. Commercial General Liability and Property Damage: The Contractor shall maintain insurance for protection against all claims arising from injury to person or persons not in the employ of the Contractor and against all claims resulting from damage to any property due to any act or omission of the Contractor, his agents, or employees in the operation of the work or the execution of this contract. Such insurance shall include products/completed operations liability, owner's and Contractor's protective, blanket contractual liability, personal injury liability, and broad form property damage coverage. City shall not be responsible for any increases in insurance costs incurred by Contractor in any future scenario. The minimum shall be as follows:

   - Bodily Injury (Injury or Accidental Death) and Property Damage (per occurrence) $5,000,000 Combined Single Limit.

2. Commercial Automobile Public Liability and Property Damage: The Contractor shall maintain Automobile Public Liability and Property Damage Insurance for protection against all claims arising from the use of vehicles, owned, hired and non-owned, or any other vehicle in the completion of the work included in this contract. Such insurance shall cover the use of automobiles and trucks on and off the site of the project. City shall not be responsible for any increases in insurance costs incurred by Contractor in any future scenario. The minimum amounts of Automobile Public Liability and Property Damage Insurance shall be as follows:

   - Bodily Injury (Injury or Accidental Death) and Property Damage (per Occurrence) $5,000,000 Combined Single Limit.

3. Additional Insured. The General Liability and Auto Liability policy(s) are to contain, or be endorsed to name the City and LACMTA, its officers, appointed and elected officials, agents, and employees as Additional Insured as respects the liability arising out of the activities performed in connection with this Agreement. The coverage shall (a) be primary with respect to any insurance or self-insurance programs maintained by the City, (b) shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability; and (c) contain Standard Cross-Liability provisions. Such additional insured endorsements maintained by the Contractor and its Subcontractors shall not be required to provide coverage to the

City for the active negligence of its members. Original endorsements, signed by a person authorized to bind coverage on its behalf, shall be furnished to the City by the Contractor

4. Deductibles and Self-insured Retention. Any deductibles or self-insured retention must be declared to, and approved by, the City. Contractor shall declare the deductible chosen and state as part of its Proposal. At the option of the City, either the insurer shall reduce or eliminate such deductibles or self-insured retention as respects the City, its officials, employees, agents, and Contractor's; or the bidder shall procure a bond guaranteeing payment of losses and related investigations, claim administration, and defense expenses in an amount specified by the City.

C. **Certificates of Insurance**

1. Contractor shall furnish properly executed Certificates of Insurance with original policy endorsements to City prior to commencement of work under this agreement. The certificates and endorsements shall clearly evidence all coverage requirements described herein. The Certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf.

2. All certificates and endorsements are to be reviewed and approved by the City Attorney before work commences. The City reserves the right to require complete, certified copies of all required insurance policies, at any time.

3. Separate endorsements are required, naming the City and the LACMTA as additional insureds, for liability insurance and providing a waiver of subrogation for Workers' Compensation Insurance.

4. Contractor shall maintain all insurance policies for the life of the Agreement, including all subsequent renewals. Said insurance shall contain a provision that coverage afforded under the policies will not be canceled unless and until thirty (30) days prior written notice has been given to the City.

5. All insurance required by this Agreement shall be maintained by Contractor in full force and effect for the entire term of this Agreement. If Contractor, for any reason, fails to maintain insurance coverage, which is required pursuant to this agreement, the same shall be deemed a material breach of contract. City, at its sole option, may forthwith terminate this agreement.

6. Original insurance certificates and endorsements are to be delivered to:

Mr. Scott Smilowitz
Community Services Manager
City of West Covina
1444 West Garvey Avenue
West Covina, CA 91790

ARTICLE 8
LICENSES, FEES, TAXES AND PERMITS

The Contractor shall have the sole obligation to pay whatever license fees, assessments and taxes, including, but not limited to use, sales, property or other taxes on any real or personal property, owned, leased or used by it in providing the Services hereunder, plus any applicable penalties and interest imposed upon the Contractor by any agency as a result of the operation of the Services pursuant to this Agreement. Contractor shall maintain a current business license with the City during the term of this Agreement and any subsequent renewals.

ARTICLE 9
COMPENSATION TO THE CONTRACTOR

The City shall be responsible for and shall pay to the Contractor for the Services the amounts due pursuant to the Schedule set forth in Exhibit "B" attached hereto and incorporated herein by this reference. Contractor shall only bill for from first pick-up to last drop-off. No "dead-head" (transportation of an employee who is not operating the vehicle to a location along the path of the vehicle's route, including some deviation, for the employee's or employer's benefit) time shall be billed to City. Individual invoices shall be sent in triplicate to the City within ten (10) days after the end of each month. Billings not received within such time period are subject to a late billing penalty of 2% at the sole discretion of the City.

The City shall pay the Contractor monthly after the service has been provided and within a reasonable time after receipt of the invoice, consistent with the City's normal accounts payable practices and procedures. At City's sole discretion, City may elect to exercise the "progress payments" option offered to City by Contractor as defined by the Proposal. City may, but is not required to, exercise the "progress payments" option immediately upon commencement of Services, and may elect to exercise the option at any time during this Agreement and/or subsequent renewals. Should City elect to use the "progress payments" compensation model, City may cease utilizing the option and re-commence the program at any time after the completion of the preceding billing cycle.

All operating revenues collected by Contractor in connection with the services rendered under this Agreement are the property of City. Operating revenues include all fares, sales of tickets and passes, advertising sales, and rental of equipment. Operating revenues shall be collected and accounted for by Contractor, and shall be deducted from the monthly invoices.

ARTICLE 10
PERFORMANCE STANDARDS, LIQUIDATED DAMAGES AND PENALTIES

A. Operating Performance Standards

The Contractor shall operate vehicles with due regard for the safety, comfort and convenience of passengers and the general public.

The City will set performance standards for its services. The Contractor and the City shall meet periodically to evaluate performance of the system based upon these standards. If the standards are not fulfilling their intended purpose, they will be adjusted based upon recommendations made by Contractor with the concurrence and final decision by the City. Should it be found that the Contractor's performance has contributed to Contractor's failure to achieve these standards, Contractor shall take all reasonable actions requested by the City to correct deficiencies in performance.

Should deficiencies persist, the City may assess liquidated damages or penalties. Sums owed to the City as liquidated damages or otherwise may be paid directly to the City or at the sole option of the City, deducted from payments otherwise due to the Contractor.

The City Manager, or his/her designee, shall maintain the right to assess liquidated damages or penalties against the Contractor, as set forth herein, based on the Contractor's failure to meet the established standards. Circumstances beyond the control of the Contractor, causing the Contractor to fail to comply with the stated performance requirement, will be considered as just cause on the part of the City not to assess liquidated damages or penalties against the Contractor.

Service should be provided as scheduled or according to any adjusted schedule established by the City, including route modifications required as a result of special events or a declared emergency. The Contractor shall not be held responsible for the failure to provide on time service due to weather or traffic conditions and/or naturally occurring disasters.

Notwithstanding the above caveat, the City may impose liquidated damages or penalties on the following basis:

1. Customer service is very important in building ridership and support for this service. Therefore, the fourth (and any additional) justified complaint about each service in any 7-day period shall result in the Contractor paying a penalty $100 per substantiated complaint.

2. The Contractor shall maintain satisfactory California Highway Patrol (CHP) terminal inspection throughout the life of the contract (proof of CHP certification is required). If the Contractor receives an *unsatisfactory* rating from the CHP, the Contractor shall notify the City immediately and state what is being done to correct the deficiency. If the vehicle operating authority falls under the California Public Utilities Commission (PUC) and if the PUC revokes the permits to operate the vehicles in this service as a

result of unsatisfactory inspection ratings by the CHP, the vehicles shall not operate and a $500 per vehicle per day fine shall be assessed until a satisfactory inspection report is obtained and the vehicle is again available for service.

3. The City reserves the right, at its sole discretion, to inspect and reject temporarily or permanently by notice to the Contractor, any vehicle the Contractor utilizes which the City deems unacceptable. In the event any revenue vehicle is rejected temporarily by the City as a result of deficient vehicle condition or appearance, $500.per vehicle per day shall be assessed until the condition is corrected. In the event any revenue vehicle is rejected permanently by the City as a result of the vehicle's conditions, Contractor shall replace the vehicle and will be assessed $500 per vehicle per day until the vehicle is replaced with one that is acceptable to the City.

4. If any regulatory agency or funding source penalizes the City for late, incomplete or inaccurate data which was the Contractor's responsibility to collect and/or provide to the City, the liquidated damages shall be the amount of the penalty and any administrative costs incurred by the City.

5. In the event the Contractor fails to commence service on March 3. 2014, (or a later date with approval of City) or if Contractor fails to provide service for any substantial part of any day, the Contractor shall pay the City liquidated damages of $1,000 for each service day.

DIAL-A-RIDE PENALTIES:

1. If the wait time of any dial-a-ride trip has been verified to exceed 60 minutes, the liquidated damages shall be $60.00 per incident plus $1.00 for every minute thereafter; and $120.00 for the first 120 minutes for dial-a-ride plus $1 for every minute thereafter.

2. If the wait time of a pre-scheduled trip has been verified to exceed 30 minutes, the liquidated damages shall be $50.00 per incident; if it exceeds 45 minutes, the liquidated damages shall be $75 per incident; and, if it exceeds 60 minutes, the liquidated damages shall be $100 per incident.

3. If a trip request has been verified to be lost by dispatch, and no vehicle was dispatched, the liquidated damages shall be $100.00 per incident.

FIXED-ROUTE PENALTIES:

1. If the successful performance rate of the total wheelchair lift boardings falls below 90%, the liquidated damages shall be $100 per month. The percentage shall be calculated based on monthly actual usage of the lifts by passengers, and regular inspections by City staff;

2. Adherence to Schedule: The following liquidated damages shall be imposed if, within any 30-day period, any of the following incidents occur after the occurrence of two substantiated incidents during the same thirty day period;

   (1) If a trip on the fixed-route system departs in advance of the scheduled departure time at any designated time point, the liquidated damages shall be $100 for every 10 minute increments; and

   (2) If a trip on the fixed-route system is delayed for more than 10 minutes following the time set forth for departure at any designated time point, the liquidated damages shall be $100 per 10 minute increments. Exceptions will be granted if the trip had more than two wheelchair boardings or deboardings. If a trip on the fixed-route system is not provided, the liquidated damages shall be $500 per occurrence.

The Contractor must have sufficient telephone lines to handle the additional calls from West Covina residents. The Contractor shall provide a Customer Service telephone line which shall be a local (non-toll free) call from anywhere within the City of West Covina, to provide route information and take dial-a-ride requests. One TDD phone must also be provided for persons with hearing impairments. All personnel should be trained to respond accurately and professionally. All comments and complaints shall be received by the City and referred to the Contractor who shall respond the next working day with a description of any follow-up action taken or anticipated. The Contractor must have a facsimile machine compatible with the City's. An answering machine may be used to provide information outside of service hours. Voicemail greetings/recorded information must be available also in Spanish.

B. Personnel Performance Standards

Regularly assigned drivers or a trained back-up must be available and on-time to ensure consistent and reliable service.

All personnel are responsible for knowledge of the service system design, the City of West Covina, and route destinations. Project personnel must maintain a courteous attitude, answering to the best of their ability any passenger questions regarding the provision of service. Personnel must also report all passenger-complaints, as well as, operational and maintenance problems promptly to the Project Manager who shall forward the information to the City.

C. Fare Collection and Accountability

The City will determine the cash fare for the fixed route and dial-a-ride service. The City reserves the right to change the fare or to issue passes, discount coupons or tickets to be used in lieu of cash fares. The Contractor shall ensure that all drivers are aware of and adhere to the fare structure.

All fares collected by the operators must be turned in each day to the Project Manager. This revenue is to be counted, rolled and deposited each day. The Contractor will establish reconciliation procedures to safeguard any cash, tickets and coupons collected and will ensure that they are accounted for accurately. The Contractor will provide the City with an invoice and the City shall reimburse for actual services provided on a monthly basis. Only the City may decide whether or not to allow advertising on the vehicles. If advertising is allowed, any revenue from advertising on or in the vehicles will belong to the City.

D. Program Operational Records and Responsibilities

Records and reports should be consistent with all (Section 15) NTD reporting requirements, as well as, all other reporting required by MTA. In addition, the City of West Covina may be required to provide statistical information in order to comply with other grant and legislative requirements. The City will use the information requested in this section to monitor and evaluate the productivity of the service. Information must be submitted to the City according to the reporting schedule to be established by the City. All reports shall be submitted to the City in a format approved by the City. The Program Manager will prepare and submit to the City, with appropriate back-up, no later than the, sixth working day of each month, a summary report of operations and activity for each type of transit service, which will include at least:

1. Daily totals of passenger counts, revenue hours, total hours, revenue miles, total miles, farebox revenue, passenger types any other operating data collected, documenting any discrepancies in the reported number of passengers carried and the amount of fares collected by the operator.

2. Passenger pick-up and drop-off times, and locations for the dial-a-ride service.

3. Operational problems, accidents, incidents and passenger complaints, and any actions taken regarding these events. All passenger complaints shall be reported by phone to the City immediately upon Contractor's receipt of complaint. Contractor must respond and begin investigation of complaint immediately. City shall be informed as to the time needed for resolution of complaint. Resolution of customer complaint must be submitted to the City immediately upon completion and no later than three business days.

4. Results of documentation may indicate the need for changes in the level of service or in operational or routing modifications. The provider shall cooperate with the City to improve the transportation operation and maintain flexibility so that service modifications may be implemented quickly.

5. If the Contractor does not provide required data, reporting, statistics and monthly billing invoices for any or all services that is demanded by the City and the Los Angeles County Metropolitan Transportation Authority (MTA) and the Authority within five (5) business days, liquidated damages of $500.00 per day will be paid to the City or deducted from the monthly billing owed to said Contractor.

E. City Access to Records

The City, or any of its duly authorized representatives, employees, personnel or agents, upon reasonable written notice, shall have access, for the purpose of audit and investigation, to any and all original books, documents, papers and records of the Contractor which pertains to this Agreement. Said original books, documents, papers and records must be retained by the Contractor in the Southern California Region for three years following final payment under the contract.

F. Marketing/Public Outreach/Advertising

The City shall be responsible for public relations, as well as, the production of schedules and marketing and other promotional materials, therefore, these costs should not be included in the proposal.

The Contractor must refer all media requests to the City and may not provide any information without prior approval by the City.

The Contractor shall cause drivers and supervisors to cooperate and comply with reasonable requests by the City to distribute notices, schedules or other promotional materials to passengers in connection with the services provided. The City may also request the Contractor's personnel to collect data from passengers by handing out survey forms.

The Contractor shall participate in the City's special events such as the City's Earth Day Celebration, Red Ribbon Rally, etc. as requested by the City. These events may require the Contractor to display service vehicles in addition to providing manpower for a display booth for distributing brochures regarding the City's transit services.

G. Operating During a Declared Emergency

Upon declaration of any emergency by the City Manager or his/her designated representative, the Contractor may be responsible for a number of transportation-related activities, including the development of emergency travel routes, and the coordination with other agencies supplying common carrier services. In the event of a declared emergency, the Contractor shall make available all program vehicles to the City, report to a designated City parking area immediately and deploy vehicles in a manner described by the Director of Community Services or his designee as part of the City's Emergency Response Plan. The City shall be obligated to compensate the Contractor for services that significantly exceeds the normal expense of operating the service during such period of declared emergency. The Contractor shall be required to document and maintain all emergency-related services as requested by the City and provide these documents to the City at the declared conclusion of the emergency.

H. Price and Satisfaction Guarantee – Contractor Service Warranty

Contractor commits that its price and service model presented in its Best and Final Offer (Exhibit "C") is valid and meets the services needs of the City of West Covina's Transit System (Fixed Route and Dial-A-Ride). Furthermore, Contractor guarantees that its price to provide transit services to the City of West Covina will not exceed its Best and Final Offer, barring any changes in the scope of work by the City. Contractor's not to exceed prices for the five-year agreement are as follows, with the optional sixth and seventh year contained in the Best and Final Offer.

<u>March 2014-2015</u>
Fixed Route $623,983 (Hourly Rate of $53.56)
Dial-A-Ride $347,063 (Hourly Rate of $45.67)
Total $971,047

<u>March 2015-2016</u>
Fixed Route $623,776 (Hourly Rate of $53.54)
Dial-A-Ride $346,662 (Hourly Rate of $45.61)
Total $970,437

<u>March 2016-2017</u>
Fixed Route $635,177 (Hourly Rate of $54.52)
Dial-A-Ride $352,883 (Hourly Rate of $46.43)
Total $988,059

<u>March 2017-2018</u>
Fixed Route $645,220 (Hourly Rate of $55.38)
Dial-A-Ride $358,331 (Hourly Rate of $47.15)
Total $1,003,551

<u>March 2018-2019</u>
Fixed Route $655,908 (Hourly Rate of $56.30)
Dial-A-Ride $364,123 (Hourly Rate of $47.91)
Total $1,020,031

In addition, Contractor shall provide the following unconditional satisfaction warranty to the City:

In the event the City is dissatisfied with Contractor's service for any reason during the term of the Agreement, the City may terminate the Agreement. In the event the Agreement is so terminated, Contractor will refund to the City any and all profits made by Contractor resulting from this Agreement, during the final 12 months during the period prior to the termination.

Furthermore, Contractor commits that its price is valid, and barring any changes in the scope of work, the company commits that its price will not change from its submitted cost proposal for the period of this agreement and any extensions to this agreement.

Contractor Initials: ____________

ARTICLE 11
TERMINATION OR SUSPENSION

A. The City shall have the right to (i) forthwith terminate this Agreement, (ii) withhold payment to the Contractor, (iii) provide substitute service at the Contractor's expense, or (iv) exercise any and all other remedies legally available to it in the event of:

1. The bankruptcy of the Contractor or assignment by it for the benefit of its creditors.

2. The failure or refusal of the Contractor to perform the Services in a satisfactory manner after five (5) working days written notice by the City to the Contractor.

3. The failure or refusal of the Contractor to comply with applicable federal, state and local government laws, codes, regulations or ordinances.

4. The failure to receive a "Satisfactory" rating within thirty (30) days of receipt of an "Unsatisfactory" rating of any vehicle used in connection with the Services.

5. The failure to notify the City of an "Unsatisfactory" rating of any vehicle used in connection with the Services.

6. This contract may be terminated for convenience by the City without cause, in whole or in part, by giving the Contractor thirty (30) days written notice of the intent to terminate whenever the City determines that termination is in the best interest of the City. Should the contract be terminated for convenience, the Contractor shall be paid for all authorized services provided, including reasonable charges for demobilization. However, the Contractor shall not be paid any anticipated profit or fees for services not provided.

7. The abandonment or discontinuance by the Contractor of the Services without the prior written consent of the City.

8. The continued violation on the part of the Contractor's agents or employees of traffic laws, ordinances, and regulations.

9. The failure to maintain the whole, or any portion, of the Contractor's vehicles and other equipment or facilities as required by this Agreement.

10. The failure of the Contractor to maintain the insurance coverage required herein by Article 7.

11. Contractor violates any other material obligations contained hereunder.

B. If cancellation is due to any of the reasons specified in subsection (A) of Article 11 of this Agreement, the City may offset damages incurred by it in accordance with Article 10.

C. In the event the City terminates this Agreement as provided in subsection (A) Article 11, the Contractor shall be entitled to receive payment for the pro rata share of the monthly Services provided as of the time of cancellation of the Contract, subject to any offset, as provided in Article 10.

D. Subject to the foregoing, including any remedy preferable to City provided in subsection (A) Article 11, during the initial term and subsequent renewals, either party may terminate this Agreement without cause upon ninety (90) days prior written notice to the other party.

E. Notwithstanding the foregoing, during the initial term and any subsequent renewal terms, pursuant to the Contractor's Satisfaction Guarantee (see Article 10, Sec. H.), City may terminate this Agreement at any time if City is dissatisfied with the Services by providing written notice to Contractor.

F. If for any reason the Services continue after the end of the last renewal term provided for in this Agreement, the parties will continue to operate under the terms of this Agreement, except that the term for Services will be a month-to-month, and may be terminated by either party with fifteen (15) days prior written notice to the other party.

E. In the event this Agreement is terminated by the City, all data prepared in providing the Services shall be made available immediately to the City at the Contractor's sole expense.

F. Pending final resolution of a dispute hereunder, the Contractor shall proceed diligently with the performance of Services under this Agreement

ARTICLE 12
ASSIGNMENT AND SUBCONTRACTING

This Agreement is made in reliance on the qualifications and responsibilities of the Contractor and, therefore, the Contractor shall not assign, transfer or subcontract all or any part of its obligations or benefits under this Agreement without the written consent of the City, which consent shall not be unreasonably withheld. The Contractor acknowledges that the following non-exhaustive list of requirements prior to authorizing an assignment, transfer or subcontracting of all or any part of this Agreement by the Contractor shall not be deemed unreasonable: 1) requirement of financial compensation from Contractor to City for the administrative and associated costs of processing said assignment, transfer, or subcontract, in an amount not to exceed 3 months of billed services under this Agreement; 2) cooperation with and facilitation of all communications, meetings and document transfers, between City and proposed assignee, transferee, or subcontractor necessary for City, at City's sole discretion, to determine the desirability of said assignee, transferee, or subcontractor; and 3) ninety (90) days advance written notice of the intention to assign, transfer, or subcontract all or any part of the Services or this Agreement, commencing upon the extension of an offer by Contractor of said assignment, transfer, or subcontracting to a third party, or entertainment of an offer from a potential assignee, transferee, or subcontractor by Contractor, whichever shall first occur.

The parties acknowledge and agree that this Agreement is not intended to be an exclusive agreement for transit services for the City. The Contractor acknowledges that the City may award or enter into additional agreements with third parties, including competitors of the Contractor for transit services during the term of this Agreement.

ARTICLE 13
CHOICE OF LAWS

The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

ARTICLE 14
ASSISTANCE FROM CONTRACTOR

The Contractor shall participate with the City in the design and implementation of any changes in the Services. The Contractor shall provide suggestions respecting scheduling and routing to the City from time to time for the purpose of improving the overall Services.

The Contractor shall provide advice to the City in the marketing and promotion of the Service and shall, at the request of the City, participate in marketing activities for the Service without additional compensation.

ARTICLE 15
NOTICES

All notices pursuant to this Agreement shall be in writing and shall be effective upon (i) personal delivery to the person to be notified or (ii) three (3) business days after the postmarked date placed by the United States Postal Service or other carrier, including any lawful successor, postage prepaid addressed as follows:

City:	West Covina: Community Services Director City of West Covina 1444 West Garvey Avenue West Covina, CA 91790
Contractor:	Joe Escobedo, Sr. Vice President MV Transportation, Inc. 5910 N. Central Expy, Ste. 1145 Dallas, TX 75206 With copy to: Office of the General Counsel

City's General Counsel | West Covina City Attorney
City of West Covina
1444 West Garvey Avenue
West Covina, CA 91790

Contractor's General Counsel: | Patricia McArdle
Associate General Counsel
5910 N. Central Expy., Suite 1145
Dallas, TX 75206

ARTICLE 16
SAFETY PROGRAM

The Contractor shall provide regular and continuous formal safety instructions and training to all employees providing Services under this Agreement. Personnel assigned to the Services shall be required to attend safety meetings scheduled at a minimum of four (4) times per year. Certifications of attendance at these meetings shall be sent to the City not later than thirty (30) days after each safety meeting. Copies of training manuals and materials shall be sent to the City, for review purposes, describing the content and scope of the safety program. Certification of Completion of Training shall be sent to the City for all employees no later than ten (10) working days after training has been completed.

ARTICLE 17
PROPOSITION "A" & "C" AND MEASURE "R" FUNDING

The funding source for the Service is the City's Proposition "A" &"C" and Measure "R" funds. In the event these funds become unavailable in the amount anticipated, the City shall have the right to reduce or terminate this Agreement upon thirty (30) days written notice to the Contractor. The Contractor shall be entitled to compensation for all Services provided up to the date of termination.

ARTICLE 18
FORCE MAJEURE

The parties to this Agreement agree that neither shall be held responsible for losses, delays, failure to perform, or excess costs caused by events beyond their control. Such events include, but are not restricted to the following: Acts of God, fire, epidemics, earthquakes, flood or other natural disasters, riots, strikes, war, civil disorder, or unavailability of fuel. A party wishing to have its obligation hereunder suspended or excused for Force Majeure shall notify the other party of the existence of Force Majeure by telephone or by fax as soon as reasonably possible after the occurrence of the cause or event constituting Force Majeure.

ARTICLE 19

[INTENTIONALLY LEFT BLANK]

ARTICLE 20
ATTORNEY'S FEES

Should any litigation be commenced between the parties hereto to interpret or enforce the provisions of this Agreement, including an action for declaratory relief, the prevailing party shall be entitled to reasonable attorney's fees, court costs and necessary disbursements, in addition to any other relief to which it may be entitled in law or equity.

ARTICLE 21
SEVERABILITY

If any term, condition or covenant of this Agreement, or the application hereof to any person or circumstance shall be invalid or unenforceable, the remainder of this Agreement, other than those paragraphs held invalid or unenforceable, shall be unaffected thereby and each remaining term, covenant or condition of this Agreement shall be valid and shall be enforceable to the fullest extent permitted by law.

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

Date: 12/17/13

CITY OF WEST COVINA

By
Steve Herfert, Mayor

Date: 12/18/13

MV Transportation, Inc.

By
Joe Escobedo, Sr. Vice President

Date: 12/19/13

MV Transportation, Inc.

By
W.C. Pihl, Executive Vice President

ATTEST

Assistant
Nickolas S. Lewis, City Clerk

APPROVED AS TO FORM

Arnold Alvarez-Glasman, City Attorney

ATTACHMENT NO. 3

Transit Service - Monthly Ridership
FY 2018-2019 and FY 2019-2020

Shuttle		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
18-19	Red	624	799	643	751	630	571	657	647	736	901	1,098	851
19-20	Red	790	697	829	846	764	807	1,004	727	535	151	176	296
% Change		**27%**	**-13%**	**29%**	**13%**	**21%**	**41%**	**53%**	**12%**	**-27%**	**-83%**	**-84%**	**-65%**
18-19	Blue	303	555	583	681	500	444	433	392	544	492	562	435
19-20	Blue	371	515	616	827	532	538	673	710	425	78	61	86
% Change		**22%**	**-7%**	**6%**	**21%**	**6%**	**21%**	**55%**	**81%**	**-22%**	**-84%**	**-89%**	**-80%**
18-19	Green	1,501	2,051	2,122	2,705	2,255	1,754	1,800	2,104	2,425	2,755	2,886	2,070
19-20	Green	1,762	2,190	2,388	3,016	2,199	2,223	2,607	2,791	1,620	401	476	536
% Change		**17%**	**7%**	**13%**	**11%**	**-2%**	**27%**	**45%**	**33%**	**-33%**	**-85%**	**-84%**	**-74%**

DAR		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
18-19	Weekday	1,160	1,161	988	1,095	920	901	1,074	956	1,075	1,084	1,216	934
19-20	Weekday	1,148	1,163	999	1,190	995	837	1,081	918	562	283	324	328
% Change		**-1%**	**0%**	**1%**	**9%**	**8%**	**-7%**	**1%**	**-4%**	**-48%**	**-74%**	**-73%**	**-65%**
18-19	Sunday	69	64	69	55	56	60	61	68	110	92	74	111
19-20	Sunday	96	78	121	84	89	113	80	85	54	2	6	11
% Change		**39%**	**22%**	**75%**	**53%**	**59%**	**88%**	**31%**	**25%**	**-51%**	**-98%**	**-92%**	**-90%**

ATTACHMENT NO. 4

**THIRD AMENDMENT TO
CITY OF WEST COVINA
LEASE AGREEMENT
WITH
MV TRANSPORTATION, INC.
FOR
LEASE OF SPACE AT CITY YARD**

THIS THIRD AMENDMENT is made and entered into as of March 2, 2021 ("Effective Date") by and between the CITY OF WEST COVINA, a municipal corporation ("City" or "Landlord") and MV TRANSPORTATION, INC., a California corporation ("Tenant").

WHEREAS, City and Tenant entered into a Lease Agreement dated January 22, 2014 for the lease of a portion of the City Yard in connection with the Transportation Services Agreement dated December 18, 2013 between City and Tenant for Fixed Route Shuttle services and Dial-A-Ride services for the City ("Original Agreement"); and

WHEREAS, the Original Agreement had an initial term of sixty (60) months, with two (2) one-year extension options pursuant to Fundamental Lease Provisions, Section 1(h); and

WHEREAS, the Original Agreement allowed storage of approximately nine transportation vehicles used by Tenant pursuant to Fundamental Lease Provisions, Section 1(j); and

WHEREAS, through the First Amendment to the Original Agreement, Landlord and Tenant extended the term of the Original Agreement through January 22, 2020, added storage for five (5) additional transportation vehicles at a rate of $300.00 per month, and added the option for Tenant to request in writing additional storage space for transportation vehicles at a rate of Two Dollars ($2.00) per day, per space; and

WHEREAS, through the Second Amendment to the Original Agreement, Landlord and Tenant extended the term of the Original Agreement through March 2, 2021 and decreased said additional storage from five (5) to three (3) additional transportation vehicles at a rate of $180 month; and

WHEREAS, Landlord and Tenant now desire to extend the term of the Original Agreement on a month-to-month basis to coincide with the extension to the Transportation Services Agreement and to memorialize the terms outlined in the Second Amendment.

NOW, THEREFORE, based on the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, Landlord and Tenant hereby agree as follows:

1. Commencing March 3, 2021, the term of the Original Agreement shall automatically extend for successive one (1) month periods, for up to twelve (12) months, until such time as either party terminates the Transportation Services Agreement in accordance with the terms thereof. Landlord and Tenant understand and agree that the term of the Original Agreement is intended to coincide with the term of the Transportation Services Agreement and that termination of the Transportation Services Agreement shall result in automatic termination of the Original Agreement.

2. Fundamental Lease Provisions, Section 1(h) shall be amended to reflect that Tenant may store up to twelve (12) transportation vehicles in connection with the Transportation Services Agreement. Tenant shall have the option to request additional storage space at the rate specified in Section 1(i).

3. Fundamental Lease Provisions, Section 1(i) shall be amended to reflect that the rent shall be Two Thousand Eight Hundred Eighty Dollars ($2,880.00) per month. If Tenant requests additional storage space and if such space is available, Tenant shall pay Landlord Two Dollars ($2.00) per day, per additional space.

4. All terms not defined herein shall have the same meaning and use as set forth in the Original Agreement.

5. Except as herein amended, the terms and conditions of the Original Agreement, as amended, shall remain in full force and effect.

[Signatures on following page.]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Third Amendment as of the date set forth above.

CITY OF WEST COVINA

____
By: David Carmany
City Manager

MV TRANSPORTATION, INC.

____
By: Marie Meisenbach Graul
Chief Financial Officer

ATTEST:

____
Lisa Sherrick
Assistant City Clerk

APPROVED AS TO FORM:

____
Thomas P. Duarte
City Attorney

ATTACHMENT NO. 5

LEASE AGREEMENT

between

CITY OF WEST COVINA

Landlord

and

MV PUBLIC TRANSPORTATION, INC.

Tenant

Dated: JANUARY 22, 2014

TABLE OF CONTENTS

LIST OF EXHIBITS

LEASE AGREEMENT

THIS LEASE is dated for reference purposes only as of January 22, 2014, by and is entered into by and between The City of West Covina ("Landlord") and MV Public Transportation, Inc. ("Tenant").

WITNESSETH:

1. FUNDAMENTAL LEASE PROVISIONS.

Each of the following subparagraphs is individually referred to in this lease as a "Fundamental Lease Provision" and is contained in this paragraph for convenience. Each reference in this lease to a Fundamental Lease Provision shall be construed to incorporate all of the terms of such Fundamental Lease Provision. In the event of any conflict between a Fundamental Lease Provision and any other provision of this Lease, such other provision shall govern.

(a) Landlord: The City of West Covina

(b) Landlord's Address for Notices and Rent Payments:
City of West Covina
Attn: City Manager
1444 West Garvey Avenue
West Covina, CA 91790

(c) Tenant: MV Public Transportation, Inc.

(d) Tenant's Address for Notices:
Joe Escobedo, Sr. Vice President
MV Public Transportation, Inc.
5910 N. Central Expy, Ste. 1145
Dallas, TX 75206

With copy to: Office of the General Counsel

(e) Tenant's Trade Name:

(f) Address of Premises:
A Portion of the City Yard located at
825 South Sunset Avenue
West Covina, CA 91791

(g) Approximate Number of Feet in Premises: 4,500 Square Feet

(h) Length of Lease Term: Sixty Months, with two one-year extension options.

(i) Rent: Two Thousand Seven Hundred Dollars ($2,700.00) per month

(j) Permitted Use of Premises: A portable administrative and dispatch office, employee break room and storage of approximately nine transportation vehicles used by Tenant only directly in connection with that certain TRANSPORTATION AGREEMENT FOR THE PROVISION OF FIXED ROUTE SHUTTLE SERVICES AND DIAL-A-RIDE SERVICES FOR THE CITY OF WEST COVINA, entered into between Landlord and Tenant on December 1, 2013. Permitted Use of the Premises excludes maintenance of vehicles of any kind except washing of vehicles. Tenant shall assure that washing of vehicles complies with water quality control standards of all agencies with jurisdiction over such activities.

(k) Security Deposit: $2,700.00.

(l) Commencement Date of Lease Term: March 1, 2014.

2. LEASED PREMISES.

Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the premises whose address is set forth as a Fundamental Lease Provision in *paragraph 1(f)* and which premises are situated in the location outlined in red on the site plan attached to this lease as ***Exhibit A.*** Such premises are referred to in this lease as the "Premises". The Premises contains the approximate number of square feet of floor space which is set forth as a Fundamental Lease Provision in *paragraph 1(g)*.

3. LANDLORD'S WORK AND OTHER CONSTRUCTION.

Tenant acknowledges that, except as expressly provided in *Exhibit B* to this lease, Landlord has made and by this lease makes no representations or agreements as to either (a) the remodeling, equipping, alteration, or improvement of the Premises as they now exist, (b) the construction of any improvements in the Premises other than such improvements as presently are in existence therein. Notwithstanding the foregoing, Landlord shall deliver the Premises in a safe condition and in compliance with local zoning laws and other applicable regulations.

4. TERM.

This lease shall be for the term set forth as a Fundamental Lease Provision in *paragraph 1(h)*, unless sooner terminated pursuant to the provisions of this lease. The commencement date of the term of this lease (the "Commencement Date") shall be that date set forth as a Fundamental Lease Provision in *paragraph 1(l)*; provided, that if Tenant opens for business in the Premises prior to the Commencement Date, then the period from the date of Tenant's opening for business in the Premises to the Commencement Date shall be added to and become a part of the term of this lease. If Landlord delivers possession of the Premises to Tenant prior to the Commencement Date, then notwithstanding any other provision of this lease all of Tenant's obligations under this lease other than the payment of rent shall commence on the date on which Landlord delivers possession of the Premises to Tenant. Tenant may enter possession of the Premises for the purpose of commencing the Tenant improvements described in Exhibit "B" upon execution of this Lease by all parties. For all purposes of this lease, the phrase "lease year" shall mean the twelve (12) months commencing on the first day of the first full calendar month of the term of this lease and on each succeeding anniversary of each day.

If Tenant desires to exercise any of the extension options described in paragraph 1(h), Tenant must give Landlord written notice of such extension at least 60 days prior to the expiration of the lease term or any extension term.

5. RENT.

For each lease year during the term of this lease, and on a pro rata basis for any partial lease year, Tenant shall pay to Landlord rent in the amount set forth as a Fundamental Lease Provision in *paragraph 1(j)* (the "Rent"). The Rent shall be payable in advance in equal monthly installments on the first day of each calendar month during the term of this lease. The monthly installment of Rent for any period during the term of this lease prior to the commencement of the first lease year and for any other period of less than a calendar month shall be prorated on a daily basis and shall be paid by Tenant to Landlord within five (5) days after the commencement of the period for which it is due.

6. COMMON ACCESS AREAS.

In addition to the occupancy of the Premises, Tenant and Tenant's employees, agents, customers, and invitees also shall have the right to the non-exclusive use of, access roads, driveways, and sidewalks necessary to access the Premises which may be located from time to time in the City Yard. Such parking areas, access roads, driveways and sidewalks collectively are referred to in this lease as the "Common Access Areas". Such use of the Common Access Areas at all times shall be subject to such reasonable rules and regulations as Landlord from time to time may establish, and Tenant shall abide by all such rules and regulations established by Landlord. Landlord shall have the right in its sole and absolute discretion, without the consent or approval of Tenant, at any time from time to time (i) to enter into, modify, and terminate easements and other agreements pertaining to the use and maintenance of the Common Access Areas; (ii) to close temporarily or permanently any or all portions of the Common Access Areas; (iii) to change the dimensions, configurations, and locations of the Common Access Areas. No exercise by Landlord of any rights herein reserved shall be deemed to be constructive or actual eviction of Tenant or entitle Tenant to any compensation or damages from Landlord for any injury, inconvenience, or loss of business or to the abatement of any Rent. Tenant shall not use any portion of the Common Access Areas for the conduct of its business or for the solicitation of business without the prior written consent of Landlord. Tenant shall require its employees to park their motor vehicles only in the public parking lot outside of the City Yard as depicted on Exhibit "A."

7. PERMITTED USE.

Tenant may use the Premises only for the permitted use set forth as a Fundamental Lease Provision in *paragraph 1(j)* and for no other purpose. Tenant agrees at all times to conduct its business in the Premises in a dignified, ethical, responsible, and reputable manner consistent with the highest standards of service and at all times to comply with all laws, ordinances, and governmental regulations (whether now existing or hereafter enacted or adopted) affecting the Premises and its cleanliness, safety, occupancy, and use. Without limiting the foregoing, Tenant shall not use or occupy the Premises unless and until a Certificate of Occupancy permitting Tenant's use and occupancy has been issued by the appropriate governmental authority and remains in effect, any and all conditions and requirements of the Certificate of Occupancy have been complied with, and Landlord has received a copy of the Certificate of Occupancy and evidence of such compliance. Tenant shall prohibit its customers from loitering or congregating in the Premises or the Common Access Areas and from becoming a nuisance or otherwise disturbing the other uses of the City Yard. Tenant agrees not to do or omit to do anything which will cause an increase in the premiums for the casualty insurance which Landlord maintains on the City Yard or the Premises over and above the premiums which otherwise would be in effect for such insurance or which would cause the cancellation of any such insurance. Tenant shall pay Landlord on demand any increase in the insurance premiums on the City Yard or the Premises on account of any extra risk caused by Tenant's use of the Premises upon Landlord's furnishing of evidence of the increased premium cost as a result of Tenant's activity.

If Tenant's drivers test back-up signals, horns, etc. each morning, such tests shall be performed away from neighboring residential units at a safe location jointly determined by Landlord and Tenant.

Transportation vehicles are to be parked along the southern wall of the City Yard as designated by the Landlord.

The location of the portable office/dispatch building shall be jointly determined by the Landlord and Tenant and be designated on Exhibit "A."

8. OPERATION OF BUSINESS.

Tenant shall (a) conduct its business in the entire Premises; (b) keep the Premises and both the exterior and interior portions of walls, windows, doors, and glass or plate glass fixtures therein in neat, clean, sanitary, and safe conditions; (c) not place or permit any radio or television antenna, loud speaker, or sound amplifier, or any phonograph or other devices similar to any of the foregoing, on the roof or outside of the Premises or at any other place where it may be seen or heard outside of the Premises; and (k) not permit noise, sounds, activities, odors, or disturbances within the Premises which interfere or are likely to interfere with the use of others in the City Yard. Tenant agrees not to do or permit anything to be done which will interfere with the quiet enjoyment of other users or occupants of the City Yard. If Tenant's trade name is set forth as a Fundamental Lease Provision in *paragraph 1(e)*, then Tenant shall not conduct its business in the Premises under any other trade name without first obtaining Landlord's written consent to such change of trade name.

9. LANDLORD'S COVENANTS.

Landlord covenants that it is the owner of the City Yard and that Landlord has full power and authority to make this lease with Tenant. Landlord further covenants that Tenant, upon the complete and timely payment of all rent and performance of all of Tenant's other obligations under this lease, shall peacefully and quietly have, hold, and enjoy the occupancy of the Premises throughout the term of this lease or until this lease is sooner terminated in accordance with its provisions without any disturbance from Landlord or anyone claiming by, through, or under Landlord.

10. LIENS.

Tenant shall have no authority to cause or permit a mechanic's, construction, or other lien to arise or be perfected with respect to the Premises or any part thereof; and Tenant shall so advise any contractor performing any work or providing any materials for Tenant in or with respect to the Premises. If any mechanic's, construction, or other lien is filed against the Premises or any part thereof for any reason whatsoever by reason of Tenant's acts or omissions or because of a claim against Tenant, then Tenant shall cause such lien to be canceled and discharged of record by bond or otherwise within ten (10) days after written request by Landlord.

11. MAINTENANCE AND REPAIRS.

The Premises does not include buildings or structures, but only vacant land. Tenant intends to erect a portable office/administrative building or trailer on the Premises. Tenant shall be solely responsible for the erection, permitting, and maintenance of the portable office/administrative building and all associated utilities and appurtenances. Tenant at its expense shall repair any damage to any portion of the Premises caused by the acts or omissions of Tenant or any of Tenant's contractors, employees, agents, customers, or invitees. Tenant at its expense shall keep and maintain the Premises in good condition and repair at all times during the term of this lease in such manner as Landlord and any insurer of the Premises reasonably may require and also as may be required to comply with all applicable laws, ordinances, rules, and regulations of any federal, state, or local governmental agency or subdivision having jurisdiction over the Premises. Tenant's responsibilities under this paragraph shall include but are not limited to all plate glass windows and doors in the Premises, fronts of the Premises, and the fixtures and equipment serving or constituting a part of the Premises (including but not limited to the lighting, heating, air conditioning, ventilating, plumbing, electrical, sewer, and other mechanical systems and equipment serving the Premises). Tenant at its expense promptly shall make any and all repairs and replacements to the Premises and to the fixtures and equipment serving or constituting a part thereof which may be required to comply with the obligations of Tenant under this paragraph, in each case in a good and workmanlike manner using materials, fixtures, and equipment whose quality is at least equal to that of the materials, fixtures, and equipment being repaired or replaced. Upon the expiration or termination of this lease, Tenant shall deliver the Premises and the fixtures and equipment constituting a part thereof (excluding Tenant's trade fixtures) to Landlord in good condition and repair, reasonable wear and tear excepted. Notwithstanding the foregoing provisions of this paragraph, Landlord and Tenant agree that this paragraph shall not be applicable to any damage to or destruction of the Premises falling within the scope of *paragraphs 15(A) thru 15(E)* (dealing with insured and uninsured casualties) *paragraph 34* (dealing with eminent domain), which damage or destruction shall be governed by the provisions of those other paragraphs.

12. ALTERATIONS BY TENANT.

This Lease contemplates that Tenant will provide a portable office/administrative structure on the premises. Tenant shall obtain the written approval of Landlord for the size and location of such portable structure prior to its placement on the Premises. The portable office/administrative shall substantially comply with Exhibits "C-1" and "C-2" attached hereto and incorporated herein by this reference.

13. INDEMNIFICATION.

Tenant agrees to defend and indemnify Landlord, governing board members, agents, and employees against and to hold Landlord, governing board members, agents, and employees harmless from any and all claims or demands of any third party arising from or based upon any alleged act, omission, or negligence of Tenant or Tenant's contractors, agents, invitees, customers, employees, or anyone else for whom Tenant may be or alleged to be responsible. In the event that Landlord shall, without fault on its part, be made a party to any litigation commenced by any third party against Tenant, then Tenant shall defend and hold Landlord, governing board members, agents, and employees harmless from such litigation and shall pay all costs, expenses, and reasonable attorneys' fees incurred or paid by Landlord, governing board members, agents and employees, in connection with such litigation, together with any judgments rendered against Landlord, governing board members, agents, and employees.

14. INSURANCE.

Tenant at its expense at all times during the term of this lease and any other period of occupancy of the Premises by Tenant shall obtain and keep in force with respect to the Premises general public liability insurance in form customarily written for the protection of owners, landlords, and tenants of real estate, with Landlord, Landlord's agent, as additional insureds, which insurance shall provide coverage of not less than $1,000,000 for each occurrence of bodily injury or property damage. Tenant also shall carry such personal injury and special liability insurance coverages, including but not limited to premises-operations, products and professional liability coverages as may be customary or appropriate with respect to Tenant's business or as Landlord reasonably may require and shall include Landlord and Landlord's agent as an additional insured thereof. Tenant understands and acknowledges that the insurance that Landlord obtains and keeps in force will not cover any of Tenant's property, including but not limited to leasehold improvements. Tenant shall notify Landlord in writing 20 days in advance of the cancellation of any insurance required under this Section 14. Prior to Tenant's taking possession of the Premises, Tenant shall furnish to Landlord appropriate certificates evidencing that such insurance is in force

15(A) MINOR INSURED DAMAGE.

Subject to the provisions of *paragraph 15(C)*, if at any time during the term hereof, the Premises is damaged and such damage is not "substantial", as that term is defined in *paragraph 15(E)*, and such damage was caused by an insured casualty, then Landlord shall promptly repair such damage and this Lease shall continue in full force and effect, unless such damage was caused by Tenant's neglect, or willful act or omission, in which event Tenant shall promptly repair such damage.

15(B) UNINSURED DAMAGE ON INSURED SUBSTANTIAL DAMAGE.

Subject to the provisions of *paragraph 15(C)*, if at any time during the term hereof, the Premises are damaged and (i) such damage is "substantial", as that term is defined in *paragraph 15(E)*, and damage was caused by an insured casualty, or (ii) regardless whether such damage was substantial as so defined, such damage was caused by a casualty not insured against by Landlord, then Landlord may, at its option, either (a) repair such damage and restore the Premises at Landlord's expense in which event this Lease shall continue in full force and effect, or (b) cancel and terminate this Lease on the date that Tenant vacates the Premises, unless such damage was caused by Tenant's neglect, willful act or omission, in which event Tenant shall promptly repair such damage. In such instance, Tenant shall be entitled to a pro-rated refund of any paid Rent.

15(C) DAMAGE NEAR END OF TERM.

Notwithstanding anything to the contrary contained in this *paragraph 15*, if the Premises are destroyed or damaged during the last year of the term of this Lease, or any extension thereof, Landlord may at its option cancel and terminate this Lease as of the date of the occurrence of such damage by giving written notice to Tenant of its election to do so within thirty (30) days after the date of occurrence of such damage. If Landlord cancels the Lease, Tenant shall be entitled to a pro-rated refund of any paid Rent.

15(D) CONTINUED OPERATION BY TENANT.

If the Premises are destroyed or damaged and Landlord repairs or restores them pursuant to the provisions of this paragraph, Tenant shall continue the operation of its business in the Premises to the extent reasonably practicable from the standpoint of prudent business management. Landlord shall allow a reasonable rental adjustment to Tenant based on the condition of the Premises and the disruption to Tenant's business activities. Tenant shall have no claims against Landlord for any damage suffered by Tenant by any reason of any damage, destruction, repair or restoration of the Premises. Upon completion of such repair or restoration Tenant shall promptly refixture the Premises substantially to the condition prior to the casualty and shall reopen for business if closed by the casualty.

15(E) DEFINITIONS.

(a) For the purpose of this paragraph "substantial" damage in the Premises shall be deemed to be damage to the building of which the Premises, wherein the cost of repair as estimated by Landlord exceeds five percent (5%) of the then estimated replacement cost of such damaged improvements. (b) The determination in good faith by Landlord of the estimated cost of repair of any damage or of the estimated replacement cost of any building shall be conclusive for the purpose of this paragraph.

16. HANDLING CHARGE.

Tenant shall pay to Landlord on demand a handling charge of Twenty-five Dollars ($25.00) for any check given to Landlord by Tenant for payment of any sums due hereunder which is dishonored by Tenant's bank for any reason.

17. ASSIGNMENT AND SUBLETTING.

Tenant shall have no right to assign this lease or to sublet the Premises without the prior written consent of Landlord, which consent shall not be unreasonably withheld; provided, that if Landlord in its absolute discretion gives such consent, then Tenant shall remain primarily liable to Landlord for the payment of the rent and the performance of all of Tenant's other obligations under this lease for the remainder of the term of this lease. Tenant shall not allow or permit any transfer of this lease, or of any interest in or rights under this lease, by operation of law and shall not mortgage, pledge, or encumber this lease or any interest herein. For purposes of this paragraph, a change in control of Tenant shall be deemed to be an assignment of this lease requiring Landlord's prior written consent. If Landlord consents to an assignment of this lease by Tenant, then such consent shall apply only to the remainder of the then current term of this lease and not to any subsequent periods as to which Tenant has an unexercised option to extend the term of this lease; and any such option or options shall be of no further force or effect after such assignment has been consented to by Landlord. Landlord shall have the absolute right, exercisable in its sole discretion for any reason, to withhold any consent which may be required under this paragraph.

18. ENTRY BY LANDLORD.

Landlord shall have the right to enter upon the Premises at all reasonable hours for the purpose of inspecting the Premises, for the purpose of making repairs, additions, or alterations thereto, or for any other lawful purpose; provided that such entry shall not unreasonably interfere with the conduct of Tenant's business.

19. UTILITIES.

Tenant shall pay for all gas, water, electricity, telephone, and other utility services used or consumed in or about or furnished to the Premises during the term of this lease and shall pay all sewer use fees or similar charges made or imposed with respect to or against the Premises during the term of this lease. Tenant shall hold Landlord and the Premises harmless from all liens, charges, and costs with respect to such items. Tenant agrees that it will not install any equipment which will exceed or overload the capacity of any utility facilities serving the Premises and that if any equipment installed by Tenant requires additional utility facilities, such additional utility facilities shall be installed at Tenant's expense in accordance with plans and specifications approved in writing in advance by Landlord. Landlord shall not be liable for any interruption in the supply of any utilities to the Premises or for any damage caused either to the electrical system or to Tenant's equipment in the Premises by any power surge. Landlord does not guarantee the availability of any utilities. If Landlord provides any of such utility services to Tenant because they are not or cannot be separately metered or billed to Tenant, then Tenant shall pay to Landlord, within ten (10) days after receiving a statement therefor from Landlord, Tenant's equitable share for the billing received by Landlord for such utility service, which share shall be determined by Landlord in its sole discretion taking into account such factors, including but not limited to the nature of Tenant's business, as Landlord reasonably may consider to be appropriate.

20. BANKRUPTCY.

In the event Tenant becomes the subject of voluntary or involuntary proceedings under the federal bankruptcy statutes as in effect from time to time, Landlord shall have all of the rights and remedies which are available to a landlord under such statutes in such an event. Such event also shall constitute a default under this lease, and Landlord thereupon may exercise all of its rights and remedies under *paragraph 31* unless prohibited from doing so by such statutes.

21. HOLDOVER.

In the event that Tenant remains in possession of the Premises after the expiration or termination of this lease, then Tenant shall be deemed to be occupying the Premises as a Tenant from month-to-month, subject to all of the conditions, provisions, and obligations of this lease, but without any rights to extend the term of this lease; provided, that the Rent payable by Tenant during any such period of holdover shall be computed at a rate of 125% of the Rent payable by Tenant during the lease year most recently ended. Landlord's acceptance of rent from Tenant in such event shall not alter the status of Tenant as a month-to-month tenant whose occupancy of the Premises may be terminated by Landlord at any time upon one month's notice in advance.

22. WAIVERS.

One or more waivers by Landlord or Tenant of a breach of any covenant or condition by the other of them shall not be construed as a waiver of a subsequent breach of the same covenant or condition, and the consent or approval by Landlord or Tenant to or of any act by either requiring the other's consent or approval shall not be deemed to waive or render unnecessary either party's consent to or approval of any subsequent similar act by the other party. No waiver or consent of either party shall be binding unless in writing, and Landlord's acceptance of rent with knowledge of the existence of any breach of this lease by Tenant shall not constitute a waiver of such breach.

23. WAIVER OF CLAIMS.

Each party hereto hereby waives any and all claims for or rights of recovery which such party or anyone claiming through such party may have against the other party hereto (or such other party's officers, agents, or employees) for or with respect to any loss of or damage to such waiving party's property or for any business interruption which is insured or indemnified under valid insurance policies, whether or not such loss, damage, or business interruption is caused by the negligence of such other party or such other party's officers, agents, employees, or any other person or persons for whose actions such other party may be responsible or liable; provided, that the foregoing waiver shall be effective only to the extent of the insurance proceeds actually collected under such policies in respect of such loss, damage, or business interruption and only when permitted by the applicable insurance policy.

24. NOTICES.

Whenever under this lease a provision is made for notice of any kind, such notice and the service thereof shall be deemed sufficient if such notice to Tenant is in writing addressed to Tenant at the address set forth as a Fundamental Lease Provision in *paragraph 1(d)* and is delivered personally or sent by overnight express delivery or by United States certified mail, return receipt requested, with postage prepaid and if such notice to Landlord is in writing addressed to Landlord at the address set forth as a Fundamental Lease Provision *paragraph 1(b)* and is delivered personally or sent by overnight express delivery or by United States certified mail, return receipt requested, with postage prepaid. Either party may by written notice to the other party change the address at which it wishes to receive any notice given under this lease. Any notices sent by certified mail shall be deemed given forty eight (48) hours after mailing.

25. RELATIONSHIP OF PARTIES.

Nothing contained in this lease shall be deemed or construed by Landlord or Tenant, or by any third party, to create the relationship of principal and agent or of partnership or of joint venture between Landlord and Tenant.

26. NO LIABILITY OF LANDLORD.

Landlord shall not be responsible or liable to Tenant or anyone claiming through Tenant for any loss or damage that may be caused by or through the acts or omissions of persons occupying premises adjacent to the Premises or in any other part of the City Yard (or of their employees, agents, or invitees) or for any expense, loss, or damage sustained by Tenant or anyone claiming through Tenant from (a) the bursting, stoppage or leaking of water, gas, sewer or steam pipes, downspouts, tanks, drains, or fixtures wherever located, (b) broken glass, (c) water, snow, or ice upon the City Yard or any portion thereof, (d) theft or other dishonest act by anyone other than Landlord, (e) water, wind, or other weather or natural condition or event, or (f) defects in the Premises or any fixtures or equipment therein which Landlord has not expressly agreed in writing to remedy.

27. TAXES.

Landlord is a public entity exempt from property taxes and other taxation. To the extent that the Premises or the City Yard becomes charged with a tax, charge or assessment due to the operations of Tenant, and which otherwise would not have been payable by Landlord, Tenant shall pay to Landlord as additional rent, the amount of any such tax, charge or assessment prior to its due date. Each party shall give the other party written notice of the receipt of any such claim or bill for taxes, charges or assessments within five days of receipt of such notice of tax, charge or assessment. Tenant shall be responsible for and shall pay, before the same become delinquent, all federal, state, county and local taxes (other than Landlord's income taxes) levied or assessed upon: (1) any personal property, fixtures, or leasehold improvements of Tenant at any time located in or about the Premises, as well as any increase in the Taxes resulting from any improvements or alterations made to the Premises by Tenant pursuant to *paragraph 12*; and (2) Tenant's interest under this Lease or the rentals derived from or paid by Tenant under this Lease. Tenant shall also be responsible for and shall pay all sales, excise and other equivalent taxes (however denominated) in any way resulting from Tenant's possession or use of the Premises or payment of rent under this Lease.

28. DELAYS IN PERFORMANCE.

The performance by Landlord and Tenant of any of their respective obligations or undertakings provided for in this lease (except the payment of rent or any other sums of money payable by Tenant under this lease) shall be excused and no default shall be deemed to exist in the event and so long as the performance of any such obligation or undertaking is prevented, delayed, retarded, or hindered by any act of nature, weather conditions, fire, earthquake, flood, explosion, war, riot, failure of transportation, strikes, lockouts, action of labor unions, condemnation, laws, orders of government or civil military authorities, inability to procure labor, equipment, facilities, materials, or supplies in the open market, or any other cause beyond the control of Landlord or Tenant, as the case may be.

29. MANNER AND PLACE OF PAYMENTS.

All payments of rent and any other sums payable by Tenant to Landlord under this lease shall be made by Tenant to Landlord without demand, deduction, or set-off at the address set forth as a Fundamental Lease Provision in *paragraph 1(b)* or at such other place as Landlord from time to time may designate in writing.

30. DELINQUENT PAYMENTS.

If any rent or other sums payable by Tenant under this lease are not paid within five (5) days after such rent or other sums are due, then such unpaid rent or other sums shall bear interest at the lesser of (a) the rate of 18% per annum or (b) the highest rate per annum permitted to be contracted for by natural persons under the laws of the State in which the Premises are located, from their respective due dates until paid, which interest shall be due and payable immediately. If Landlord engages an attorney or collection agency to collect any delinquent payment from Tenant or to enforce the performance by Tenant of any other obligation of Tenant which is delinquent under this lease, then Tenant also shall be liable for and shall pay to Landlord, on demand, an amount equal to the attorney fees, court costs, and other collection expenses incurred by Landlord with respect to the collection of such delinquent payment or the enforcement of such delinquent performance, whether or not suit is filed against Tenant for such purpose. If Tenant is late for three (3) or more consecutive months in making any of its payments of rent due under this lease, then Landlord, in addition to Landlord's other rights and remedies under this lease, thereafter shall have the right to require Tenant to make all rent payments under this lease quarterly in advance rather than monthly in advance and require cashier's check or certified funds.

31. DEFAULT.

If Tenant defaults in the payment of any rent or other sums due and payable by Tenant to Landlord under this lease for a period of more than five (5) days after the particular payment was due, or if Tenant violates or defaults in the performance of any covenant, agreement, or other condition contained in this lease (other than the payment of rent or other sum payable under this lease) for a period of more than ten (10) days after written notice of such violation or default has been given by Landlord to Tenant (or, in the case of a default not curable within ten (10) days, if

Tenant shall fail to commence to cure such default within such ten (10) days and thereafter proceed diligently to complete the cure thereof), then Landlord at its option may exercise the following remedies:

(1) Landlord shall have the option to continue this Lease in full force and not terminate the Tenant's right to possession or such other rights as are provided for in this Lease and such rights as are permitted by law.

(2) Landlord may terminate this Lease by express written notice to Tenant of its election to do so. In the event of such termination, Landlord shall be entitled to recover from Tenant:

(i) The worth at the time of award of any obligation which has accrued prior to the date of termination; and

(ii) the worth at the time of award of the amount by which the unpaid rent and additional charges which would have been earned after termination until the time of award exceeds the amount of such rental loss the Tenant proves could have been reasonably avoided; and

(iii) the worth at the time of award of the amount by which the unpaid rent and additional charges for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided.

(3) As used in *(B)(1) and (B)(2)* above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one (1%) percent.

(4) Landlord may recover from Tenant, and Tenant shall pay to Landlord upon demand, such expenses as Landlord may incur in recovering possession of the Premises, placing the same in good order and condition and altering or repairing the same for reletting, all other expenses, commissions and charges incurred by Landlord in exercising any remedy provided herein including attorney's fees and costs, or as a result of any default by Tenant hereunder, and any other amount necessary to compensate Landlord for all the detriment proximately caused by the Tenant's failure to perform Tenant's obligations under the Lease or which in the ordinary course of things would be likely to result therefrom.

(5) Landlord may exercise any other remedy or right now or hereafter available to a landlord against a defaulting tenant under the laws of the governing jurisdiction and not otherwise specifically reserved herein, including self help, if and as permitted under State law.

(B) Landlord shall be under no obligation to observe or perform any covenant of this Lease on its part to be observed or performed which accrues after the date of default by Tenant hereunder.

(C) In any action of unlawful detainer commenced by Landlord against Tenant by reason of any default hereunder, the reasonable rental value of the Premises for the period of the unlawful detainer shall be deemed to be the greater of the amount of monthly rent, additional rent and other charges reserved in this Lease for such period or the comparable period of the preceding year.

(D) Tenant hereby waives any right of redemption or relief from forfeiture under the law of the governing jurisdiction, or under any other present or future law, in the event Tenant is evicted or Landlord takes possession of the Premises by reason of any default by Tenant hereunder.

(E) The various rights and remedies reserved to Landlord herein, including those not specifically described herein, shall be cumulative, and, except as otherwise provided by statutory law in force and effect at the time of the execution hereof, Landlord may pursue any or all such rights and remedies whether at the same time or otherwise.

(F) One or more waivers by Landlord of any breach or default shall not be a waiver of any other breach or default of the same or any other provision. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent similar act by Tenant.

(G) The receipt by Landlord of any rent or payment with or without knowledge of the breach of any other provision hereof shall not be deemed a waiver of any such breach, and no waiver by Landlord of any sum due hereunder or any provision hereof shall be deemed to have been made unless expressed in writing and signed by Landlord.

(H) No delay or omission in the exercise of any right or remedy accruing to Landlord upon any breach by Tenant under this Lease shall impair such right or remedy or be construed as a waiver of any such breach theretofore or thereafter occurring.

(I) In any action commenced by Landlord against Tenant by reason of any default hereunder, each and every person and/or entity executing this Lease as Tenant, appoints as their agent each and any other person and/or entity for purposes of service of process of any complaint or other moving or responding paper.

Unless Landlord otherwise agrees in writing, Tenant's surrender of possession of the Premises to Landlord prior to the end of the term of this lease and Landlord's acceptance of such surrender shall not effect a termination of this lease or release Tenant from any of its obligations under this lease for the remainder of the term of this lease. To the extent allowed by law, Tenant hereby waives any and all right to a trial by jury in any suit or suites brought to enforce any provisions of this lease or arising out of or concerning any provisions of this lease.

32. CUMULATIVE RIGHTS.

The rights, options, elections, and remedies of Landlord and Tenant contained in this lease shall be cumulative and may be exercised on one or more occasions; and none of them shall be construed as excluding any other or additional right, priority, or remedy allowed or provided by law.

33. SUBORDINATION.

Landlord may assign the rights under this lease as security to the holders of one or more mortgages (which term shall include a mortgage, deed of trust, or other encumbrance) now or hereafter in force against the Premises or the City Yard. Upon the request of Landlord, Tenant agrees to subordinate its rights under this lease to the lien of one or more mortgages (which term shall include a mortgage, deed of trust, or other encumbrance) now or hereafter in force against the Premises or the City Yard and to all advances made or hereafter to be made upon the security thereof; provided, that any such mortgage shall provide, or the mortgagee shall agree, that the mortgagee, in the event of its acquiring title to the Premises or the City Yard, whether through foreclosure, judicial process, power of sale, or otherwise, shall recognize the validity of this lease and shall honor the rights of Tenant under this lease so long as Tenant (a) is not in default under this lease at the time such mortgagee acquires title to the Premises or the City Yard and (b) agrees to attorn to such mortgagee as if it were the original landlord under this lease. Such subordination shall be in such form as Landlord or the mortgagee may require.

34. EMINENT DOMAIN.

If the whole of the Premises or the City Yard or the public parking area shall be taken under the power of eminent domain, then this lease shall terminate and expire as of the date upon which possession must be surrendered to the public authority involved; the rent and any other sums payable under this lease shall be prorated as of such date; and Landlord and Tenant shall be released from any further liability under this lease. If more than twenty-five percent (25%) but less than all of the floor area of the Premises or of the City Yard shall be taken or condemned, then either Landlord or Tenant may terminate this lease by serving upon the other party a written notice of termination effective as of the date upon which possession must be surrendered to the public authority involved. In the event that such option to terminate is exercised, the Rent and any other sums payable under this lease shall be prorated as of such date of surrendering possession; and Landlord and Tenant shall be released from any further liability under this lease. If any portion of the Premises or the City Yard is taken for public use and if neither party is entitled to exercise or does exercise its option to terminate this lease as permitted above in this paragraph, then the Rent shall be reduced as of the date upon which possession must be surrendered to the public authority involved in the proportion which the actual floor area in the Premises taken bears to the total floor area originally demised in the Premises, and Landlord promptly shall repair, restore, or rebuild for occupancy by Tenant the portion of the Premises not so taken. If, during the repair, restoration, or rebuilding required, the Premises are not usable in the opinion of Landlord, then Landlord and its contractors temporarily shall have possession of the Premises during the period of repair, restoration or rebuilding; but the reduced rent provided for in this paragraph shall not abate. All compensation and damages awarded or other sums or awards paid on account of any condemnation or taking, whether temporary or permanent, under the power of eminent domain of the Premises, the Common Areas, or the City Yard, or any portion of portions thereof, shall belong to and be the sole property of Landlord whether such damages or other sums are awarded as compensation for the loss, taking, or diminution in value of any fee, leasehold, easement, or other interest in the Premises, the Common Access Areas, the City Yard, or otherwise or for the acquisition by the condemning authority of any temporary easement or other rights therein; and in no event shall Tenant have any claim whatsoever against Landlord or the condemning authority for the loss or diminution in value of its leasehold interest in the Premises or any leasehold improvements therein or for the value of any unexpired term of this lease. Tenant hereby expressly assigns to Landlord any such right or claim; provided, however, that Tenant shall be entitled to any separate award made by the condemning authority solely for or on account of any loss or expense which Tenant may sustain or incur in removing Tenant's merchandise, trade fixtures, or equipment from the Premises or for any loss of or damage to such items of Tenant's personal property. Nothing contained in this paragraph shall be construed to release any liability of Tenant to Landlord which arose prior to the effective date of any termination of this lease pursuant to this paragraph.

35. CONTINUOUS OCCUPANCY.

Tenant agrees continuously throughout the term of this lease to occupy the Premises and to conduct its business therefrom during all normal business hours, except when the Premises are untenantable by reason of the occurrence of any damage thereto or the destruction thereof; and Tenant's failure to comply with the preceding provisions of this sentence shall constitute a default under this lease. In the event that Tenant does not so occupy the Premises and conduct its business therefrom, then Tenant shall pay monthly as additional rent (over and above and in addition to the Rent and any other sums required to be paid by Tenant) during any such period of non-occupancy or non-conduct of its business a sum equal to 50% of the Rent payable during such period.

36. BINDING AGREEMENT.

All rights and liabilities given to or imposed upon Landlord or Tenant in this lease shall extend to and bind their respective heirs, executors, administrators, personal representatives, successors, and assigns. No rights, however, shall inure to the benefit of any assigns of Tenant unless the assignment thereof to such assignee has been approved in writing by Landlord.

37. ESTOPPEL CERTIFICATES.

Tenant, from time to time upon written request from Landlord, agrees to execute, acknowledge, and deliver to Landlord within ten (10) days after such written request, in form reasonably satisfactory to Landlord, a written statement certifying that Tenant has accepted the Premises, that this lease is unmodified and in full force and effect (or, if there have been modifications, that this lease is in full force and effect as modified, setting forth the modifications), that Landlord has performed all of its obligations under this lease and is not in default under this lease, and such additional facts as reasonably may be required by Landlord. Tenant understands and agrees that any such statement delivered pursuant to this paragraph maybe relied upon by any prospective purchaser of the Premises, any mortgagee or prospective mortgagee of the Premises, and their respective successors and assigns. Tenant's failure to comply with this paragraph shall at Landlord's option constitute an event of default under this lease.

38. GOVERNING LAW.

This lease shall be governed by and construed in accordance with the laws of the State in which the Premises are located.

39. MULTIPLE COUNTERPARTS.

This lease may be executed in multiple counterparts, each of which shall be deemed to be an original for all purposes.

40. DEFINITIONS.

Except as otherwise expressly stated in this lease, the "term" of this lease shall include the original term and any additional period as to which this lease may be extended, and references to this "lease" shall include this document and any properly executed amendment thereof or supplement thereto.

41. SALE OR UNDERLYING LEASE.

In the event of a sale or transfer of all or any portion of the City Yard or any undivided interest therein, or in the event of the making by Landlord of an underlying lease of all or substantially all of the City Yard, or in the event of an assignment or transfer of the leasehold estate under any such underlying lease, the respective grantor, transferor, landlord, or assignor, as the case may be, thereafter shall be entirely relieved of all obligations to be performed by Landlord under this lease to the extent of the interest in or portion of the City Yard so sold, transferred, or leased. Notwithstanding the foregoing provisions of this paragraph, the grantor, transferor, landlord, or assignor, as the case may be, referred to in this paragraph shall not be relieved of any liability to Tenant arising or occurring prior to the sale, transfer, or lease referred to in this paragraph.

42. PARAGRAPH TITLES.

The titles of the various paragraphs of this lease have been inserted merely as a matter of convenience and for reference only and shall not be deemed in any manner to affect the meaning or construction of the language contained in the body of such paragraphs.

43. SEVERABILITY.

If any provision of this lease shall be declared legally invalid or unenforceable, then the remaining provisions of this lease nevertheless shall continue in full force and effect and shall be enforceable to the fullest extent permitted by law.

44. TIME OF ESSENCE.

Time is of the essence of this lease, and all provisions of this lease relating to the time of performance of any obligation under this lease shall be strictly construed.

45. LANDLORD'S RIGHT TO CURE.

Landlord may, but shall not be obligated to, cure any default by Tenant in the performance of any of Tenant's obligations under this lease, including but not limited to Tenant's failure to pay any taxes, obtain any insurance, make any repairs, or satisfy any lien claims, after complying with the notice provisions contained in *paragraph 24*; in the event that Landlord elects to so cure any default by Tenant, then all costs and expenses paid by Landlord in so curing such default, including but not limited to reasonable attorney's fees, shall be deemed to be additional rent due immediately after such payment by Landlord, together with interest thereon (except in the case of such attorneys' fees) at the rate provided for in *paragraph 30* from the date of such payment by Landlord to the date of repayment by Tenant to Landlord.

46. SECURITY DEPOSIT.

Tenant shall deposit with Landlord as a security deposit under this lease the amount set forth as a Fundamental Lease Provision in *paragraph 1(k)*. Such security deposit shall be held by Landlord, without interest, as security for the faithful performance by Tenant of all the terms of this lease to be observed and performed by Tenant. The security deposit shall not be mortgaged, assigned, transferred, or encumbered by Tenant without the written consent of Landlord; and any such act on the part of Tenant shall be without force and effect and shall not be binding upon Landlord. If any rent or other sum payable by Tenant to Landlord is overdue and unpaid, or if Landlord makes any payments on behalf of Tenant, or if Tenant fails to perform any of the terms of this lease, then Landlord may, at its option and without prejudice to any other remedy which Landlord may have on account thereof, appropriate and apply such deposit or so much thereof as may be necessary toward the payment of the rent or other sum due Landlord by reason of such breach on the part of Tenant or toward the performance of any other overdue obligation of Tenant under this lease; and Tenant forthwith upon demand by Landlord shall restore such deposit to its original amount. If Tenant complies with all of the terms of this lease, then such deposit (or the portion thereof not applied by Landlord to cure a default by Tenant) shall be returned to Tenant at the end of the term of this lease. In the event of bankruptcy or other creditor proceedings against Tenant, such security deposit shall be deemed to be applied first to the payment of rent and other sums due Landlord for periods prior to the commencement of such proceedings. Landlord may deliver such security deposit to the purchaser of Landlord's interest in the Premises in the event that such interest is sold, and thereupon Landlord shall be discharged from any further liability with respect to such deposit.

47. BROKERS.

Tenant warrants that it had no dealings with any broker or agent in connection with the negotiation or execution of this lease other than Landlord's broker, if any; and Tenant agrees to indemnify Landlord against and to hold Landlord harmless from any expense or liability for commissions or other compensation or charges claimed by any other broker or agent with respect to this lease.

48. NUMBER AND GENDER.

Where the context of this lease requires, singular words shall be read as if plural, plural words shall be read as if singular, and words of neuter gender shall be read as if masculine or feminine.

49. ENTIRE AGREEMENT.

Landlord and Tenant hereby agree that this document contains the entire agreement between them and that there are no other agreements, written or verbal, between them pertaining to the Premises or the subject matter hereof. This lease may not be amended or supplemented orally but only by an agreement in writing which has been signed by the party against whom enforcement of any such amendment or supplement is sought.

50. SURRENDER.

Upon the expiration or termination of this lease, Tenant agrees forthwith to surrender to

Landlord possession of the Premises and the fixtures and equipment constituting a part thereof with all keys thereto.

51. ENVIRONMENTAL MATTERS.

For purposes of this paragraph "Hazardous Substance" shall have the meaning given to such phrase in Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 USC subsection 9601, et seq.) and also shall include any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials which are regulated by any federal, state, or local law, ordinance, rule, regulation, or policy relating to the protection of the environment. For purposes of this paragraph an "Environmental Regulation" is any federal, state, or local law, ordinance, rule, regulation, or policy governing the use, storage, treatment, transportation, manufacture, refinement, handling, production, discharge, emission, or disposal of any Hazardous Substance. Tenant shall not use, store, handle, produce, dispose of , discharge, take any other actions, or allow anyone else to take any of such actions, with respect to any Hazardous Substance in, at, on, or from the Premises in any manner which violates any Environmental Regulation. During the term of this lease and any other periods of Tenant's occupancy of the Premises, Tenant at its expense shall obtain, maintain in effect, and comply with all permits and licenses required by any Environmental Regulation applicable to Tenant or the Premises. Within three (3) business days after Tenant is notified or otherwise becomes aware of any actual or potential violation or alleged violation of any Environmental Regulation involving or relating to the Premises, Tenant shall notify Landlord in writing of such actual or potential violation or alleged violation and promptly shall deliver to Landlord copies of any written materials that Tenant may have or thereafter receive with pertain to or purport to give notice of such actual or potential violation or alleged violation. Tenant at its expense promptly shall conduct and complete all investigations, studies, sampling, testing, removal, and other actions necessary to clean up an remove from the Premises any Hazardous Substance which may have been introduced into or upon the Premises during the term of this lease or any other period of occupancy of the Premises by Tenant, all in accordance with and as required by any applicable Environmental Regulation and the orders and directions of federal, state, and local governmental authorities having jurisdiction over the premises or such actions. Tenant shall provide Landlord and landlord's agents or representatives with access to the Premises and to Tenant's files and records at all reasonable times for the purpose of verifying Tenant's compliance with the requirements of this paragraph. Tenant shall defend and indemnify Landlord against and hold Landlord harmless from any and all claims demands, penalties, fines liabilities, settlements, damages, costs, or expenses of whatever kind of nature (including but not limited to attorney fees, fees of environmental consultants, and laboratory fees) known or unknown contingent or otherwise, arising out of or in any way related to the presence, release, threatened release, or disposal of any Hazardous Substance in, upon, or from the Premises or arising out of or in any way related to the violation by Tenant or the Premises of any Environmental Regulation during the term of this lease and any other period of Tenant's occupancy of the Premises. The obligations of Tenant under this paragraph shall survive the termination of this lease and of Tenant's occupancy of the Premises.

52. EXHIBITS.

The following Exhibits are an integral part of this lease and have been attached to this lease prior to execution:

A. City Yard site plan showing leased area for bus parking and office location
B. Description of Tenant's improvement work to be done in the Premises
C-1 & C-2 Description of portable office/administrative building.

53. NON-DISCRIMINATION CLAUSE.

Tenant herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the Premises herein leased nor shall the lessee himself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.

54. NO RELOCATION OBLIGATIONS TO TENANT BY LANDLORD UPON TERMINATION OF LEASE OR VACATION OF PREMISES BY TENANT.

Tenant knowingly and voluntarily acknowledges and agrees that upon its vacation of the Premises at the end of the lease term, upon the sooner termination thereof, or vacation of the Premises under any other circumstances, in no event shall Tenant be entitled or shall Landlord be required to provide any relocation benefits, compensation for loss of goodwill, or assistance under any applicable federal, state, or local laws or regulations including without limitation, the Uniform Relocation Assistance Laws, California Government Code Section 7260 *et seq.* Further, Tenant being fully informed of any and all of its rights and obligations and all laws and regulations (including without limitation, the Uniform Relocation Assistance Laws, California Government Code Section 7260 *et seq.*) in connection therewith fully waives, releases and rejects any and all relocation assistance and benefits relating to or in any respect connected with Tenant vacating the Premises.

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

Date: 2/4/14

CITY OF WEST COVINA

By ______________________
Steve Herfert, Mayor

Date: 2/5/14

MV Transportation, Inc.

By ______________________
Joe Escobedo, Sr. Vice President

Date: 2/5/14

MV Transportation, Inc.

By ______________________
W.C. Pihl, Executive Vice President

ATTEST

Susan Rush, Assistant
Nickolas S. Lewis, City Clerk

APPROVED AS TO FORM

by Scott Nichols
Arnold Alvarez-Glasman, City Attorney

EXHIBIT "A"
Depiction of City Yard and Leased Area

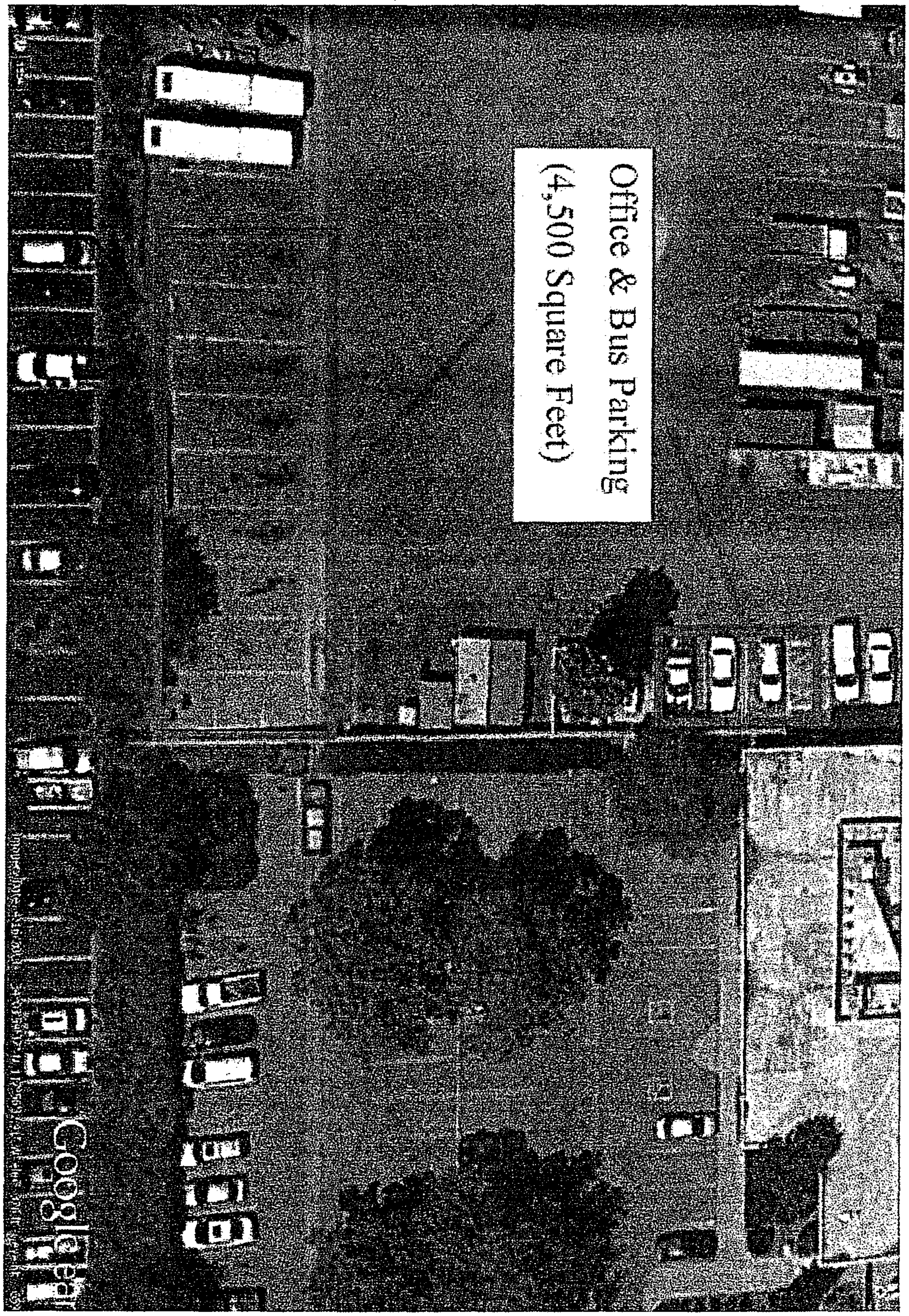


EXHIBIT "B"

Tenant Improvements

Landlord will provide no tenant improvements to the demised premises. The following described work of improvements shall be made by Tenant at Tenant's sole expense. All work to be done by Tenant requires the prior written approval by Landlord of plans and specifications for such improvements.

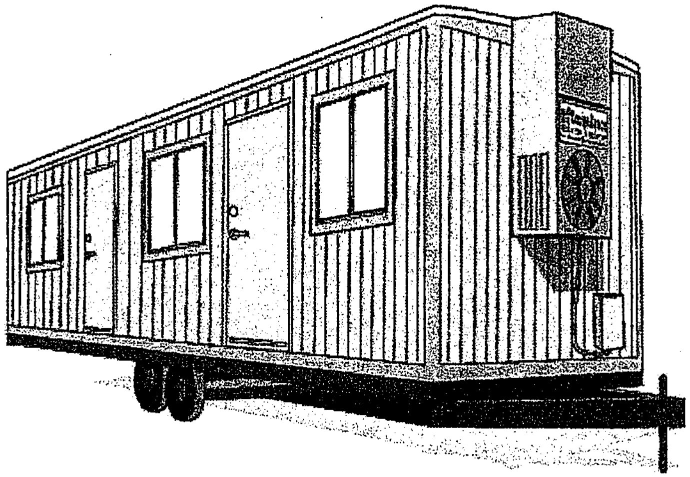
Description of proposed improvements:

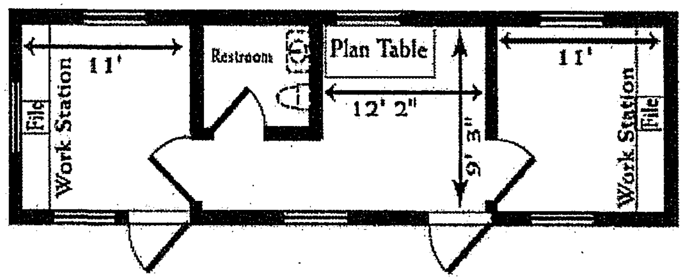
Erection of a portable office/administrative building in the location designated on Exhibit "A" or as mutually agreed by Landlord and Tenant. Installation of utilities for the portable building.

EXHIBIT "C-1 and C-2"

Description of Portable Office/Administrative Building

Exhibit "C-1" – Portable Office/Administrative Building Specifications





10 x 44 mobile office building with restroom:

- 440 square feet of office space, includes two private office and one handicap accessible restroom, providing enough office space for four to six people
- Two integrated workstations include; a built in desktop and a two drawer file cabinet, one built in plan table is also included.
- Buildings are completely insulated and come with a heating and air conditioning system to provide a comfortable work environment.
- Vinyl floors offer an almost maintenance free office building
- Upgraded interior wall coverings and decorative wood siding, provides for a professional appearance.

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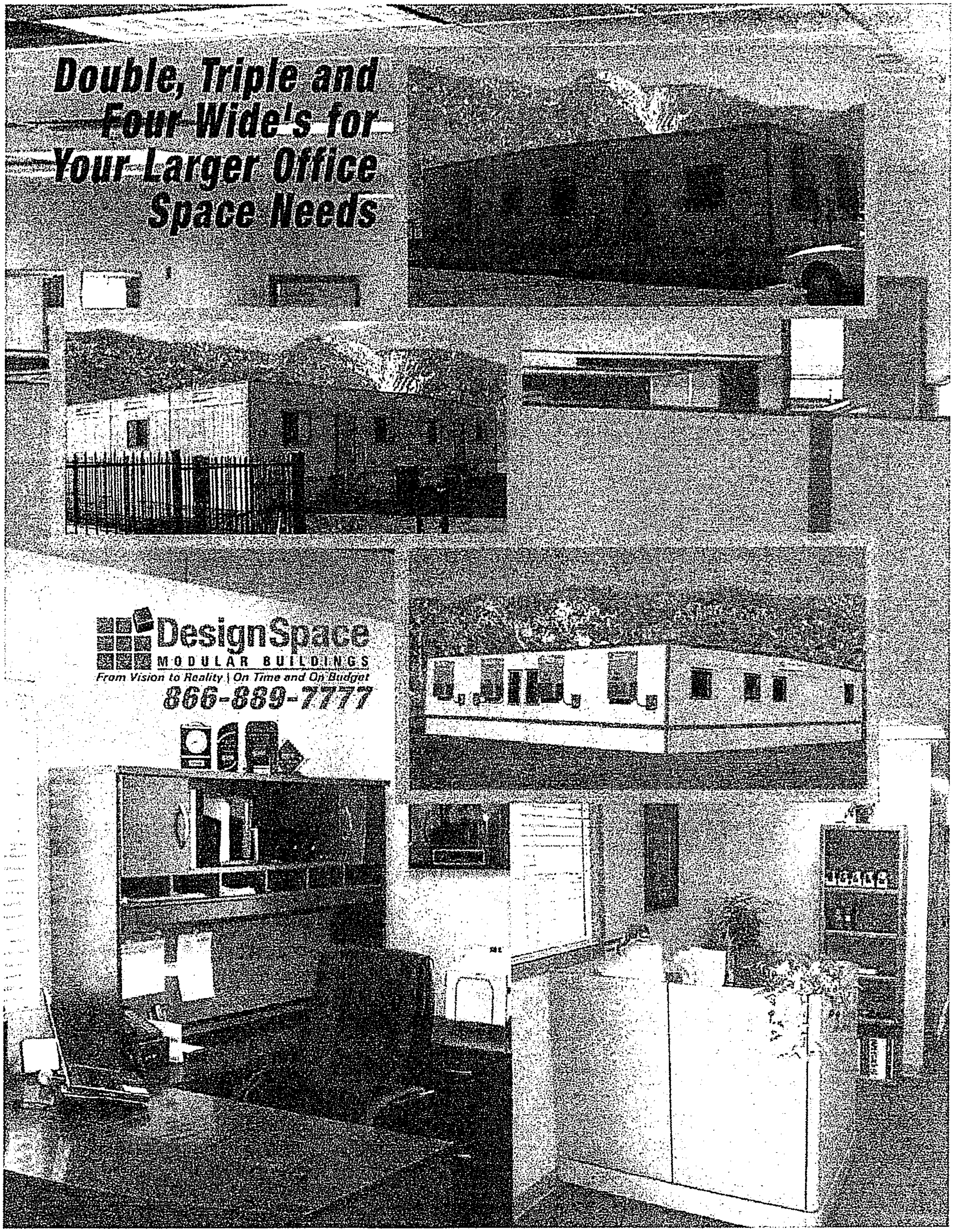
Exhibit "C-2" – Portable Office/Administrative Building Renderings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AGENDA STAFF REPORT

City of West Covina | Office of the City Manager

DATE:	March 2, 2021
TO:	Mayor and City Council
FROM:	David Carmany City Manager
SUBJECT:	**Update on City's Homeless Initiatives**

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

DISCUSSION:
The Police Department will be presenting an update on the City's homeless initiatives in the City of West Covina. Staff will be covering procedures regarding homeless issues and sharing statistical data. In addition, the City's partners from the Department of Mental Health and Union Station Homeless Services will be present to help answer any questions.

OPTIONS:
It is recommended that the City Council receive and file the homeless update from the Police Department.

Prepared by: Richard Bell, Chief of Police

Attachments

Homelessness in California

CITY COUNCIL GOALS & OBJECTIVES: Protect Public Safety

Homelessness in California

The State's Uncoordinated Approach to Addressing Homelessness Has Hampered the Effectiveness of Its Efforts

February 2021

REPORT 2020-112

CALIFORNIA STATE AUDITOR
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For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, *at* 916.445.0255

February 11, 2021
2020-112

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, CA 95814

Dear Governor and Legislative Leaders:

As directed by the Joint Legislative Audit Committee, my office conducted an audit of five local governments who play a key role in a Continuum of Care (CoC). Our assessment of CoC agencies—groups of organizations, including local government agencies and homeless service providers, that receive funding from the U.S. Department of Housing and Urban Development to work toward ending homelessness within specified geographic areas—focused on best practices related to homeless services. In general, we determined that the State continues to struggle to coordinate its efforts to address homelessness, and CoCs do not always comply with federal regulations or follow best practices.

With more than 151,000 Californians who experienced homelessness in 2019, the State has the largest homeless population in the nation, but its approach to addressing homelessness is disjointed. At least nine state agencies administer and oversee 41 different programs that provide funding to mitigate homelessness, yet no single entity oversees the State's efforts or is responsible for developing a statewide strategic plan.

Although the Homeless Coordinating and Financing Council (homeless council) was created, in part, to coordinate existing funding and establish partnerships with stakeholders to develop strategies to end homelessness, it has not done so. As a result, the State continues to lack a comprehensive understanding of its spending to address homelessness, the specific services the programs provide, or the individuals who receive those services. The homeless council has also not created guidance or expectations for CoCs to follow.

Our audit found three additional factors that make state guidance to coordinate efforts to address homelessness especially necessary:

- CoCs do not always employ best practices related to identifying, planning for, and providing services for those experiencing homelessness.

- None of the five CoCs we reviewed has adequately determined whether it has enough service providers to meet the needs of those experiencing homelessness.

- Two of the five CoCs we assessed do not have current comprehensive plans.

Given the magnitude of the homelessness crisis in California and the amount of funding the state and federal governments commit to combatting it, the State needs to ensure that its system for addressing problems at both the CoC and the state level is coherent, consistent, and effective.

Respectfully submitted,

ELAINE M. HOWLE, CPA
California State Auditor

Selected Abbreviations Used in This Report

CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CoC	Continuum of Care
HDIS	Homeless Data Integration System
HHAP	Homeless Housing, Assistance, and Prevention
HMIS	Homeless Management Information System
HUD	U.S. Department of Housing and Urban Development
LAO	Legislative Analyst's Office
USICH	U.S. Interagency Council on Homelessness

Contents

Summary

Results in Brief

In recent years, the number of individuals experiencing homelessness in California has soared. More than 151,000 Californians were homeless in 2019, an increase of 15 percent from 2017, and the economic impact of the recent COVID-19 pandemic is likely to further exacerbate this crisis. Both the federal government and the State have dedicated significant resources to addressing the growing problem of homelessness. Specifically, in 1993 the federal government established the Continuum of Care (CoC) system, which combats homelessness at the local level. A CoC is a group of organizations, such as homeless service providers, cities, counties, and other stakeholders, that receives funding from the U.S. Department of Housing and Urban Development (HUD) to carry out the goal of ending homelessness within a specified geographic area. Each CoC must designate an organization as its collaborative applicant to apply for funding from HUD for the CoC. In 2019 HUD awarded more than $441 million to the 44 CoCs that plan and coordinate funding for services and housing to address homelessness in California's 58 counties. In addition, the State has provided more than $4 billion in each of the last three fiscal years to local entities to address aspects of homelessness.

Nonetheless, California continues to have the largest homeless population in the nation, likely in part because its approach to addressing homelessness has been disjointed. Unlike in some other states, no single state entity in California oversees efforts to address homelessness or is responsible for developing a statewide strategic plan. Instead, at least nine state agencies administer and oversee 41 different programs that provide funding for purposes related to homelessness. In 2017 the State established the Homeless Coordinating and Financing Council (homeless council)—which includes representatives of state agencies, advocacy groups for the homeless, and other stakeholders. The statute that created the homeless council assigned it 18 goals, including coordinating existing funding, creating a statewide data system, and establishing partnerships with stakeholders to develop strategies to end homelessness. However, homeless council staff stated that the council has not set priorities or timelines for achieving all 18 statutory goals. Further, the homeless council still has not finalized an action plan that homeless council staff believe will serve as the council's strategic plan.

The homeless council has yet to fulfill some of its most critical goals. For example, it is charged with coordinating existing state and federal funding and any related applications for competitive funding. However, homeless council staff stated that

Audit Highlights . . .

Our audit of efforts to address homelessness in California by the State and Continuum of Care (CoC) agencies highlighted the following:

- *The State's approach to addressing homelessness is disjointed— at least nine state agencies administer and oversee 41 different programs that fund homeless services.*
- *Although established in 2017, the homeless council has yet to set priorities or a timeline for achieving its 18 statutory goals.*
  - *It cannot coordinate existing state and federal funding because it lacks expenditure data from state agencies.*
  - *Its planned statewide data system will lack information about some service providers.*
  - *It is not required to develop guidance or disseminate best practices to CoCs and does not have a mechanism to enforce them.*
- *The five CoCs we reviewed do not consistently employ best practices to improve homeless services in their areas.*
  - *None fully understand the homelessness needs and available services in their areas due to insufficient annual gaps analyses.*
  - *Some do not use a mobile application, which can make counting homeless individuals more reliable and efficient.*
  - *Some can improve how they prioritize the projects to receive federal funding.*

although it has established coordination channels with some state agencies and can request information from them, it does not currently have the authority to require this information from other state agencies and has not been able to track program spending to date. In addition, homeless council staff explained that it needs additional statutory authority to collect expenditure data from other state agencies that could be useful in streamlining its collection of this information. As a result, the State continues to lack a comprehensive understanding of its spending to address homelessness. The homeless council has taken steps toward another goal: establishing a statewide data system that will collect information such as the number and characteristics of people receiving assistance from homelessness programs and the types of services they receive. However, because the new system will obtain its data from each CoC's database, known as the Homeless Management Information System (HMIS), it may lack information on service providers that do not receive CoC Program funding. A clear understanding of all state and federal funding related to homelessness programs, and the specific services the programs provide, is critical to make effective policy and program decisions at the state level.

Further, although the homeless council is well positioned to provide guidance to CoCs, state law lacks a definite requirement to develop guidance or disseminate best practices to CoCs or a mechanism to enforce them. Because HUD's guidance allows for extraordinary discretion in how CoCs implement the suggested practices and CoCs do not always employ best practices, the State has an opportunity to help CoCs improve their efforts to combat homelessness within their areas. For this audit, we reviewed five CoCs: Fresno City and County/Madera County CoC (Fresno-Madera CoC), Mendocino County Homeless Services CoC (Mendocino CoC), County of Riverside CoC (Riverside CoC), Santa Maria/Santa Barbara County CoC (Santa Barbara CoC), and San José/Santa Clara City and County CoC (Santa Clara CoC).[1] We found that they have not conducted sufficiently comprehensive annual gaps analyses to fully understand the needs of those facing homelessness in their areas and whether the services that their networks of service providers offer are sufficient to meet those needs. Although federal regulations require CoCs to plan for such analyses, HUD has not provided detailed guidance on conducting them. The homeless council is best positioned to provide this

[1] The respective counties for the Mendocino, Riverside, Santa Barbara, and Santa Clara CoCs are the collaborative applicants for those CoCs. The Housing Authority of the City of Fresno (Fresno City Housing Authority) is the collaborative applicant for the Fresno-Madera CoC. We have made our recommendations to the collaborative applicant because it is generally responsible for carrying out various activities at the direction of the CoC board.

type of guidance and to disseminate best practices to help ensure that the State's CoCs are taking all steps necessary to ensure the effectiveness of their efforts to address homelessness.

In addition to the lack of comprehensive gaps analyses, we identified other weaknesses in the five CoCs' coordination and provision of homeless services. For example, the Fresno-Madera and Riverside CoCs do not have federally required plans in place that contain clear, long-term strategies for identifying individuals in need of services and coordinating with service providers. Further, when conducting counts of individuals experiencing homelessness within their areas, the Mendocino and Santa Clara CoCs currently use paper surveys rather than a mobile application, even though the use of this technology can make the counts more reliable and efficient. Given the increasing size of California's homeless population, it is critical that each CoC understand the needs of those experiencing homelessness in their areas, determine whether adequate numbers and types of service providers exist to meet those needs, and adjust their long-term strategies to address any deficiencies in the types of services that are available in their communities.

Some CoCs we reviewed could also improve their processes for ensuring that people experiencing homelessness can access available services. For example, each CoC is required to have a process—referred to as a *coordinated entry process*—to identify individuals needing assistance, assess their housing needs and vulnerabilities, and refer them to available services within the area. However, some of the five CoCs we reviewed have not always followed best practices related to the coordinated entry process, such as establishing a dedicated telephone hotline or having an outreach team to identify individuals needing assistance. Moreover, most of the CoCs we reviewed stated that because the demand for services like housing exceeds the availability, individuals may have to wait weeks or even months after their initial assessments for the CoC to match them with service providers. At that point, difficulties in locating the individuals—who are generally transient—can cause an even longer delay before they receive needed services. However, four of the five CoCs do not track how long it takes to locate people after their initial assessment and referral to a service provider, in part, because HUD did not require them to do so until October 2020. Only the Santa Clara CoC has taken steps to address this problem; it tracked the time required to locate people after they were referred to a service provider, determined that there was a delay in locating people, and established a dedicated team to go into the community to quickly locate individuals for whom it has identified available services.

Finally, two of the CoCs we reviewed have not adequately ensured that they prioritize the most effective local projects to receive federal funding. HUD requires each CoC to design and implement a process for homeless service providers to apply for CoC Program funding each year. The providers submit their applications to the CoC, which reviews and ranks them based on its established scoring criteria. It then submits the applications and its ranked list to HUD, which typically uses the CoC's list to make funding decisions. Although each of the CoCs we reviewed has policies in place for this process, the Mendocino and Riverside CoCs' policies and application scoring tools do not ensure that they consistently prioritize the projects that are likely to be the most effective. Specifically, their policies and scoring tools favor projects that have received funding in the past (renewal projects) over new projects, even if the new projects show significant potential.

Given the magnitude of the homelessness crisis in California and the amount of funding the state and federal governments are committing to combat this crisis, the State needs to ensure that its system for addressing problems at both the CoC and the state level is coherent, consistent, and effective. Centralizing performance data collection from service providers and tracking federal and state funds dedicated to combating homelessness is a critical step toward that goal. By investing added responsibility and authority in the homeless council to coordinate the State's response to homelessness, the Legislature can ensure that decision makers have the ability to clearly assess the State's efforts, successes, and challenges and to make informed decisions in the fight to reduce homelessness.

Selected Recommendations

Legislature

To ensure that the State effectively addresses the statewide issue of homelessness, the Legislature should provide the homeless council with the authority and the responsibility to work with all state agencies that administer programs that provide state and federal funding for addressing homelessness to collect and track funding data on all homelessness programs, including the amount of funding available and expended each year, the types of activities funded, and types of entities that received the funds.

The Legislature should require the homeless council to prioritize its statutory goals, with an emphasis on giving higher priority to coordination of statewide efforts to combat homelessness. The Legislature should further require the homeless council to finalize its action plan and ensure that the plan documents the State's approach to addressing homelessness in California and that the action plan is updated regularly.

To ensure that the State has access to comprehensive data about homelessness, the Legislature should require all state entities that administer state funding for homelessness to ensure that recipient service providers enter relevant data into their CoC's HMIS, as law allows, as a condition of state funding. The required information should include, at a minimum, the same or similar information that recipients of federal CoC programs must enter.

CoCs

To help ensure that they have adequate levels of services and service providers in their respective areas to meet the needs of people who are experiencing homelessness, the counties of Mendocino, Riverside, Santa Barbara, and Santa Clara, and the Fresno City Housing Authority should coordinate with their CoCs to ensure that the CoCs annually conduct a comprehensive gaps analysis in accordance with the plans they have developed under federal regulations. To be effective, the gaps analyses should consider whether adequate services are available in the areas where individuals are experiencing homelessness and should contain strategies to address any deficiencies.

To ensure that they adequately identify their long-term strategies to address homelessness, the county of Riverside and the Fresno City Housing Authority should coordinate with their CoCs to implement a planning process and develop a comprehensive plan that meets all federal requirements by August 2021. The planning process should ensure that the CoCs update their comprehensive plans at least every five years.

To ensure that individuals experiencing homelessness have adequate access to the coordinated entry process, the county of Mendocino and the Fresno City Housing Authority should, by August 2021, coordinate with their CoCs to assess the feasibility of establishing a dedicated telephone hotline for providing information about available services, assessing individuals' needs, and referring those individuals to appropriate housing or homeless service providers.

To increase the efficiency of the coordinated entry process, the counties of Mendocino, Riverside, and Santa Barbara and the Fresno City Housing Authority should coordinate with their CoCs to determine how long it takes to locate individuals after they have been matched with a service provider. Specifically, they should use the referral data that HUD required CoCs to collect as of October 2020 to determine whether locating individuals after they have been matched with a service provider is a cause of delay in providing them with services. If these entities find that excessive delays exist, they should coordinate with their CoCs to implement processes, such as deploying a dedicated team to locate these individuals when appropriate housing and services become available.

To ensure that it identifies the projects that offer the greatest possible benefits when ranking applications for CoC Program funds, the counties of Mendocino and Riverside should, by August 2021, coordinate with their CoC to update the CoCs' scoring tools and review-and-rank policies and procedures to give new and renewal projects an equal opportunity to receive federal funding.

Agency Comments

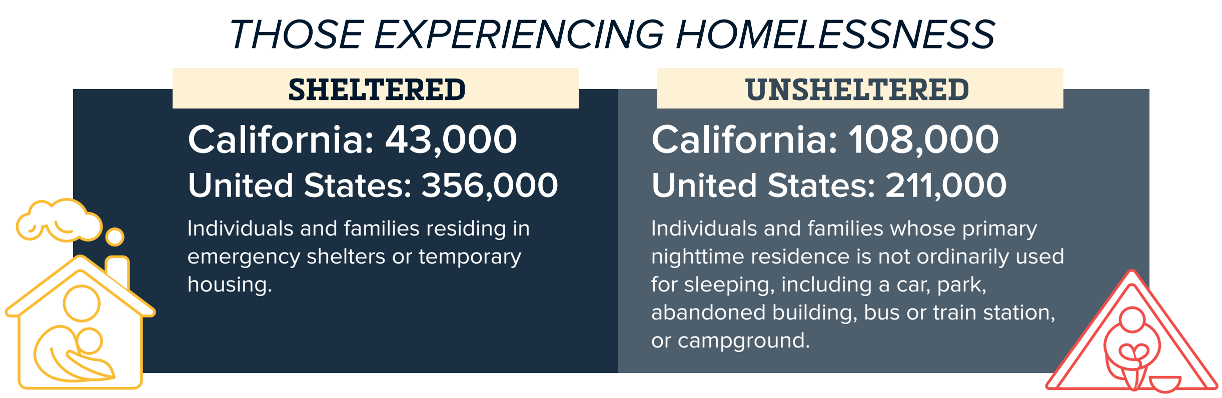
The counties of Mendocino, Riverside, Santa Barbara, and Santa Clara generally agreed with our recommendations and stated that they will take actions to implement them. The Fresno City Housing Authority disagreed with some of our recommendations. For example, it did not agree with our recommendation to annually conduct a comprehensive gaps analysis and to assess the feasibility of establishing a dedicated telephone hotline. Moreover, although we did not make any recommendations to the Homeless Council, it stated that it is ready to work with the Legislature on opportunities to strengthen existing law to enable more effective efforts to prevent and end homelessness in the State.

Introduction

Background

The U.S. Department of Housing and Urban Development (HUD) determined that in 2019 more than half a million people in the United States experienced homelessness on a given night. The McKinney-Vento Homeless Assistance Act (McKinney-Vento Act) broadly defines *homeless individual* as a person who is lacking a fixed, regular, and adequate nighttime residence. Its definition includes individuals who are sheltered and unsheltered, as Figure 1 shows. According to the Boston University School of Public Health, people experiencing homelessness have higher premature mortality rates than those who are not experiencing homelessness, in large part because of injuries, unintentional drug overdoses, and extreme weather events. Those experiencing homelessness also have poor quality of life, characterized by chronic pain associated with poor sleeping conditions and limited access to medications and other critical resources.

Figure 1
Number of People Experiencing Homelessness in California and the United States, 2019



Source: Federal law and the HUD Exchange website.

Homelessness affects a large cross section of populations in the nation. According to the National Alliance to End Homelessness, most people who experience homelessness are single adults, especially young adults, veterans, and individuals who are physically and mentally ill; however, the organization points out that homelessness also has a significant effect on youth.[2]

[2] The National Alliance to End Homelessness is a nonpartisan, nonprofit organization whose sole purpose is to end homelessness in the United States.

It noted that veterans' military service puts them at higher risk of experiencing traumatic brain injury and post-traumatic stress disorder, which research has found to be among the most substantial risk factors for homelessness.

Homelessness Is Increasing in California

According to the latest available data, California is home to the largest number of people experiencing homelessness in the United States, and the problem has gotten worse in recent years. According to HUD, more than 131,000 individuals experienced homelessness in California in January 2017, representing about 24 percent of the total homeless population in the nation. By January 2019, that number had grown to more than 151,000, an increase of 15 percent. Of Californians experiencing homelessness in 2019, more than 100,000 were unsheltered, meaning that they were living on the streets, or such places as parks or cars. These individuals represented more than half of all unsheltered people in the nation at that time.

According to the National Coalition for the Homeless, the primary risk factor for an individual becoming homeless is poverty and an inability to pay for housing, although mental health problems, addiction, domestic violence, and a lack of affordable health care all play significant roles.[3] Further, the Boston University School of Public Health found that homelessness overwhelmingly corresponds with poverty and with poor behavioral health related to mental illness or substance abuse. According to the California Housing Partnership, about 1.3 million of California's lowest-income households do not have access to affordable housing. As a result, these individuals are at higher risk of becoming homeless. As we describe later, the current COVID-19 pandemic (pandemic) will only exacerbate this situation.

HUD Established the Continuum of Care Program to Address Homelessness

In 1993 HUD established the Continuum of Care (CoC) system, which Congress codified into law by amending the McKinney-Vento Act in 2009. Among other things, the CoC system promotes the goal of ending homelessness, in part by providing funding for efforts by nonprofit providers, states, and local governments to quickly

---

3 The National Coalition for the Homeless is a national network of people who are currently experiencing or have experienced homelessness: activists, advocates, community-based and faith-based service providers, and others committed to ending and preventing homelessness while ensuring that the immediate needs of those experiencing homelessness are met and that their civil rights are respected and protected.

rehouse individuals and families experiencing homelessness. As the text box shows, a CoC is a group of organizations—such as homeless service providers, cities, and counties—and individuals organized to carry out the goal of ending homelessness within a specified geographic area. HUD envisioned that CoCs would function as local networks that plan and coordinate funding for services and housing. California has 44 CoCs that cover its 58 counties.

Relevant Organizations and Individuals in a CoC

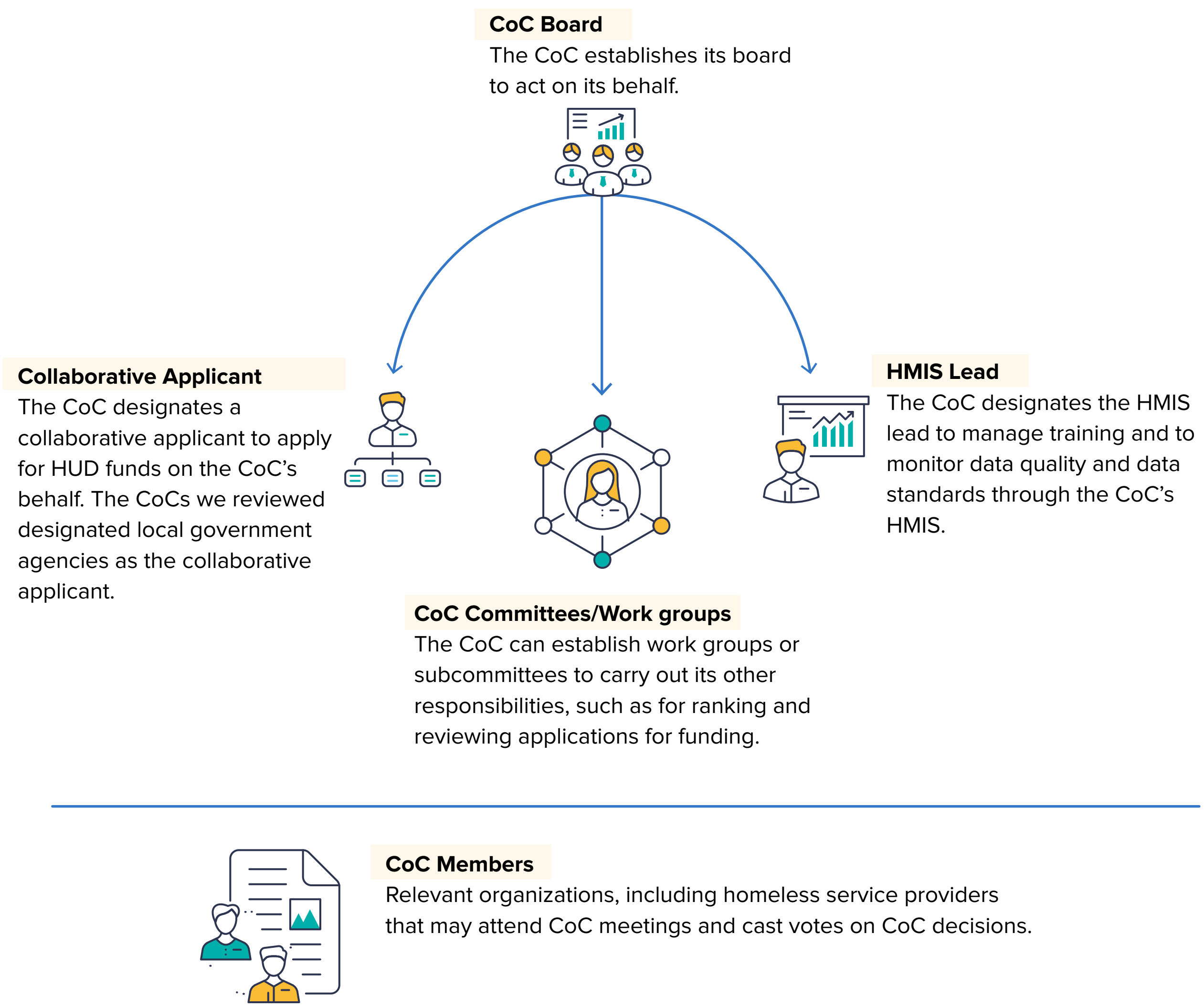
- Nonprofit homeless assistance providers
- Victim service providers
- Faith-based organizations
- Governments
- Businesses
- Homeless advocates
- Public housing agencies
- School districts
- Social service providers
- Mental health agencies
- Hospitals
- Universities or colleges
- Affordable housing developers
- Law enforcement agencies
- Organizations that serve veterans experiencing homelessness
- Currently or formerly homeless individuals

Source: Federal law.

As Figure 2 shows, federal law identifies the overall structure a CoC must establish and the roles of each entity within that structure. For example, a CoC must designate a board, made up of members who are representative of the relevant organizations, to act on its behalf. Additionally, the CoC must designate an organization as its collaborative applicant to apply for funding from HUD for the CoC, as well as an organization to lead the CoC's data collection efforts using its Homeless Management Information System (HMIS), as federal regulations require. If the CoC chooses, it can designate the same organization as the collaborative applicant and HMIS lead. The five CoCs we reviewed each designated a local government agency as their collaborative applicant and as their HMIS lead.

As Figure 3 shows, under federal law, each CoC has four primary responsibilities: conducting a Point-in-Time (PIT) count, maintaining its HMIS, assessing and prioritizing the needs of those experiencing homelessness, and reviewing and ranking applications for CoC Program funding. Appendix B describes the requirements, methodology, and benefits associated with each of these responsibilities. In Chapter 2, we discuss our assessment of five CoCs' performance related to these responsibilities.

Figure 2
General Structure of a CoC



Source: Federal law, HUD's CoC Program Road Map, and information obtained from the five CoCs we reviewed.

Figure 3
A CoC's Responsibilities Include Four Primary Areas

ASSESS NEEDS
Maintain a coordinated entry process and ensure that service providers that receive certain federal funds from HUD participate.

REVIEW AND RANK FUNDING APPLICATIONS
Design and operate a collaborative process to develop, approve, and submit service providers' applications for CoC Program funding to HUD.

PIT COUNT
Biannually identify all unsheltered people who experience homelessness and annually identify those experiencing homelessness who are in a shelter or housing.

HMIS
Use a single database to record client-level and service-level data about individuals and families who are homeless or at risk of homelessness in a CoC's geographic area.

Source: Federal law and documents obtained from HUD and CoCs.

A Single Federal Program Is the Primary Source of Funding for the State's CoCs

Although HUD oversees multiple programs that provide homeless assistance, only one of these—the CoC Program—provides funds to entities that administer homeless service projects.[4] As Appendix B shows, CoCs' collaborative applicants submit their ranked lists of project applications annually for funding to HUD, which then awards funds for projects primarily for the four program categories described in the text box. In addition, in some cases, a service provider may receive CoC Program funds for homelessness prevention. A CoC can also apply to receive a grant from HUD for its own planning purposes, which include administrative activities—in fact, in 2019 HUD reported that it awarded most California CoCs from $3,000 to nearly $1.3 million for planning, based on the CoC's determination of its funding needs in its area. Similarly, service providers may use up to 10 percent of the CoC Program funds

Categories for Which HUD Awards CoC Program Funds

1. Permanent housing–Recipients may use funds to provide community-based housing in which formerly homeless individuals and families live as independently as possible without a designated length of stay.
2. Transitional housing–Recipients may use funds to provide individuals and families with a place to stay for up to two years until they find permanent housing.
3. Supportive services only–Recipients may use funds to conduct outreach to sheltered and unsheltered persons and families, to link clients with housing or other necessary services, and to provide support.
4. HMIS–Recipients may use funds for costs related to establishing, operating, and customizing a CoC's HMIS.

Source: Federal law.

[4] HUD provides funding to states, cities, counties, and territories either competitively or using a formula through other programs, such as the Emergency Solutions Grants Program and the Housing Opportunities for Persons With AIDS Program.

they receive for administrative purposes, including for paying staff salaries, preparing project budgets, and monitoring compliance activities.

In 2019 HUD awarded a total of more than $441 million to California's 44 CoCs. As Figure 4 shows, the five CoCs we reviewed received varied amounts of federal funding. We present similar information for all 44 CoCs on our website.[5]

Figure 4
2019 Federal Funding for the Five CoCs We Reviewed

	TOTAL PERSONS EXPERIENCING HOMELESSNESS*	HOMELESS FUNDING AWARDS†
1 Fresno-Madera CoC	2,508	$10,663,000
2 Mendocino CoC	785	1,635,000
3 Riverside CoC	2,811	10,281,000
4 Santa Barbara CoC	1,803	2,014,000
5 Santa Clara CoC	9,706	29,506,000

Source: Data available on HUD's website.

* This is the total number of people experiencing homelessness, both sheltered and unsheltered, that the CoC identified during its PIT count in January 2019.

† HUD determines each CoC's allocation for CoC Program funding in part by using a formula that relies on the CoC's geography.

The State Has Increased Funding to Combat Homelessness

In recent years, the State has allocated new and increased funds to programs that address homelessness. For example, the Homeless Emergency Aid Program provided $500 million in early 2019 for localities to use for a variety of purposes, including criminal justice diversion programs for individuals who are experiencing homelessness and have mental health needs. In fiscal year 2019–20, the State approved $650 million through a new program—the Homeless Housing, Assistance, and Prevention Program—which

5 To view these statistics for all 44 CoCs in California, visit our interactive map in the online version of this report at www.auditor.ca.gov.

supports regional coordination to expand or develop local capacity to address immediate homelessness challenges by moving individuals and families into permanent housing. The fiscal year 2020–21 State Budget increased this amount by $300 million. Appendix A presents a list of state‑administered programs we identified that provided funding to address homelessness during fiscal years 2018–19 through 2020–21.

Moreover, over the past year and a half, the State has taken a number of actions to address the homelessness crisis, in part by assisting city and county governments through the removal of regulatory barriers. In September 2019, the Governor signed a package of 13 bills addressing homelessness, including Senate Bill 211, which authorizes the California Department of Transportation to lease certain property to local governments for temporary emergency shelters or feeding programs, and Senate Bill 450, which exempts certain hotels converted to supportive or transitional housing from the requirements of the California Environmental Quality Act until January 1, 2025. In January 2020, the Governor signed an executive order that focuses on preventing homelessness, providing shelter and services to people experiencing homelessness, and creating new temporary housing to reduce unsheltered homelessness. This executive order calls for, among other things, a multiagency state strike team to provide technical assistance and direct support to counties, cities, and public transit agencies seeking to bring people experiencing homelessness indoors and connect them with appropriate health, human, and social services.

The Pandemic Is Likely to Worsen California's Homelessness Crisis

The pandemic's economic impact is likely to increase the number of Californians experiencing homelessness. According to the State's Employment Development Department, the unemployment rate in California was 9 percent as of December 2020—more than twice the unemployment rate in February 2020. Statewide and regional public health orders directed many individuals to stay home, curtailing and shutting down business operations throughout the state. The Legislature declared in the fiscal year 2020–21 State Budget that the pandemic has affected every sector of California's economy and has caused record‑high unemployment. Similarly, the U.S. Government Accountability Office indicated that loss of jobs and income may cause individuals to fall behind on rent, ultimately leading to evictions and possibly homelessness. Although federal and state law have temporarily halted eviction filings for some tenants due to the pandemic, the federal order appears likely to be extended until March 31, 2021, while California's moratorium has been extended through June 30, 2021. Once these measures expire, many renters may be unable to stay in their homes, especially given that the current economic crisis may make obtaining and retaining employment more difficult.

The federal government and the State have allocated increased funding to address the impact of the pandemic on populations that are experiencing homelessness. For example, in March 2020, the Governor allocated $150 million of emergency funding from the amended Budget Act for local emergency homelessness actions, such as supporting shelters and leasing hotel and motel rooms for emergency housing. In addition, California allocated $500 million in funds it received under the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to cities for various purposes, including to address homelessness. Further, the CARES Act provided nearly $300 million in additional grant funding to allocate to eligible California CoCs' service areas through the federal Emergency Solutions Grants Program to prevent, prepare for, and respond to the effects of the pandemic on individuals and families who are experiencing homelessness or are receiving homelessness assistance. Finally, according to the California Department of Housing and Community Development, the CARES Act also made $139.5 million available to eligible local jurisdictions within California through HUD's Community Development Block Grant Program for COVID-19 response and recovery, which includes facility improvements related to COVID-19 health care and housing needs.

Chapter 1

THE STATE HAS A DISJOINTED APPROACH TO ADDRESSING HOMELESSNESS

Chapter Summary

The State's approach to combating homelessness is fragmented. In the past three fiscal years, at least nine state agencies administered and oversaw 41 different programs that provided funding to address and prevent homelessness in California. Although the State established the Homeless Coordinating and Financing Council (homeless council) in 2017 to coordinate existing state and federal funding, among other goals, the homeless council lacks a comprehensive approach to do so. It also has not taken steps to prioritize all of its numerous goals and has not yet finalized its action plan that it asserts will help the homeless council pursue the State's work to prevent and end homelessness. In fact, the homeless council does not track how the State spends funds to combat homelessness, which is critical to coordinating such efforts. Although the homeless council is currently working to develop a statewide database to collect information from each CoC's HMIS, the data it collects will be limited because CoCs may not have complete data regarding homeless services in their areas. Further, although the homeless council is the best positioned state entity to provide the necessary support and guidance to CoCs to effectively address homelessness at the local level, it has not done so. In the absence of a finalized action plan, tracking of all state and federal funding, and adequate technical support for its CoCs, California will continue to lack a complete understanding of its efforts to combat homelessness and will struggle to make effective policy decisions to address the problem.

For at Least 30 Years, the State Has Struggled to Coordinate Its Efforts to Address Homelessness

The State has recognized the need for a single entity to coordinate services for people experiencing homelessness in California for at least 30 years. Specifically, a 1989 report by the Little Hoover Commission—an independent state oversight agency charged with making recommendations to the Governor and Legislature to promote economy, efficiency, and improved state operations—recommended that the State should unify the diverse state programs dealing with homelessness under a single state agency. It also recommended that the State take an aggressive leadership role in coordinating services, at least in part because the commission found that services provided for people experiencing homelessness were fragmented and therefore did not benefit some segments of the population who needed them.

The State has continued to have a fragmented approach to addressing homelessness—at least nine state agencies provided homeless services through 41 programs.

In the decades since, the State has continued to have a fragmented approach to addressing homelessness. During fiscal years 2018–19 through 2020–21 at least nine state agencies provided homeless services through 41 programs. No single entity existed to coordinate these services until 2017, after the Legislature passed Senate Bill 1380 to establish the homeless council—representing certain state agencies, homeless advocacy groups, and stakeholders. Among other things, its purpose is to identify resources, benefits, and services for preventing and ending homelessness in California. State law lists 18 goals for the homeless council, as Table 1 shows. However, state law does not specify priorities or timelines for achieving these goals, and homeless council staff explained that the homeless council has not set priorities or timelines either. Homeless council staff explained that the homeless council's primary concern to date has been administering the programs it is responsible for, including the Homeless Housing, Assistance, and Prevention (HHAP) grant, which provides local jurisdictions with funds to support regional coordination and local capacity to address their immediate homelessness challenges. Therefore, homeless council staff stated that the homeless council has not formally gone through the process of prioritizing the 18 statutory goals.

As a result, the homeless council has not fulfilled some of its most critical responsibilities. In our 2018 report on the Los Angeles Homeless Services Authority, we stated that the homeless council might face critical challenges in coordinating California's response to homelessness and in meeting its statutory goals because it lacked permanent staff of its own and had no budget for such staff.[6] Additionally, that report concluded that it was critical that the homeless council focus on developing and implementing a statewide strategic plan that documents the State's approach to addressing homelessness in California. In that report, homeless council staff explained that to adequately develop a plan, the homeless council would need dedicated staff. The homeless council now has 24 staff positions available because the Legislature appropriated an additional $1.5 million to add 10 more staff in fiscal year 2020–21, bringing its operating budget to about $3.4 million, to carry out its statutory mandates. However, the homeless council has yet to finalize its action plan, which it asserts will serve as its strategic plan.

6 *Homelessness in California: State Government and the Los Angeles Homeless Services Authority Need to Strengthen Their Efforts to Address Homelessness,* Report 2017-112, April 2018.

Table 1
The Homeless Council Has 18 Statutory Goals

	GOAL
1	Oversee the implementation of the state law establishing the homeless council.
2	Identify resources, benefits, and services that can be used to prevent and end homelessness in California.
3	Create partnerships among various entities, including state and federal agencies, local governments, and homeless service providers, to identify specific strategies to end homelessness.
4	Promote systems integration and design systems to address the needs of those experiencing homelessness.
5	Coordinate use of existing funding and applications for competitive funding.
6	Make policy and procedural recommendations to legislators and other governmental entities.
7	Identify funding opportunities, such as federal and philanthropic funding, and coordinate the efforts of state agencies with programs to end homelessness to obtain that funding.
8	Broker agreements between state agencies and local jurisdictions to align, coordinate, and access resources and to foster common applications for services, operations, and capital funding.
9	Serve as a statewide facilitator, coordinator, and policy development resource on ending homelessness in California.
10	Report to the Governor, federal Cabinet members, and the Legislature on homelessness and the homeless council's work to reduce homelessness.
11	Ensure accountability and results in meeting the strategies and goals of the homeless council.
12	Identify and implement strategies to fight homelessness in small communities and rural areas.
13	Create a statewide data system that collects local data from each CoC's HMIS, with the ultimate goal of matching data to programs affecting homeless recipients of state programs.
14	Set goals to prevent and end homelessness among California's youth.
15	Improve the safety, health, and welfare of youth experiencing homelessness in the State.
16	Increase system integration and coordinate homeless prevention among youth who are currently or were formerly involved in the child welfare system or the juvenile justice system.
17	Coordinate funding, policy, and practices related to youth experiencing homelessness.
18	Identify best practices to ensure youth who are homeless and may have experienced certain maltreatment are appropriately referred to, or are able to self-refer to, the child welfare system.

Source: State law.

According to homeless council staff, the homeless council likely still lacks the necessary resources to be able to address all of its statutory goals. Although the homeless council requested and received additional staff in the State's fiscal year 2020–21 budget, staff explained that, as of January 2021, it is still in the process of filling 10 vacant positions. However, homeless council staff stated that even with the additional staff, they believe that the homeless council likely will not have enough staff to achieve all of its statutory goals.

The homeless council's staff asserted that to address the statutory goal of ensuring accountability and results in meeting the strategies and goals of the homeless council, the homeless council will approve a finalized action plan. The action plan will focus more on state agencies with the ultimate goal of helping people who are experiencing homelessness. Although the homeless council's action plan will not be a traditional strategic plan, homeless council staff asserted that the action plan will address parallel ideas. In a December 2020 homeless council meeting, homeless council staff shared for discussion a document containing draft objectives, current and planned activities, and potential priorities for additional activities. According to that meeting document, the draft action plan will include five action areas, under which there are various objectives. Each objective will describe activities, lead departments, collaborating departments, time frames and performance measures.

However, the action plan is not complete. According to a December 2020 homeless council meeting document, homeless council staff plan to present a more developed draft of the action plan to the homeless council for discussion and input in February 2021. Subsequently, the meeting document indicates that homeless council staff plan to prepare and present to the homeless council a final draft of the action plan in March 2021 for a decision on whether to adopt the action plan at that time. Given that the homeless council is responsible for identifying resources and services that can be accessed to prevent and end homelessness in the State, we expected it to have a finalized action plan that describes the State's plan for addressing homelessness, including how and when the homeless council will achieve its various statutory goals. Without a finalized and adopted statewide action plan that includes its statutory goals and timelines, addresses efforts to coordinate existing homelessness funding and services, and that is updated regularly, the homeless council is hindered from fulfilling its main purposes.

Without a finalized and adopted action plan, the homeless council is hindered from fulfilling its main purposes.

The lack of statewide coordination has not gone unnoticed. The Legislative Analyst's Office (LAO) recently highlighted the need for a cohesive and clear approach to address homelessness. In a report released in February 2020, the LAO stated that the scale of the homelessness crisis in California is significant and that even substantial investments of resources may not result in adequate progress if investments are made without a clear plan. Further, the LAO asserted that addressing homelessness requires the involvement of agencies across the State and collaboration among all levels of government and other stakeholders. The LAO found that the State's fragmented response to addressing homelessness creates various challenges, including impeding its ability to determine how programs work collaboratively and what programs are collectively accomplishing.

The Legislature's recent efforts to create a single entity—other than the homeless council—with authority to oversee the State's homelessness funding and activities have failed. In 2020 the Legislature passed a bill that would have established a lead entity within the office of the Governor to oversee the State's homelessness funding and activities. According to the bill's author, although state funding plays a critical role in the fight against homelessness, funding alone will not solve systemic issues. The bill's author further explained that continued state investments, combined with significant structural changes to how California oversees, coordinates, and delivers its homelessness programs, are essential to ensuring that state and local programs are being utilized effectively. However, the Governor vetoed the bill, stating that the proposed entity would separate policy development related to homelessness from that related to health care and housing, which would lead to more fragmentation.

__The Legislature's recent efforts to create a single entity—other than the homeless council—with authority to oversee the State's homelessness funding and activities have failed.__

Nonetheless, California continues to have numerous state agencies that administer separate programs to address various aspects of homelessness. To ensure that these state agencies' efforts are effective, the homeless council needs to have a more active role in coordinating the aspects of these programs that provide funding to combat homelessness.

The State Does Not Track the Funding It Provides to Combat Homelessness

The State currently does not have a comprehensive understanding of how it is spending state funds to address homelessness. As Table 2 shows, at least nine state agencies provided funding through 41 programs to address homelessness in the State during the past three years. These programs provided funding for purposes that included the acquisition and construction of new housing for people experiencing homelessness, relocation assistance, and individual financial assistance. In addition, some of the programs provided assistance to people with specific characteristics who were experiencing homelessness, such as victims of domestic violence, veterans, and youth. However, there is no single state entity that comprehensively tracks the sources of funding, the intended uses, or related expenditures for these programs. We would expect the homeless council to do so to fulfill its statutory goal of coordinating existing state and federal funding and applications for competitive funding. However, the homeless council does not track how much funding is available or spent toward addressing homelessness statewide. Homeless council staff explained that it expects that the statewide Homeless Data Integration System (HDIS), which is under development as we describe in the next section, will be able to track this information once implemented.

Table 2
At Least Nine California Agencies Administer 41 Programs to Address Homelessness
Fiscal Years 2018–19 Through 2020–21

AGENCY	NUMBER OF PROGRAMS RELATED TO HOMELESSNESS	TOTAL FUNDS AVAILABLE (IN MILLIONS)*
Business, Consumer Services and Housing Agency	3	$1,580
California Department of Corrections and Rehabilitation	1	51
California Department of Education	2	34
California Department of Social Services	6	527
California Governor's Office of Emergency Services	9	335
California Housing Finance Agency	1	90
California Tax Credit Allocation Committee	1	327
Department of Health Care Services	5	6,994
Department of Housing and Community Development	13	3,385
Totals	**41**	**$13,323**

Source: Review of the homeless council's California State Homelessness Funding Programs; the budget acts of 2018, 2019, and 2020; state and federal laws; and agencies' websites and notices of funding available.

* Although not every program was active during each of the three fiscal years, we calculated the aggregate of funding available in any or all of the three-year period.

Because of the homeless council's lack of funding coordination, the State is missing an opportunity to leverage its various program activities and to identify opportunities for collaboration between agencies and programs. As Appendix A shows, the State provides homelessness funding through many different programs that various state entities administer. Although these programs may have slightly different purposes, they all strive to provide assistance to those experiencing homelessness. For example, the California Department of Social Services administers the CalWORKs Housing Support Program, which had $95 million available in fiscal year 2019–20 for administrative entities, including local governments.[7] This program provides housing support, including financial assistance, housing stabilization, and relocation services, to CalWORKs recipients who are experiencing homelessness or housing instability. Meanwhile, the Department of Housing and Community Development administers the California Emergency Solutions and Housing Program, which had nearly $30 million available in fiscal year 2019–20 for local governments. This program assists people experiencing or at risk of homelessness through activities such as housing relocation and stabilization services. As a result, there could be duplication of services between these two programs.

7 California Work Opportunity and Responsibility to Kids (CalWORKs) is a public assistance program that provides cash aid and services to eligible families that have a child in the home. The program serves all 58 counties in the State and is operated locally by county welfare departments.

The homeless council has not prioritized coordination of existing funding and applications for competitive funding. According to homeless council staff, the homeless council does not have the authority to direct agencies to make policy. Specifically, homeless council staff stated that although it has established coordination channels with some state agencies and can request information from them, it does not currently have the authority to require this information from state agencies and has not been able to track program spending to date. In addition, homeless council staff explained that it needs additional statutory authority to collect expenditure data from other state agencies that could be useful in streamlining its collection of this information. Considering that the homeless council consists of representatives from state agencies and that one of its statutory goals is to coordinate funding, we believe that it is well positioned to track the State's sources of funding and spending on homelessness activities and make informed recommendations to decision makers to ensure proper coordination among different programs.

A number of other states we reviewed have charged a single agency with addressing homelessness statewide and tracking funding information centrally.

A number of other states we reviewed have charged a single agency with addressing homelessness statewide and tracking funding information centrally. Examples include Washington's Department of Commerce (Washington), Maryland's Department of Housing and Community Development (Maryland), and Virginia's Department of Housing and Community Development (Virginia). These three states believe that having such tracking of funding has allowed them to focus their efforts to address homelessness more effectively. For example, Washington state—which ranked fifth nationwide in 2019 for the highest number of residents who were homeless—explained that it tracks all funding and expenditures for every homelessness project in the state from every funding source. In fiscal year 2019–20, it tracked more than 2,300 different projects overseen by more than 500 different entities, such as state departments, local governments, and nonprofit organizations. Washington shared that it is able to compare the costs of these projects to their performance to identify successful projects on which it will focus greater efforts.

Similarly, Maryland and Virginia track and report to their state legislatures on all federal and state homelessness funding activities annually. In fiscal year 2019–20, Maryland reported on nine federal homeless services funding sources and on six state homeless services funding sources that three agencies within the state administer. Maryland's 2019 annual report on homelessness outlines the work of all relevant state agencies, trends in homelessness, and policy recommendations to the state legislature's Joint Committee on Ending Homelessness. In addition, Maryland's annual report details federal funding trends, which can inform state funding decisions. Virginia reported on five federal and state homelessness programs it administered in fiscal year 2018–19, and it tracked how much money it awarded to service providers statewide through the Virginia Homeless Solutions Program. Virginia also reported program outcomes, such as who was served under these state and federal programs, which can inform its state legislature's policy decisions for programs that address homelessness. Virginia asserted that having a single statewide entity charged with addressing homelessness has allowed it to leverage and maximize state resources, coordinate and share resources across state agencies, and target resources across the state to reduce or end homelessness.

These other states have fared better than California in stemming the number of people who experience homelessness.

These other states have fared better than California in stemming the number of people who experience homelessness. Both Maryland and Virginia have realized reductions in the number of people who were homeless over the past five years. For example, according to data on HUD's website, the number of people experiencing homelessness in Virginia decreased from 7,000 in 2015 to 5,800 in 2019. Although the number of people experiencing homelessness in Washington increased by 11 percent during these same years, it grew at a far slower rate than in California, which experienced an increase of 31 percent over that period. Having a single entity work with the different state agencies that administer programs that provide homelessness funding would allow California to understand more fully how the funds are being used. California could use that information to allocate its various funding sources more effectively to better coordinate the statewide response to homelessness, to build on projects that have demonstrated successful outcomes, and to make informed policy decisions regarding the State's efforts.

The State Lacks Data on Homelessness Services to Determine Whether It Is Effectively Addressing Homelessness

California does not currently have a statewide system to collect data on local or statewide efforts to combat homelessness. As we discuss in Appendix B, federal regulations require CoCs to capture certain information in their HMISs about the number and demographics of people experiencing homelessness and the services they receive through different providers in their areas. These data include information about homelessness programs, such as their sources of funding and their inventory of available beds, and information about those experiencing homelessness, such as basic demographic characteristics, current living situations, sources of income, and health conditions. However, the State currently has no mechanism in place to collect, integrate, and analyze statewide data on individuals and families experiencing homelessness or on the services that programs provide. Further, according to homeless council staff, CoCs typically do not have access to one another's data and do not know whether an individual has accessed services through another CoC. Because the State lacks a central database, it does not have comprehensive information related to homelessness programs and the clients they serve, which is critical to understanding how effectively California is responding to its homelessness crisis.

The State is making an effort to establish a statewide data warehouse. In November 2020, the Business, Consumer Services and Housing Agency, in which the homeless council exists, contracted with a firm to design, develop, implement, and support HDIS, the Homeless Data Integration System. According to the contract, HDIS will provide a statewide data warehouse to produce an unduplicated count of those experiencing homelessness in California, gain insights into the characteristics of people experiencing homelessness, determine patterns of service use, evaluate the impact of services, and identify gaps in services. To accomplish this, homeless council staff explained that HDIS will collect, match, and remove duplicate records from all California CoCs' HMISs. Homeless council staff stated that the homeless council plans to implement the system in March 2021 and that HDIS will be able to provide a number of benefits, including access to statewide and local homelessness data that CoCs can use to make data-informed decisions. Further, homeless council staff believe that HDIS will shed light on the characteristics of homelessness at the state, regional, and CoC levels; support coordination and collaboration among CoCs; and enable the State to identify the most effective resources to reduce homelessness.

However, the State's efforts to collect comprehensive data in HDIS may be limited because CoCs are unlikely to have complete data regarding homelessness in their areas. Federal regulations require only that CoCs ensure that service providers that receive certain federal funding from HUD report data in the respective CoC's HMIS. In addition, although state agencies administer programs that provide benefits and services to people experiencing homelessness throughout California, the State does not currently require all service providers that receive state funding to enter information about these programs into a CoC's HMIS. In fact, only eight of the 41 programs—representing 15 percent of the more than $13 billion the State provided to address homelessness during fiscal years 2018–19 through 2020–21—require recipients of state funds to report data into an HMIS. Depending on the program, these data can include information about clients served, the activities the programs fund, and program outcomes.

Only eight of the 41 programs—representing 15 percent of the more than $13 billion the State provided to address homelessness during fiscal years 2018–19 through 2020–21—require recipients of state funds to report data into an HMIS.

Further, we identified a number of CoC member organizations that provide homeless services but do not report information to the HMIS of the five CoCs we reviewed. We requested and received a list of member organizations and a list of the organizations that report data into its HMIS from each of the five CoCs we reviewed: Fresno-Madera CoC, Mendocino CoC, Riverside CoC, Santa Barbara CoC, and Santa Clara CoC. A comparison of the two lists allowed us to identify the member organizations at each CoC that do not report data into its HMIS. We confirmed whether any of the organizations that were not in HMIS provide homeless services by either obtaining detailed information about the services that each member provided or by confirming with CoC staff whether a selection of these members provide homeless services. Although HUD prohibits victim service providers, such as those providing services to victims of domestic violence, from reporting data into an HMIS, we identified several other types of service providers that are members of CoCs and do not report into their respective HMIS.

Some service providers do not report information to an HMIS because they do not receive funding that requires such reporting or they lack the capacity for the extra administrative burden that they believe this reporting would require.

In most instances, these service providers do not report information because they do not receive funding that requires such reporting or they lack the capacity for the extra administrative burden that they believe this reporting would require. For example, the Santa Clara CoC stated that some of its homeless service providers are small and operate with limited resources and that the CoC does not want to require HMIS participation if it will impact providers' ability to deliver services. The Santa Barbara CoC reported at least 12 organizations that do not participate in HMIS because the funding they receive does not require participation, and the Mendocino, Riverside, and Fresno-Madera CoCs each stated that some of their member organizations do no enter data in their HMIS for similar reasons. As a result, CoCs do not have access in their HMIS to complete data related to homelessness funding and homelessness-related activities in their geographic areas.

Most of the CoCs we reviewed agreed that they would find complete data from all service providers in their areas to be helpful to fully understand the extent of homelessness in their areas and better coordinate the provision of services. In addition, homeless council staff stated that it would be beneficial if all state funding for addressing homelessness required the recipients of those funds to report information into their CoC's HMIS. Such requirements, homeless council staff explained, would make the information that HDIS will collect more comprehensive. An example of a state program in which funding recipients must participate in a CoC's HMIS is the HHAP Program, which is administered by the homeless council and has a budget of $330 million for fiscal year 2020–21. In June 2020, the Legislature amended state law to require recipients of program funds to report data into their regional CoC's HMIS and agree to participate in HDIS once it is implemented. Homeless council staff stated that this requirement results in more accurate tracking of the impacts of homeless services. Further, by amending state law to require data reporting into an HMIS as a condition of applying for funding, the Legislature ensured that information from recipients of HHAP funding would be captured in an HMIS and ultimately in HDIS, when it is implemented.

Other states we reviewed that use a centralized data warehouse have required data reporting from recipients as a condition of receiving funds. For example, according to Washington, it runs a statewide HMIS that combines information from all CoCs within the state into a central data warehouse. It then requires recipients to enter client data into its CoCs' HMISs or directly into the state's data warehouse in order to receive consolidated state funding. Washington then uses the data it collects to set performance measures for homelessness projects. Although only the state—rather than the CoCs—can access the information in the data warehouse, Washington indicated that setting statewide performance measures results in increased transparency and allows it to see which homeless projects are performing well. In addition, Washington includes performance measures in annual public reports, which can inform communities about their progress in addressing homelessness.

Maryland also oversees a centralized data warehouse that consolidates information from each CoC's HMIS. Maryland consolidated some of its federal and state funding into a single program and requires recipients of those funds to report information into their regional CoC's HMIS, which is then transferred to the data warehouse. By collecting performance data from recipients of state funding, Maryland asserts that it is able to identify and provide increased support to low-performing communities.

Although California does not consolidate its various streams of homelessness funding under a single state agency, as Washington and Maryland do for some of their state and federal funds, the Legislature could still ensure that the State has comprehensive homelessness data by requiring all service providers that receive state funding to report data into their regional CoC's HMIS, as law allows. Requiring data reporting into an HMIS as a condition of receiving state funding would ensure that data from the various homelessness programs that the State funds would be eventually captured into the HDIS, since the homeless council intends to pull its data from each CoC's HMIS. As a result, the HDIS would be able to provide both the homeless council and the State more comprehensive data about the efficacy of homelessness programs at the local and state levels. Having a statewide database with complete information will allow the State to assess how effectively California is addressing homelessness and to develop strategies to further its goal of ending homelessness.

The Legislature could still ensure that the State has comprehensive homelessness data by requiring all service providers that receive state funding to report data into their regional CoC's HMIS, as law allows.

The State Does Not Provide Adequate Guidance or Technical Support to CoCs

The State falls short of providing CoCs with the necessary support and guidance to effectively address homelessness at the local level. In fact, the operations of CoCs are largely unsupervised by any state agency. Although state law assigned the homeless council the goals of creating partnerships among state agencies, local government agencies, recipients of federal CoC program funding, federal agencies, and homeless service providers, this goal is vague and lacks a definite requirement or enforcement mechanism to develop minimum expectations or guidance and to disseminate best practices to CoCs. According to homeless council staff, the homeless council has attempted to provide some guidance to CoCs; however, it lacks the authority to create enforceable guidance. CoCs generally play a prominent role in addressing homelessness in their areas, and federal regulations intend for them to promote communitywide commitment to the goal of ending homelessness. Given that the homeless council serves as a statewide facilitator, coordinator, and policy development resource on ending homelessness in California, we believe that it is best positioned to develop necessary guidance and set explicit expectations for CoCs. Further, doing so would also allow the homeless council to more effectively fulfill its goal of working with CoC program funding recipients to arrive at specific strategies to end homelessness.

State guidance is especially necessary considering that HUD's guidance allows for extraordinary discretion in how CoCs implement suggested practices, especially when it comes to CoC planning.

State guidance is especially necessary considering that HUD's guidance allows for extraordinary discretion in how CoCs implement the suggested practices, especially when it comes to CoC planning. For example, HUD regulations require CoCs to have a plan in place to conduct an annual gaps analysis. We believe a gaps analysis should be an assessment, performed by the CoC itself or a contracted entity, to determine whether the CoC has sufficient services and service providers in its area to meet the needs of those experiencing homelessness. HUD explained that regular evaluation of a CoC's performance, which should include a gaps analysis, is critical to a CoC's success. However, it has not provided any guidance on conducting such an analysis and does not require CoCs to submit these gaps analyses to HUD for review. HUD acknowledged that it has not clarified its expectations for the annual gaps analysis. It stated that when it developed the CoC Program it sought input from the community through focus groups, some of which expressed the concern that the federal government would be too prescriptive with its requirements. HUD explained that as a result, it ensured that its regulations covered the main elements for the CoC Program without imposing unnecessary requirements.

In the absence of detailed requirements, we found the five CoCs we reviewed do not always employ best practices or comply with federal regulations and expectations. As we describe in the next chapter, CoCs do not always have comprehensive plans that identify their strategies to combat homelessness, nor do they adequately conduct annual comprehensive gaps analyses. Further, not all of the five CoCs follow best practices when conducting PIT counts or ensure adequate access to homeless services and housing through their coordinated entry process.

Homeless council staff recognize the need for providing additional guidance to CoCs but also expressed concerns about taking on this role. According to homeless council staff, they connect CoCs that require technical assistance to HUD, which they believe is the appropriate entity to provide federal guidance. Homeless council staff further stated that it is not appropriate for the State to provide guidance on federal laws and regulations because it would not want to provide guidance that does not comply with federal regulations. However, homeless council staff agree that there is a need for the State to develop its own expectations and guidance for local entities, including CoCs, and the council staff generally feel that they have a good understanding of the problems and inconsistencies in the CoCs' efforts. Further, homeless council staff stated that the State's expectations and guidance could be similar to federal regulation requirements. Setting statewide expectations as a condition of state funding and developing guidance for meeting these expectations would ensure consistency across the CoCs' efforts to address homelessness and would help ensure that CoCs comply with federal regulations.

Homeless council staff stated that the homeless council does not currently have the resources to develop such guidance and that legislative action would be necessary for it to do so and for it to enforce any requirements. However, we believe it could use state funding to ensure that local entities and CoCs comply with any requirements it develops and to better coordinate the State's efforts to address homelessness. Other states already use this approach. For example, Washington officials told us that the state develops a statewide plan and that it requires local entities to develop plans that include strategies that align with that state plan. Similarly, Virginia reported that it requires CoCs to have plans in place that comply with federal regulations in order to receive state homelessness funding and that it reviews its CoCs' policies, procedures, and plans on an annual basis to ensure compliance with federal regulations and state guidelines. In the absence of sufficient guidance from the federal level, we believe that the CoCs would benefit from the homeless council developing guidance and disseminating best practices for effectively addressing homelessness.

We believe that the CoCs would benefit from the homeless council developing guidance and disseminating best practices for effectively addressing homelessness.

According to one HUD official, states may provide oversight of CoCs under certain circumstances so long as they do not contradict federal regulations. HUD also explained that it is aware that some states regulate access to state funding in order to impose requirements on CoCs. Given that the homeless council is responsible for coordinating state efforts to address homelessness and that CoCs play a prominent role in such efforts, it is essential for the council to provide guidance and set minimum expectations for CoCs to ensure their success.

Recommendations

Legislature

To ensure that the State effectively addresses the statewide issue of homelessness, the Legislature should require the homeless council, in collaboration with all state agencies that administer state and federal funding for homelessness, to collect and track funding data on all federal and state-funded homelessness programs, including the amount of funding available and expended each year, the types of activities funded, and types of entities that received the funds.

The Legislature should require the homeless council to prioritize its statutory goals with an emphasis on giving higher priority to coordination of statewide efforts to combat homelessness. To this end, the Legislature should require the homeless council to finalize its action plan and ensure that the plan documents the State's approach to addressing homelessness in California and that the action plan is updated regularly.

To ensure that the State has access to comprehensive data about homelessness, the Legislature should require all state entities that administer state funding for homelessness to ensure that recipient service providers enter relevant data into their CoC's HMIS, as law allows, as a condition of state funding. The required information should include, at a minimum, the same or similar information that recipients of federal CoC program funding must enter.

To ensure that CoCs are aware of processes and practices that can improve their efforts to combat homelessness at the local level and to provide CoCs with the necessary technical support, the Legislature should require the homeless council to develop statewide expectations and guidelines that CoCs and other local entities must follow as a condition of receiving state funding. These expectations and guidelines should consider best practices available from relevant local, state, and federal entities and should address, at a minimum, developing effective comprehensive plans, conducting PIT counts effectively and efficiently, increasing collaboration among service providers, conducting gaps analyses, and ensuring an effective coordinated entry process.

To the extent that the homeless council believes it does not have sufficient resources to implement any new statutory requirements, the Legislature should require the homeless council to conduct an analysis to determine its budgetary needs for implementing any new statutory requirements.

Chapter 2

CoCs DO NOT CONSISTENTLY EMPLOY BEST PRACTICES TO IMPROVE HOMELESS SERVICES IN THEIR AREAS

Chapter Summary

Our review of five CoCs—Fresno-Madera CoC, Mendocino CoC, Riverside CoC, Santa Barbara CoC, and Santa Clara CoC—found that they have not consistently complied with federal regulations or implemented best practices related to identifying those experiencing homelessness and planning to address those individuals' needs. For example, the five CoCs we reviewed do not conduct a comprehensive annual gaps analysis to determine whether the number and variety of services and service providers in their areas are adequate to achieve the goal of reducing homelessness. Further, although federal regulations require CoCs to develop a comprehensive plan that includes strategies to address homelessness, two out of the five CoCs do not have such a plan. In addition, although HUD and other national organizations recommend the use of a mobile application to conduct the PIT count, two of the five CoCs continue to manually record data on paper and could thus be missing an opportunity to better identify individuals experiencing homelessness in their area. We also found that two out of the five CoCs could expand access to housing and homeless services by implementing a dedicated telephone hotline for people experiencing homelessness. Finally, two of the five CoCs we reviewed do not have adequate processes for reviewing, scoring, and ranking project applications for federal funding. The number and pervasiveness of the problems we identified demonstrates the need for the State to provide CoCs with further guidance and support.

CoCs Have Not Ensured That They Adequately Assess and Plan for the Needs of Those Experiencing Homelessness

The five CoCs have not always complied with federal regulations or implemented best practices to ensure that they adequately assess and plan for the needs of those experiencing homelessness. For example, none of the five CoCs we reviewed conduct comprehensive annual gaps analyses. Although some CoCs reported that they perform these analyses, we found that their efforts were not comprehensive or adequate to determine whether service providers in their area were sufficient to address the needs of people experiencing homelessness. Further, one CoC has not updated its comprehensive plan in nearly five years, while another has never had such a plan in place. Finally, two of the five CoCs have not implemented the best practices of collecting feedback from volunteers on how to improve the PIT count process and using a mobile application for conducting their PIT counts. Because they do not always comply with regulations and follow best practices, the CoCs are missing vital opportunities to improve their efforts to combat homelessness in their areas.

None of the Five CoCs Have Adequately Determined Whether They Have Enough Service Providers to Meet the Needs of Those Experiencing Homelessness

The five CoCs we reviewed do not adequately conduct a comprehensive annual gaps analysis. Federal regulations require each CoC to have a plan in place to conduct an annual gaps analysis to determine whether the number and type of current services and service providers in its area are adequate to meet the needs of all the people it has identified as experiencing homelessness. We believe that an effective gaps analysis would track the types of services and the number of service providers that exist in the CoC area and determine whether both are sufficient to meet the needs of the individuals that the CoC has identified through its coordinated entry process. This gaps analysis can inform a CoC's efforts to more effectively combat homelessness in its area. For example, a CoC may learn that it does not have enough emergency shelters, mental health service providers, or organizations that serve veterans in an area. The CoC could then choose to make a concerted effort to recruit such service providers in the area. However, none of the CoCs we reviewed adequately conduct such an analysis annually.

Although four CoCs said they have performed aspects of gaps analyses, we found that the resulting assessments were not comprehensive or adequate.

Although four CoCs—the Santa Clara, Fresno-Madera, Santa Barbara, and Mendocino CoCs—said they have performed aspects of gaps analyses, we found that the resulting assessments were not comprehensive or adequate. For example, the Santa Clara CoC asserted that it has multiple work groups that conduct analyses on a continual basis to make ongoing improvements to address gaps in services in its area. However, the CoC does not take a comprehensive approach. For example, its coordinated assessment work group reviews and evaluates the performance of the coordinated entry process—the process for engaging with people who need housing and homeless services, assessing their needs, and connecting them to available services—and makes decisions about related policy and design changes. We found that this analysis focuses solely on the CoC's coordinated entry process, as this is the responsibility of the work group, and does not include a review to comprehensively identify services that are needed but not available within the CoC's area. Because the Santa Clara CoC does not have a process in place to conduct such an annual comprehensive gaps analysis, its understanding of the effectiveness or breadth of its homelessness program as a whole is limited.

Similarly, the Fresno-Madera CoC stated that although it does not conduct a formal gaps analysis, some of the work that it conducts would inform a gaps analysis. For example, the CoC stated that when it completes its annual assessment of the coordinated entry process and when it ranks the projects it believes should receive CoC Program funds, it identifies certain gaps and areas where additional funds are needed for services. However, its coordinated entry assessment does not analyze and identify gaps in its homeless service provider network as a whole. Further, the Fresno-Madera CoC could not demonstrate that when it prioritized projects for funding, it considered gaps in its network of homeless service providers. As a result, the Fresno-Madera CoC's efforts do not allow it to assess its network of service providers, operations, and homelessness programs in a comprehensive or holistic manner to ensure that the CoC has sufficient types and numbers of service providers to meet the needs of those experiencing homelessness.

The Santa Barbara CoC also conducted a gaps analysis; however, its analysis did not adequately address whether it has a sufficient number and appropriate types of service providers to meet the needs of people experiencing homelessness. In 2019 the Santa Barbara CoC contracted with a consultant to conduct a gaps analysis as part of an update to its current community plan—a plan that identifies strategies for delivering housing and services to meet the specific needs of people who are experiencing homelessness. According to the CoC, it used the consultant's gaps analysis to create its own template that it intends to use annually to comply with the federal expectation. We expected the template to include an assessment of whether the number and types of services and service providers are adequate to meet the needs of those that are experiencing homelessness. Although the analysis the contractor conducted and the subsequent template the CoC created focus on identifying whether the CoC has adequate shelters and housing, the analysis does not address other types of supportive services, such as mental health services, job training, social services, and food assistance programs.

The Santa Barbara CoC's gaps analysis did not adequately address whether it has a sufficient number and appropriate types of service providers to meet the needs of people experiencing homelessness.

Additionally, Mendocino County contracted with a consultant in 2017 who developed a gaps analysis that the CoC used to develop its comprehensive plan. The analysis appropriately identified gaps in the CoC's area, including a need for winter shelters and additional short-term and long-term housing. However, the CoC does not have a formal process in place to conduct a gaps analysis annually; in fact, this was the only analysis that the CoC could demonstrate it had completed. Further, according to the CoC, it will not be able to conduct such an analysis annually because doing so was resource- and time-intensive.

Finally, the Riverside CoC has not yet conducted any type of gaps analysis, although its staff told us that it hopes to do so in the near future. In May 2020, the CoC assigned a committee of CoC members the responsibility of developing a process to conduct an annual gaps analysis. The CoC stated that the committee is currently working with consultants, who provide subject‑matter expertise, to determine what the gaps analysis will include and how the CoC will assess the data. The Riverside CoC plans to complete its first gaps analysis by July 2021.

The five CoCs cited different reasons to explain why they have not completed annual gaps analyses, which HUD does not require them to submit for review. The Santa Clara CoC believes that the current process it has in place—committees that prepare reports analyzing limited aspects of its system—is beneficial in terms of consistently looking for gaps. The Santa Barbara CoC explained that its previous collaborative applicant—a nonprofit organization—did not have the capacity and did not fully understand the expectation to conduct the analysis. Fresno‑Madera CoC explained that it believes its current processes are sufficient as it informs the CoC's work and HUD has not provided explicit guidance in terms of how it wishes CoCs to conduct an annual gaps analysis. In addition, Fresno‑Madera CoC stated that HUD has not identified any issues nor commented negatively on its processes during the application process for CoC Program funds. The Mendocino CoC stated that it does not have the resources or personnel to conduct a gaps analysis annually. Finally, the Riverside CoC could not explain why it has not conducted an annual gaps analysis.

The five CoCs lack assurance that they have identified and addressed shortcomings in the types of services and service providers available within their areas.

Because they have not conducted a comprehensive annual gaps analysis, the five CoCs lack assurance that they have identified and addressed shortcomings in the types of services and service providers available within their areas. Given that California has the highest rate of homelessness in the United States—a rate that is continuing to increase—it is essential for each CoC in the State to understand gaps within its network of service providers, develop strategies for addressing those gaps, and prioritize funding for the necessary services and service providers.

Two of the Five CoCs Do Not Have Current Comprehensive Plans

Federal law requires each CoC to develop a comprehensive plan that identifies its strategies to meet the needs of those experiencing homelessness. Federal regulations require that the plan include strategies for activities such as performing outreach; providing shelter, housing, and supportive services; and preventing homelessness. HUD's best practices suggest that developing a comprehensive plan allows a CoC to assess its capacity, identify gaps, and develop proactive solutions to move those experiencing homelessness toward permanent housing. Further, HUD asserts that CoC planning helps communities develop a common vision and goals to combat homelessness, assists providers in identifying ways to coordinate resources to avoid duplication, and encourages stakeholder participation. HUD does not specify how frequently a CoC should update its plans; however, we expected the CoCs we reviewed to have regularly updated their plans to reflect their current efforts, identify their new strategies, and communicate to the public and other stakeholders how they are addressing homelessness.

Only three of the CoCs we reviewed have comprehensive plans in place that they plan to regularly update going forward.

Nonetheless, only three of the CoCs we reviewed—Mendocino, Santa Barbara, and Santa Clara—have comprehensive plans in place that they plan to regularly update going forward. For example, the Santa Clara CoC uses its steering committee, which consists of CoC board members and additional key CoC leaders, to oversee the planning process, in part by gathering community input and drafting an update to the comprehensive plan every five years. The Santa Clara CoC's planning process encourages community engagement: to inform the strategies in the comprehensive plan, the CoC seeks feedback from relevant organizations involved in homelessness programs, the public, and subject-matter experts. This continuous communication during the planning process builds trust, assures mutual objectives, and ensures that all participants have a shared vision for change, including a common understanding of problems and a joint approach to solving them through agreed-upon strategies and actions.

In contrast, the other two CoCs—Fresno-Madera and Riverside—do not have current comprehensive plans that reflect the totality of their strategies and plans of action to prevent and address homelessness. The Fresno-Madera CoC asserted that a 2018 report that a consultant generated for the Fresno Housing Authority and the city of Fresno serves as its comprehensive plan. Although this report includes recommendations for addressing homelessness, it is not a plan with clear strategies or plans of action. Further, the Fresno-Madera CoC has not taken steps to implement its recommendations, which include engaging the entire Fresno community in developing solutions for homelessness and ensuring that the Fresno community has a clear plan of action based on a common agenda for change. Although the recommendations in the consultant's report are not directed at the Fresno-Madera CoC, we expected that the CoC would have taken steps to implement them if it considers this report to be its comprehensive plan. Further, although the CoC area covers Fresno and Madera counties, the report is limited only to Fresno County. Because the report does not encompass the entire CoC area and contains recommendations for improvements without clear plans of action, it does not adequately reflect the Fresno-Madera CoC's strategies for combating homelessness as the federal government expects a comprehensive plan to do.

Similarly, the Riverside CoC does not have in place a current comprehensive plan that contains its strategies to address homelessness. Instead, the CoC uses Riverside County's 2018 action plan to address homelessness as a guide for its strategies regarding homelessness. Although this action plan contains most of the required strategies in federal regulations, its development was a county effort that included only certain county departments rather than CoC members, such as nonprofit homeless service providers and homeless advocates. Ensuring that all members of a CoC have a shared vision and common understanding of problems and joint approach to solving them through agreed-upon actions is important to ensure that all participants are fully committed to ending homelessness. The Riverside CoC indicated that it is actively working to develop a plan and intends to publish it by July 2021.

Some CoCs Do Not Follow All Best Practices When Identifying People Experiencing Homelessness

All five of the CoCs we reviewed have generally employed the minimum standards that HUD prescribes to identify people experiencing homelessness, but they could perform this critical task better by following all best practices. As Appendix B describes, the federally required PIT count includes a count of people experiencing homelessness who are sheltered and unsheltered. It also includes surveying at least a selection of these individuals to determine specific information related to their homeless status, such as where they are sleeping the night of the count and the length of time they have been experiencing homelessness. HUD establishes required minimum standards for conducting the PIT count and provides best practices to CoCs on how to meet those standards in its 2014 *Point-in-Time Count Methodology Guide*. We found that the five CoCs we reviewed satisfied HUD's standards by using the best practices HUD prescribes. These practices include recruiting and training volunteers, providing incentives to people experiencing homelessness to encourage them to participate in the survey, and ensuring that adequate measures are in place to safely store the sensitive data while conducting the PIT count.

We found that the five CoCs we reviewed satisfied HUD's standards by using the best practices HUD prescribes, but some CoCs could employ certain additional best practices.

Nevertheless, some CoCs could employ certain additional best practices to ensure the efficiency of their PIT counts and the usability of their PIT count data. The PIT count is a resource-intensive process because CoCs must coordinate a count of all people experiencing homelessness on a single night in their geographic area, as well as conducting a survey with specific questions. Most CoCs have historically conducted both the count and survey by using paper to record the numbers and responses. However, in recent years, the U.S. Interagency Council on Homelessness (USICH) has reported that an increasing number of CoCs across the country have transitioned to the use of digital technology to make the PIT count process more reliable and efficient.[8] Recognizing the benefits of using this technology, in December 2016 HUD released a guide that encourages CoCs to use mobile applications for conducting their PIT counts. USICH published an article in November 2019 that also highlights the benefits of CoCs using mobile applications to conduct their PIT counts.

An increasing number of CoCs across the country have transitioned to the use of digital technology to make the PIT count process more reliable and efficient.

One of the benefits of using a mobile application that both HUD and USICH highlight is the ability to collect and analyze homelessness data more quickly by eliminating the transfer of the data from paper surveys to an electronic database. Further, USICH asserts that mobile applications provide enhanced quality control opportunities because the data can be immediately uploaded from a volunteer's smart device to a central server, allowing for real‑time corrections of errors. For example, if a volunteer consistently forgets to enter information into a specific field, such as a person's age, gender, race, or ethnicity, the CoC can monitor for these data input errors and contact the volunteer immediately to correct the problem. In addition, using a mobile application provides increased security of people's personally identifiable information because fewer people will see it due to the elimination of the paper‑to‑computer transfer. The USICH article also highlights that a mobile application increases ease of use, leads to higher accuracy of data collection, and is less expensive.

The Fresno‑Madera, Riverside, and Santa Barbara CoCs agree with the benefits the USICH article highlights, and these three CoCs have taken advantage of these benefits by using mobile applications for their PIT counts. However, the Mendocino and Santa Clara CoCs still use paper, which could decrease the efficiency of their processes and the usability of their data. The Mendocino CoC explained that it considered switching to a mobile application but did not feel confident that the application would be reliable enough because of the rural locations and poor mobile signals in some parts of its area. However, USICH found that mobile applications are able to collect data on smart devices even when a mobile signal is not available and then upload the data later, when a mobile signal becomes available. The Santa Clara CoC stated that it does not believe there is any delay in processing PIT count data that

8 USICH was established within the executive branch of the U.S. government to coordinate the federal response to homelessness and create a national partnership at every level of government to end homelessness in the United States.

Until the Mendocino and Santa Clara CoCs begin to use a mobile application for conducting their PIT counts, they will be missing an opportunity to ensure that their PIT count process is as effective and efficient as possible.

it collects. However, it explained that it is planning to move to a mobile application for several reasons, including that its community has expressed interest in transitioning to a mobile application and because it will allow for faster data processing. The Santa Clara CoC stated that it is continually working on improving and streamlining its PIT count process and plans to utilize a mobile application for its next PIT count. Until the Mendocino and Santa Clara CoCs begin to use a mobile application for conducting their PIT counts, they will be missing an opportunity to ensure that their PIT count process is as effective and efficient as possible.

Further, the Mendocino CoC could not demonstrate that it collects and responds to feedback from volunteers after conducting its PIT count. The homeless council has noted that successful counts of unsheltered people experiencing homelessness are often highly dependent on volunteer participation from the community. Additionally, the National Alliance to End Homelessness highlights the importance of collecting and responding to feedback from volunteers to improve the PIT count process. According to the Mendocino CoC, getting anyone besides its own staff members to participate in activities after the completion of the PIT count is difficult. Instead, the lead person for each volunteer group often informally solicits feedback from volunteers when they return from the PIT count and provides that feedback in the form of handwritten notes to the CoC. However, the Mendocino CoC acknowledged that it does not have any documentation demonstrating that it used the informal feedback to inform its approach to conducting subsequent PIT counts. Until the Mendocino CoC formalizes its process for documenting volunteer feedback, it may be missing opportunities to improve its PIT count process.

The remaining four CoCs found that feedback from volunteers has provided useful information for improving their PIT count process. For example, the Santa Clara CoC stated that it has made several changes to its PIT count process based on volunteer feedback, such as adding a recorded training option and streamlining some aspects of its training. In addition, the Riverside CoC stated that one of the challenges it faces is getting all volunteers who sign up to show up on the actual day of the PIT count. One strategy that the Riverside CoC stated that it has implemented to improve its number of volunteers on the day of the PIT count is to provide a satisfaction survey after the PIT count that asks volunteers to provide feedback and suggestions for how to improve their experience. The Riverside CoC uses the information it collects to improve the next year's PIT count.

Some CoCs Have Not Taken Steps That Could Improve Their Collaboration and Coordination With Homeless Service Providers

Although the five CoCs we reviewed generally use similar approaches when collaborating with homeless service providers, better aligning those approaches with best practices and federal regulations could improve their efforts to help individuals who are experiencing homelessness. For example, four of the five CoCs do not have a board that is representative of all of the federally defined types of relevant organizations. The Fresno-Madera CoC also charges an annual membership fee, which may deter service providers from becoming members. In addition, the Mendocino CoC does not employ street outreach teams or a dedicated hotline to ensure that individuals can access services without physically visiting designated locations. Finally, most of the CoCs stated that locating individuals who are homeless after the initial contact and assessment can be difficult because of the transient nature of such individuals' lives. However, only one of the five CoCs has completed a review of available data and determined that locating these individuals is a cause of delay in providing services and has created a dedicated team to address this issue.

Some CoCs' Boards Do Not Fully Represent All Required Perspectives, and One CoC Charges a Membership Fee

Federal regulations require every CoC to establish a board to act on its behalf. Although federal regulations do not specify the number of members the board must have, they require that the board must include at least one person who is currently or has been homeless and that, in addition, the board must be representative of 15 types of relevant organizations within the CoC's area, including nonprofit homeless assistance providers, faith-based organizations, and social service providers. Having the interests of these relevant organizations represented helps ensure that a board will take into account these perspectives when making decisions related to critical issues, such as funding priorities, policies, and strategies to address homelessness.

The boards of four of the five CoCs we reviewed did not always represent the interests of all federally listed relevant organizations and individuals, which may limit these boards' ability to develop effective policies and plans to combat homelessness.

Nonetheless, as Table 3 shows, the boards of four of the five CoCs we reviewed did not always represent the interests of all federally listed relevant organizations and individuals, which may limit these boards' ability to develop effective policies and plans to combat homelessness. For example, various news media have recently reported on the increase of homelessness among college students, a condition that highlights the need to include the interests of college representatives on each CoC board to ensure that they have a voice when it comes to policies and strategies to address homelessness among young adults. However, the Fresno-Madera, Mendocino, Riverside, and Santa Barbara CoCs did not have the interests of colleges represented on their boards during our audit period.

Table 3
Four CoCs Did Not Ensure That the Interests of All Federally Listed Organizations Are Represented on Their Boards

ORGANIZATION/REPRESENTATIVE	FRESNO-MADERA	MENDOCINO	RIVERSIDE	SANTA BARBARA	SANTA CLARA
Nonprofit homeless assistance providers	✓	✓	✓	✓	✓
Victim service providers	✓	✓	✓	✓	✓
Faith-based organizations	✓	✓	✓	✓	✓
Governments	✓	✓	✓	✓	✓
Businesses	✓	X	✓	✓	✓
Homeless advocates	✓	✓	✓	✓	✓
Public housing agencies	✓	✓	✓	✓	✓
School districts	✓	✓	✓	✓	✓
Social service providers	✓	✓	✓	✓	✓
Mental health agencies	✓	✓	✓	✓	✓
Hospitals	✓	✓	✓	✓	✓
Colleges	X	X	X*	X	✓
Affordable housing developers	✓	✓	✓	✓	✓
Law enforcement	X	✓	✓	✓	✓
Organizations that serve veterans	✓	✓	✓	✓	✓
Individuals who are or were formerly homeless	✓	✓	✓	✓	✓

Source: Federal law and documentation provided by each CoC.

* The board representative for colleges was not on the board until November 2020, which was after our audit period.

These CoCs offered different reasons for their boards not having a college representative. The Mendocino CoC indicated that it has tried to include a representative from universities that have satellite locations in the area or from the local community college, but none have accepted its offers. In contrast, the Santa Barbara CoC does not believe that federal regulations require a college representative on the board, and it further explained that it strives to ensure that organizations not represented on the board can still actively participate in the CoC. However, as we show in Table 3, federal regulations require CoC boards to be representative of colleges in their areas, and having a college representative as a CoC board member would clearly enable the CoC to satisfy this requirement. Similarly, Fresno-Madera CoC believes that although its board does not include a representative from a college, such individuals are able to attend CoC meetings, which are open to the public. Regardless, the approaches of the Santa Barbara and Fresno-Madera CoCs do not comply with federal regulations because they do not ensure that colleges have an adequate voice when the CoCs' boards make decisions—a choice we find even more problematic because these two CoCs have large colleges in their area that serve students experiencing homelessness. The Riverside CoC acknowledged that the college seat on its board was vacant until November 2020, when it filled the position with a representative from the University of California, Riverside.

The membership fee that the Fresno-Madera CoC charges may create a barrier for service providers and other interested stakeholders who want to serve as CoC members.

Additionally, one of the Fresno-Madera CoC's membership requirements may create a barrier for service providers and other interested stakeholders who want to serve as CoC members. Unlike the other four CoCs we reviewed, the Fresno-Madera CoC charges an annual membership fee. According to the Fresno-Madera CoC, the membership fee covered its costs for developing the annual application for CoC Program funds until 2012, when HUD began awarding it funds for planning purposes, including for developing the annual application. The Fresno-Madera CoC indicated that it continues to charge a membership fee because HUD does not guarantee the availability of planning funds, for which the CoC must apply annually. However, the CoC has not conducted an analysis to determine whether its membership fee is still necessary. Currently, the fee ranges from $100 to $5,000 annually, depending on the type of organization. For example, a nongovernmental organization with an annual budget of up to $100,000 would pay an annual fee of $100, whereas a government agency for a city or county whose population is more than 500,000 would pay an annual fee of $5,000.

The Fresno-Madera CoC's practice of charging a membership fee may hinder an organization's ability or desire to become a member, which may ultimately limit the number of relevant organizations with which the CoC works. Moreover, it also potentially limits the service providers that are eligible for CoC Program funds because the Fresno-Madera CoC requires service providers to be a member to apply for funding. The CoC does not believe that the fee deters organizations from becoming members because its board may waive the fee. However, although the CoC's bylaws describe the option of waiving the fee, its membership application does not mention the option; as a result, an interested organization that is completing the application may be discouraged from becoming a member. In fact, the Fresno-Madera CoC stated that it has not received any requests to waive a fee. By charging a fee that it may no longer need because it now receives CoC planning funds from HUD, the Fresno-Madera CoC may create an unnecessary barrier to membership.

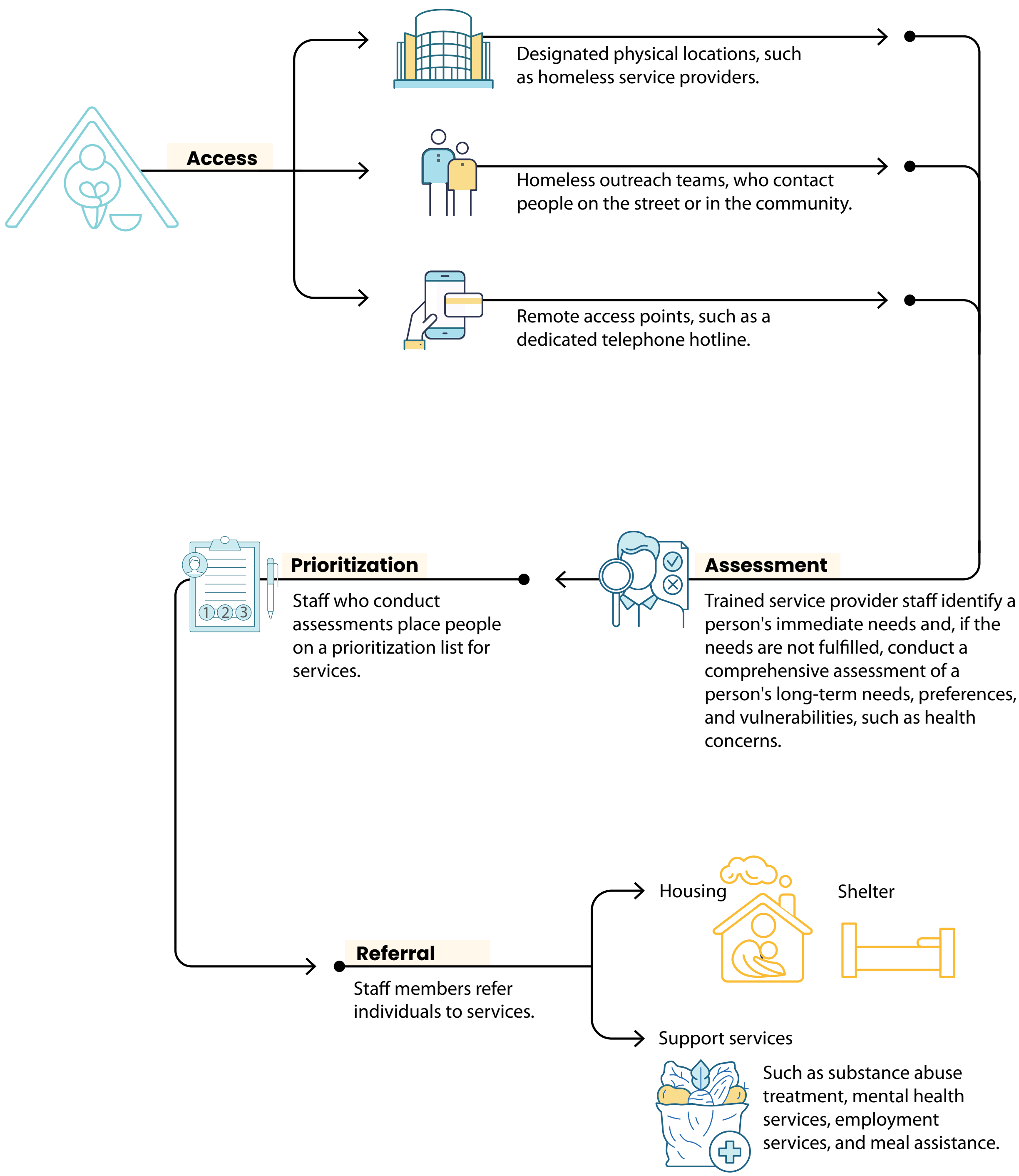
Some Individuals Who Are Experiencing Homelessness May Struggle to Access Services Because of Gaps in CoCs' Coordinated Entry Processes

All five CoCs use a coordinated entry process to assess the needs of people experiencing homelessness or at risk of experiencing homelessness to connect them to the appropriate service providers. As Figure 5 shows, individuals and families needing services can start the coordinated entry process through several means, including at physical locations throughout a CoC's area, through homeless outreach workers on the street, or by calling a hotline. Trained staff will then use a standardized tool to assess their needs and vulnerabilities, including any physical and behavioral health concerns, and—based on that assessment—prioritize their need for services.

HUD requires a CoC to make the coordinated entry process accessible to individuals and families seeking housing or services throughout its entire geographic area. As Table 4 shows, the five CoCs we reviewed have all designated one or more physical locations, such as a county department or a homeless service provider site, to function as the first point of contact where people can seek assistance. However, the Mendocino and Fresno-Madera CoCs do not offer a dedicated hotline that people can call to begin the coordinated entry process and be assessed for their needs. According to HUD guidance, a dedicated hotline can be safer for certain populations, such as domestic violence survivors, because it does not require them to be at a well-known public location. It also provides access in remote communities that do not offer nearby physical access points. During the course of our audit, the Santa Clara CoC made permanent a hotline and processes to allow assessments over the telephone that it set up in response to the pandemic. Further, both the Riverside and Santa Barbara CoCs utilize dedicated telephone hotlines that not only provide information about the coordinated entry process but will also triage and assess callers' needs as part of that process.

According to HUD guidance, a dedicated hotline can be safer for certain populations, such as domestic violence survivors, because it does not require them to be at a well-known public location.

Figure 5
Individuals Experiencing Homelessness Access Services Through a CoC's Coordinated Entry Process



Source: HUD Coordinated Entry Core Elements and documentation from the five CoCs we reviewed.

Table 4
By Better Aligning With Best Practices, CoCs Can Increase Access to Services Through Their Coordinated Entry Process

BEST PRACTICES	FRESNO-MADERA	MENDOCINO	RIVERSIDE	SANTA BARBARA	SANTA CLARA
Access					
Multiple physical access points, such as at CoC service provider locations, where people experiencing homelessness can seek assistance, throughout the geographic area of the CoC.	✓	✓	✓	✓	✓
Homeless outreach teams to contact unsheltered people experiencing homelessness.	✓	X	✓	✓	✓
A dedicated telephone hotline to access homeless services.	X	X	✓	✓	✓
Referral					
Tracked and reviewed length of time it takes to locate people after they are referred to a provider and used this information to determine that it was an area of delay in the referral process.	X	X	X	X	✓

Source: HUD guidance and documentation provided by the five CoCs we reviewed.

CoCs that do not provide a dedicated hotline to provide information and access to the coordinated entry process are likely missing an opportunity to provide services for people who require them. Although the Mendocino CoC told us that it intends to establish a hotline in the future, the Fresno-Madera CoC stated that establishing a dedicated hotline would be resource-intensive. However, the Fresno-Madera CoC has not conducted any analysis to determine the specific resources it would require. The Riverside CoC stated that even though its hotline required a significant investment in staff time and funding, it proved to be valuable and expanded the CoC's reach to all areas of the county. According to the Riverside CoC, many people experiencing homelessness who have phones use the hotline to request support.

The Mendocino CoC could further increase people's access to services and its compliance with HUD requirements by employing outreach teams to contact people experiencing homelessness in rural communities. The other four CoCs employ such outreach teams, which seek out those experiencing homelessness to assess their needs and connect them to services. For example, the Fresno-Madera CoC's outreach teams distribute information about the coordinated entry process at places people who are homeless are known to frequent, such as public parks and shopping centers. The CoC explained that one of its outreach teams travels around its area, including rural areas, to ensure that people are aware of available services. According to USICH, having outreach teams identify and engage people living in unsheltered locations, such as in cars or parks, plays a critical role in ending homelessness because the teams can connect with people who might not otherwise seek assistance.

Although HUD requires that coordinated entry be accessible to a CoC's entire geographic area, the Mendocino CoC acknowledged that some of its remote rural communities do not have such access. Nonetheless, the Mendocino CoC stated that it currently does not have the resources to send outreach teams to these areas. It intended to establish a homeless street outreach team after receiving additional state funding but stated that it delayed this effort because of the pandemic. Without taking steps to reach people within all communities so that they can access the coordinated entry process, the Mendocino CoC risks leaving some who are experiencing homelessness without adequate access to services.

Four of the Five CoCs Have Struggled to Locate Individuals After Services Become Available for Them

Most of the CoCs we reviewed said they struggle to match people who are experiencing homelessness with housing services because the demand exceeds supply, and once the CoC identifies a person's housing needs, it can take time for the CoC to find the needed services for the person. The amount of time it takes to match a person to an available housing service provider varies among CoCs. The Riverside CoC, for example, estimated that it could take 45 to 60 days from the date of referral to get an individual into permanent housing but that this time was reduced by the influx of CARES Act funds in 2020. The Mendocino CoC reiterated that its limited housing stock and low rental vacancy rates make it difficult for people experiencing homelessness to obtain housing. It said that the time between referral to housing and placement in an available unit has ranged from 60 to 180 days in the last six months. Some CoCs explained that there are individuals who elect not to receive services. The Mendocino CoC stated that it cannot address a person's choice to live a certain lifestyle and not accept services, and the Fresno-Madera CoC similarly explained that even after housing becomes available, some people have declined the option.

That said, four of the five CoCs told us that locating individuals after their initial needs assessment can be difficult because they are transient, which can further lengthen the time before they receive the housing or services that they need. Generally, the CoCs we reviewed locate people based on any contact information they provided and the place of their last enrollment for the services. The CoCs generally do not track how long it takes to locate people after

Locating individuals after their initial needs assessment can be difficult because they are transient, which can further lengthen the time before they receive the housing or services that they need.

Although HUD has not required CoCs to track referral data until recently, doing so can help CoCs identify issues that can slow down the coordinated entry process and help them address those sources of delay.

their initial assessment and referral to a service provider, in part, because until recently HUD did not require them to do so. The Santa Barbara CoC stated that although building close relationships with those requesting services often enables it to locate people after they have been referred, some individuals may be difficult to find if it takes a long time for housing to become available. The Mendocino CoC stated that it struggles to find people in rural communities because they frequently change locations. Further, the Riverside CoC explained that service providers may reject multiple individuals who are higher on the prioritization list because neither the service provider nor the CoC can locate them. Consequently, people the CoC has identified as having more urgent needs for housing or services may not have those needs met. Although HUD has not required CoCs to track referral data until recently, doing so can help CoCs identify issues that can slow down the coordinated entry process and help them address those sources of delay.

After the Santa Clara CoC conducted a review of its referrals, it implemented processes that reduce the time it requires to locate and connect individuals with service providers that can meet their identified needs. In 2017 the Santa Clara CoC stated that it spent several months reviewing its pattern of referrals and identified that one of the primary challenges in matching individuals to available housing and homeless services was its inability to locate the people it had already assessed as needing the services. To address this challenge, the CoC established a dedicated team with expertise in quickly locating and building relationships with those experiencing homelessness. Once services or housing becomes available for individuals, the team immediately mobilizes to locate and contact them directly and assist them in completing any required eligibility paperwork.

According to the Santa Clara CoC, this approach has reduced the average time to locate individuals from 37 days to 13 days. The Santa Clara CoC was able to take steps to address this problem because, according to staff, it actively tracked the length of time between an individual's referral for services and enrollment with a service provider. Since October 2020, HUD has required CoCs to report when referrals occur, the results of those referrals, and information about the referred individuals' locations at each point of contact. By tracking this information, CoCs can gauge whether they are providing the most effective pathways to housing and services and determine whether implementing processes to address sources of delays—such as assigning dedicated teams to locate people, as the Santa Clara CoC does—could ensure that those in need receive services more quickly.

Two CoCs Lack Adequate Processes for Reviewing Projects for Federal Funding

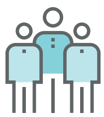
Two of the five CoCs we reviewed lack adequate processes for reviewing and ranking project applications for CoC Program funding. In HUD's federal fiscal year 2019 Notice of Funding Availability for the CoC Program, HUD required each CoC to publicly post written procedures that clearly describe the CoC's process for reviewing, scoring, and ranking each application. Additionally, federal regulations require each CoC to establish priorities for funding projects in its geographic area. Homeless service providers in the area that have current or proposed new homeless assistance projects may submit applications to the CoC, which the CoC must then review and rank. The CoC may also reject applications that do not meet performance requirements it imposes.

As Figure 6 shows, each of the CoCs we reviewed assigns a committee to review the applications. Each CoC requires the committee to use a tool to score various aspects of a project, including its impact, effectiveness, and compliance with certain requirements, as well as the applicant's experience in managing federal funds. The CoC collaborative applicant—which applies for funding from HUD on behalf of the CoC—then compiles all project applications the committee reviewed into a single application that prioritizes those projects it has approved and recommends that HUD fund. For the CoCs we reviewed, we found that HUD generally awarded funds to projects in the order of priority that the CoC identified.

Although each CoC has policies in place for reviewing and ranking project applications, the Mendocino and Riverside CoCs' policies are not adequate to ensure that they consistently prioritize the projects that are likely to be the most effective. Specifically, the Riverside CoC prioritizes awarding funding to projects that HUD has funded in the previous year (renewal projects) over new projects, even if its committee gave the new projects higher scores. According to the Riverside CoC, it believes that it can maximize the use of grant funds by prioritizing renewal projects and then allowing new projects to apply for any remaining funds. In its federal fiscal year 2019 CoC Program application, the Riverside CoC submitted a prioritized list of 22 new and renewal projects to HUD. It included all five of the new projects at the bottom of the list, along with one renewal project, even though the new projects had scores that warranted a higher placement. Projects at the bottom of a CoC's prioritization list are less likely to receive funding from HUD. In fact, HUD did not award funding to two of the five new projects—one of which received a score higher than or equal to

The Mendocino and Riverside CoCs' policies are not adequate to ensure that they consistently prioritize the projects that are likely to be the most effective.

Figure 6
The CoCs We Reviewed Have Established Processes for Reviewing and Ranking Applications for CoC Program Funding



The **CoC** recruits neutral CoC members or local experts to serve on its review-and-rank committee.

Homeless service providers submit an application for funding for a project they will administer.

The **committee** reviews the submitted documentation and develops preliminary scores using specific scoring criteria that the CoC established.

The **committee** meets to discuss the projects and proposes a ranked list.

The **committee** releases the results to the applicants.
- Homeless service provider applicants have an opportunity to appeal.
- If the committee's decision is appealed, a separate panel will hold an appellate hearing, which results in a final determination.

CoC board reviews and approves the final ranked list.

CoC collaborative applicant submits the final ranked list to HUD.

HUD reviews the submitted applications and makes final award determinations.

Source: Documentation provided by each CoC and federal law.

two renewal projects that HUD funded and another that received a score higher than a renewal project that received funding. We disagree with the Riverside CoC's approach and believe that prioritizing applications for projects that receive higher scores, and are potentially more effective, is essential to ensuring that the CoC meets the needs of those experiencing homelessness in the area. The Riverside CoC acknowledges that it needs to assess its review-and-rank policies and scoring tools to ensure that new and renewal projects have an equal opportunity to apply for funding and that it prioritizes the most effective projects for funding.

The Mendocino CoC's scoring tool also does not ensure that new projects have equal opportunity to receive federal funding. Specifically, its scoring tool assigns points based on participation in both its HMIS and its coordinated entry process. Because both of these are requirements for all projects that receive CoC funds, renewal project applicants are more likely to meet these criteria. In contrast, applicants for new projects may not participate in HMIS or the coordinated entry process because they have yet to receive funding. The Fresno-Madera, Riverside, Santa Barbara, and Santa Clara CoCs use separate scoring tools for renewal projects and new projects to allow new projects to submit comparable—but different—information; however, the Mendocino CoC uses the same scoring tool for both types of applications. As a result, the Mendocino CoC may miss an opportunity to ensure that a potentially more effective new project applicant receives funding rather than a less effective renewal project. The Mendocino CoC is aware that the current scoring tool gives an advantage to renewal projects, and it agrees that it needs to make necessary changes to improve its review-and-rank processes.

Recommendations

To help ensure that they have adequate levels of services and service providers in their respective areas to meet the needs of people who are experiencing homelessness, the counties of Mendocino, Riverside, Santa Barbara, and Santa Clara, and the Fresno City Housing Authority should coordinate with their CoCs to ensure that the CoCs annually conduct a comprehensive gaps analysis in accordance with the plans they have developed under federal regulations. To be effective, the gaps analyses should consider whether adequate services are available in the areas where individuals are experiencing homelessness and should contain strategies to address any deficiencies.

To ensure that they adequately identify their long-term strategies to address homelessness, the County of Riverside and the Fresno City Housing Authority should coordinate with their CoCs to implement a planning process and develop a comprehensive plan that meets all federal requirements by August 2021. The planning process should ensure that the CoCs update their comprehensive plans at least every five years.

To ensure that they use the most effective method of identifying individuals in their counties who are experiencing homelessness, the counties of Mendocino and Santa Clara should, by August 2021, coordinate with their CoCs to conduct an analysis to determine whether the use of a mobile application to conduct their 2022 PIT counts is feasible. By that same date, the county of Mendocino should also coordinate with its CoC to formalize and implement the CoC's process for collecting and responding to volunteer feedback after its PIT count.

To comply with federal regulations and ensure that their CoCs' decisions reflect a variety of perspectives, the counties of Mendocino, Santa Barbara, and the Fresno City Housing Authority should, by August 2021, coordinate with their CoCs to ensure that the CoCs' boards are representative of all relevant organizations.

To reduce barriers to CoC membership and to encourage participation, the Fresno City Housing Authority should coordinate with its CoC to conduct an analysis of whether its membership fee is necessary and, if it is not, to eliminate it by August 2021.

To expand access to the coordinated entry process, the county of Mendocino should, by August 2021, work with its CoC to establish an outreach team to assess the needs of individuals in rural communities who are homeless and to connect them to appropriate service providers.

To ensure that individuals experiencing homelessness have adequate access to the coordinated entry process, the county of Mendocino and the Fresno City Housing Authority should, by August 2021, coordinate with their CoCs to assess the feasibility of establishing a dedicated telephone hotline for providing information about available services, assessing individuals' needs, and referring those individuals to appropriate housing or homeless service providers.

To increase the efficiency of the coordinated entry process, the counties of Mendocino, Riverside, and Santa Barbara, and the Fresno City Housing Authority should coordinate with their CoCs to determine how long it takes to locate individuals after they have been matched with a service provider. Specifically, they should use the referral data that HUD required CoCs to collect as of October 2020 to determine whether locating individuals after they have been matched with a service provider is a cause of delay in providing them with services. If these entities find that excessive delays exist, they should coordinate with their CoCs to implement processes such as deploying a dedicated team to locate these individuals when appropriate housing and services become available.

To ensure that it identifies the projects that offer the greatest possible benefits when ranking applications for CoC Program funds, the counties of Mendocino and Riverside should, by August 2021, coordinate with their CoCs to update the CoCs' scoring tools and review-and-rank policies and procedures to give new and renewal projects an equal opportunity to receive federal funding.

We conducted this performance audit in accordance with generally accepted government auditing standards and under the authority vested in the California State Auditor by Government Code 8543 et seq. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,

Elaine M. Howle

ELAINE M. HOWLE, CPA
California State Auditor

February 11, 2021

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Appendix A

STATE-ADMINISTERED PROGRAMS THAT PROVIDED FUNDING TO ADDRESS HOMELESSNESS, FISCAL YEARS 2018–19 THROUGH 2020–21

As we discuss in Chapter 1, the State lacks a single oversight entity that coordinates the funds that it allocates to local governments and service providers to combat homelessness. According to homeless council staff, the council does not currently have the statutory authority to collect expenditure data from other state agencies and has not been able to track program spending to date. We found that at least nine state agencies have provided funding during fiscal years 2018–19 through 2020–21 through 41 programs to address homelessness in the State. For example, the California Governor's Office of Emergency Services administers nine programs that provide homelessness funding, while the California Department of Social Services administers six such programs. Table A presents the state agencies that administered the various programs, the purposes of the programs, and the funding amounts available under each program from fiscal years 2018–19 through 2020–21. In each of the three fiscal years, the 41 programs provided $4 billion or more in total funding.

Table A
State Agencies That Administer Programs Related to Homelessness

ADMINISTERING AGENCY	PROGRAM NAME*	PURPOSE OF PROGRAM	FISCAL YEAR 2018–19	FISCAL YEAR 2019–20	FISCAL YEAR 2020–21
Business, Consumer Services and Housing Agency	COVID-19 Pandemic Emergency Grant Funding Program	To provide assistance related to the impacts of COVID-19. Specifically, to safely get individuals into shelter, to provide immediate housing options, and to help protect the health and safety of people experiencing homelessness during the pandemic.	$–	$100,000,000	$–
	Homeless Emergency Aid Program†	To provide homelessness prevention activities, criminal justice diversion programs for homeless individuals with mental health needs, establishing or expanding services meeting the needs of homeless youth or youth at risk of homelessness, and emergency aid.	500,000,000	–	–
	Homeless Housing, Assistance, and Prevention Program	To provide local jurisdictions with funds to support regional coordination and to expand or develop local capacity to address their immediate homelessness challenges.	–	650,000,000	330,000,000
California Department of Corrections and Rehabilitation	Transitional Housing Program†	To provide housing and support services upon release for those who have been incarcerated for long terms.	15,930,000	16,705,000	18,585,000

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ADMINISTERING AGENCY	PROGRAM NAME*	PURPOSE OF PROGRAM	FISCAL YEAR 2018–19	FISCAL YEAR 2019–20	FISCAL YEAR 2020–21
California Department of Education	Education for Homeless Children and Youth Grant Program	To facilitate the identification, enrollment, attendance, and success in school of children and youth who are experiencing homelessness.	10,564,000	11,328,000	12,204,000
	Homeless Youth Assessment Fee Waiver Program	To fund state costs to implement and report on legislative requirements that a test registration fee not be charged to youth or foster youth experiencing homelessness who are taking either the California High School Proficiency Examination or an approved high school equivalency test.	21,000	21,000	–
Department of Health Care Services	Health Homes Program†	To provide intensive care coordination, as well as housing navigation and tenancy-sustaining case management services for members who are homeless or recently housed as part of the program.	3,638,000	94,637,000	203,895,000
	Homeless Mentally Ill Outreach and Treatment One-Time Funding†	To fund multidisciplinary teams engaged in intensive outreach, treatment, and related services for people who are homeless and have mental illnesses.	50,000,000	–	–
	Mental Health Services Act, Community Services and Support Component†	To acquire, rehabilitate, or construct supportive housing; provide rental assistance, security deposits, utility payments, moving cost assistance; and for project-based housing, including master leasing units; and outreach.	1,664,900,000	1,758,500,000	1,318,500,000
	Whole Person Care Pilot Program	To serve Medi-Cal members with complex medical conditions who are frequent users of multiple health systems, including members who are homeless or at risk of homelessness.	600,000,000	600,000,000	600,000,000
	Whole Person Care Pilots One-Time Housing Funds†	To support housing and housing supportive services for Medi-Cal enrollees who are mentally ill and are experiencing homelessness, or who are at risk of homelessness.	–	100,000,000	–
Department of Housing and Community Development	California Emergency Solutions and Housing Program†	To provide funds for a variety of activities to assist people experiencing or at risk of homelessness through five primary activities: housing relocation and stabilization services, operating subsidies for permanent housing, flexible housing subsidy funds, operating support for emergency housing interventions, and system supports for homeless services and housing delivery systems.	53,000,000	29,000,000	–
	Community Development Block Grant Program	To partner with rural cities and counties to improve the lives of their low- and moderate-income residents through the creation and expansion of community and economic development opportunities in support of livable communities. Eligible activities include public services such as health, nutrition, and homeless services.	–	60,000,000	30,000,000

ADMINISTERING AGENCY	PROGRAM NAME*	PURPOSE OF PROGRAM	FISCAL YEAR 2018–19	FISCAL YEAR 2019–20	FISCAL YEAR 2020–21
	Community Development Block Grant Program - Coronavirus Response	To perform activities related to the pandemic response and recovery. The CARES Act provides extra funds specifically targeted to prevent, prepare for, and respond to the pandemic. This includes facility improvements related to COVID-19 health care and housing needs for homeless individuals.	–	–	139,500,000
	Emergency Solutions Grants Program†	To provide funds to engage individuals and families living on the street, rapidly rehouse individuals and families who are homeless, help operate and provide essential services in emergency shelters, and prevent individuals and families from becoming homeless.	11,000,000	11,000,000	11,000,000
	Emergency Solutions Grants Program - Coronavirus	To prevent, prepare for, and respond to COVID-19 among individuals and families who are experiencing homelessness or are receiving homeless assistance and to support additional homeless assistance and homelessness prevention activities to mitigate the impacts created by the pandemic.	–	–	295,000,000
	Homekey	To provide grants to local public entities to acquire and rehabilitate a variety of housing types to provide housing for individuals and families experiencing homelessness or at risk of experiencing homelessness who are affected by the pandemic.	–	–	800,000,000
	Housing for a Healthy California Program†	To provide permanent supportive housing for individuals who are chronically homeless or are homeless and have high medical costs.	–	82,400,000	27,300,000
	Local Housing Trust Fund Program	To provide loans to pay for construction or rehabilitation of affordable rental housing projects, emergency shelters, permanent supportive housing, transitional housing, and affordable homebuyer and homeowner projects.	–	–	57,000,000
	No Place Like Home Program - Competitive†	To finance permanent supportive housing for individuals or families with a serious mental illness who are homeless, chronically homeless, or at risk of chronic homelessness.	400,000,000	622,029,000	202,040,000
	No Place Like Home Program - Noncompetitive†	To finance permanent supportive housing for individuals or families with a serious mental illness who are homeless, chronically homeless, or at risk of chronic homelessness.	190,000,000	–	48,070,000
	Permanent Local Housing Allocation Program - Competitive Component	Prioritizes assistance to people experiencing or at risk of homelessness and investments that increase the supply of housing to households with incomes of 60 percent or less of area median income.	–	15,000,000	–
	Supportive Housing Multifamily Housing Program†	To provide low-interest, deferred-payment loans to developers of permanent, affordable rental housing that contain supportive housing units for the target population, which are individuals and families that are homeless.	77,000,000	–	–

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ADMINISTERING AGENCY	PROGRAM NAME*	PURPOSE OF PROGRAM	FISCAL YEAR 2018–19	FISCAL YEAR 2019–20	FISCAL YEAR 2020–21
	Veterans Housing and Homeless Prevention Program†§	To provide for the acquisition, construction, rehabilitation, and preservation of affordable multifamily housing for veterans and their families to allow veterans to access and maintain housing stability.	75,000,000	75,000,000	75,000,000
California Department of Social Services	Bringing Families Home Program†	To reduce the number of families in the child welfare system experiencing or at risk of homelessness, to increase family reunification, and to prevent foster care placement.	–	25,000,000	–
	CalWORKs Homeless Assistance†	To provide payments for temporary shelter and payments to secure or maintain housing for eligible CalWORKs recipients who are homeless or at risk of homelessness.	64,467,000	68,088,000	41,603,000
	CalWORKs Housing Support Program†	To provide housing support, including financial assistance, housing stabilization, and relocation services, to CalWORKs recipients who are experiencing homelessness or housing instability.	70,838,000	95,000,000	95,000,000
	Home Safe Program†	To support the safety and housing stability of individuals involved in Adult Protective Services by providing housing-related assistance using evidence-based practices for homeless assistance and prevention.	15,000,000	–	–
	Housing and Disability Advocacy Program†	To assist disabled individuals who are experiencing homelessness in applying for disability benefit programs while also providing housing assistance.	–	25,000,000	25,000,000
	School Supplies for Homeless Children Fund	To collect contributions that will be used to provide school supplies and health-related products to children experiencing homelessness.	380,000	676,000	590,000
California Governor's Office of Emergency Services	Domestic Violence Assistance Program†	To provide shelter, transitional housing, and supportive services for domestic violence victims and their children.	64,000,000	55,000,000	55,000,000
	Domestic Violence Housing First Program†	To assist victims of domestic violence in obtaining and retaining safe, permanent housing as modeled after an evidence-based form of rapid rehousing adapted to move and rehouse domestic violence victims, who are homeless, into permanent housing quickly and provide ongoing tailored services.	9,600,000	22,089,000	22,752,000
	Equality in Prevention and Services for Domestic Violence Program†	To maintain and expand domestic violence services for the lesbian, gay, bisexual, transgender, or questioning (LGBTQ) communities that will increase access to culturally appropriate domestic violence, education, prevention, outreach, and services for these unserved or underserved communities.	423,000	423,000	423,000

ADMINISTERING AGENCY	PROGRAM NAME*	PURPOSE OF PROGRAM	FISCAL YEAR 2018–19	FISCAL YEAR 2019–20	FISCAL YEAR 2020–21
	Homeless Youth and Exploitation Program†	To help homeless youth exit street life by providing outreach services, food, temporary safe shelter, in-person counseling, group counseling, basic health care, long-term stabilization planning, independent living and survival skills, access to or referrals to other services as appropriate, and follow-up services.	1,077,000	1,077,000	1,088,000
	Homeless Youth Emergency Services and Housing Program†	To establish or expand access to a range of housing options and provide crisis intervention and stabilization services to homeless youth.	–	6,337,000	–
	Human Trafficking Victim Assistance Program†	To provide safety and supportive services to help human-trafficking victims recover from the trauma they have experienced and assist with their reintegration into society. These services include a 24-hour hotline, emergency shelter, temporary housing, emergency food and clothing, counseling, referrals, transportation, and legal services.	10,000,000	10,000,000	10,000,000
	Native American Domestic Violence and Sexual Assault Program†	To provide cultural competency trainings to agencies and other regional service providers on issues related to Native American women victims of domestic violence and sexual assault.	813,000	813,000	813,000
	Specialized Emergency Housing†	To maintain and expand emergency shelter and emergency housing assistance resources in California and to provide specialized services for victims of crime, with priority given to funding applicants that propose to serve homeless youth, elderly, disabled, and LGBTQ victims of crime.	4,888,000	9,500,000	9,680,000
	Transitional Housing Program†	To provide transitional housing, short-term housing assistance, and supportive services that move crime victims into permanent housing.	9,600,000	18,000,000	17,514,000
California Housing Finance Agency	Special Needs Housing Program†	To allow local governments to use Mental Health Services Act and other local funds to provide financing for the development of permanent supportive rental housing that includes units dedicated for individuals with serious mental illness and their families who are homeless or at risk of homelessness.	20,467,800	32,860,000	36,764,000
California Tax Credit Allocation Committee	Low-Income Housing Tax Credit Program†	To allocate tax credits to encourage private investments in the development of affordable rental housing.	107,000,000	109,000,000	110,600,000
Totals					
9	**41**		**$4,029,606,000**	**$4,704,482,000**	**$4,594,922,000**

Source: Review of the homeless council's California State Homelessness Funding Programs; the budget acts of 2018, 2019, and 2020; state and federal laws; and agencies' websites and notices of funding available.

* Based on our review, this table presents a list of California programs intended to address various aspects of homelessness.

† The homeless council identified these programs, in September 2018, as programs that provide homelessness funding.

§ State law requires the Department of Housing and Community Development, the California Housing and Finance Agency, and the California Department of Veterans Affairs to work collaboratively pursuant to a memorandum of understanding to carry out the duties associated with this program.

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Appendix B

CoCs' PRIMARY RESPONSIBILITIES UNDER FEDERAL LAW

As we describe in the Introduction, federal law gives CoCs responsibility over four primary functions. CoCs are responsible for conducting a periodic PIT count of the total number and demographics of all sheltered and unsheltered people who reside within their geographic area and are experiencing homelessness. CoCs must also use a single database—known as an HMIS—to record and analyze information, services, and housing data for individuals and families who are homeless or at risk of homelessness within the CoC. In addition, a CoC is required to help its network of service providers assess and prioritize people who are in most need of homelessness assistance through a coordinated entry process. Finally, CoCs must design and operate a process for developing, evaluating, and submitting service providers' applications for CoC Program funds to HUD. Figure B describes the requirements, methodology, and benefits associated with each of these responsibilities.

Figure B
CoCs' Primary Responsibilities Under Federal Law

ASSESS AND PRIORITIZE THE NEEDS OF THOSE EXPERIENCING HOMELESSNESS

REQUIREMENTS

Must work with its service providers to maintain a coordinated entry process. CoCs must ensure that service providers that receive certain federal funds from HUD, including CoC Program grant funds, participate.

METHODOLOGY

Access: The coordinated entry process must be available throughout a CoC's geographic area and must be easily accessed by individuals seeking housing or homeless services.

Assessment and Prioritization: Trained staff must use a standardized tool to assess individuals' situations to determine their housing needs, preferences, and vulnerabilities, and to identify any barriers to obtaining housing.

Referral: Staff must refer individuals to available housing resources and services using the CoC's prioritization guidelines and enroll them into housing or services as they become available.

BENEFITS OF THE COORDINATED ENTRY PROCESS

- Enables a CoC to help its network of service providers prioritize people who are in the most need of homelessness assistance.
- Fosters coordination and collaboration among service providers.

REVIEW AND RANK APPLICATIONS FOR FEDERAL FUNDING

REQUIREMENTS

Must design, operate, and follow a collaborative process for the development, approval, and submission of service providers' applications for CoC Program funding to HUD.

METHODOLOGY

After HUD posts a notice of funding availability for the CoC Program funds, service providers within each CoC submit applications seeking funding for new or existing projects. The CoC prepares a proposed list of projects that it ranks based on its priorities. The CoC's collaborative applicant submits the list to HUD, which awards funds to projects. HUD will then announce the awards and notify selected applicants, who then must submit performance data and information about the clients the projects serve into the CoC's HMIS.

BENEFITS OF THE REVIEW-AND-RANK PROCESS

Ensures that CoCs communicate their funding priorities to HUD.

CONDUCT A POINT-IN-TIME COUNT

REQUIREMENTS

Unsheltered individuals: Must at least biannually identify the total number and demographics of all unsheltered people who experience homelessness on a specified night in its geographic area.

Sheltered individuals: Must annually identify the total number and demographics of all people experiencing homelessness on a specified night who are in emergency shelters, transitional housing, and supportive housing for people with mental illness who are experiencing homelessness.

METHODOLOGY

CoCs may choose the methodology for conducting their PIT counts as long as that methodology is consistent with HUD standards and guidance.

BENEFITS OF PIT COUNTS

- Inform national priorities and HUD funding decisions.
- Allow CoCs to manage and plan for services they provide.
- Raise public awareness and bolster efforts to obtain public and private support.

MAINTAIN AN HMIS

REQUIREMENTS

Use a single database—known as an *HMIS*—to record and analyze client information, services, and housing data for individuals and families who are homeless or at risk of homelessness in its geographic area.

METHODOLOGY

CoCs may use third-party software for their HMIS. All service providers that receive certain federal and state funds must report specified data into their CoC's HMIS. HUD recommends that CoCs monitor the quality of the data that service providers enter.

BENEFITS OF HMIS DATA

- Allow CoCs to review performance for their entire geographic area and for individual projects.
- Allow CoCs to report annually to HUD on their performance outcomes.
- Allow HUD to determine funding awards for the CoCs and to gauge the state of the homeless response system nationally.
- Inform homeless policy and decision making at the federal, state, and local levels.

Source: Federal law and documents obtained from HUD and CoCs.

Appendix C

SCOPE AND METHODOLOGY

The Joint Legislative Audit Committee (Audit Committee) directed the California State Auditor to perform an audit of selected CoCs to assess best practices related to the services they provide to those experiencing homelessness. Table C lists the audit objectives and the methods we used to address them.

Table C
Audit Objectives and the Methods Used to Address Them

	AUDIT OBJECTIVE	METHOD
1	Review and evaluate the laws, rules, and regulations significant to the audit objectives.	Reviewed relevant federal and state laws, rules, and regulations related to CoCs and their responsibilities.
2	Review the selected CoCs' planning and strategies for administering services to those experiencing homelessness and determine best practices of, and resources necessary for, service coordination with local nonprofits and other homeless service agencies.	• Obtained from HUD's website data related to individuals experiencing homelessness and the CoC Program grants provided within each CoC. We also obtained total population data from the California Department of Finance website. Using these data, we judgmentally selected five CoCs covering a large county in Southern California, a county on the Central Coast, a county in the Bay Area, a county in the San Joaquin Valley, and a county in the Northern Coast area. • Interviewed staff and reviewed pertinent documentation at each selected CoC regarding their planning efforts and strategies. • Reviewed information regarding effective planning from national organizations, HUD, and other states to identify best practices.
3	Identify effective strategies for CoCs to conduct accurate annual counts of those experiencing homelessness in coordination with other homeless service agencies.	• Interviewed staff and reviewed documentation to understand how and how often each CoC conducts PIT counts of those experiencing homelessness. • Determined whether each CoC's PIT count methodology conforms with HUD's guidance. • Assessed each CoC's coordination with other service providers in planning and conducting PIT counts and identified best practices. • Reviewed available best practices, including best practices identified or employed by HUD and other states for effective strategies to plan and conduct PIT counts.
4	Determine the necessary resources and internal protocols for CoCs to measure the effectiveness of their programs, including collecting, retaining, and analyzing complete and accurate data. Identify any barriers the CoCs have experienced in collecting, retaining, and analyzing such data and best practices or tools the CoCs use to overcome these barriers.	• Reviewed each CoC's policies and procedures for completing the annual CoC performance reports and assessing project performance. • Reviewed CoC documentation and procedures, and determined that each CoC has processes in place to assess the accuracy and completeness of data in its HMIS. • Interviewed CoC staff to understand the process for and barriers to collecting and analyzing data from service providers. • Interviewed staff from the homeless council to understand what actions the State is taking to help CoCs gather consistent data from all service providers. • Interviewed staff from the states of Washington, Maryland, and Virginia to determine whether these states have a statewide data-collection system and to identify best practices for ensuring complete data.

continued on next page . . .

	AUDIT OBJECTIVE	METHOD
5	Verify the extent to which each CoC collaborates with nonprofit organizations to increase its outreach and service provided to those experiencing homelessness.	• Interviewed staff to determine how and for what purposes the CoCs collaborate with service providers. • Determined the adequacy of any analyses the CoCs have conducted to identify and address lack of services in any geographic areas within their areas. • Reviewed the CoCs' efforts to collaborate to assess the needs of and provide services to those experiencing homelessness. • Interviewed staff and reviewed documentation of the outreach efforts each CoC's coordinated entry system lead has conducted in the past three years to reach, assess, and provide services to those facing homelessness. • Compared and assessed the adequacy and effectiveness of each CoC's coordinated entry system lead's outreach methods to the homeless population to identify any best practices.
6	Identify opportunities or incentives the State could provide CoCs to work collaboratively with nonprofit and other service organizations to secure additional federal funding to assist those experiencing homelessness.	• Reviewed federal regulations and interviewed key staff from HUD and the CoCs and determined that little opportunity exists for CoCs to receive additional federal funding. • In light of the increased state funding for homelessness, interviewed the homeless council and reviewed available documents to determine how the State provides funds to CoCs and whether opportunities exist to increase the level of coordination among CoCs and service providers.
7	To the extent possible, determine whether structural changes or resources are needed to ensure the CoCs obtain complete and accurate data at each point of the funding process, including during the evaluation of applications from service providers.	• Interviewed staff and reviewed documentation to determine the process and structure each CoC has in place to evaluate and rank service provider applications for CoC Program funding. • Assessed each CoC's policies, procedures, and structure to determine whether they are adequate to ensure appropriate or fair awarding of CoC Program funds. • Compared the policies, procedures, and structure of the five CoCs to identify any best practices. • Interviewed staff and reviewed documentation for a random selection of up to three applications for funding at each CoC to determine whether the CoCs followed their review-and-rank process.
8	Determine methods for CoCs to increase the quality and number of service providers, including methods to do the following:	
	a. Collect and report the number of eligible service providers within the CoC area.	• Interviewed CoC staff and reviewed relevant documentation to determine the extent to which CoCs identify and track eligible service providers within the area.
	b. Isolate reasons that providers do not apply for certain requests for proposals.	• Interviewed staff to determine, to the extent possible, why service providers do not apply for certain requests for proposals.
	c. Identify the qualities of service providers to which CoCs award funds.	• Objective 7 explains our methods related to reviewing and documenting how CoCs evaluate and rank projects for CoC Program awards.
	d. Measure the effect that service providers have on homelessness.	• Reviewed the performance reports that each CoC developed and submitted to HUD in the last four years. • Objective 4 describes our methods related to reviewing and documenting whether each CoC has policies and procedures in place to ensure data quality.
	e. Identify geographic areas within the CoC that have insufficient or no services for those experiencing homelessness and the reasons why these areas have inadequate resources.	• Interviewed CoC staff to determine whether each CoC's coordinated entry process is accessible in all parts of its area. • To the extent possible, reviewed any analyses the CoCs conducted to identify geographic areas that lacked services or service providers and the actions the CoCs took to address these inadequacies.

	AUDIT OBJECTIVE	METHOD
9	Identify any best practices at the CoCs for improving accountability and the efficiency and effectiveness of services to those experiencing homelessness that other CoCs could use to improve their efforts.	• Interviewed HUD staff and conducted research to select states that were likely to have best practices. We interviewed staff in a selection of these states, including the ones listed for Objective 4, to identify best practices that California could implement. • Using results from the work of objectives 2 through 8, identified best practices for improving accountability and the efficiency and effectiveness of services to those experiencing homelessness.
10	Review and assess any other issues that are significant to the audit.	Interviewed homeless council staff to determine the extent to which it provides guidance and best practices to CoCs and coordinates state funding and data.

Source: Audit Committee's audit request number 2020-112, planning documents, and information and documentation identified in the table column titled Method.

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FRESNO HOUSING — VIBRANT COMMUNITIES, QUALITY HOUSING, ENGAGED RESIDENTS

1331 Fulton Street
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January 20, 2021

Ms. Elaine Howle*
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Re: Fresno Madera Continuum of Care Responses to State Auditor Draft Report *Homelessness in California* Recommendations

Dear Ms. Howle,

The Fresno Madera Continuum of Care (FMCoC) appreciates the efforts the California State Auditor has made to understand the nature of homelessness and the varying responses to said serious social issue in California. As the Collaborative Applicant, Fresno Housing is advancing the attached response to the report on behalf of the FMCoC.

If you have any questions, please do not hesitate to contact me via email at deley@fresnohousing.org.

Sincerely,

Doreen T. Eley

Digitally signed by Doreen T. Eley
DN: dc=org, dc=fha, ou=USR, ou=CO, cn=Doreen T. Eley, email=deley@fresnohousing.org
Date: 2021.01.20 16:47:14 -08'00'

Doreen Eley
Senior Manager
Collaborative Applicant, Fresno Madera Continuum of Care

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* California State Auditor's comments begin on page 67.

Fresno Madera Continuum of Care Responses to State Auditor Draft Report *Homelessness in California* Recommendations

Recommendations

1. To help ensure that they have adequate levels of services and service providers in [area] to meet the needs of people who are experiencing homelessness, [Redacted] the Fresno Housing Authority* should coordinate with [its] CoC to ensure that the CoC annually conduct[s] a comprehensive gaps analysis in accordance with the plans [it has] developed under federal regulations. To be effective, the gaps analyses should consider whether adequate services are available in the areas where individuals are experiencing homelessness and contain strategies to address any deficiencies.

1 Response: Disagree. The Fresno Madera Continuum of Care (FMCoC) utilizes a gaps analysis that employs data and trends that include the comprehensive community planning process via the Street2Home report. The Coordinated Entry System analyzes both HUD priorities and community gaps in the annual HUD Notice of Funding Availability national CoC funding competition. These processes give the FMCoC insight into how the community utilizes current resources and where additional resources are needed. With the information collected and analyzed, the FMCoC plans the types of projects to prioritize in both HUD CoC funding and other funding sources, including those from the State of California. HUD has found no issue with the community process in determining funding decisions in its CoC competition, nor has the State of California in community decisions for Homeless Emergency Aid Program (HEAP) funding.

2. To ensure that [it] adequately [its] long-term strategies to address homelessness, [Redacted] the Fresno Housing Authority should coordinate with [its CoC] to implement a planning process and develop a comprehensive plan that meets all federal requirements by August 2021. The planning process should ensure that the CoC update[s] [its] comprehensive plans at least every five years.

2 Response: Agree. While the FMCoC believes it has done an excellent job of informing funding decisions with data, analysis, and a community-wide planning process, it agrees to document them in a comprehensive plan. This comprehensive plan should be reviewed at each funding opportunity and revised as necessary.

3. To comply with federal regulations and ensure that [its CoC's] decisions reflect a variety of perspectives, the Fresno Housing Authority should, by August 2021, coordinate with [its CoC] to ensure that the [CoC's board is] representative of all relevant organizations.

Response: Agree. The FMCoC will review our membership for compliance with federal regulations and recruit members where gaps exist to assist with representation from all relevant organizations.

* For purposes of the report, we refer to this entity as the Fresno City Housing Authority.

4. To reduce barriers to CoC membership and to encourage participation, the Fresno Housing Authority should coordinate with its CoC to conduct an analysis of whether its membership fee is necessary and, if not, to eliminate it by August 2021.

Response: Disagree. The FMCoC does not agree the fee schedule is an impediment to participation and there is no evidence to assume this conclusion. The FMCoC has a process in place to waive fees if requested; this has not happened in the CoC and no not had any organizations and/or individuals who expressed the dues as a reason for lack of participation. 3

5. To ensure that individuals experiencing homelessness have adequate access to the coordinated entry process, the Fresno Housing Authority should, by August 2021, coordinate with [its CoC] to assess the feasibility of establishing a dedicated telephone hotline for providing information about available services, assessing individuals' needs, and referring those individuals to appropriate housing or homeless services providers.

Response: Disagree. The FMCoC has three Triage Centers that are 24-hour operations, their addresses and phone numbers are listed on the FMCoC website. In addition, the FMCoC has hotline numbers for victims of domestic violence, Veterans, persons experiencing homelessness through MAP Point during business hours, with a rollover during evenings and weekends. The FMCoC is embarking on varying ways to better publicize said numbers to answer questions, provide assessment and linkage to appropriate community resources. 4

6. To increase the efficiency of the coordinated entry process, the Fresno Housing Authority should coordinate with its CoCs to determine how long it takes to locate individuals after they have been matched with a service provider. Specifically, it should use the referral data that HUD required CoCs to collect as of October 2020 to determine if locating individuals after they have been matched with a service provider is a cause of delay in providing them with services. If it find that excessive delays exist, the Fresno Housing Authority should coordinate with its CoC to implement processes such as deploying a dedicated team to locate these individuals when appropriate housing and services become available.

Response: Disagree. The FMCoC misunderstood the information the State Auditor was trying to elicit. We have the mechanism to demonstrate the length of time between interactions and progress in our homeless response system, i.e., from the first interaction to housing. Such calculations have been used in the past to inform improvement in the national Built for Zero campaign. In terms of persons experiencing homelessness losing contact with the homeless response system, this occurs at every engagement stage. The FMCoC has dedicated Navigation and Outreach teams to find individuals at whatever interval that connection is lost. The FMCoC will agree that calculations ran more frequently can be analyzed, which will help determine where gaps may exist. 5

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Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE HOUSING AUTHORITY OF THE CITY OF FRESNO

To provide clarity and perspective, we are commenting on the Fresno City Housing Authority response to the audit. The numbers below correspond to the numbers we have placed in the margin of its response.

We disagree with the Fresno City Housing Authority's assertion 1
that it uses a gaps analysis that employs data and trends that include the comprehensive community planning process. As we state on page 31, the Fresno-Madera CoC acknowledged that it does not conduct a formal gaps analysis. Moreover, although the Fresno-Madera CoC does conduct some assessment and prioritization activities, its efforts do not allow it to assess its network of service providers, operations, and homelessness programs in a comprehensive or holistic manner to ensure that it has sufficient types and numbers of service providers to meet the needs of those experiencing homelessness.

Although the Fresno City Housing Authority agrees with our 2
recommendation, its stated action does not address the intent of our recommendation. Specifically, the Fresno City Housing Authority indicates that it will document the data, analysis, and community-wide planning process that informs its funding decisions into a comprehensive plan. However, a comprehensive plan should contain strategies to address more than just funding decisions. As we state on page 32, federal regulations require that the plan include strategies for activities such as performing outreach; providing shelter, housing, and supportive services; and preventing homelessness. Further, HUD's best practices suggest that developing a comprehensive plan allows a CoC to assess its capacity, identify gaps, and develop proactive solutions to move those experiencing homelessness toward permanent housing. We look forward to reviewing the outcome of the Fresno City Housing Authority's progress in working with the Fresno-Madera CoC to develop a comprehensive plan that includes all required elements.

We disagree with the Fresno City Housing Authority's contention 3
that charging a membership fee is not an impediment to participation in the Fresno-Madera CoC. Although this fee may have been appropriate in the past to cover specific costs, in 2012 HUD began awarding the CoC funds for planning purposes and the membership fee may no longer be necessary. As we state on page 39, although the CoC's bylaws describe the option of

waiving the fee, its membership application does not mention the option; as a result, an interested organization that is completing the application may be discouraged from becoming a member. Moreover, as we state on page 39, the Fresno-Madera CoC is the only CoC of the five we reviewed that charges a membership fee. Therefore, we stand by our recommendation that the Fresno City Housing Authority should coordinate with the Fresno-Madera CoC to conduct an analysis of whether its membership fee is necessary and, if it is not, to eliminate it by August 2021.

4 The intent of our recommendation is for the Fresno-Madera CoC to establish a designated hotline that people can call to begin the coordinated entry process, be assessed for their needs, and referred to appropriate housing or homeless services providers. Although the Fresno City Housing Authority indicates its three triage centers are open 24 hours a day and have dedicated phone lines, it also acknowledges that it is embarking on ways to publicize the phone numbers for these centers and other CoC resources to provide assessment services and link individuals to appropriate community resources. This suggests a single hotline phone number would be more efficient and would streamline access for those needing assistance.

5 To determine any delays in locating individuals after their initial assessment to connect them with service providers, we reviewed whether the Fresno City Housing Authority assessed the necessary data to conduct such an analysis. During our audit the Fresno City Housing Authority confirmed that the Fresno-Madera CoC has not conducted such an analysis and that the CoC does not track the needed data, which we describe on page 44. Further, although the Fresno City Housing Authority states in its response that the CoC has dedicated navigation and outreach teams to find individuals, it did not provide us with any evidence demonstrating the existence of these teams or an assessment of the teams' impact on reducing delays in locating individuals referred for services. We note that the Fresno City Housing Authority agrees in its response that analyzing time elapsed between initial interaction with an individual and when the CoC connects the individual to a service provider will help it to determine where delays may exist, which is consistent with our recommendation. We look forward to reviewing the outcome of its analysis of whether any delays in locating individuals after their initial assessment exists as part of our regular follow up process.

State of California
BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY

Gavin Newsom, Governor
Lourdes M. Castro Ramírez, Secretary

January 14, 2021

Elaine M. Howle*
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

RE: Audit Report 2020-112 – Homeless Services-County Continuum of Care Agencies

Dear Ms. Howle:

The Homeless Coordinating and Financing Council (HCFC) appreciates the California State Auditor's examination of the state's efforts to administer, oversee, and fund programs to address and prevent homelessness in California.

HCFC's mission is to oversee the implementation of Housing First guidelines and regulations, and to identify and coordinate resources, benefits and services to prevent and end the crisis of homelessness for individuals across our state. We do this in partnership and coordination with Continuums of Care (CoCs), city and county governments, non-profits, service providers, and others.

California's homelessness crisis is complex, requiring a systems approach and close coordination across multiple systems, from housing, health, local government, and others in order to effectively address the needs of individuals experiencing or at risk of homelessness. We appreciate the acknowledgment of the work HCFC has done to lay
the foundation for strengthening these efforts. Specifically, we are pleased to see the 1
Audit Team's acknowledgement of the vital role HCFC's Action Plan plays in mobilizing the diverse resources California commits in service of shared, coordinated response. And we are eager to launch the Homeless Data Integration System (HDIS) for the reasons stated by the Audit Team: that the state's ability to act with confidence depends on the type of data and information HDIS will, for the first time in California, make available.

* California State Auditor's comment appears on page 71.

RE: Audit Report 2020-112 – Homeless Services-County Continuum of Care Agencies
Page 2

We agree that HCFC and its partners should continue our work to build on these efforts. HCFC will continue to work with our State partners, federal counterparts, California's 44 CoCs, and other stakeholders, in service of our belief that effective coordination entails system-level decision-making and acting with shared responsibility and mutual accountability among agencies, to address this crisis.

We also stand ready to work with the Legislature on opportunities to strengthen existing law to enable more effective efforts to prevent and end homelessness in California.

Sincerely,

Ali Sutton

Ali Sutton
Deputy Secretary for Homelessness
Business, Consumer Services and Housing Agency/Homeless Coordinating and Financing Council

cc: Lourdes M. Castro Ramírez, Secretary
Business, Consumer Services and Housing Agency

Comment

CALIFORNIA STATE AUDITOR'S COMMENT ON THE RESPONSE FROM THE HOMELESS COORDINATING AND FINANCING COUNCIL

To provide clarity and perspective, we are commenting on the Homeless Coordinating and Financing Council's (homeless council) response to the audit. The number below corresponds to the number we have placed in the margin of its response.

Contrary to the homeless council's assertion, our report does not indicate that its action plan plays a vital role in mobilizing the diverse resources California commits in service of shared, coordinated response. Rather, as we state on page 18, the homeless council's action plan is not complete. Without a finalized and adopted statewide action plan that includes goals and timelines, addresses efforts to coordinate existing homelessness funding and services, and that is updated regularly, the homeless council is hindered from fulfilling its main purposes. 1

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CHRISTIAN M. CURTIS
County Counsel

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OFFICE OF THE COUNTY COUNSEL

January 19, 2021

Elaine M. Howle*
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Re: Amended Response to Draft Report 2020-112 of the California State Auditor

Dear Ms. Howle:

On behalf of Mendocino County Health and Human Services (HHSA), which is the collaborative applicant for the Mendocino County Continuum of Care, we submit the enclosed Amended Response to the State Auditor's Draft Report Regarding Continuum of Care Agencies. This Amended Response is due to the additional recommendation provided by the State Auditor to Mendocino County on January 15, 2021.

By way of introduction to this response, Mendocino County HHSA serves as the Lead Entity and the Administrative Entity for the Mendocino County Homeless Services Continuum of Care (CoC). As such, staff within the Mendocino County HHSA are tasked with facilitating CoC Board meetings and activities, preparing and submitting grant applications and reports on behalf of the CoC, and providing general oversight and staff support to the CoC. The Board of the CoC, however, retains ultimate authority on decisions specific to CoC policies, practices, and procedures.

We sincerely appreciate the opportunity to review and respond to the draft Report. As reflected in the enclosed response, Mendocino County HHSA agrees with the formal recommendations, some of which are well under way, and others have been delayed primarily due to competing priorities for homeless services providers and Mendocino County HHSA in its ongoing response to the public health emergency relating to the COVID-19 pandemic. Mendocino County HHSA will endeavor to complete the recommended actions in the timelines provided by the State Auditor. Should you have any questions please contact Megan Van Sant, Senior Program Manager, Mendocino County Health and Human Services at (707) 463-7733.

Sincerely,

CHRISTIAN M. CURTIS
COUNTY COUNSEL

/s/ Charlotte E. Scott
CHARLOTTE E. SCOTT
Assistant County Counsel

Enclosures

501 LOW GAP ROAD, ROOM 1030, UKIAH, CALIFORNIA 95482
Telephone: (707) 234-6885 ~ Facsimile: (707) 463-4592 ~ Email: cocosupport@mendocinocounty.org

* California State Auditor's comment appears on page 77.

Mendocino County Health & Human Services Agency
Healthy People, Healthy Communities

Amended Response of Mendocino County Health and Human Services
to the State Auditor's Draft Report 2020-112 Regarding Continuum of Care Agencies

Recommendation No. 1
To help ensure that it has adequate levels of services and service providers in its area to meet the needs of people who are experiencing homelessness, the County of Mendocino should coordinate with its CoC to ensure that the CoC annually conducts comprehensive gaps analysis in accordance with the plan it has developed under federal regulations. To be effective, the gaps analysis should consider whether adequate services are available in the areas where individuals are experiencing homelessness and contain strategies to address any deficiencies.

Response to Recommendation No. 1
Mendocino County HHSA agrees that a gaps analysis is needed. Mendocino County HHSA has begun collaboratively working with the CoC's Strategic Planning Committee to complete a gaps analysis. Mendocino County HHSA staff have also requested the assistance of the designated Department of Housing and Urban Development (HUD) Technical Assistance Provider with completing a gaps analysis as an eligible applicant for the California Homeless Housing, Assistance Prevention (HHAP) Grant, Round 2 Funding Application, due for submission early this year (2021).

Recommendation No. 2
To ensure that they use the most effective method of identifying the individuals in their counties who are experiencing homelessness, the [County of] Mendocino should, by August 2021, coordinate with [its] CoC to conduct an analysis to determine if the use of a mobile application to conduct their 2022 PIT counts is feasible. By that same date, the County of Mendocino should also coordinate with its CoC to formalize and implement the CoC's process for collecting and responding to volunteer feedback after its PIT count.

Response to Recommendation No.2
Mendocino County HHSA agrees that an analysis is needed to determine if the use of mobile application is feasible. Mendocino County HHSA also agrees with the recommendation to collaborate with the CoC to create and implement a PIT Count volunteer feedback process for implementation following the 2022 PIT Count. The Mendocino CoC 2020 Point in Time Count Committee explored the option of using a mobile application to conduct its sheltered and/or unsheltered Point in Time (PIT) Count. Due to the lack of sufficient and equitable broadband internet access within the jurisdiction, the Committee determined at that time that current technology was not reliable enough to rely on electronic data collection alone and therefore, the Committee deferred to paper application. Mendocino County HHSA will endeavor to complete an analysis of the feasibility of mobile application by the recommended timeline of August 2021. In the event that analysis concludes that mobile application is feasible, Mendocino County HHSA may require additional time for implementation due to the ongoing response to the local and state public health emergency associated with the COVID-19 pandemic.

Recommendation No. 3
To comply with federal regulations and ensure that [the] CoC's decisions reflect a variety of perspectives, the [County] of Mendocino should, by August 2021, coordinate with [its] CoC to ensure that the CoC's board []is] representative of all relevant organizations.

Response to Recommendation No.3
Mendocino County agrees with this recommendation and the importance that its CoC reflect the perspective of all 16 categories of organizations and individuals required by the federal regulations. Therefore, Mendocino County will coordinate with its CoC on this recommendation to ensure the Board is representative of all required perspectives, including the two additional categories noted to be missing in the report.

Recommendation No. 4
To expand access into the coordinated entry process, the County of Mendocino should by August 2021, work with its CoC to establish an outreach team to assess the needs of individuals in rural communities who are homeless and to connect them to appropriate service providers.

Response to Recommendation No.4
Mendocino County HHSA agrees with this recommendation.

Recommendation No. 5
To ensure that individuals experiencing homelessness have adequate access to the coordinated entry process, the [County] of Mendocino should, by August 2021, coordinate with its CoC to assess the feasibility of establishing a dedicated telephone hotlines for providing information about available services, assessing individuals' needs, and referring those individuals to appropriate housing or homeless services providers.

Response to Recommendation No.5
Mendocino County HHSA agrees with this recommendation. Prior to receipt of this report of the State Auditor, Mendocino County coordinated with the CoC and recommended the CoC direct its Coordinated Entry System (CES) Lead Entity to establish a CES marketing plan which includes a toll-free hotline to provide access to information on available homeless services and CES referrals. The CoC has tasked the CES Lead Entity, which has conducted this feasibility study and is the process of drafting a marketing plan to include a toll-free hotline.

Recommendation No.6
To increase the efficiency of the coordinated entry process, the County of Mendocino should coordinate with its CoC to determine how long it takes to locate individuals after they have been matched with a service provider. Specifically, it should use the referral data that HUD required CoCs to collect as of October 2020 to determine if locating individuals after they have been matched with a service provider is a cause of delay in providing them with services If it find[s] that excessive delays exist, the County of Mendocino should coordinate with its CoC to implement processes such as deploying a dedicated team to locate these individuals when appropriate housing and services become available.

Response to Recommendation No.6
Mendocino County HHSA agrees with this recommendation and, as the CoC's Homeless Management Information System (HMIS) Lead Entity, has requested the Mendocino CES Lead Entity complete locally defined CES HMIS Data Elements including to address whether there are delays in locating individuals after matching with a service provider, as required by the October 2020 HMIS Data Standards. Mendocino County HHSA is in communication with HUD regarding the delayed implementation of the 2020 CES Data Elements. Once the Data Elements are implemented, HMIS Data will allow the County and CoC to calculate this Data Element in future gaps analyses. In addition, if Mendocino County HHSA discovers that locating an individual is the cause of excessive delay, it will coordinate with its CoC to implement processes such as deploying a dedicated team to locate these individuals when appropriate housing and services become available.

Recommendation No.7
To ensure that it identifies the projects that offer the greatest possible benefits when ranking applications for CoC Program funds, the [County] of Mendocino should, by August 2021, coordinate with [its] CoCs to update the CoC's scoring tools and review-and-rank policies and procedures to give new and renewal projects an equal opportunity to receive federal funding.

Response to Recommendation No.7
1 Mendocino County HHSA agrees with this recommendation. Prior to receipt of this report of the State Auditor, Mendocino County HHSA implemented these changes to the CoC scoring tools. The revised scoring tools were used during the review-and-rank process for the recent 2021 ESG CARES Act funding allocation process.

Comment

CALIFORNIA STATE AUDITOR'S COMMENT ON THE RESPONSE FROM THE COUNTY OF MENDOCINO

To provide clarity and perspective, we are commenting on the County of Mendocino's (Mendocino) response to the audit. The number below corresponds to the number we placed in the margin of its response.

Mendocino describes actions that it has taken. However, it has not shared specific information regarding those actions, so we could not validate their assertion. We look forward to reviewing its progress as part of our regular follow up process. 1

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OFFICE OF COUNTY COUNSEL
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January 14, 2021

VIA EMAIL ONLY

Elaine M. Howle, State Auditor*
621 Capitol Mall, Suite 1200
Sacramento, California 95814

RE: *Homelessness in California: Continuum of Care Agencies*
Report 2020-112, February 11, 2021

Dear Ms. Howle:

The County of Riverside, as the Collaborative Applicant, and the Riverside County Continuum of Care (Riverside CoC) appreciate the opportunity to provide comments and address the recommendations outlined in the California State Auditor's (CSA) Audit Report entitled "Homelessness in California" regarding Continuum of Care agencies. As counsel for both the County of Riverside and the Riverside CoC, I have been asked to respond on behalf of my clients. The responses below were prepared by Collaborative Applicant staff in consultation with the Riverside CoC Board of Governance.

Recommendation 1:
To help ensure that they have adequate levels of services and service providers in [its] area to meet the needs of people who are experiencing homelessness, the [County] of Riverside should coordinate with [its] CoC to ensure that the CoC annually conduct[s] a comprehensive gaps analysis in accordance with the plan [it has] developed under federal regulations. To be effective, the gaps analyses should consider whether adequate services are available in the areas where individuals are experiencing homelessness and contain strategies to address any deficiencies.

Riverside CoC Response to Recommendation 1:
Concur. As recognized in the Audit Report, HUD has not yet provided detailed guidance on conducting a comprehensive gaps analysis. In May 2020, prior to the Audit Report, the Riverside CoC began work to conduct a comprehensive gaps analysis in accordance with federal regulations on an annual basis. The Riverside CoC has contracted with Lesar Development Consultants as part of its Strategic Planning Process and plans to complete a gaps analysis as early as July 2021.

Recommendation 2:
To ensure that [it] adequately identif[ies] [its] long-term strategies to address homelessness, the [County] of Riverside should coordinate with [its] CoC to implement a planning process and develop a comprehensive plan that meets all federal requirements by August 2021. The planning

* California State Auditor's comment appears on page 83.

Elaine M. Howle, State Auditor
January 14, 2021
Page 2

process should ensure that the CoC update[s] [its] comprehensive plans at least every five years.

Riverside CoC Response to Recommendation 2:
Partially Concur. While the Riverside CoC has been using the County of Riverside's 2018 Action Plan to address homelessness as a guide for its strategies regarding homelessness, the Riverside CoC is developing its own Homeless Action Plan that it intends to complete as early as July 2021 which it will then review and update on a regular cycle though HUD does not specify how frequently a CoC should update its plans. In the interim, as recognized in the Audit Report, the County of Riverside's 2018 Action Plan contains most of the required strategies in federal regulations. During the Homeless Action Plan development process, the CoC plans to comply with all required federal strategies.

Recommendation 3:
To increase the efficiency of the coordinated entry process, the County of Riverside should coordinate with its CoC to determine how long it takes to locate individuals after they have been matched with a service provider. Specifically, it should use the referral data that HUD required CoCs to collect as of October 2020 to determine if locating individuals after they have been matched with a service provider is a cause of delay in providing them with services. If it finds that excessive delays exist, the County of Riverside should coordinate with its CoC to implement processes such as deploying a dedicated team to locate these individuals when appropriate housing and services become available.

Riverside CoC Response to Recommendation 3:
Concur. The Riverside CoC intends to use its Homeless Management Information System (HMIS) system and Coordinated Entry System (CES) to measure this indicator and implement processes, as needed, to improve housing connections.

Recommendation 4:
To ensure that it identifies the projects that offer the greatest possible benefits when ranking applications for CoC Program funds, the [County] of Riverside should, by August 2021, coordinate with [its] CoC to update the CoC's scoring tools and review-and-rank policies and procedures to give new and renewal projects an equal opportunity to receive federal funding.

Riverside CoC Response to Recommendation 4:
1 Partially disagree and concur. The Riverside CoC disagrees with the Audit Report's statement that Riverside CoC's lacks adequate processes for reviewing and ranking project applications for CoC Program funding. The Riverside CoC further disagrees that its policies are not adequate to ensure that it consistently prioritizes the projects that are likely to be the most effective. There is value to funding established, effective renewal projects. As recognized in the Audit Report, the Riverside CoC partially agrees that it needs to assess its review and rank policies and scoring tools to evaluate new and renewal projects in the same manner in accordance with HUD guidance and regulations.

Elaine M. Howle, State Auditor
January 14, 2021
Page 3

If you have any questions about the responses in this letter, please do not hesitate to contact Tanya Torno at (951) 955-7728 or ttorno@rivco.org .

Sincerely,

TIFFANY N. NORTH
Assistant County Counsel

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Comment

CALIFORNIA STATE AUDITOR'S COMMENT ON THE RESPONSE FROM THE COUNTY OF RIVERSIDE

To provide clarity and perspective, we are commenting on the County of Riverside's (Riverside) response to the audit. The number below corresponds to the number we have placed in the margin of its response.

We disagree with Riverside's contention that the Riverside CoC has adequate processes and policies for reviewing and ranking project applications for CoC Program funding. As we state on page 45, the Riverside CoC prioritizes awarding funding to renewal projects over new projects, even if the new projects receive higher scores. Therefore, we stand by our recommendation that Riverside should coordinate with the Riverside CoC to update its scoring tools and review-and-rank policies and procedures to give new and renewal projects an equal opportunity to receive federal funding. 1

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COUNTY OF SANTA BARBARA

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COUNTY COUNSEL

January 14, 2021

Via Encrypted Electronic Mail

Elaine M. Howle*
California State Auditor
C/O Kris Patel
Krisp@auditor.ca.gov

Re: Santa Maria/Santa Barbara County Continuum of Care Draft Report

Dear Ms. Howle:

Thank you for the opportunity to review and comment on the draft report regarding the Santa Maria/Santa Barbara Continuum of Care (CoC).

We believe that the CoC is in substantial compliance with all applicable statutory, regulatory and programmatic requirements for the Continuum of Care Program. The County appreciates and intends to implement the report's recommendations, however, as best practices.

County staff authorized to view the draft report have indicated that the following actions are planned or already have taken place:

- The Collaborative Applicant and Coordinated Entry System Lead will implement comprehensive tracking of the time from coordinated assessment to referral and housing to measure progress in expediting placement.
- The Homeless Management Information System Lead Agency will continue to work diligently to increase bed coverage and already has added homeless service agencies this year with beds.
- The Collaborative Applicant is requesting templates from other communities whose gaps analysis quantifies service gaps in order to include in the 2021 analysis.
- The Collaborative Applicant will propose a revision to the Governance Charter to add a university representative to the CoC Governing Board set roster.

* California State Auditor's comments begin on page 87.

Page 2

- The CoC has outreach teams that reach the full CoC service area and, in February 2021, the County BOS will consider approving contracts that will increase funding for "street outreach."

As a response to the Draft Report, the County asks that you note the following in the Final Report:

1 • HUD regulations do not specifically require a representative from a university to serve on the CoC Board. HUD regulations only designate one specific required seat (a homeless or formerly homeless individual) and otherwise requires only that the Board be "representative of the relevant organizations" and selected in accordance with approved procedures. (24 CFR 578.5 & 578.7.)

1 • Seats on the Santa Maria/Santa Barbara Continuum of Care Board are designated in the Governance Charter and include many of the HUD-suggested representative organizations. Board members are elected by the Continuum of Care's general membership. The Collaborative Applicant submits the governance charter and roster as part of the annual HUD CoC Competition and no deficiencies have been noted.

2 • While HUD does not specifically provide guidance on how to complete the gaps analysis, the County of Santa Barbara, as the designated Collaborative Applicant, uses recommended tools and a HUD Technical Assistance provider to assist with completing the gaps analysis.

Please let me know if you have any questions or comments.

Sincerely,
MICHAEL C. GHIZZONI
COUNTY COUNSEL

Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE COUNTY OF SANTA BARBARA

To provide clarity and perspective, we are commenting on the County of Santa Barbara's (Santa Barbara) response to the audit. The numbers below correspond to the numbers we have placed in the margin of its response.

Santa Barbara has misinterpreted federal regulations regarding the CoC's board representation. Beginning on page 37, we describe that federal regulations require CoC boards to be representative of 15 types of relevant organizations, including colleges, within the CoC's area. As shown in Table 3 on page 38, we found that the Santa Barbara CoC's board lacks this college representative. Notwithstanding the county's assertion that HUD has not noted any deficiencies in the CoC's board membership, this does not absolve the CoC from complying with federal regulations. In fact, Santa Barbara's response indicates that it agrees with our recommendation and will propose a revision to the CoC's charter to add a university representative to the CoC's board. 1

We evaluated the gaps analysis of the five CoCs, including Santa Barbara, against best practices because federal regulations do not have specific requirements. As we describe on page 31, Santa Barbara's gaps analysis did not adequately address whether it has a sufficient number and appropriate types of service providers to meet the needs of people experiencing homelessness, which is contrary to best practices. Therefore, we stand by our recommendation that Santa Barbara coordinate with the Santa Barbara CoC to ensure that it annually conducts a comprehensive gaps analysis. 2

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VIA EMAIL
Elaine Howle[*]
California State Auditor
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Sacramento, CA 95814

January 21, 2021

Re: California State Auditor report regarding Santa Clara County Continuum of Care

Dear Ms. Howle:

Attached please find the County of Santa Clara's responses to the portions of the California State Auditor's report relating to the Santa Clara County Continuum of Care. The responses are based both on the draft report provided to the County of Santa Clara on January 8, 2021 and subsequent correspondence between the County of Santa Clara and the California State Auditor. In that verbal and written correspondence, the State Auditor's office agreed to modify certain statements in the report for accuracy, and the attached responses reflect those agreed-upon modifications.

Very truly yours,

JAMES R. WILLIAMS
County Counsel

Zoé E. Friedland

ZOE E. FRIEDLAND
Deputy County Counsel

* California State Auditor's comments begin on page 93.

Santa Clara County Continuum of Care Responses to California State Auditor Report

January 21, 2021

Recommendation from the State Audit Report (Page 33)

"To help ensure that [it has] adequate levels of services and service providers in [its] area to meet the needs of people who are experiencing homelessness, the [County] of Santa Clara should coordinate with [its] CoC to ensure that the CoC annually conducts a comprehensive gaps analysis in accordance with the plan [it has] developed under federal regulations. To be effective, the gaps analyses should consider whether adequate services are available in the areas where individuals are experiencing homelessness and contain strategies to address any deficiencies."

Santa Clara County Continuum of Care Response

1 The Santa Clara County CoC conducts an annual gaps analysis in compliance with its regulatory obligations. The Continuum of Care Program regulations state that the "Continuum must develop a plan that includes" "[c]onducting an annual gaps analysis of the homeless needs and services available within the geographic area." 24 CFR § 578.7(c). The regulation is silent on the details of how the gap analysis should be conducted, leaving the scope, method, and format of the gaps analysis to the discretion of the Continuum of Care Program.

The Santa Clara County CoC complies fully with the relevant regulation. The CoC's gaps analysis plan provides that the gaps analysis is conducted through workgroups and annual reporting functions. This process includes:

- Annual Coordinated Assessment System Evaluation
- Annual System Performance Benchmark Setting Process
- Annual State of Supportive Housing System Report
- Monthly Supportive Housing System Dashboard Reports

These reports and processes consist of analyses of the homelessness needs, including, but not limited to, the number of people experiencing homelessness, estimates of the level of housing intervention needed for individuals experiencing homelessness, the living situation of households experiencing homelessness, and the demographic characteristics of the homeless population. The reports also include an analysis of the services available, including, but not limited to, the capacity and utilization of programs and the population served by programs across the County. These reports also include recommendations on how to address any identified gaps as well as strategies to improve programming and services.

Additionally, the planning and implementation of the Community Plan to End Homelessness includes regular assessment of gaps and strategies to address those gaps. The CoC's process of continually reviewing gaps, as well as system and program outcomes across workgroups and the Board, ensures that leadership and program staff fully understand the effectiveness and breadth of its homeless programs, empowering the CoC to make real time changes to improve services and outcomes instead of making decisions on stale data and findings that may no longer be applicable or relevant to the population being served. The Santa Clara County CoC designed this approach to the gaps analysis to ensure that the practice of addressing identified gaps is a regular part of strategic planning and integrated into ongoing system improvement efforts.

Recommendation from the State Audit Report (Page 33)

"To ensure that [it] use[s] the most effective method of identifying individuals in [its county] who are experiencing homelessness, the [County] of Santa Clara should, by August 2021, coordinate with [its] CoC to conduct an analysis to determine if the use of a mobile application to conduct [its] 2022 PIT count is feasible."

Santa Clara County Continuum of Care Response

As communicated previously, the Santa Clara County CoC will be offering a mobile application for its next PIT Count, after conducting a thorough planning process for the rollout of the mobile application. After conducting the next count using a mobile application, the CoC will assess the efficiency, accuracy, and efficacy of the modified process as compared to the current workflow to determine the best approach going forward. It is currently unknown whether the use of a mobile application will serve as the most effective means for conducting a PIT count with the population being served due to limited access to and discomfort with the technology. 2

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Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE COUNTY OF SANTA CLARA

To provide clarity and perspective, we are commenting on the County of Santa Clara's (Santa Clara) response to the audit. The numbers below corresponds to the numbers we have placed in the margin of its response.

We evaluated the gaps analysis of the five CoCs, including Santa Clara CoC, against best practices because federal regulations do not have specific requirements. Based on these best practices, we determined that Santa Clara CoC does not take a comprehensive approach to performing a gaps analysis, as we state on page 30. For example, we found that its coordinated assessment work group's analysis focuses solely on the CoC's coordinated entry process. However, this group's analysis does not comprehensively identify services that are needed but not available within the CoC's area. Therefore, we stand by our recommendation that Santa Clara work with its CoC to annually conduct a comprehensive gaps analysis that aligns with the best practice to consider whether adequate services are available in the areas where individuals are experiencing homelessness and that contains strategies to address any deficiencies. 1

We look forward, as part of our regular follow up process, to reviewing Santa Clara's assessment of the use of a mobile application to conduct PIT counts compared to its current process to determine the best approach going forward. 2